The Influence of Government Public Policies, Competitive Business Environment and Managerial Competencies on the Digital Business Practices at the Commercial Banks In Jakarta, Indonesia

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Abstract: This paper investigates: firstly, brief descriptions and advantages of the digital business practices at the commercial banks in Jakarta; secondly, the influence of government public policies, competitive business environment and managerial competencies on the digital business practices; thirdly, strategic implications of digital business practices. A survey method was used to cover information and gather primary data from a sample of 50 managers at the top ten commercial banks in Jakarta, Indonesia. The findings of this research are temporarily based on the hypotheses that government public policies, business environment and managerial competencies positively and significantly influence on the digital business practices at the commercial banks in Jakarta. This research found that 73.2% of changes in the digital business practices was caused by competitive business environment and managerial competency. While 26.8% of changes in the digital business practices caused by other factors which were not observed in this research. The results obtained from the regression equation model with a predicted model as follows: $\hat{Y} = 10.217 + 0.320\ X_1 + 0.175X_2 + 0.123X_3$ The predicted results obtained from the regression equation model have proved dependent variables positively and significantly influence on the digital business practices. So, it is a critical time to suggest that the management of the commercial banks in Jakarta needs to pay close attention to redesign or improve policies on the digital business practices by investing more budgets go for digital information and technology applications to anticipate the future better competitive business environment, especially in facing the era of the ASEAN Economic Community at this time.

Keywords: Government Public Policies, Competitive Business Environment, Managerial Competencies, Digital Business Practices, Commercial Banks, and ASEAN Economic Community.

Introduction

The Indonesian commercial banks have been implementing digital business practices. However, the implementation seems to be in slow progress. This is due to a lack of attention paid to its dynamism. In fact, either management or employees need to have a breadth of knowledge to the implementation of digital business environment. Several years ago, it was very poor that many stakeholders did not know much about dynamism of the digital business environment. Consequently at that time, so many customers in particular and stakeholders in general could not effectively use them. However, nowadays they have already been familiar to use it because many commercial banks in Indonesia have implemented it though not all Indonesian people have effectively used as a part of the more effective, easier and faster operations.

Frankly, Indonesian people need to catch up the progress as made by the other countries. Historically, a few years ago, in macro-economic aspect, the position of technology of Indonesia in 2002 was in the 65th, public institution in the 77th, macro-economic environment in the 53th and business environment in the 65th in 2002. In fact, the condition of the national banks at that time were still poor because of 9,238 banks in Indonesia which consist of 138 commercial banks and 9,100 community credit banks, there are only 20 commercial banks as the main players that coped with 82.81 percent of banking market, the rest i.e. 118 commercial banks could only cope with 17.81 percent

of banking market. However, recently Indonesia got fantastic progress by implementing online banking system based on digital technology and information.

Nevertheless, Indonesia has a big job in order to catch up competitiveness of economies. The recent facts that based on the Global Competitiveness Index 2017, of 138 countries examined, the top ten countries rankings are Switzerland, Singapore, United States, Netherlands, Germany, Sweden, United Kingdom, Japan, Hong Kong and Finland. Indonesia is the 41st rank after India in the 39th rank and Malta in the 40th rank. Simply, based on the Global Competitiveness Index 2017, the Switzerland, Singapore, and United States remain the three world's most competitive economies.

So many factors influencing on digital business practices at the commercial banks in Jakarta. Based on the preliminary observation that government public policies, competitive business environment and managerial skills became the main factors in influencing on business competition. The managers' skill gap to meet the competitive business environment was a recent phenomenon in the commercial banking operation. Therefore, it is a critical time to say that digital business practices depend on the managerial capability or competency to cope with competitive business environment. Considering the above facts, it is interesting to investigate about the digital business practices at the commercial banks in Jakarta. Jakarta is purposely chosen as the object of this investigation due to a logical representation of banking business operations in Indonesia.

