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## IMPACT OF NIGERIA EXCHANGE GROUP ON ECONOMIC GROWTH IN NIGERIA 2008-2020

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### Abstract

*This study examined the impact of the Nigerian Exchange Group (NGX) on economic growth in Nigeria from 2008 to 2020. The objectives were to determine the effect of the All-Share Index (ASI), Market Capitalization (MC), and Number of Deals (NOD) on Nigeria's Gross Domestic Product (GDP), used as a proxy for economic growth. Secondary data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and other relevant publications. The study adopted an ex post facto research design and employed the Ordinary Least Squares (OLS) multiple regression technique for data analysis. The findings revealed that the All-Share Index had a positive but statistically insignificant impact on GDP. Market Capitalization exhibited a positive and statistically significant relationship with GDP, indicating that increases in market capitalization contributed significantly to economic growth during the study period. The Number of Deals showed a negative but statistically insignificant effect on GDP. The overall model was statistically significant and explained approximately 90 percent of the variations in economic growth. The study concludes that the Nigerian stock market contributes to economic growth primarily through market capitalization, while the effects of the All-Share Index and Number of Deals remain limited. Based on the findings, the study recommends that government should formulate policies that attract both local and foreign investments into the capital market, strengthen collaboration between the Securities and Exchange Commission (SEC) and relevant stakeholders, improve*

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*market efficiency, and ensure strict compliance with market regulations to enhance investor confidence and promote sustainable economic growth.*

**Keywords:** *Nigerian Exchange Group, Economic Growth, Market Capitalization, All-Share Index, Number of Deals, Capital Market.*

## **Introduction**

The stock exchange market plays an important role in both developed and developing economies by providing a platform for the trading of securities such as government bonds, debentures, preference shares, and ordinary shares. Through these activities, stock exchanges contribute to economic growth by mobilizing savings, encouraging investments, and supporting business expansion. Nigeria, as one of the developing economies in sub-Saharan Africa, operates its own stock market known as the Nigerian Exchange Group. Established originally as the Lagos Stock Exchange in 1960, later renamed in 1977 and was demutualized and renamed the Nigeria Exchange Group (NGX Group) in 2021. The exchange has grown to include branches across major commercial cities in the country.

Over the years, the Nigerian Exchange Group has attracted both local and multinational companies operating in different sectors of the economy, including agriculture, manufacturing, and services. As a result, the performance of the stock exchange is closely connected to the overall condition of the Nigerian economy. This study therefore examines the structure and operations of the Nigerian Exchange Group by exploring its history, objectives, functions, trading activities, regulations, settlement procedures, and contribution to national economic development.

The Nigerian Exchange Group, like other stock markets around the world, is expected to operate efficiently and reliably in order to support economic growth and withstand periods of financial instability. However, the ability of the Nigerian stock market to establish effective intermediary institutions capable of meeting the increasing demands of both local and foreign investors, especially during periods of global financial crisis and economic recession, remains a major concern. Despite the important role the stock exchange is expected to play in the development of the Nigerian economy, public awareness and understanding of the financial instruments traded on the exchange remain very low. This lack of awareness has contributed to the slow utilization of stock market services in Nigeria, thereby limiting the market's potential contribution to economic development and investment growth.

The following are the objectives of this study:

1. To determine whether the All-Share Index of the Nigerian Exchange Group has a significant impact on the Gross Domestic Product of Nigeria.
2. To examine the relationship between market capitalization and the Gross Domestic Product of Nigeria.
3. To ascertain whether the number of deals in the stock exchange market has any significant effect on economic growth in Nigeria.

The following research questions are formulated to guide this study:

3. What significant impact does the All-Share Index have on the Gross Domestic Product of Nigeria?
4. What is the significant relationship between market capitalization and the Gross Domestic Product of Nigeria?
5. How does the number of deals in the stock exchange market significantly affect economic growth in Nigeria?

The following null hypotheses were formulated:

**H<sub>01</sub>:** The All-Share Index does not have a significant impact on the economic growth of Nigeria.

**H<sub>02</sub>:** There is no significant relationship between market capitalization and the economic growth of Nigeria.

**H<sub>03</sub>:** The number of deals in the stock exchange market has no significant effect on the economic growth of Nigeria.

