

SOCIOECONOMIC IMPACT OF COVID-19 PANDEMIC ON SMALL BUSINESSES IN LAHORE

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ABSTRACT

In the economies of developed countries small and informal businesses have been widely studied and paid attention however, in the less developed countries only small attention has been paid. It also constitutes the current body of literature regarding the small business of developing countries. This study focused on the SME sector of Pakistan with a special focus on small & informal businesses particularly. In the scenario of Pakistan, there is insufficient knowledge on this sector and this research attempts to fill this gap. The total business establishment in Pakistan is comprised of more than 90 percent representation of small businesses. Dynamic and flexible Small businesses are playing their part in overcoming unemployment, increasing social capital, enhancing management skills and technology diffusion in all over Pakistan. SMEs are efficiently mobilizing domestic resources and create employment opportunities. After the examination of the problem statement, significance of the research work, and the development of the questionnaire, the researcher collected the relevant data to reach a meaningful conclusion. This study tries to discover the importance and socioeconomic impacts faced by the small business sector during the COVID-19 pandemic in Pakistan and emphasized the need to take the appropriate policy measures required to rescue the small business in post-disaster settings.

Key words: SME sector, social capital, COVID-19 pandemic.

INTRODUCTION

The developing economies are badly affected by the corona virus. As a result, developing countries could see income losses in excess of \$220 billion. More than 90 developing countries have approached the International Monetary Fund (IMF) for emergency funding and financial assistance. The IMF is calling for the temporary suspension of debt payments to poorest developing countries. International investors are pulling out their money from emerging markets. This results in the reversal of capital flow and decreases the value of the country's currency. Developing countries are also likely to suffer due to the decline in money that is sent by migrant workers to their families at home. International investors are also pulling out their money from the emerging markets. According to the IMF's chief economist Gita Gopinath, the appetite for risk has waned among international investors. This means they are more

inclined to sell investments that are relatively risky including bonds and shares in emerging markets and pull money back to what they regard as safer stakes, such as the US, Europe, or Japan.

This results in the reversal of capital flow and decreasing the value of the currency of the country. That also raises another issue - foreign debt. With a decline in the value of a national currency, it becomes more expensive to repay or pay interest on, debts in other currencies. At times of health and economic crisis, when developing country government budgets are under pressure, debt payments could be a serious diversion of scarce resources and leave lasting effects on the economy. Developing countries are also likely to suffer due to the decline in money that is sent by the migrant workers to their families at home. These remittances are often sent from rich to poorer countries and are highly important to support a

family's standard of living. World Bank recently warns that due to pandemic this year, they are likely to fall by as much as 20%. According to the bank, migrant workers tend to be particularly vulnerable to losing incomes and jobs.

Significance of the study:

COVID-19 pandemic has triggered an economic crisis and deep recession due to slow economic activity. It has generated a human development crisis ranging from Global North to Global South and from the leading world economies to the poorly governed states of Sub-Saharan Africa. It is a pity no one could survive the multifarious blow of the dreadful health crisis. COVID-19 had a triple hit to the economy, health, and social life. The economic system had never been in such a precarious situation over the last three decades as it is now. Not just national economic growth but the decreased per capita has sent a shock to all and sundry in the world. All sectors of the economy are on the verge of collapse throughout the world. Similarly, Small Businesses in Pakistan are greatly affected by the COVID-19 pandemic lockdown which is an essential player in the economic growth of Pakistan. This study will investigate the socioeconomic impacts of COVID-19 pandemic policies on small businesses in Lahore (capital of Punjab Province). Possibly few studies have been carried out on this current issue. This study will be a source of evidence-based knowledge for administrators and policymakers to develop an SME development framework to mitigate the crisis caused by the COVID-19 pandemic.

Statement of the problem

The overall purpose of the proposed study is to investigate and analyze the socio-economic impacts of the COVID-19 pandemic on small businesses in Lahore. The main objectives of this research are (1) To investigate the socioeconomic impact of the COVID-19 pandemic on small businesses in Lahore. (2) To know the status of small businesses with a change in the socio-economic condition of the country. (3) To know the impact of the COVID-19 pandemic on the employment sector in small businesses.

Limitation of the study:

The study is limited to small businesses in Lahore. The generalizability of the study is limited due to

the COVID-19 situation i.e. traveling restriction, closure of markets, limited human interactions, etc. The study was further delimited to four major markets due to time constraint and limited resources, focusing attention on the socio-economic impact of the COVID-19 pandemic on small businesses as a social problem.