The objective of the present study was to analyze the influence of government public policies, competitive business environment, and managerial competencies on the digital business practices at the commercial banks in Jakarta. This study also aims at stimulating critical discussion about the implication of digital business in the workplace and in turn, this study is expected to be able to enrich the knowledge of academicians and professionals on the dynamism of the digital business environment particularly at the banking business operations.

This research paper has been systematically summarized from the thick report one. This paper is divided into four sections. Firstly, brief literature reviews of three elaborated constructs. Secondly, the sample and statistical methods, Thirdly, results and discussion. Finally, conclusions, recommendation, and implications.

Literature Review
Government Public Policies
Sihol Situngkir (2010) has stated a number of key characteristics of the government public policies, namely: online digital business regulation, easy licensed business services, business infrastructures, banking and insurance services, and joint economic cooperation initiatives as summarized in the following Table 1.

Table 1: Government Public Policies (GPP)

NO.	KEY CHARACTERISCITS	KEY INDICATORS
1.	ONLINE DIGITAL BUSINESS REGULATION	CHALLENGES TO HUMAN RESOURCES: 1. TECHNOLOGY AND INFORMATION APPLICATIONS 2. SKILLED HUMAN RESOURCES
2.	EASY LICENSED BUSINESS SERVICES	1. ON LINE LICENSED BUSINESS APPLICATION 2. EASY AND FAST SERVICES
3.	BUSINESS INFRASTRUCTURES	1. GENERAL BUSINESS FACILITIES 2. BUSINESS CENTERS 3. BUSINESS CONVENTION EXPO
4.	BANKING AND INSURANCE SERVICES	1. GLOBAL STANDARDIZED RATES 2. INFLATION 3. INVESTMENT CLIMATE 4. SAFETY AND SECURITY 5. GENERAL INSURANCE
5.	JOINT ECONOMIC COOPERATION INITIATIVES	1. GLOBAL BUSINESS 2. REGIONAL COOPERATION 3. INTERNATIONAL COOPERATION 4. COOPERATION WITH LOCAL BUSINESSMEN

Summarized from the source: Sihol Situngkir (2010). *International Business: Theories, Policies and Case Studies.* Jambi: UNJA Press, pp. 20-25.

Beside the key characteristics of the government public policies as mentioned above, theoretically competitive business environment also covers key characteristics namely, demographic changes, cultural diversity, skills gaps, global competition, and the impact and effect of economic changes, as shown in the following Table 2.

Table 2: Competitive Business Environment (CBE)

NO.	KEY CHARACTERISCITS	KEY INDICATORS
1.	DEMOGRAPHIS CHANGES	CHANGING LABOR POOL: 1. DOMESTIC LABOR 2. FOREIGNERS
2.	INCREASING CULTURAL DIVERSITY	1. ETHICAL AND SOCIAL ISSUES 2. BUSINESS CULTURES
3.	THE SKILLS GAP	1. EDUCATION LEVEL 2. TRAINING PROGRAM 3. EXPERIENCE 4. JOB SKILLS REQUIREMENTS
4.	GLOBAL COMPETITION	1. OPEN FREE MERKET FOR FREE TRADE 2. PRODUCTIVITY 3. RESTRUCTURING 4. DOWNSIZING 5. INVESMENT IN NEW TECHNOLOGY
5.	THE IMPACT AND EFFECT OF ECONOMIC CHANGES	1. SPENDING POWER 2. STANDARD OF LIVING 3. COMPUTERIZATION 4. NEW WAYS OF ORGANIZING WORK

Summarized from the source: Casio, Wayne F. 1998. *Managing Human Resources: Productivity, Quality of Work Life, Profit.* Fifth Edition. Boston: Irwin-McGraw-Hill. Pp. 10-15

Theoretically, Moesley, Pietri, and Megginson (1996:10) argued that the future globalization is expected to open more markets for free trade. One of the critical challenges facing management will be gaining an advantage in an increasingly aggressive and competitive world.