## **Review of Related Literature**

### **Conceptual Framework**

#### **The Nigerian Exchange Group**

The Nigerian Exchange Group (NGX), established in 1960 as the Lagos Stock Exchange and renamed the Nigerian Stock Exchange in 1977, was demutualized and restructured into the Nigerian Exchange Group (NGX Group) in 2021. It operates two market tiers (First-Tier and Second-Tier) based on listing requirements, and handles both primary (new issues) and secondary (existing shares) markets. Its major objective is to provide an efficient, reliable, and transparent

market for investors with fair pricing of securities. Key operations include trading, pricing, clearing and settlement through the Central Securities Clearing System (CSCS), market regulation, and computation of the All Share Index (ASI). Over the years, the Exchange has played a vital role in capital formation and economic development by promoting investment. However, the 2007–2008 Global Financial Crisis caused significant instability in the market and the wider economy.

### **Stock and Stock Exchange**

According to Okezie (1998), stock refers to the legal capital of a corporation that is divided into shares for ownership purposes. In the same vein, Aile and Anao (2000) described the stock exchange as a market where different types of securities such as bonds, stocks, and shares are openly traded, making it easier for investors to buy and sell securities. They further explained that the stock exchange serves as a vital institution for raising large amounts of capital needed for industrial and commercial activities under competitive conditions that few other financial institutions can provide. Furthermore, Okezie (1998) defined the stock exchange as a market where shares and stocks are traded and as an institution that ensures the efficient allocation of available capital resources to different sectors of the economy. These definitions highlight the important role of the stock exchange in facilitating investment, mobilizing savings, and promoting economic growth.

### **Classification of the Nigerian Stock Market**

The Nigeria Exchange Group operates two main market tiers based on company size and listing requirements:

- **First-Tier Market:** For large, well-established companies. Requirements: Minimum 5 years operation, audited accounts not older than 9 months, and at least 25% public shareholding.
- **Second-Tier Market:** For smaller and emerging companies. Requirements: Minimum 3 years operation, recent audited accounts, and lower public equity offering.

These tiers promote wider participation, support business growth, and maintain regulation and transparency in the capital market.

### **Objectives of the Nigerian Exchange Group**

The memorandum of association of the Nigerian Exchange Group outlines several objectives aimed at meeting the needs of investors and promoting economic development. These objectives include: Providing an efficient, reliable, and informed open market for the trading of securities; supplying continuous information to dealing members to enable them perform their functions

effectively; Maintaining fair and stable prices for securities traded on the exchange; broadening the practice of share ownership among members of the public; encouraging the investment of savings by ensuring that stocks and shares are easily accessible; maintaining discipline and integrity within the capital market; providing financial strategies for projects with long-term gestation periods; promoting increased public participation in the private sector of the economy.

### **Functions of the Nigeria Exchange Group**

The Nigeria Exchange Group performs several important functions that contribute to the growth of the Nigerian economy and the development of the capital market. These functions include: Providing facilities for the buying and selling of stocks, shares, and other securities by the public; controlling and regulating the quotation of securities on the exchange for companies, governments, municipalities, and corporate organizations; regulating the activities and dealings of members in relation to their clients; promoting and supporting policies or legislation that will enhance the achievement of its objectives; facilitating the purchase and sale of securities in the capital market; assisting in the trading of government securities; mobilizing private and public savings and channeling them into productive investments through stocks and shares.

### **Operations of the Nigeria Exchange Group**

- a. Lists companies and securities for trading.
- b. Features companies with local and multinational affiliations across agriculture, manufacturing, and services.
- c. Operates the Automated Trading System (ATS) for electronic matching of bids and offers.
- d. New issues priced by issuing houses/stockbrokers; secondary market prices determined by stockbrokers.
- e. Daily publication of stock prices and All-Share Index (ASI) via official lists, website, newspapers, and Reuters.
- f. Electronic clearing, settlement, and delivery through the Central Securities Clearing System (CSCS).
- g. Market activities regulated by the Nigeria Exchange Group and the Securities and Exchange Commission (SEC).
- h. Supported by stockbroking firms, issuing houses, law firms, auditors, and reporting accountants.