Research Methodology:

Cross-sectional research design was chosen which has three characteristic features: no time dimension; a dependence on existing differences rather than change following intervention; and, selection of groups based on existing difference. This study was quantitative in nature by interviewing the small businessmen in different markets as a tool for data collection and data was collected from the selected sample. The universe was selected according to the main problem and the criteria set in the research study. The focus of this research is to study the socio-economic impact of COVID-19 on small businesses in Lahore. Following are the names of all the markets selected for this research study. Due to the time limitation, resources unavailability/SOP's, lockdown due to COVID-19 and personal hygiene and safety, some of the markets in Lahore, were selected as case study (1) Township Market, Lahore (2) International Market, Model Town, Lahore (3) Kareem Market, Lahore. The study of all markets in Lahore in the research territory would have been contagious for health because of COVID-19 and consumed more time than was required for the ease; only 50 owners of small businesses were interviewed to explore the issues they faced in the challenging times of COVID-19. For the present study convenience/accidental sampling will be used. Analysis of quantitative data was used in diagrams and statistics. The main primary data collection method used in this research study was questionnaire. After the collection of primary data, the processing of data was started. So, data processing involved a large volume of input data, relatively few computational operations, and a large volume of output. Data processing includes processes such as: (1) Sorting – assembling things in some sequence (2) Reporting – summary data or list detail (3) Aggregation – joining numerous pieces of data. (4) Analysis – involves data interpretation and presentation. (5) Classification – separating data into several categories. (6) Validation – making sure

that supplied data is relevant and correct. In our research work, the data is processed by using Statistical Package for the Social Sciences(SPSS).

RESULTS AND DISCUSSION:

Following table provides the information about the age of respondents for the convenience researcher made four age groups i.e. 1. >18 and <30, 2. >31 and <40, 3. >41 and <50 & 4. >51 and <60. The data

shows that 51 percent of the respondents belonged to first group that is of age between 18-30, 38.8 percent respondents belonged to second age group which is of age between 31 and 40, 8.2 percent respondents are from third age group which is of age between 41-50 whereas 2 percent respondents are from fourth age group which is between 51-60 years of age.

Table 1: Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30	25	50.0	51.0	51.0
31-40	19	38.0	38.8	89.8
41-50	4	8.0	8.2	98.0
51-60	1	2.0	2.0	100.0
Total	49	98.0	100.0	
Missing System	1	2.0		
Total	50	100.0		

Table 2: Number of years in the business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5	29	58.0	58.0	58.0
6-10	12	24.0	24.0	82.0
11-15	2	4.0	4.0	86.0
More than 16	7	14.0	14.0	100.0
Total	50	100.0	100.0	

The data reveals that 58 percent of respondents are from first group which is between 1 and 5 years, 24 percent of respondents are from second group which is between 6 to 10 years, only 4 percent

respondents belonged to third group which is between 11-15 years whereas 14 percent respondents are from fourth group which is 16 and above years in business.

Table 3: Number of employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-5	46	92.0	92.0	92.0
6-10	3	6.0	6.0	98.0
More than 10	1	2.0	2.0	100.0
Total	50	100.0	100.0	

The data reveals that 92 percent of respondents are from first group which is between 1 and 5 number of employees, 06 percent of respondents are from second group which is between 6 to 10 number of employees, only 02 percent respondents belonged to third group which is between 11-15 years

whereas 14 percent respondents are from fourth group which is 16 and above years in business. From the above data we can conclude that most of the small businesses have number of employees less than 5 which is 92 percent in our sample.

Table .4: Perception about effectiveness of precautionary measures

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	35	70.0	70.0	70.0
Somewhat Agree	6	12.0	12.0	82.0
Neither Agree nor disagree	3	6.0	6.0	88.0
Somewhat Disagree	2	4.0	4.0	92.0
Strongly Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

The data also shows that 4 percent respondents somewhat disagree to the extensive effectiveness of precautionary measures however 8 percent

respondents strongly disagree to the extensive effectiveness of precautionary measures to avoid negative impact of COVID-19 outbreak.

Table .5: Perception about the impact of overall setup of every businessman

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	40	80.0	80.0	80.0
Somewhat Agree	5	10.0	10.0	90.0
Neither Agree nor disagree	1	2.0	2.0	92.0
Strongly Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

The data also reveals that 08 percent respondents strongly disagree to the statement and think that

covid-19 had not disturbed the overall setup of businessmen.