Managerial Competencies
As admitted by Strombach (1992:85) that in practice, all organizations make a range of decisions about their managers. They need to determine whom to select, dismiss, promote and develop. To make sound decision, organizations need to assess their managers by appraising their current performance and assessing their future potential. However, the theory always suggests a universal concept as argued by most organizational behavior experts.

Strombach (1992:85) has made evaluation factors such as management breadth, human relations, and thinking challenge to appraise a management competency as summarized in the following Table 3.

**Table 3: Evaluation Factors and Skills & Competency in Appraising
Management Competencies**

NO.	EVALUATION FACTORS	SKILL & COMPETENCY
1.	MANAGEMENT BREADTH	1. TEAM LEADERSHIP 2. PLANNING 3. ORGANIZING 4. ACHIEVEMENT MOTIVATION
2.	HUMAN RELATIONS	1. DEVELOPING OTHERS 2. INTERPERSONAL UNDERSTANDING 3. IMPACT AND INFLUENCE
3.	THINKING CHALLENGE	1. ANALYTICAL THINKING 2. PATTERN RECOGNATION

Summarized from the source: Strombach, Manfred. Potential Analysis is Management Development, Mitrani, Dalziel, and Fitt. (Eds) 1992. Competency Based on Human Resources Management: Value Driven Strategies for Recruitment, Development and Reward. London: Kogan Page. p.88

Results and discussion

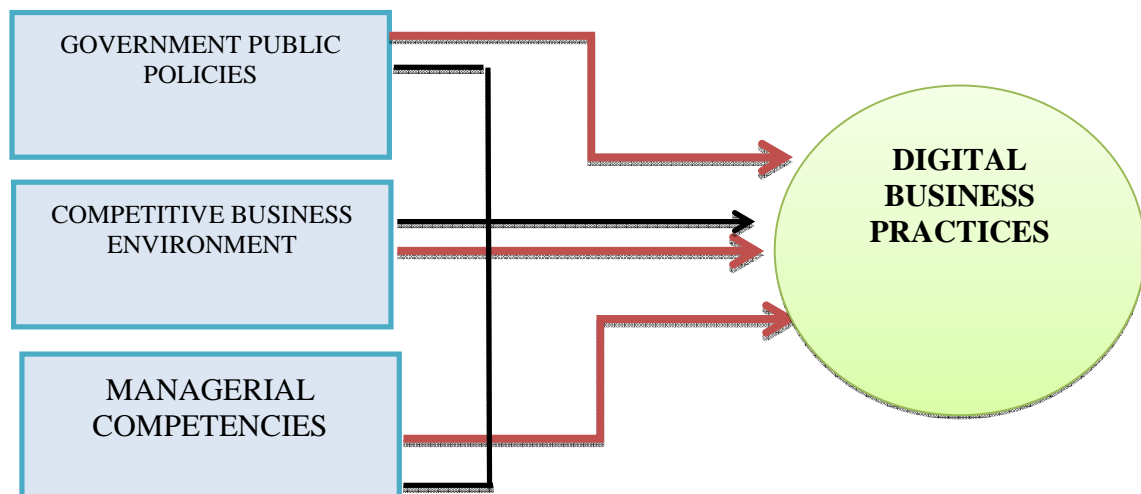**Research Model.** This model of this study is presented in the figure below.

Figure 1
The Conceptual Relationships among Government Public Policies, Competitive Business Environment, Managerial Competencies, and Digital Business Practices

The above figure illustrates that theoretically (1) government public policies is related to competitive business environment, (2) competitive business environment is also related to managerial competencies, (3) managerial competencies is related to government public policies, and moreover (4) each of them is related to digital business practices as well.

Research Hypotheses
H_1:   Simultaneously, there are positive correlations among government public policies, competitive business environment, and managerial competencies on the digital business practices.
H_2:   There is a positive correlation between government public policies on the digital business practices.
H_3:   There is a positive correlation between competitive business environment on the digital business practices.
H_4:   There is a positive correlation between managerial competencies on the digital business practices.