- i. Guided by high standards of integrity and investor protection.
- j. Facilitates participation by foreign investors and operators.

### **Causes of the Global Financial Crisis**

- a. Boom in the U.S. Housing Market (Early 2000s)
- b. Sub-Prime Mortgage Lending
- c. Adjustable-Rate Mortgages (ARMs)
- d. Securitization of Risky Loans
- e. Global Spread of Risky Securities
- f. Falling House Prices (2006–2007)
- g. Sharp Rise in Loan Defaults and Foreclosures
- h. Heavy Losses by Financial Institutions
- i. Credit Crunch
- j. Role of Fannie Mae and Freddie Mac
- k. Excessive Risk-Taking and Greed
- l. Regulatory and Oversight Failures

### **Impact of the Global Financial Crisis**

The 2007–2008 Global Financial Crisis affected Nigeria despite initial claims of insulation. Key impacts included:

- The NSE, after booming in 2006–2007, saw share prices fall by over 50%, wiping out massive investor wealth.
- Donor countries and institutions (World Bank, IMF, AfDB) reduced funding, affecting education, healthcare, and infrastructure.
- Multinational companies scaled down or exited, causing business closures and sharp rise in unemployment, especially among youths.

- Falling oil prices led to revenue shortfalls, budget deficits, and challenges in funding infrastructure. The government relied more on borrowing and PPPs amid a global credit crunch.
- Banks faced reduced foreign credit lines, limiting financing for oil & gas, telecoms, and infrastructure projects.

### Efforts Made Towards Contending the Global Financial Crisis

To mitigate the crisis, the Central Bank of Nigeria (CBN), Nigeria Exchange Group (NGX) , and Securities and Exchange Commission (SEC) implemented several interventions:

5. NSE cut application fees from 0.6% to 0.3% and reduced secondary market transaction fees to stimulate trading.
6. Launched ETFs, Mortgage-Backed Securities, REITs (e.g., Skye Shelter Fund and Union Homes ₦50 billion REIT), and new sector indices.
7. Inspected 234 dealing firms; most were profitable, 80% fully automated, and many well-capitalized above ₦1 billion.
8. Launched the Nigerian Journal of Securities and Finance (NJSF) to promote research and knowledge sharing.

These measures helped stabilize the capital market, restore investor confidence, and improve market efficiency during the crisis.

### Theoretical Literature

Successful stock market investing depends on predicting market movements. However, due to many unpredictable factors, no single theory fully explains stock market behaviour. The following are the main theories:

1. **Company Fundamentals Theory** This theory emphasizes analyzing the company's intrinsic value. Investors focus on the company's financial health, management quality, profitability, and stability. Strong, well-managed companies are expected to deliver long-term growth, even if their stock is temporarily undervalued.
2. **Environment Theory** This approach focuses on external factors rather than the company itself. It considers macroeconomic and political influences such as government policies, inflation, elections, laws, wars, and international relations. These environmental factors can significantly affect market performance and investment outcomes.

3. **Supply and Demand Theory** This theory explains stock price movements through basic market forces. Prices rise when demand for a stock is high and supply is low, and fall when supply exceeds demand. Price changes can occur independently of a company's fundamentals due to trading activity alone.
4. **Investor Psychology Theory** This theory highlights the role of human emotions and behaviour. It argues that investors are not always rational and are often influenced by fear, greed, rumors, and herd mentality. As a result, stock prices can be driven more by market sentiment and collective psychology than by actual financial realities.

These theories provide different angles through which investors can analyze and make informed investment decisions.

### **Empirical Literature**

N'zue, (2024) conducted a study on the relationship between the development of the Ivorian stock market and the country's economic performance. The result identified a long-run relationship between the stock market development and economic growth when the control variables were included and a causality running from the stock market development to economic growth. Iyare, et. al., (2024) used VAR and VECM framework to examined the linkage between financial development and growth using aggregate data on the Caribbean countries. The result revealed long-run equilibrium relationship only in Trinidad and Tobago and the causality is bidirectional which implies feedback response while the short-run relationship in other countries studied are reported to be mixed that is, either supporting supply leading hypothesis or demand following hypothesis.

