

The Impact of Digital Financial Literacy on Investment Decisions in Mutual Funds and Money Markets among Millennials

The Impact of Digital Financial Literacy on Investment Decisions

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ABSTRACT

The rapid growth of digital financial services has transformed how individuals manage and invest their money, particularly among millennials who are more inclined to use online platforms for financial transactions. This study investigates the impact of digital financial literacy on investment decisions in mutual funds and money markets among millennials. As digital platforms become increasingly prevalent, understanding how millennials' financial literacy affects their ability to make informed investment choices is crucial. The research employs a library research method, analyzing secondary data from scholarly articles, books, and previous studies. The findings indicate that millennials with higher levels of digital financial literacy make more informed and strategic investment decisions, demonstrating improved risk management and better use of digital platforms. In contrast, those with lower financial literacy are more prone to impulsive decisions and external influences. The study concludes that enhancing digital financial literacy is essential for empowering millennials to make responsible investment choices, thereby contributing to better financial outcomes and sustainable wealth building. These findings imply that policymakers, educators, and financial institutions should prioritize digital financial education programs to strengthen millennials' decision-making capabilities and promote long-term financial stability.

Keywords: *Digital Financial Literacy, Investment Decisions, Millennials Decision-Making, Money Market, Mutual Funds.*

INTRODUCTION

Digital financial literacy is crucial for shaping financial decision-making among millennials. Although this generation is tech-savvy, rapid advancements in financial technology and digital platforms for investing in mutual funds and money markets present challenges due to an insufficient understanding of digital finance (Suntsova, 2025). Limited financial literacy may lead to poor investment choices and potential losses, making it essential to explore how digital financial literacy affects millennials' investment decisions (Kevinia, 2024).

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To provide a theoretical foundation for understanding this issue, this study draws on established financial and behavioral theories. Financial Literacy Theory, developed by Lusardi and Mitchell (2014), emphasizes knowledge, skills, and financial education in shaping financial behavior, particularly in investment contexts. This theory focuses on individuals' ability to understand and apply financial concepts to make informed decisions. In addition, Behavioral Finance Theory looks at how psychological aspects influence judgment. Overconfidence, risk aversion, and herd mentality are examples of biases that Shefrin (2002) notes might affect investment decisions, particularly for those with less financial literacy. When combined, these theories offer a framework for comprehending how millennials' decision-making is impacted by digital financial literacy, taking into account both behavioral and cognitive aspects.

Previous studies by Parsai and Chandok (2025) highlight the importance of general financial literacy in investment decision-making, but few have examined digital financial literacy, particularly in the context of millennials' use of technology. Traditional research often overlooks how digital platforms, such as online trading tools and robo-advisors, influence investment behavior. Understanding the impact of digital financial literacy on decisions in mutual funds and money markets addresses a key gap, as existing consumer behavior theories do not fully capture the effects of digital tools on how millennials approach investments (Bagama, 2024).

Millennials represent a significant portion of current and future investors, yet their financial literacy, especially in digital finance, is often limited. Many rely heavily on digital platforms to manage investments but may lack the knowledge to make informed decisions that maximize returns and minimize risks. Exploring how digital financial literacy influences their investment behavior helps identify gaps and areas where educational interventions can improve decision-making (Hersanti, 2025). Factors contributing to varying levels of digital financial literacy among millennials include education, access to digital financial tools, and financial marketing. Understanding these factors provides insights into how to enhance literacy and better align it with millennials' needs and behaviors, which is crucial in an era of abundant but not always reliable information, ultimately supporting more informed and strategic investment decisions (Amyulianthy et al., 2024).

The potential of this study to influence financial industry policy and practice makes it significant. The results can be used by financial companies, legislators, and educators to create tools and initiatives that improve millennials' digital financial literacy. Understanding literacy gaps can guide the creation of educational resources or more intuitive digital platforms, enabling millennials to better understand investment products and make sound financial decisions, ultimately improving financial inclusion and empowering them to manage their financial futures with confidence (Qoonitah, 2025). Moreover, as millennials increasingly prioritize long-term financial stability and responsible investing, improving digital financial literacy can support sustainable investment choices. This aligns with the trend toward impact and socially responsible investing, while also equipping millennials to understand the risks and rewards of sophisticated digital investment tools, helping them avoid potential pitfalls (Pokharel & Maharjan, 2024).