Research Method

Research Design This research is categorized as a survey. The population was sampled using questionnaires as a main instrument to collect primary data. The population of this study was the managers of the top ten commercial banks in Jakarta and the customers of the top ten commercial banks. Based on the literature review, a questionnaire was developed to investigate the perceived comments in terms of the digital business application caused by the government public policies, competitive business environment and managerial competencies at the top ten commercial banks in Jakarta.

Participants. The participants were 50 managers of the top ten commercial banks in Jakarta, Indonesia.

Data Collection. The data reported in thus study were collected using a questionnaire distributed to randomly 50 managers of the top ten commercial banks in Jakarta. Four-part questionnaires were developed for managers. Part I comprised of questions in terms of on line digital business regulation, easy licensed business services, business infrastructures, banking and insurance regulations, and join economic cooperation initiatives. Part II comprised of questions in terms of government public policies such as online digital business regulation, easy licensed business services, business infrastructures, banking and insurance services, and joint economic cooperation initiatives. Part III comprised of questions in relation to the understanding of managers to the dynamism of the digital business environment in general and application of digital business practices by the commercial banks such as variety of any transactions by means of ATM, Credit Card System, and Letter of Credit system, money transferring, and many others. Part IV comprised of questions in terms of the managerial competencies such as management breadth, human relations, and thinking challenges.

Regression Model. Multiple-linier regression was used to see the influence of government public policies (X1), competitive business environment (X2), managerial competencies (X3) and digital business practices (Y) as the following regression model:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mathcal{E}$

Where;

Y : Digital Business Practices
X_1 : Government Public Policies
X_2 : Competitive Business Environment
X_3 : Managerial Competencies
$\mathcal{E}$: *Error* (measurement error and the influence of other factors).

Table 4: Coefficients

Model	Unstandardized Coefficient		Unstandardized Coefficient	t	Sig
	B	**Std. Error**	**Beta**		
I. (Constant)	10.217	2.825		3.966	.000
Government Public Policies	.320	.083	.428	3.846	.000
Comp Bus Envt	.175	.067	.267	2.594	.012
Manag. Compt	.123	.060	.212	2.082	.042

  a. Dependent Variable of Digital Business Practices

The Table 4 indicates the regression equations with a predicted model as follows:

$$\hat{Y} = 10.217 + 0.320\, X_1 + 0.175 X_2 + 0.123 X_3$$

This model indicates that every increased score of government public policies in a unit will increase the digital business practice 0.320, with the increasing score of competitive business environment in a unit, will increase the digital business practices 0.320, and also with the increasing score of managerial competencies in a unit, will increase the digital business practices 0.123.

Regression Assumption Test. The linear regression equation can be increased fit to illustrate the relationship a group of independent variables to dependent variable if the equation meets the regression assumptions. In this research, the regression assumptions that will be observed is the assumption error that follows a normal distribution, independent collinearity assumption, and non-heterogenity assumption.

Normality Test. The normality test for error was done to see whether an obtained regression has met the regression assumption which requires that an error is to be in normal distribution. In this research, Kolmogrov – Smirnov test was used to see normality. The hypotheses test, as follows:

H_o : Error that follows a normal distribution

H_1 : Error that does not follow a normal distribution

From the calculation was obtained that $D_{calculated}$ score is 0.122, and p-value is 0.200. Because p-value $> \alpha = 0.05$, so the hypotheses that state an error or residual follows a normal distribution was accepted, so it can be concluded that the error could meet the expected assumptions.

a.   **Multi-collinearity.** To find whether there is multi-collinearity or not, it can be seen from the VIP value. The limit of two variables can happen is a higher collinearity. It can be observed from the value of *Variance inflation Factors (VIFvalue)*. If VIP value of independent variable is greater than 10, so one of the highest correlation variable will be reduced from the regression model (*Raymond H. Myers,* 1992:369).