Filer, et. al., (2023) carried out investigation on whether stock market causes economic growth revealed that the roles that equity markets play in a modern economy do not appear to be indispensable for economic growth. They argued that equity market development can only instigate currency appreciation and not overall output. Ezeibekwe, (2023) evaluated the correlation between stock market development and long-run economic growth in Nigeria using the VECM. The result of the study suggested that stock market development, as proxied by market capitalization to GDP ratio, does not contribute significantly to long-run economic growth in Nigeria.

Osaseri, et. al., (2023) using quarterly time series data between 1994Q1 to 2022Q4, examined stock market development and economic growth in BRICS (i.e., Brazil, Russia, India, China and South Africa). The study revealed a positive and significant impact of stock market development on economic growth. Araoye, et. al., (2023) examined the impact of the Nigerian Stock market development on the nation's economic growth from 1985 to 2022. The economic growth was proxy by the GDP while two measures of stock market development vis MCAP and MTR as proxy

for stock market development in terms of size and liquidity. The result revealed stock market has an insignificant positive relationship with economic growth.

Bayar, et. al., (2023) studied the role of stock market development in economic growth in Turkey during the period of 1999-2022. The study indicated a long-run relationship between economic growth and stock market capitalization, total value of stocks traded, turnover ratio of stocks traded and also there is unidirectional causality from stock market capitalization, total value of stocks traded and turnover ratio of stocks traded to economic growth. Osakwe, et. al., (2023) assessed the long-run relationship between stock market development and economic growth in Nigeria from 1981 to 2022, using MCR and TOR as the measure the depth of development of Nigeria's stock market and growth rate of real GDP as proxy for economic growth. The study revealed that the depth of development in Nigeria's stock market has positive but insignificant relationship with economic growth both in short and long-run. The implication of the result is that economic growth is independent of stock market development

Anulika, (2023) examined the impact of the Nigeria Exchange Group on economic growth from 1981 to 2022. GDP is the dependent variable, a proxy for economic growth. Market capitalization is a proxy for the Nigeria Exchange Group. The study revealed a mixed and inconclusive impact of stock market development on economic growth.

Jung, (2023) investigated the short-run and long-run relationship between the stock market and the economic growth of South Korea, applied a four-variable vector auto-regressive model (VAR) using time series data from 1961 to 2021, his result revealed a positive impact of financial development on economic growth with a unidirectional causality running from financial development to economic growth. Muhammad, et. al., (2023) examined the role of stock markets in the economic growth of four Asian countries which includes Bangladesh, India, China and Singapore using annual time series data ranging from 1991 to 2021. The study applied ARDL and analytical techniques to analyzed the long-run relationship among economic growth, foreign direct investment (FDI), stock market development and inflation. The result revealed that stock development is statistically significant in China and Singapore. In the short-run, the stock market exerted a positive impact on economic growth but is only significant in China and India. It was concluded that stock market development plays a vital role in the countries studied.

Karimo, et. al., (2023) examined the direction of causality between financial deepening and economic growth in Nigeria between the period of 1970 and 2020. Applying Toda- Yamamoto augmented Granger Causality, the study revealed that financial deepening leads to economic growth giving support to supply leading hypothesis. Popoola, et. al., (2023) investigated the short/long-run effect, and causal relationship between stock market and economic growth in Nigeria using the ADF unit root test, OLS, Johansen Co-integration test and Pairwise granger causality methods. The study revealed a long-run relationship between stock market performance

and economic growth in Nigeria. Meanwhile, the Granger causality test results showed that stock market performance does not Granger cause economic growth but economic growth Granger caused stock market performance at 5% significance level which also implies a unidirectional relationship running from economic growth to stock market performance.

Bilal, et. al., (2023) carried out research on the impact of stock market development on economic growth using panel data techniques by fixed effects and random effects and applying the Hausman test using data from 20 lower-middle income countries from 1990 to 2021. The results of the study suggested a positive and significant relationship between stock market developments on economic growth. The study also measured the exact impact of stock market development on the growth of the economy by control variables such as financial depth (FD), investment (INV), foreign direct investment (FDI), trade openness (TO) and inflation (INF). Brown, et. al., (2023) examined the imperative of the stock market on economic performance in Nigeria market capitalization, total value traded ratio, real GDP per capita, inflation rate and trade openness of the economy. The study which adopted OLS techniques of multiple regression and co-integration test, found a positive relationship between stock market development and economic growth.

