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Exploring the Effect of Organizational Environments on Organizational Performance During Covid-19 Pandemic

Mercy Ejovwokeoghene Ogbari

Business, Entrepreneurship & Innovation Research Cluster, Department of Business Management, Covenant University, Ota, Nigeria

ABSTRACT
This study examined the effect of business environmental factors on organizational performance in the COVID-19 era. The research employed a quantitative cross-sectional analytic design rooted in positivism philosophy to gain a comprehensive understanding of the research problem. The target population for this research consisted of employees from manufacturing organizations registered with the Apex Manufacturing Association of Nigeria (MAN). The sample size was 300 employees from selected manufacturing companies in Ogun State. The study employed questionnaires. The questionnaire was a five (5) point Likert scale of strongly agree to strongly disagree. The data underwent content and construct validation to ensure its suitability for the study's purpose. The reliability of the measurement instrument was assessed using the Cronbach Alpha reliability test. Smart PLS Structural Equation Modelling (SEM) was employed to test the hypotheses. The results demonstrate that market performance has a significant relationship with the internal business environment, and that task business environment significantly influenced financial performance. Based on the result, the study recommended that Nigeria's manufacturing and service companies leverage the internal environment for market performance and that the task business environment is one of the prospects for the improved financial performance of the manufacturing firms.

KEYWORDS
Business environment; COVID-19; Organizational performance; sustainability

1. Introduction

The global health crisis that commenced in 2020 had far-reaching environmental consequences on businesses across all industries. Both big conglomerates and small- and medium-sized businesses had to adapt to new operating conditions as imposed measures such as lockdowns, and reduced consumer activity forced businesses to close (Akpan et al., 2020; Berates & Alon, 2020). This crisis had extensive effects on the economic, political, and social aspects of the global business environment, influencing the preferences of stakeholders and consumers (Magd & Karyamsetty, 2021).

The outbreak of COVID-19 has further established the fact that business entities operate within a constantly changing and often unpredictable environment. According to Peter (2020), the business environment is described as the collective influence of all internal and external elements impacting a company's capacity to survive, expand, and progress. Organizations face pressure from the commercial environment in which they operate, given the intricate and ever-evolving nature of the business environment. Hence, any company that neglects to understand its environment is likely to encounter crises (Babatunde & Adebisi, 2012).

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The reciprocal relationship between enterprises and the environment is highlighted by Belás et al. (2014) and Yan (2010). Businesses are subject to environmental pressures which call on managers to interact with and react to both internal and external environmental influences within their enterprises (Agbolade, 2014). The organization is inextricably linked to the larger economy and society since it operates as a sophisticated socio-economic system that is always changing (Gado, 2015; Halmaghi et al., 2017). According to Szromek (2020), it is important for an organization to be integrated into its working environment since this promotes both a positive relationship with the environment and the growth of the company's internal dynamism. The operations of the organization are also a direct result of ongoing interactions between the organization and its surroundings (Ajayi, 2016; Daniluk, 2016; Wang et al., 2023).

It is impossible to exaggerate the importance of an organizational environment in determining a firm's competitiveness (Poufinas et al., 2018; Sherehiy, & Karwowski, 2014). According to Dong and Zhang (2022), firms must create an innovative internal environment while maintaining a strong outward orientation that is focused on serving their multiple stakeholders. Dong and Zhang (2022) emphasized that an organization's capacity to successfully adjust to a complex and dynamic external environment is essential to both its survival and success.

On the other hand, organizational performance refers to the degree to which a company's goals have been attained or are being actively pursued (Anwar & Abdullah, 2021). Furthermore, it is a gauge of how well a company uses its resources to achieve its aims and objectives (Al Kashari & Al Taheri, 2019). Organizational performance measurement is defined by Ndungi (2022) as an evaluation procedure that gauges progress toward set goals. This evaluation considers a number of factors, such as how effectively resources are transformed into objectives and services, the standard of the outputs and outcomes, and the efficiency with which organizational operations support certain organizational goals. According to Udeh et al. (2023), a variety of qualitative and quantitative indicators must be considered when assessing an organization's success. The fulfilment of client needs, the provision of high-quality goods and services, the encouragement of innovation and creativity, the development of employee commitment, financial performance, and market performance are all included in this list of indicators.