From the output of SPSS calculation, it has been obtained the VIF value of competitive business environment 1.833, and managerial competencies 1.833. it means that the VIF_{value} of the two independent variables are smaller than 10. Therefore, it can be concluded that they did not make a higher collinearity to independent variables in the obtained regression equation.

b.   **Heterogenity.** Heterogenity is an indication that variance among residuals is not homogeneous. This has caused that the predicted obtained score will not efficient anymore. Rank Spearman correlation test was used to test whether the variance of residual is homogeneous or not. This test was used to calculate correlation of each independent variable with an absolute residual. To find if there is a significant correlation of each independent variable which shows heterogenity.

From SPSS output, it has been found that all the correlation of independent variables with absolute residual (error) were not significant. It was indicated by p-value is grater from $\alpha = 0.05$, so it can be concluded that the residual in the regression equation has the same variance.

Due to all assumptions of classical regression have been met, so a test for regression coefficients can then be conducted.

Overall Regression Coefficients Test. F-test with statistical hypotheses was used to examine whether the simultaneous independent variables such as government public policies, competitive business environment, and managerial competencies influence on the dependent variable i.e. digital business practices, as follows:

H_o : all $\beta_i = 0$ Government public policies, competitive business environment, and managerial competencies
I= 1,2,3   do not influence on the digital business practices.

H_1 : If $\beta_i \neq 0$ Government public policies, competitive business environment and managerial competencies
I= 1,2,3   influence on the digital business practices.

The statistical F-test was used to test statistical hypotheses that obtained from the analyses of variances (ANOVA) in Table 5, as shown below.

Table 5: Overall Regression Coefficients Test

Source of Variance	R-Square	DF	Mean of R-Square	$F_{calculated}$	Sig.
Regression	119.016	3	39.671	22.677	0.000
Residual	103.212	46	1.750		
Total	222.228	49			

As shown in the above table that $F_{calculated}$ is 22.677 where this score to be the statistical test that will be compared to F_{table} for $\alpha = 0.05$ and degree of freedom (3,46), it can be obtained value of F_{table} . Moreover, as shown in the above table that $F_{calculated}$ is 22.677, where this score to be the statistical test that will be compared to F_{table} for $\alpha = 0.05$. From F_{table} for $\alpha = 0.05$ and degree of freedom (3, 46), it can be obtained value of F_{table} .

Because F-$_{calculated}$ is greater than F$_{table}$, so with the degree of freedom 5% ($\alpha = 0.05$), Ho was rejected, it means that with the degree of confidence 95%, it can be concluded that there are significant influences of government public policies, competitive business environment and managerial competencies on the digital business practices.

Individual Regression Coefficient Test. Individual regression coefficient test is an integral part of overall regression model. From this test it can be interpreted that if Ho was rejected in the overall regression model means that there is independent variable which influence on dependent variable. In order to find which variable has regression coefficient that indicates a significant influence, so individual regression coefficient test is essential to be used. For this purpose, therefore the following hypotheses are designed.

H_0. $B_1 = 0$:   Government public policies do not influence on the digital business practices.
H_1. $B_1 \neq 0$:   Government public policies influence on the digital business practices.
        Because the score of t-$_{calculated}$ for the coefficient competitive business environment is greater than the score $_{of}$ t-$_{table}$ at the degree of error 5%, so Ho was rejected. So it can be concluded that with the degree of confidence 95%, competitive business environment influence on digital business practices.

H_0. $B_1 = 0$:   Competitive business environment does not influence on the digital business practices.
H_1. $B_1 \neq 0$:   Competitive business environment influences on the digital business practices.
        The criterion of two-tail test is "Ho is rejected if t-$_{calculated}$ > t-$_{table}$ or t-$_{calculated}$ < negative t-$_{table}$". Because the score of t-$_{calculated}$ for the coefficient competitive business environment is greater than the score $_{of}$ t-$_{table}$ at the degree of error 5%, so Ho was rejected. So it can be concluded that with the degree of confidence 95%, competitive business environment influence on digital business practices.