This study addresses a gap in the literature by focusing on digital financial literacy and its role in shaping investment decisions, particularly among millennials using digital platforms. While prior research has extensively examined general financial literacy, limited attention has been given to how digital financial knowledge, such as understanding online investment tools, digital products, and associated risks, influences both decision-making processes and investor confidence. This lack of focus creates a need to better understand how digital competencies affect financial behavior in an increasingly technology-driven environment. The purpose of this research is to investigate the influence of digital financial literacy on millennials' investment decisions in mutual funds and money market instruments. It further aims to analyze how digital financial literacy shapes millennials' ability to utilize digital investment platforms, evaluate financial

information and risks, and respond to social influences, thereby affecting the quality and rationality of their investment decision-making.

LITERATURE REVIEW

Digital Financial Literacy: Definition and Importance

Digital financial literacy refers to the knowledge and skills required to effectively manage personal finances in a digital environment (Koskelainen et al., 2023; Choung et al., 2023; Fadli et al., 2024). It involves understanding how to use digital financial tools, platforms, and services to make informed decisions regarding investments, savings, and spending. In today's increasingly digital world, financial transactions, investment platforms, and money management tools are often conducted online or through mobile applications. The capacity to traverse digital financial environments is becoming crucial for making wise financial decisions as technology continues to revolutionize the financial services sector. Understanding how different digital financial products operate, evaluating the risks associated with them, and making efficient use of internet resources to optimize financial advantages are all made possible by digital financial literacy. It empowers individuals to use tools such as online banking, digital wallets, investment platforms, and cryptocurrencies, ensuring that they can manage their finances with ease and security (Hasan, 2024).

The rise of online financial services has made it easier for consumers to access a broad array of investment opportunities. However, without sufficient digital financial literacy, individuals may be exposed to higher financial risks, especially in volatile investment markets like mutual funds and money markets. The lack of understanding in how to assess these risks can lead to poor decision-making, which underscores the importance of increasing digital financial literacy, particularly in the context of millennials who are increasingly turning to digital platforms for managing investments (Gultom et al., 2024; Safitri et al., 2025).

Categories and Manifestations of Digital Financial Literacy

Digital financial literacy can be categorized into several key areas, each representing different aspects of financial decision-making in a digital environment (Kumar et al., 2023). One of the primary categories is financial product knowledge, which involves understanding the variety of financial products available on digital platforms. This includes mutual funds, money market instruments, stocks, bonds, and other investment vehicles that are now accessible online. In addition, another critical category is digital tools and platforms. It is essential to understand the platforms available for making investments and transactions, such as robo-advisors, online brokerage services, and digital wallets. Financial decision-making skills form another key category, which refers to the ability to analyze investment opportunities, assess financial risks, and make informed choices based on market conditions and personal financial goals (Idris, 2023).

Manifestations of digital financial literacy are observable in the ability of individuals to effectively use these tools, understand the financial products available, and manage their finances in a secure and efficient manner. A digitally literate individual is capable of comparing different investment options, understanding the underlying risks, and using digital platforms to track and manage their investments (Singh & Singh, 2024). The way these skills manifest also depends on an individual's experience with technology, their knowledge of digital platforms, and their general understanding of personal finance (Chhillar & Arora, 2022; Moses & Krithika, 2025).

Investment Decisions: Definition and Importance

Investment decisions are the choices people make about where and how to put their money in order to reach particular financial objectives. These decisions are central to personal financial planning and involve selecting investment products that align with one's risk tolerance, time horizon, and return expectations (Sivarajan, 2019). Investment decisions are typically guided by factors such as market conditions, past performance, risk

assessment, and personal financial objectives (Lakshmi et al., 2024). As financial markets continue to evolve, making informed investment decisions has become increasingly complex, especially in the case of millennials who have access to vast amounts of information through digital channels (Rozaki et al., 2025).

In the context of mutual funds and money markets, investment decisions are influenced by factors such as risk diversification, liquidity, and the potential for return on investment (Arora & Gupta, 2023). Understanding these factors requires a certain level of financial literacy, and in particular, digital financial literacy plays a crucial role in enabling investors to access and evaluate investment opportunities online. As millennials increasingly use digital platforms to invest in mutual funds and money market instruments, their investment decisions are highly impacted by their understanding of how digital tools function and the risks associated with various financial products (Suhendar & Fahamsyah, 2024).