The organizational situational aspects that make up the internal environment are generally the product of administrative decisions that are frequently made with managerial oversight (Ndungi, 2022). The resources, strengths, weaknesses, synergies, and distinctive qualities that are present within or fundamental to the organization are all included in the internal environment (Halmaghi et al., 2017). An organization uses a variety of resources to create synergy or cooperative interactions inside its framework, as stressed by Kreiser et al. (2021), which over time results in the emergence of intrinsic strengths or weaknesses. According to Dubitskaya and Tcukanova (2018), organizations cannot operate in isolation, hence they must consider external factors such as competitive dynamics, consumer behaviour, supplier connections, regulatory environment, economic situations, technical advancements, market possibilities and threats, and strategic decision-making to be able to have a competitive edge. This holistic understanding of the interplay between the internal and external environment is crucial for achieving and maintaining competitiveness. Given the multifaceted nature of these interactions, this study is designed to explore how the organizational environment influences the performance of specific manufacturing companies situated in Ogun State, Nigeria. The specific objectives are as follows:

i. to analyse the influence of the business internal environment on the market performance of selected manufacturing firms during COVID-19;

ii. to examine the effect of task environment on the financial performance of selected manufacturing firms during COVID-19.

2. Theoretical review, conceptual clarification and hypothesis development

This study is based on the contingency theory, which was developed by Lawrence and Lorsch in 1967 and stems from the ground-breaking work of Burns and Stalker in 1961. Contingency theory, which belongs to the field of behavioural theories, contends that there is no one best way to run a business, organize a team, or make decisions (Omar & Singh, 2019). The optimum course of action is instead determined by a mix of internal and external influences (Pennings, 2013). Contingency theorists highlight that a variety of factors, including the environment's resources, stakeholders' differing needs, and the rate of change, all have a substantial impact on an organization's performance (Chaib et al., 2020).

Valeri (2021), for instance, made the case that an organization's response to environmental factors affects the operational styles it chooses. Kantabutra and Punnakitikashem (2020) stress that the organizational design of a business should be modified to consider both internal elements, such as workplace settings, and external circumstances. The word "contingency" emphasizes the idea that one item depends on another or that one quality is impacted by another (Kriemadis et al., 2021). Hofer (1990) argued that by using a corporate strategy, firms can bridge the gap between managing internal resources and dealing with external entities such as customers, rivals, the social and economic environment, and suppliers.

Organizational performance is significantly influenced by both the organization itself and its external environment (Istan & Fahlevi, 2020). According to Hough (2010), contingency theory is useful in determining how controlling both internal and external environmental factors contribute to corporate performance. In the context of this study, the theory is used to explain why there is no one-size-fits-all solution when it comes to the internal business environment, which includes organizational structure, culture, leadership style, personnel skill sets, and resource availability. An organization's operations are instantly impacted by the external task environment, which includes market dynamics, consumer preferences, competition, regulatory changes, economic trends, and technical improvements. Businesses should modify their tactics to meet the particular requirements of their external environment (Kantabutra & Punnakitikashem, 2020). According to Karingithi (2020), organizational performance is a dynamic and adaptable process that necessitates organizations to make wise judgments, allocate resources wisely, and put plans into practice that are compatible with their particular situations. Contingency Theory emphasizes that there is no one-size-fits-all method for managing an organization and that it is crucial to constantly evaluate the interactions between the organization and its internal and external settings since they are mutually dependent for success and survival (Hsu, 2020; Zelt et al., 2019).

Hence, the business environment can significantly impact a firm's ability to maximally utilize resources to improve performance (Massoudi & Hamdi, 2017). As a result, there is an ongoing challenge for businesses to provide an excellent and appealing working environment for their employees. Employees who work in a positive environment are better equipped to cope with economic shocks and the dynamic character of the environment (Alhashedi et al., 2021). Environmental factors infiltrate various aspects of business, as a result, the need to be well-informed on a wide range of business-related topics cannot be overstated (Walker, 2008).