H_0. $B_1 = 0$:   Managerial competencies do not influence on the digital business practices.
H_1. $B_1 \neq 0$:   Managerial competencies influence on the digital business practices.

The criterion of two-tail test is "ho is rejected if t-$_{calculated}$ > t-$_{table}$ or t-$_{calculated <}$ < negative t-$_{table}$". Because the score t-$_{calculated}$ for managerial competencies is greater than the score of t-$_{table}$ at the degree of error 5%, so Ho was rejected. So it can be concluded that with the degree of confidence 95%, managerial competencies influence on the digital business practice.

Determinant Coefficient. The determinant coefficient is a score that indicates the simultaneous influence of the three independent variables, namely government public policies, competitive business environment and managerial competencies on the digital business practices that was obtained from the following determinant coefficient in the following Table 6.

Table 6: Determinant R^2 Test Summary Model

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate
1	732	.536	.512	1,323

This score shows the simultaneous of all independent variables which consists of government public policies, competitive business environment and managerial competencies on the digital business practices. So this research found that 73.2% of changes in the digital business practices was caused by government public policies, competitive business environment and managerial competencies. While 26.8% of changes in the digital business practices caused by other factors which were not observed in this research.

Partial correlation coefficient was used to determine a significance level of correlation among the digital business practices with each independent variable, namely government public policies, competitive business environment and managerial competencies. Moreover, partial determinant coefficient was used to determine the influence of each independent variable (X) to dependent variable (Y), with the assumption that no change in other independent variables indicated by determinant coefficients.

The partial correlation coefficient (r) of each independent variable can be described that government public policies significantly influence on the digital business practices. Based on the SPSS calculation, t-calculated 3.846 and t-table 1.999 which it means that t-calculated is greater than t-table (3.846>1.999). For this case, Ho was rejected and HI was accepted that can be concluded that government public policies positively influence on the digital business practices at the commercial banks in Jakarta.

In addition, competitive business environment has also significantly influences on the digital business practices. Based on the SPSS calculation, t-calculated 2.594 and t-table 1.999 which it means that t-calculated is greater than t-

table (2.594>1.999). For this case, Ho was rejected and HI was accepted that can be concluded that competitive business environment positively influences on the digital business practices at the commercial banks in Jakarta.

The last independent variable i.e. managerial competencies that positively and significantly influence on the digital business practices at the commercial banks in Jakarta. Based on the SPSS calculation, t-calculated 2.082 and t-table 1.999 which it means that t-calculated is greater than t-table (2.082>1.999). For this case, Ho was rejected and HI was accepted that can be concluded that managerial competencies positively influence on the digital business practices at the commercial banks in Jakarta.

Beyond the statistical findings, it is interesting to discuss a number of important indicators of each independent variable. Based on the survey, the management of the commercial banks ought to take into account the skills gap of employees to the new technology application. This is quite urgent to be overcome is short time in facing global business competition, especially in relation to digital business practices. Moreover, this is due to the requirement of global business competition requires a speed, quality and cost leadership.

Another important thing is the new ways of organizing work that is related to digital business system. Human resources in general need to be upgraded by means of intensive training and development. To carry out training and development, management needs to lay aside investment. Management has to determine strategic policies on feasible business plans, especially investment policies on the digital business practices, support research and development (R&D) program, and set strategic human resources development (HRD) activities in order to get skilled and professional human resources.

After observing in the field, the managerial competencies need to be upgraded in other to compete and cope with the dynamism of the digital business environment. Human relation and thinking challenges are quite important to be considered. Because these factors are essential today in order to be able (1) to establish strategic objectives of the commercial banks. (2) to maintain a balance among stakeholders and (3) to achieve efficiency and effectiveness of banking business operations. Briefly, management needs to have comprehensive skills that include a) conceptual skills, b) human relations skills, c) communication skills, and d) a little bit of technical skills as well.