Categories and Manifestations of Investment Decisions

Investment decisions can be categorized into various types based on the complexity and financial goals they aim to achieve (Pompian, 2012). Short-term investment decisions are typically focused on liquidity and immediate returns, such as investing in money market instruments or low-risk mutual funds. These types of decisions are more common among individuals who need quick access to funds or are looking to preserve their capital. Long-term investment decisions, on the other hand, are focused on growth and often involve investing in equities or diversified mutual funds that offer higher returns over time but come with increased risk. Millennials, as a demographic, are often more inclined toward long-term investments, particularly those that promise significant returns through digital platforms (Bagama, 2024).

The manifestation of investment decisions is often seen in the types of financial products chosen and the strategies employed to maximize returns. An individual's ability to evaluate and select the appropriate investment product, whether a mutual fund, a bond, or a money market instrument, depends heavily on their understanding of the risks and returns associated with each. Millennials who are more digitally literate tend to make more informed decisions and often employ diversified portfolios to balance risk and return. However, millennials with lower digital financial literacy might make hasty decisions based on trends or the influence of social media without fully understanding the implications of their choices (Rahayu et al., 2022).

RESEARCH METHODS

This qualitative study investigates the influence of digital financial literacy on millennials' investment choices in money markets and mutual funds using a library research method. With the growing reliance on digital platforms and financial technology, millennials are exposed to a variety of investment opportunities, yet their understanding of these options often varies depending on their level of digital financial literacy. Using a library research approach, the study analyzes existing literature, including books, journal articles, and previous studies, focusing on digital financial literacy, investment decision-making, and millennials' behavior in money markets and mutual funds (Chu, 2015). Primary data, such as surveys or direct responses, are not included, as the study relies on published academic literature to provide a comprehensive understanding of the topic.

The research process involves a systematic review and analysis of existing literature, including scholarly articles, books, industry reports, and case studies on financial literacy, investment behavior, and the use of digital tools. The financial habits of millennials and the impact of digital platforms on investing decisions are given special consideration. By combining many viewpoints into a cohesive picture of how digital financial literacy influences investment decisions, the data are synthesized to uncover themes, trends, and gaps in the research.

Content analysis is applied as a qualitative method to examine and interpret the literature. Data are categorized by themes such as financial literacy levels, investment

behaviors, and digital tools for decision-making. Analysis focuses on identifying relationships between digital financial literacy and investment decisions, including how millennials' knowledge and digital platforms shape their understanding of mutual funds and money market instruments. The analysis also highlights gaps in existing research, particularly the limited studies on the influence of digital financial literacy on millennials' investment behavior. This approach allows the extraction of insights to inform future educational initiatives and the design of digital platforms aimed at improving financial literacy and promoting informed investment behavior among millennials.

RESULTS

The Impact of Digital Financial Literacy on Investment Decisions

Digitalization in financial services has expanded millennials' access to various online investment platforms, including money market instruments and mutual funds. However, the effectiveness of using these platforms largely depends on an individual's level of digital financial literacy (Koskelainen et al., 2023). Millennials with adequate digital financial knowledge tend to analyze financial information more critically and make more rational investment decisions. Table 1 summarizes the differences in investment behavior between millennials with high and low levels of digital financial literacy.

Table 1. The Impact of Digital Financial Literacy on Millennials' Investment Decisions

Aspect	High Digital Financial Literacy	Low Digital Financial Literacy
Platform Navigation	Effectively uses tools (tracking, analysis, robo-advisors)	Struggles with digital features and algorithms
Decision Basis	Risk-return evaluation aligned with long-term goals	Relies on superficial info, social influence
Risk Management	Recognizes diversification, matches risk tolerance	Overlooks risks, fails to diversify
Behavioral Influence	Calculated approach, resists trends/influencers	Prone to herd behavior, impulsive decisions
Strategic Outcomes	Informed portfolio adjustments to market changes	Vulnerable to losses during market downturns

The review of the literature shows that millennials' investing choices in money markets and mutual funds are strongly correlated with their level of digital financial literacy. As presented in Table 1, millennials with higher levels of digital financial literacy tend to manage their investments in a more informed and strategic manner. They are able to evaluate investment opportunities more effectively because they understand how digital investment platforms function. This enables them to assess financial risks more accurately and select diversified portfolios aligned with their long-term financial goals. In contrast, millennials with lower digital financial literacy often make investment decisions based on trends or external influences, which may lead to less optimal investment outcomes (Bagama, 2024).