Table 6: Perception about duration of COVID-19 impact on small businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	23	46.0	46.0	46.0
Somewhat Agree	11	22.0	22.0	68.0
Neither Agree nor disagree	7	14.0	14.0	82.0
Somewhat Disagree	1	2.0	2.0	84.0
Strongly Disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Data also shows that only 2 percent respondents somewhat disagree, and 16 percent strongly disagree to the statement and think that the impact

of COVID-19 on their business is temporal. However, 14 percent respondents neither agree nor disagree

Table 7: Perception about the impact of COVID-19 on sales/business volume

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	31	62.0	62.0	62.0
Somewhat Agree	9	18.0	18.0	80.0
Neither Agree nor disagree	2	4.0	4.0	84.0
Strongly Disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

The data in sample also shows that 16 percent respondent strongly disagree that the COVID- 19

affect the sale/volume of business. However, 4 percent respondent neither agree nor disagree.

Table 8: Perception about firing staff during COVID-1

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	5	10.0	10.0	10.0
Somewhat Agree	9	18.0	18.0	28.0
Neither Agree nor disagree	8	16.0	16.0	44.0
Somewhat Disagree	4	8.0	8.0	52.0
Strongly Disagree	24	48.0	48.0	100.0
Total	50	100.0	100.0	

The data also shows that 10 percent respondents strongly agree to that statement that it is justified to fire any staff member during COVID-19 crisis and

18 percent respondents somewhat agree to the statement.

Table 9: Perception about governmental financial relief

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	18	36.0	36.0	36.0
Somewhat Agree	8	16.0	16.0	52.0
Neither Agree nor disagree	2	4.0	4.0	56.0
Somewhat Disagree	1	2.0	2.0	58.0
Strongly Disagree	21	42.0	42.0	100.0
Total	50	100.0	100.0	

36 percent respondents strongly agree that government has provided sufficient financial relief to the small businesses during COVID-19

lockdown time. 16 percent respondents somewhat agree to the statement.

Table .10: Perception about suspension of payment to suppliers & creditors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	18	36.0	36.0	36.0
Somewhat Agree	11	22.0	22.0	58.0
Neither Agree nor disagree	3	6.0	6.0	64.0
Somewhat Disagree	2	4.0	4.0	68.0
Strongly Disagree	16	32.0	32.0	100.0
Total	50	100.0	100.0	

The data also shows that 32 percent respondents strongly disagree to the statement and believe that not so many business owners has suspended the

payment to the supplier and creditors. 4 percent respondents somewhat disagree to the statement.

Table .11: Perception about the impact of COVID-19 on size of business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	33	66.0	66.0	66.0
Somewhat Agree	4	8.0	8.0	74.0
Neither Agree nor disagree	6	12.0	12.0	86.0
Somewhat Disagree	3	6.0	6.0	92.0
Strongly Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

The sample also shows that 8 percent of respondents strongly disagree to the statement and believe that COVID-19 lockdown had no effect on

the size of businesses.6 percent respondents somewhat disagree to the statement.

Table .12: Perception about reduction of product demand:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	30	60.0	60.0	60.0
Somewhat Agree	3	6.0	6.0	66.0
Neither Agree nor disagree	5	10.0	10.0	76.0
Somewhat Disagree	4	8.0	8.0	84.0
Strongly Disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

The data also shows that 16 percent of respondents strongly disagree to the statement and believe that there is no reduction in demand due to COVID-19

lockdown. 8 percent respondents somewhat disagree to the statement. 10 percent of respondents neither agree nor disagree to the statement.

Table .13: Perception about the impact of COVID-19 on survival of businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	36	72.0	72.0	72.0
Somewhat Agree	5	10.0	10.0	82.0
Neither Agree nor disagree	3	6.0	6.0	88.0
Somewhat Disagree	2	4.0	4.0	92.0
Strongly Disagree	4	8.0	8.0	100.0
Total	50	100.0	100.0	

The following table provides information about the growth opportunities for small businesses during COVID-19 lockdown. According to the data 66 percent of respondents strongly agree to the statement and believe that many businesses found opportunities of growth during COVID-19 time. 12 percent of respondents somewhat agree to the statement.

The data also show that 8 percent of respondents strongly disagree to the statement and believe that business can survive for more than 6 months if the COVID-19 remains uncontrolled. 4 percent respondents somewhat disagree to the same. Only 4 percent respondents neither agree nor disagree to the statement.

Table .14: Perception about federal government relief during COVID-19:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	7	14.0	14.0	14.0
Somewhat Agree	5	10.0	10.0	24.0
Neither Agree nor disagree	3	6.0	6.0	30.0
Somewhat Disagree	3	6.0	6.0	36.0
Strongly Disagree	32	64.0	64.0	100.0
Total	50	100.0	100.0	

The following table provides information about the relief to the small businesses. 64 percent respondents strongly disagree to the statement and believe that federal government did not provided handsome relief to small businesses during COVID-19 lockdown time. Moreover, 6 percent respondents also somewhat disagree to the statement.