Erasmus, (2023) examined the relationship between stock market evolution and sustainable economic growth in Nigeria. The study employed ARDL-bounds testing approach and a combined stock market indicator index to examined the relationship. The study revealed a negative/mixed or inconclusive impact of stock market development on economic growth. Okoye, et. al., (2023) investigated the relationship between capital market development and economic growth using Nigerian data on GDP while stock market development was proxied by MCR, VTR and STR. The result revealed that the stock market significantly impacts on economic growth both in the short run and long run and a unidirectional causality running from stock market to economic growth.

Naik, et. al., (2022) empirically examined the impact of stock market development on economic growth for a panel of 27 emerging economies using annual data for the period of 1995 to 2021. The studies revealed that stock market development significantly contributes to economic growth with a unidirectional causality running from stock market to economic growth. The study also revealed that macroeconomics variables (investment ratio, trade openness and exchange rates) have significant impact on economic growth. Okonkwo, et. al., (2022) used Johansen co-integration test to examined the impact of stock market development on economic growth; including the direction of causality between the dependent and independent variables in Nigeria with four measures of stock market development. The study established the existence of co-integration for all the stock market development measures. The study found the existence of a long-run positive relationship between stock market development and economic growth. It also established a unidirectional relationship between the duo running from economic growth to stock market development.

## Methodology

This study adopted an ex post facto research design and relied on secondary data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistics (NBS), and the Nigerian Exchange Group (NGX). The study focused on the Nigerian capital market and selected macroeconomic indicators over the period 2008–2020. The variables used in the study include Gross Domestic Product (GDP) as a proxy for economic growth, while All-Share Index (ASI), Market Capitalization (MC), and Number of Deals (NOD) were used as indicators of stock market performance. Annual time-series data were utilized to examine the relationship between stock market activities and economic growth in Nigeria. The study employed the Ordinary Least Squares (OLS) multiple regression technique to estimate the effect of stock market indicators on economic growth. The choice of OLS was informed by its suitability for determining the nature, direction, and magnitude of relationships among variables and for testing the stated hypotheses

## Model Specification

The functional form of the model is expressed as:

$$Y = f(ASI, MC, NOD)$$

The econometric model is specified as:

$$GDP = \beta_0 + \beta_1 ASI + \beta_2 MC + \beta_3 NOD + \mu$$

Where:

- **GDP** = Gross Domestic Product
- **ASI** = All Share Index
- **MC** = Market Capitalization
- **NOD** = Number of Deals
- $\beta_0$  = Constant term
- $\beta_1 - \beta_3$  = Parameters to be estimated
- $\mu$  = Error term (other factors affecting GDP not captured in the model)

## Results and Discussions

### Econometric Estimation Result

The Ordinary Least Squares (OLS) regression technique was employed to determine the relationship between stock market indicators and economic growth in Nigeria.

### Regression Result (Dependent Variable: GDP)

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	43883.65	16063.58	2.731872	0.0232
ASI	0.240527	0.938189	0.256373	0.8034
MC	3.456997	0.789962	4.376153	0.0018
NOD	-0.012760	0.005716	-2.232410	0.0525
<b>R-squared</b>	<b>0.921869</b>	<b>Mean dependent var</b>	<b>91411.90</b>	
Adjusted R-squared	0.895825	S.D. dependent var	37056.18	
F-statistic	35.39704	Prob(F-statistic)	0.000026	
Durbin-Watson stat	1.720953			

**Source:** E-Views (10) Output (2025)

The adjusted R-squared value of 0.8958 indicates that approximately 90% of the variation in GDP is explained by the explanatory variables (All Share Index, Market Capitalization, and Number of Deals), while the remaining 10% is explained by other factors captured in the error term.

The F-statistic probability value of 0.000026 shows that the model is statistically significant and well specified at the 5% level. This confirms that the explanatory variables jointly have a significant effect on economic growth.

The Durbin-Watson statistic of 1.720953 suggests a mild presence of positive serial correlation, although it is close enough to 2 to indicate that the model is reasonably reliable for interpretation.