One of the most significant observations from the research is that digital financial literacy influences millennials' ability to evaluate risks when making investment choices (Rahayu et al., 2022). Millennials with higher literacy are better equipped to balance risk and reward, often making more calculated decisions based on a deeper understanding of the market conditions. They are more adept at understanding the specific risks associated with different financial products, such as mutual funds or money market instruments, and are more likely to engage in risk diversification to protect their investments. On the other hand, those with lower levels of digital financial literacy tend to rely more on intuition or advice from peers or social media, often disregarding the underlying risks associated with such decisions.

The role of digital platforms in shaping investment decisions is another significant finding. Millennials, being digital natives, are increasingly using online platforms, robo-advisors, and mobile apps for managing their investments (Floros, 2018). These platforms offer a range of tools and services that provide real-time data, performance tracking, and

financial planning resources. However, the study found that millennials' ability to use these tools effectively is closely tied to their level of digital financial literacy. Those with higher literacy levels are able to make more informed decisions and navigate digital platforms more efficiently, utilizing them to their full potential. In contrast, individuals with lower literacy levels may struggle to understand or use these tools effectively, which could lead to missed opportunities or even financial losses.

Digital Financial Literacy and Informed Investment Decisions

A key aspect of digital financial literacy is its influence on an individual's ability to access, evaluate, and interpret financial information in digital environments (Abdallah et al., 2025). Millennials who possess strong digital financial literacy are generally more capable of distinguishing between credible financial sources and unreliable information circulating on online platforms. This ability enables them to assess investment opportunities more carefully, particularly in instruments such as mutual funds and money market products, which require an understanding of risk profiles, return potential, and market conditions. By critically evaluating financial content, these individuals are able to make more rational and informed investment decisions rather than relying solely on surface-level information or popular trends (Kevinia, 2024).

Furthermore, financial education plays a crucial role in strengthening digital financial literacy and shaping more responsible investment behavior. Individuals with higher levels of digital financial literacy tend to actively seek accurate and relevant financial data before making investment decisions, demonstrating a more analytical and strategic approach to managing their financial assets (Mishra et al., 2024). In contrast, millennials who lack sufficient digital financial knowledge may depend on less credible sources, such as unverified online content or social media recommendations. This reliance increases their vulnerability to misinformation and speculative trends, which may ultimately lead to poor investment choices and higher financial risk.

The growing influence of digital platforms and social networks has significantly shaped millennials' investment behavior. While digital access provides broader opportunities to learn about financial products, it also exposes individuals to various external influences that may affect their decision-making processes. In this context, the level of digital financial literacy plays an important role in determining whether social influence leads to informed investment decisions or impulsive behavior (Baloch et al., 2025). Table 2 summarizes the impact of social influence on millennials' investment decisions and highlights how digital financial literacy can mitigate potential negative effects.

Table 2. The Impact of Social Influence on Millennials' Investment Decisions

Aspect	Negative Effects of Social Influence	Mitigating Factors (Digital Financial Literacy)
Decision Basis	Relies on peer recommendations, social media trends	Uses data, analysis, and objective information
Investment Quality	Impulsive choices based on hype/popularity	Evaluates risks/rewards critically
Long-term Alignment	Suboptimal decisions not matching financial goals	Focuses on sustainable wealth building
Information Credibility	Vulnerable to misleading/hyped content	Distinguishes reliable vs. trend-driven info
Behavioral Outcome	Herd behavior, short-term focus	Independent, informed decision-making

The research also sheds light on the challenges faced by millennials with lower digital financial literacy (Bagama, 2024). Millennials who lack adequate knowledge of digital financial tools are often ill-equipped to assess the risks and potential rewards of their investment options. These individuals may find it difficult to understand complex financial concepts necessary for making informed investment decisions, such as compound interest, asset allocation, and the role of diversification. As shown in Table 2, limited digital financial literacy can lead individuals to base their investment decisions on

social media influence or popular trends rather than on careful evaluation of market conditions and personal financial goals. This limitation may ultimately increase the likelihood of impulsive decisions and higher financial risk.