14 percent respondents strongly agree that federal government has provided handsome relief to the small businesses during COVID-19 lockdown time. 10 percent respondents somewhat agree to the statement. However, 6 percent respondents neither agree nor disagree to the statement.

Table .15: Perception about local government relief during COVID-19

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	2	4.0	4.0	4.0
Somewhat Agree	3	6.0	6.0	10.0
Neither Agree nor disagree	4	8.0	8.0	18.0
Somewhat Disagree	2	4.0	4.0	22.0
Strongly Disagree	39	78.0	78.0	100.0
Total	50	100.0	100.0	

The data also show that 4 percent respondents strongly agree that local government has provided handsome relief to the small businesses during COVID-19 lockdown time. 6 percent respondents

somewhat agree to the statement. However, 8 percent respondents neither agree nor disagree to the statement.

Table .16: Perception about NGOs relief during COVID-19

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Somewhat Agree	4	8.0	8.0	8.0
Neither Agree nor disagree	4	8.0	8.0	16.0
Somewhat Disagree	1	2.0	2.0	18.0
Strongly Disagree	41	82.0	82.0	100.0
Total	50	100.0	100.0	

The data also show that 8 percent respondents strongly agree that non-governmental organizations (NGOs) have provided handsome relief to the small businesses during COVID-19

lockdown time. 8 percent respondents somewhat agree to the statement. However, only 2 percent respondents neither agree nor disagree to the statement.

Table .17: Perception about UN agencies or development banks relief during COVID-19:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	2	4.0	4.0	4.0
Somewhat Agree	1	2.0	2.0	6.0
Neither Agree nor disagree	3	6.0	6.0	12.0
Strongly Disagree	44	88.0	88.0	100.0
Total	50	100.0	100.0	

The data also show that 4 percent respondents strongly agree that UN agencies or development banks has provided handsome relief to the small businesses during COVID-19 lockdown time. 2

percent respondents somewhat agree to the statement. However, only 6 percent respondents neither agree nor disagree to the statement.

Table .18: Perception about Trade & investment support organizations, banks relief during COVID-19

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	6	12.0	12.2	12.2
Somewhat Agree	1	2.0	2.0	14.3
Neither Agree nor disagree	2	4.0	4.1	18.4
Strongly Disagree	40	80.0	81.6	100.0
Total	49	98.0	100.0	
Missing System	1	2.0		
Total	50	100.0		

The data also show that 12 percent respondents strongly agree that Trade and investment support organizations, banks etc. has provided handsome

relief to the small businesses during Lockdown time.

Table 5.20: Perception about supplier relief during COVID-19

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	13	26.0	26.0	26.0
Somewhat Agree	5	10.0	10.0	36.0
Neither Agree nor disagree	6	12.0	12.0	48.0
Somewhat Disagree	3	6.0	6.0	54.0
Strongly Disagree	23	46.0	46.0	100.0
Total	50	100.0	100.0	

The data also show that 13 percent respondents strongly agree that suppliers has provided handsome relief to the small businesses during COVID-19 lockdown time. 10 percent respondents

somewhat agree to the statement. However, 12 percent respondents neither agree nor disagree to the statement.

Table .19: Perception about customer cooperation during COVID-19

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	23	46.0	46.0	46.0
Somewhat Agree	7	14.0	14.0	60.0
Neither Agree nor disagree	10	20.0	20.0	80.0
Somewhat Disagree	1	2.0	2.0	82.0
Strongly Disagree	9	18.0	18.0	100.0
Total	50	100.0	100.0	

The following table provides information about the cooperation of customers to the small businesses. 18 percent respondents strongly disagree to the statement and believe that customers did not cooperate during COVID-19 lockdown time. 2 percent of respondents somewhat disagree to the same.

The data also show that 46 percent respondents strongly agree that customers fully cooperated during COVID-19 lockdown time 14 percent respondents somewhat agree to the statement. However, 20 percent respondents neither agree nor disagree to the statement.

Table .20: Perception about the impact of COVID-19 on standard of living:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	25	50.0	50.0	50.0
Somewhat Agree	8	16.0	16.0	66.0
Neither Agree nor disagree	4	8.0	8.0	74.0
Somewhat Disagree	3	6.0	6.0	80.0
Strongly Disagree	10	20.0	20.0	100.0
Total	50	100.0	100.0	

The following table provides the information about the effect of COVID-19 on the living standard of many families. The data reveals that 50 percent of respondents strongly agree to the statement and believe that COVID-19 pandemic has affected the standard of living of many families. Also, 16 percent of respondents somewhat agree to the same

The data also show that 20 percent of respondents strongly disagree to the statement and believethat COVID-19 pandemic didn't affected the standard of living of many families. 6 percent ofrespondent somewhat disagree to the same whereas 8 percent of respondents neither agree nor disagree to the statement.