The internal environment, according to Hitt et al. (2007) and Budak and Kar (2014), consists of elements affecting the company's resources. The resources are the sources of capacity that lead to the company's competency or competitive advantage. The external environment can present possibilities and challenges to a business, but internal environmental conditions can transform these chances and threats into competitive advantages by leveraging the firm's experiences, unique resources, and core skills. According to Jayaraj (2011), the internal environment is a broad notion that encompasses all organizational materials and human resources. the micro-environment is made up of organizational pressures that impede the organization's ability to operate for its clients, providers, advertising, channel associations, client marketplaces, competitors, and the general public. This situation has a direct impact on the company. It includes suppliers who negotiate directly or indirectly with buyers, clients, and other adjacent parties.

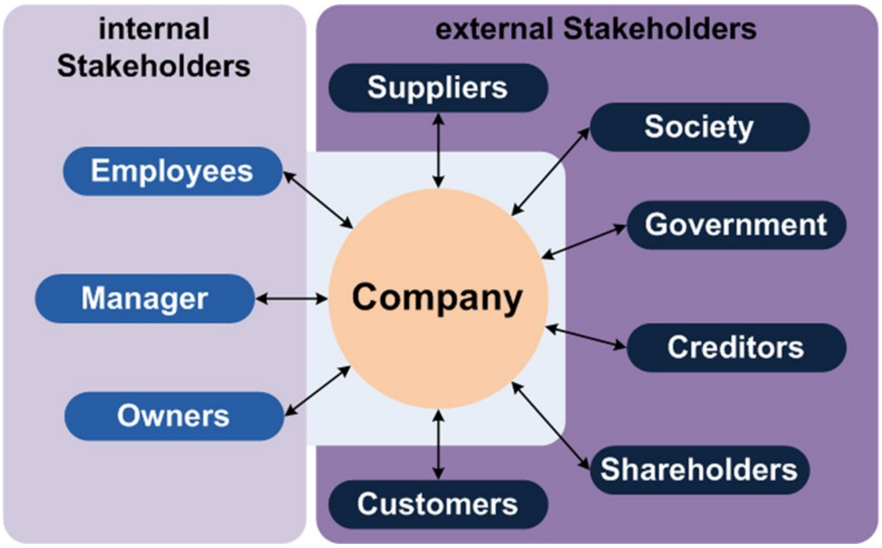

Figure 1 Organizational stakeholder

According to Kechi (2011), the internal environment or microenvironment is described as those issues that exist in a firm's immediate environment that affect its ability to perform efficiently, which was also noted by another author Kazmi (2008). Organizations do not work in a vacuum and are influenced by everything around them, but it all starts with an internal audit which does not forget about the other concerns in the area. They have complete authority over the organization and can use it to achieve strategic objectives and goals. Internal environment factors include every element of the organization that can be managed and has a significant impact on the organization's policies, cultures, human resources, beliefs, mission, and purpose.

2.1 Understanding the relationship between business internal environment and market performance

The internal environment of a business significantly impacts market performance (Zain & Kassim, 2012). The internal environment of a firm covers resource utilization, organizational culture, innovation, adaptability, operational efficiency, employee engagement, and competitive advantage (Indris & Primiana, 2015). According to Kuratko et al. (2014), effective resource utilization allows an organization to produce high-quality products, meet customer needs, and respond to market demands. George et al. (2019) acknowledged that a positive organizational culture fosters customer satisfaction and loyalty, while a toxic culture can harm market performance. Azeem et al. (2021) mentioned that innovation and adaptability are fostered through a culture that encourages creativity and learning, leading to innovative products and services. Operational efficiencies, such as streamlined processes and cost control measures, directly affect market performance (Lee & Johnson, 2014). Employee engagement, a key factor in market performance, is positively impacted by a well-managed internal environment. Overall, a well-managed internal environment is crucial for organizational success. Hence this study proposes that:

Hypothesis 1: Business internal environment significantly influences market performance.