Social influence significantly shapes millennials' investment decisions, as they are often influenced by peers, influencers, and social media (Devika & Lalesha, 2025). While this can increase awareness, it may also lead to suboptimal choices when decisions rely more on external opinions than personal financial understanding. Millennials with low digital financial literacy tend to follow trends that may not align with their goals or risk tolerance. In contrast, those with higher literacy are more likely to engage in self-directed investing, actively seeking information, conducting analysis, and using digital tools to manage their portfolios strategically.

Improving Digital Financial Literacy through Education and Policy

Digital tools such as mobile apps, robo-advisors, and online brokerage platforms have become essential resources for millennials seeking to manage their investments. The research indicates that these tools provide ease of access, low fees, and the ability to automate investment processes, making them attractive options for younger investors. However, the ability to leverage these tools effectively is contingent upon a solid understanding of digital finance (Balboa et al., 2024). Millennials who are digitally literate are better able to navigate these platforms, using them to optimize their investments. Those without adequate financial literacy may struggle to utilize these tools, potentially missing out on opportunities or making poor investment choices.

The study also highlighted the lack of comprehensive financial education among millennials, which is a significant factor influencing their investment decisions. Many millennials, despite being tech-savvy, do not have sufficient knowledge about key financial concepts or how to assess different investment products. This gap in education can lead to confusion and uncertainty when making investment decisions. Financial literacy programs that focus on digital finance and the tools available for online investing can help bridge this gap, providing millennials with the skills they need to make informed investment decisions in mutual funds and money markets (Nwoke, 2025).

The research found that financial education programs targeted at millennials could help improve their digital financial literacy, leading to more informed decision-making. Educational initiatives that focus on teaching millennials how to navigate digital financial platforms, assess the risks of various financial products, and make strategic investment decisions would likely have a positive impact on their financial outcomes (Bagama, 2024). Additionally, by improving their understanding of digital tools and financial concepts, these programs could empower millennials to take control of their financial futures and make decisions that align with their long-term financial goals.

While social media and peer influence are important factors in shaping investment decisions among millennials, the study emphasized that these should not be the sole basis for making financial decisions. Millennials need to be able to critically evaluate the information they encounter online and understand the underlying risks involved in the investments they choose. By improving their digital financial literacy, millennials can better navigate the complex financial landscape and make decisions based on their own understanding, rather than following trends or popular opinions (Barus et al., 2024).

In the financial services sector, the expansion of digital platforms has both positive and negative effects. On the one hand, millennials can easily and affordably access a variety of investing options through these platforms. On the other hand, they also present a challenge for those without sufficient digital financial literacy. The study underscores the need for ongoing financial education to ensure that millennials can fully capitalize on the opportunities provided by these platforms. Purnamasari et al. (2021) stated that by improving financial literacy, digital tools can become powerful resources that enable millennials to make informed and strategic investment decisions.

The findings from this research emphasize the critical need to focus on digital financial literacy in shaping millennials' investment behavior. It highlights how digital financial

literacy directly influences millennials' investment choices in mutual funds and money markets. By improving their understanding of digital tools, financial products, and risk assessment, millennials can make more informed and responsible financial decisions (Reavis et al., 2021). The results also highlight how crucial it is to create specialized financial education programs that give millennials the skills they need to successfully negotiate the quickly changing digital financial landscape.

The study concludes that millennials' investing choices are significantly influenced by their level of digital financial literacy, especially when it comes to money markets and mutual funds. The study emphasizes the necessity of focused financial education to enhance millennials' comprehension of digital financial tools and solutions. Millennials may make more strategic, well-informed investment decisions that support their long-term financial objectives by filling in their financial knowledge gaps and improving their capacity to assess investment opportunities (Pompian, 2012).