Table .21: Perception about the impact of protective measures on customers & sales:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	20	40.0	40.0	40.0
Somewhat Agree	6	12.0	12.0	52.0
Neither Agree nor disagree	4	8.0	8.0	60.0
Somewhat Disagree	5	10.0	10.0	70.0
Strongly Disagree	15	30.0	30.0	100.0
Total	50	100.0	100.0	

The following table provides information about the effect of protective measures on customers and sales during COVID-19. The data show that 40 percent of respondents strongly agree to the statement that protective measure at their business affect the sales and customers during COVID-19 outbreak. 12 percent of respondents somewhat agree to the same.

The data also show that 30 percent of respondents strongly disagree to the statement and believethat the protective measure do not affect the customers and sales. 10 percent of respondents also somewhat disagreed to the same whereas 8 percent of respondents neither agree nor disagree to the statement.

Table .22: Perception about reality of COVID-19:

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	28	56.0	56.0	56.0
Somewhat Agree	7	14.0	14.0	70.0
Neither Agree nor disagree	1	2.0	2.0	72.0
Somewhat Disagree	1	2.0	2.0	74.0
Strongly Disagree	13	26.0	26.0	100.0
Total	50	100.0	100.0	

The following table provides the information related to the perception of small businessmen about the reality of COVID-19. The data reveal that 56 percent of respondents strongly agree to the statement and believe that COVID-19 is real.

Percent of respondents are somewhat agreed to the reality of COVID-19. The data also show that 26 percent of respondents strongly disagree to the statement and believe that COVID-19 is not reality. 2 percent of respondents also somewhat disagree with the statement

Conclusion and Recommendations:

In the economies of developed countries small and informal businesses have been widely studied and paid attention however, in the less developed countries only small attention has been paid. It also constitutes to the current body of literature regarding small business of developing countries. This study focused on SME sector of Pakistan with special focus on small & informal businesses particularly. In the scenario of Pakistan, there is insufficient knowledge on this sector and this research attempts to fill this gap. This study tries to discover the importance and socioeconomic impacts faced by small business sector during COVID-19 pandemic in Pakistan and emphasized on the need to take the appropriate policy measures required to rescue the small business in post disaster settings.

From the data we conclude that 76% of respondents strongly agree that the supplies of goods are affected by COVID-19. 72% respondents strongly agree that sale increase dependent on new delivery modes has increased. 60% respondents strongly agree that demand for their products and services have decreased. 62% respondents strongly agree that the business/sale volume got affected by current crisis. 42% respondent believes that government did not provide sufficient relief to the small businessmen. 72% respondent strongly believes that many businesses couldn't survive if COVID-19 disease remains uncontrolled for 06 months. The findings reveal that most of the respondents believe that local government, insurance companies, NGOs, Trade and investment support organization, suppliers and banks did not provided relief during COVID-19. Further 50 % respondents said that the current crisis has severely affected their standard of living.

From the above data we can conclude that it is time for small businessmen to understand the risk of failure and equip themselves with the resources which are necessary to absorb the shocks of uncertain natural disasters. This study is also important in a way that it provides evidence-based knowledge and literature to small businessmen, policy makers and regulators to better understand the situation and problems faced by small businesses in Pakistan during COVID-19. It is suggested that in future study, while measuring socioeconomic impacts of COVID-19 on small businesses and compare one with another developing country keeping in view the economic situation.

Recommendations

For Businessmen:

Adjust to the business strategies which are composed of common-sense precautions and modern operations. Improve cash management techniques. Redesign activities and resource so that business can be run during lockdown situations. Improve relationship with partners and employees by improving communication. Adopt a business model with provision of resilience and sustainability by incorporation digital technology.

For Policymakers:

When drafting using pandemic containment strategies i.e. lockdowns, quarantines, travel restrictions, transportation systems keep into account the cost of these initiatives on small businesses. Small businesses are more fragile when the domestic demand of products is low; Business relief programs such as tax relief, low interest rates, easy lending policies, micro financing could help small businesses to absorb the shock in low market demand time.

The state back technical training programs should be initiated which have ability to make small businessman adaptive to digitalization, virtual services so that they can run their business from home during travel bans.

The small businesses are the main source of employment opportunities in developing countries. The government should initiate a relief i.e. temporal unemployment benefit for the lay off workers from small businesses which are severely affected by COVID- 19.

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