Measurement Assessment. Validity and reliability were used to assess the degree of measurement error present in any measure. Validity is concerned with how well the concept is defined by measure(s), whereas reliability related to the consistency of the measure(s).

Validity and Reliability Measurement Test. Validity test was conducted by means of construct validity method, namely to determine whether an instrument really measures the item well. The measurement use the correlation among scores of each item with the total of variable scores. The measurement used to 50 respondents.

The measurement test result for questionnaire subject to criterion that the item valid if the correlation score is bigger than or the same as 0.30 (Saifuddin Azwar, 1997:158). In fact all questionnaires in this study were valid.

The reliability test was conducted by considering the consistency and stability of measurement method i.e. Alpha Cronbach. The reliability coefficient for instrument used for each variable as shown in the following Table 6.

Table 6: Reliability Coefficients

Variables	Alpha Reliability Coefficients	Remarks (Reliable if $\alpha > 0.7$)
Government Public Policies	0.8826	Reliable
Competitive Business Environment	0.8828	Reliable
Managerial Competencies	0.9250	Reliable
Digital Business Practices	0.9379	Reliable

Based on the criterion, a number of questions regarded reliable if the reliability coefficient is bigger than 0.70 (Kaplan-Sacuzzo, 1993:126). Therefore, it can be mentioned that the measurement used in this research has shown reliability can be used as a measurement test for variables of the research.

Conclusions

From the previous analysis and discussion of the research findings, it can be drawn conclusions as follows :
Simultaneously, with the degree of confidence 95 %, it can be concluded that the government public policies, the competitive business environment and the managerial competencies have influenced significantly on the digital business practices at the commercial bank in Jakarta. This research found that 73,2% of changes in the digital business practices was caused by government public policies, competitive business environment and managerial competencies. While 26.8% of changes in the digital business practices caused by other factors which were not observed in this research such as organizational culture, organizational commitment, and leadership style as well.

Partially each independent variable based on the research findings show that the government public policies significantly and positively influence on the digital business practices. In addition, competitive business environment has also significantly and positively influences on the digital business practices. The last independent variable, managerial competencies also significantly and positively influence on the digital business practices at the commercial banks in Jakarta, Indonesia.

Managerial Implication. Since the current study has found that it is a critical time to suggest that the management of the commercial banks in Jakarta needs to pay close attention to redesign policies on the digital business practices, especially investment technology and information applications to anticipate the future competitive business environment. As Mosley, Pietri, and Megginson (1996:10) argued that in the future, globalization is expected to open more markets for free trade. One of the critical challenges facing management will be gaining an advantage in an increasingly aggressive and competitive world.

Contribution to Theory: This study contributes in management development, especially managerial competencies in several ways. Firstly, management breadth; secondly, human relations; and thirdly, thinking challenges. As mentioned before, this study extends the work of (Strombach, 1992:85) who suggested a positive relationship among management breadth, human relation, and thinking challenges on competencies. Though some of the previous findings were not exactly the same as the findings of this study, however this study at least has contributed in business development, especially the digital business practices. Briefly, the positive and significant influences findings of the independent variables on the dependent variable have supported the management theory and in turn can ensure viewpoints further researchers in terms of management development theory.

Limitation and suggestion for future research. It is essential to recommended that one need to pursue further research related to other factors that might influence on the digital business practices at the commercial banks which were not yet observed in this research such as organizational culture, organizational commitment, and leadership style as well. This is quite important in order to find out what factors will be dominant in influencing on the digital business practices in Indonesia in general and in Jakarta in particular. As Hair et al (1998) argued a number of other requirements. However, as a wise-word says "*none is perfect*". Therefore, a continuous research should be further conducted later on.

Acknowledgement

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