DISCUSSION

The findings of this study indicate that digital financial literacy is a key determinant of millennials' investment decisions in mutual funds and money markets. Millennials with higher levels of digital financial literacy demonstrate more informed and strategic decision-making, assessing risk-return profiles accurately, diversifying their portfolios, and aligning investments with long-term financial goals. In contrast, those with lower digital literacy are more likely to make decisions influenced by trends, social media, or peer recommendations, rather than a clear understanding of financial products. These results are consistent with Dubey et al. (2023) and Amyulianthy et al. (2024), who found that digital investment literacy enhances financial behavior and promotes rational investment decisions among millennials. Similarly, Bagama (2024) and Hersanti (2025) reported that limited digital literacy contributes to poor investment choices, emphasizing the need for targeted education to improve investment outcomes.

The study also highlights that digital financial literacy strongly affects millennials' ability to assess and manage investment risks. Digitally literate individuals engage in risk diversification, monitor market changes, and utilize digital tools for performance tracking and risk assessment, whereas those with lower literacy may pursue high-risk or undiversified investments without fully understanding potential losses. This aligns with Indrastoto and Juwita (2023) and Palesta and Paramita (2024), who emphasize that digital literacy allows investors to balance risk and reward effectively, while Putra and Wayan (2023) found that insufficient literacy increases vulnerability to financial losses. These findings underscore the importance of financial education programs that focus not only on knowledge of financial products but also on risk management strategies, particularly for millennials increasingly reliant on digital platforms.

Moreover, digital platforms significantly shape investment behavior by providing tools such as automated portfolio management, performance tracking, and real-time market analysis. Millennials with higher digital literacy can maximize these tools to make data-driven decisions, adjust portfolios according to market fluctuations, and understand algorithm-based recommendations, while those with limited literacy may misuse platforms or fail to interpret the information correctly, resulting in suboptimal outcomes. These observations are consistent with Kevinia (2024), Singh and Singh (2024), and Rozaki et al. (2025), who report that the effectiveness of digital platforms depends on the investor's literacy. Chhillar and Arora (2022) and Fadli et al. (2024) similarly note that digital financial knowledge is crucial for fully leveraging technological tools, highlighting the interdependence between literacy and platform utilization.

Social influence was also found to significantly affect investment decisions. Millennials with lower digital literacy are more susceptible to peer pressure, social media trends, and influencer recommendations, often making impulsive choices that do not align with their financial goals. This finding aligns with Rahayu et al. (2022) and Devika and Lalesha (2025), who note that social influence can drive short-term, trend-based investment behavior. In contrast, digitally literate millennials rely on objective data and personal

analysis, demonstrating independent, informed decision-making, consistent with Choung et al. (2023) and Amyulianthy et al. (2024) These comparisons suggest that enhancing digital financial literacy not only improves technical knowledge and risk assessment but also mitigates the negative effects of social influence, enabling millennials to make more sustainable and well-informed investment decisions in digital financial markets.

The results of this study offer strong proof that millennials' ability to make wise investing decisions depends on their level of digital financial literacy. Digitally literate millennials are better equipped to make strategic, goal-aligned decisions because they comprehend financial products, use digital tools effectively, manage risks, and critically analyze information from social networks. The report emphasizes the necessity of continuing financial education programs that incorporate risk awareness, digital competencies, and critical evaluation skills to give millennials the tools they need to successfully negotiate the increasingly complicated digital financial landscape.

CONCLUSION

This study concludes that digital financial literacy plays a crucial role in shaping millennials' investment decisions, particularly in mutual funds and money market instruments. Millennials with higher levels of digital financial literacy tend to make more informed and strategic investment decisions by effectively utilizing digital platforms to evaluate risks, diversify their portfolios, and align investments with long-term financial goals. In contrast, millennials with lower digital financial literacy are more vulnerable to impulsive investment behavior influenced by social media trends and external pressures, which may lead to suboptimal financial outcomes. These findings highlight the importance of strengthening digital financial literacy to enable millennials to navigate the increasingly complex digital financial environment.

The findings also provide important implications for policymakers, educators, and financial institutions. Strengthening digital financial education programs can help improve millennials' ability to critically evaluate financial information and make responsible investment decisions. Financial institutions and digital investment platforms are also encouraged to provide clearer educational features and tools that support user understanding of financial products. However, this study has several limitations, as it is based on a qualitative library research approach relying on secondary data, which may limit the generalizability of the findings. Future research is recommended to employ empirical methods, such as surveys or quantitative analysis, to further examine the relationship between digital financial literacy and investment behavior among millennials across different regions and financial contexts.

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