**All Share Index (ASI):** The coefficient of ASI is positive (0.240527) but statistically insignificant (0.8034). This implies that changes in the All Share Index do not significantly influence economic growth in Nigeria during the period under review.

**Market Capitalization (MC):** Market capitalization has a positive coefficient (3.456997) and is statistically significant (0.0018). The coefficient of market capitalization (3.456997) implies that a one-unit increase in market capitalization increases GDP by approximately 3.46 units, holding other variables constant.

**Number of Deals (NOD):** The coefficient of NOD is negative (-0.012760), indicating an inverse relationship between the number of deals and economic growth. This suggests that an increase in the number of deals is associated with a slight decrease in Gross Domestic Product (GDP), holding other variables constant. However, the probability value of 0.0525 is greater than the 0.05 level of significance. Therefore, the effect of the number of deals on economic growth is statistically insignificant. This implies that trading activity, as measured by the number of deals, did not exert a significant influence on economic growth in Nigeria during the period under review.

### Test of Hypotheses

**Hypothesis 1:** Since the probability value (0.8034) is greater than 0.05, the null hypothesis is not rejected. Therefore, the All-Share Index does not have a statistically significant impact on economic growth in Nigeria.

**Hypothesis 2:** Since the probability value (0.0018) is less than 0.05, the null hypothesis is rejected. Therefore, market capitalization has a statistically significant positive relationship with economic growth in Nigeria

**Hypothesis 3:** Since the probability value (0.0525) is greater than the 0.05 significance level, the null hypothesis is not rejected. Therefore, the number of deals does not have a statistically significant effect on economic growth in Nigeria during the study period.

The empirical results reveal that stock market development has a mixed impact on economic growth in Nigeria. While market capitalization shows a strong and significant positive relationship with GDP, the All-Share Index is positive but insignificant, suggesting limited influence on economic performance. The number of deals shows a weak and slightly negative relationship with GDP, indicating inefficiencies in trading activity.

Overall, the findings suggest that the Nigerian stock market contributes to economic growth mainly through market capitalization, while other indicators show limited or inconsistent effects. This implies that improvements in market efficiency and trading activity are still needed to fully harness the benefits of the stock market for economic development.

## Conclusion

This study examined the impact of the Nigerian Exchange Group on economic growth in Nigeria using annual data covering the period 2008–2020. The study employed the Ordinary Least Squares (OLS) regression technique to investigate the relationship between Gross Domestic Product (GDP) and selected stock market indicators, namely the All-Share Index (ASI), Market Capitalization (MC), and Number of Deals (NOD). The findings revealed that Market Capitalization had a positive and statistically significant effect on economic growth, indicating that the expansion of the stock market through increased capitalization contributes meaningfully to economic development in Nigeria. The All-Share Index exhibited a positive but statistically insignificant relationship with GDP, suggesting that stock price movements alone did not significantly influence economic growth during the study period. Similarly, the Number of Deals showed a negative but statistically insignificant relationship with GDP, implying that trading activities in the market did not have a significant impact on economic growth. The overall regression model was statistically significant and explained a substantial proportion of the variations in economic growth, demonstrating the importance of stock market activities in the Nigerian economy. However, the results indicate that the contribution of the stock market to economic growth is driven primarily by market capitalization rather than by market performance indicators or trading volume. The study therefore concludes that strengthening the depth and capitalization of the Nigerian stock market can enhance its contribution to economic growth. Consequently, policies aimed at increasing investor confidence, attracting domestic and foreign investments, improving market efficiency, and promoting broader participation in the capital market should be encouraged to foster sustainable economic growth in Nigeria.

## Recommendations

Based on the findings of the study, the following recommendations are made:

1. The government should formulate and harmonize policies that will attract both foreign direct investment and local investment into the Nigerian stock market.
2. The Securities and Exchange Commission (SEC) should collaborate effectively with the government in developing investment policies and regulatory frameworks that will enhance the performance and stability of the stock exchange market.
3. The rules and regulations guiding investment activities in the capital market should be strictly enforced to ensure transparency, accountability, and fairness in market operations.
4. The stock market should operate efficiently by ensuring that relevant information concerning stocks and market activities is made publicly available to investors at all times.

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