2.2 Understanding the relationship between business task environment and financial performance

The task environment in which organizations operate is turbulent and rapidly changing. Poor organizational outcomes are associated with delays in timely resource acquisition, intervention from political sources, and changes in economic conditions (Eggemeier & Wilson, 2020; Negandhi & Reimann, 1973). These factors, which are unique to the business or sector, include rivals, clients, suppliers, governing bodies, prevailing economic conditions, and technical advancements (Dubitskaya & Tcukanova, 2018; Musa et al., 2015). According to Dubitskaya and Tcukanova, (2018), organizations must consider factors such as competitive dynamics, consumer behaviour, supplier connections, regulatory environment, economic situations, technical advancements, market possibilities and threats, and strategic decision-making to be able to have a competitive edge. Price wars, customer behaviour, narrowed profit margins, marketing, and innovation spending are dynamics that can affect a firm's financial performance (Garda & Marn, 1993; Gupta & Zeithaml, 2006; Kavwele et al., 2018; Zahra, 1996). Investments in safety, environmental standards, or data protection are just a few examples of how the regulatory environment can have an impact on financial success. Financial success is affected by the state of the economy, technical advancements, market possibilities, and dangers. In line with this, this study proposes that:

Hypothesis 2: Task environment significantly impacts financial performance.

3. Materials and methods

The research employed a quantitative cross-sectional analytic design rooted in positivism philosophy to gain a comprehensive understanding of the research problem by comparing various perspectives derived from both primary and secondary quantitative data sources. The target population for this research consisted of employees from manufacturing organizations registered with the Apex Manufacturing Association of Nigeria (MAN), specifically those in the Ogun State chapter. The study employed a combination of purposive and simple random sampling techniques. The sample size was determined using the Yamane formula, resulting in a sample population of 300 employees from selected manufacturing companies in Ogun State.

To collect data, the study employed questionnaires which were distributed with the assistance of experienced research assistants. The organization received ethical approval from the Head of HR of the selected manufacturing organizations to proceed. The questionnaire was divided into two parts. The first part of the questionnaire contained the demographic biodata of the respondents while the second part consisted of the questions reflecting the operationalized dependent and independent variables using a five (5) point Likert scale of strongly agree to strongly disagree. The data underwent content and construct validation to ensure its suitability for the study's purpose. The reliability of the measurement instrument was assessed using the Cronbach Alpha reliability test. Smart PLS Structural Equation Modelling (SEM) was employed to test the hypotheses and determine the nature of the relationships existing among the study variables.

4. Results

The results section of this research paper provides a comprehensive account of the data collected, the statistical analysis performed, and the key outcomes of the research. Three hundred (300) copies of the questionnaire were provided to respondents out of which only two hundred and sixty-one (261) copies were usable for the analysis translating to an 87% response rate.

Table 1 Respondents' response rate

Type	Number	Percentage
Returned copies of the questionnaire	261	87.0%
Copies of the questionnaire not returned	39	13.0%
Total	**300**	**100%**

In line with the study objective, the study tested two hypotheses. First, the researcher looked at the impact of a company's internal business environment on its market performance. R-Square, also known as the coefficient of determination, structural path co-efficient (-value), T—statistic value, and the degree of quality of model fit, were all analysed in order to obtain precise information regarding the formulated hypothesis. Figures 2, 3, 4, show the PLS algorithm model, PLS bootstrapping model with and P values, and PLS bootstrapping model with and T values, respectively. The algorithm aids in calculating the path co-efficient, or the direct relationship between internal business environment and market performance while bootstrapping P-values aid in assessing the coefficient's significance. At the same time, the T-statistic value represents the estimated differences in standard error units. As proposed by Wetzels et al. (2009), the default bootstrapping parameter in Smart PLS was raised to 5000 subsamples. The goal was to improve more precise and accurate findings that would aid in the facilitation of major outcomes.

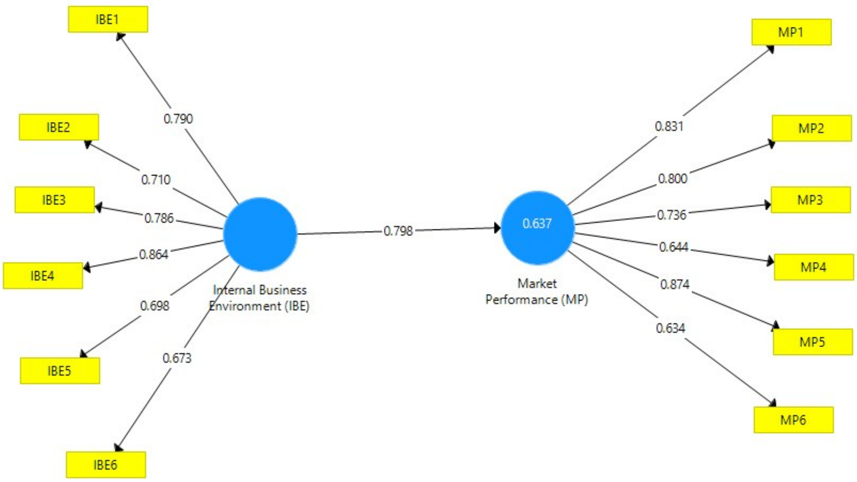

Figure 2 PLS algorithm model of internal business environment and market performance

Figure 2 shows the PLS algorithm model of internal business environment and market performance of the selected manufacturing firm in Ogun state, Nigeria. The path coefficient value of 0.798 shows the level of relationship between internal business environment and market performance variables. R square (R^2) value which is categorised into substantial, moderate and weak (>0.75, >0.50 and <0.25) respectively is 0.637. This implies that 64.0 variation in market performance can be explained by internal business environment. Therefore, internal business environment shows a strong positive relationship with market performance.

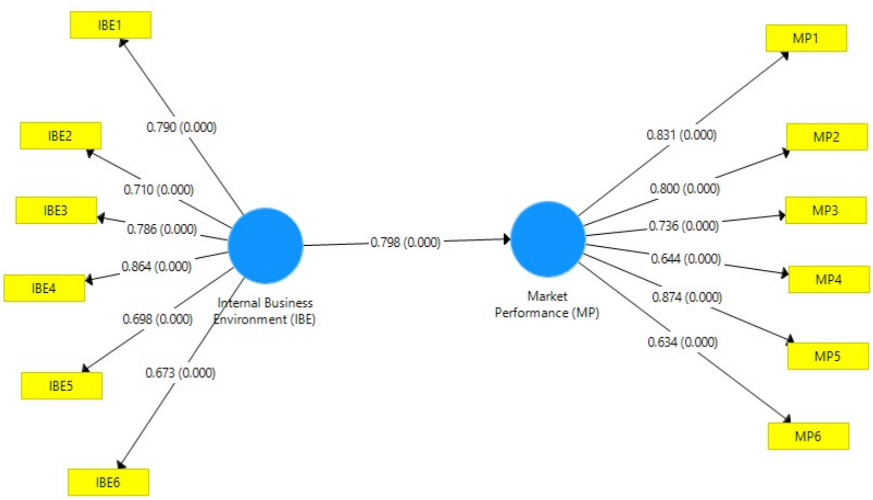

Figure 3 PLS bootstrapping model with β and P values of internal business environment and market performance

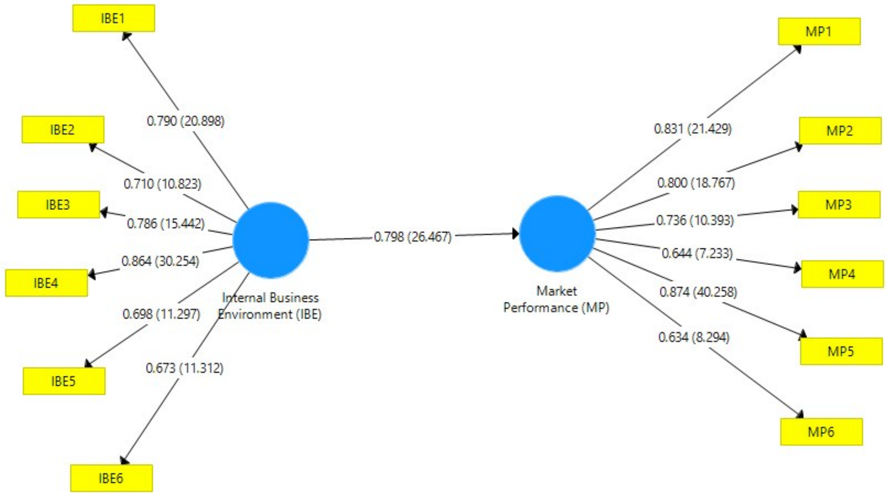

Figure 4 PLS bootstrapping model with β and T values of market intelligence and profitability

Table 2 Confirmatory factor analysis for Hypothesis 1

	Loading	**AVE**	**Composite Reliability**	**Cronbach's Alpha**	**RhO.A**
Constructs	**≥ 0.7**	**≥0.5**	**≥ 0.8**	**> 0.7**	
Internal Business Environment (IBE)		**0.572**	**0.888**	**0.849**	**0.866**
IBE1	0.790				
IBE2	0.710				
IBE3	0.786				
IBE4	0.864				
IBE5	0.698				
IBE6	0.673				
Market Performance		**0.576**	**0.889**	**0.852**	**0.879**
MP1	0.831				
MP2	0.800				
MP3	0.736				
MP4	0.644				
MP5	0.874				
MP6	0.634				

The validity and reliability of the study instrument were determined using factor loadings, Composite Reliability (CR), Average Variance Extracted (AVE) estimation, and Cronbach Alpha, as shown in Table 2. Based on the metrics for factor loading proposed by Ab-Hamid et al. (2017), CR, AVE, and Cronbach Alpha were met. According to Hair et al. (2017) and Ringle and Sarstedt (2017), the variance inflation factor (VIF) values for all constructions should be less than 5. This indicates that the assumptions of normalcy and multi-collinearity were met. Table 2 summarizes the statistical findings.

Table 3 depicts the PLS statistical results of the structural model for Hypothesis 1. Hypothesis 1 has internal business environment as an independent variable and market performance as a dependent variable. The independent variable was measured with six specific items while the market performance of the manufacturing industry was also measured with four items expressed. The findings show that measured internal business environment had a significant influence on market performance.

Specifically, the findings revealed that internal business environment significantly influenced market performance (T-value=26.467>1.96, P-value =0.000 <0.05). The path co-efficient shows that

Table 3 Path co-efficient for Hypothesis 1

Variables	T Statistics	P Values	Path Co-efficient	R^2
Structural Path:				
Internal Business Environment→Market Performance	**26.467**	**0.000**	**0.798**	**0.637**
IBE1	14.792	0.000		
IBE2	10.264	0.000		
IBE3	58.408	0.000		
IBE4	11.581	0.000		
IBE5	13.875	0.000		
IBE6				
MP1	14.920	0.000		
MP2	15.026	0.000		
MP3	21.625	0.000		
MP4	10.112	0.000		
MP5				
MP6				

the level of direct relationship between internal business environment and market performance is statistically significant (β = 0.798, R^2 =0.637, T-value=26.467>1.96, P-value =0.000 <0.05). This implies that internal business environment significant influences market performance. Generally, the R^2 of 0.637 suggests 64.0 influence on principal variable i. e. if one unit of internal business environment increases, then 64.0 market performance will increase. Therefore, internal business environment has significant influence on market performance of manufacturing industry in Ogun State.

For Hypothesis 2, the researcher looked at the impact of a company's task business environment on its financial performance. R-Square, also known as the coefficient of determination, structural path co-efficient (-value), T—statistic value, and the degree of quality of model fit, were all analysed in order to obtain precise information regarding the formulated hypothesis. Figures 2, 3, and 4 show the PLS algorithm model, PLS bootstrapping model with and P values, and PLS bootstrapping model with and T values, respectively. The algorithm aids in calculating the path co-efficient, or the direct relationship between task business environment and financial performance while bootstrapping P-values aid in assessing the coefficient's significance. At the same time, the T-statistic value represents the estimated differences in standard error units. As proposed by Wetzels et al. (2009), the default bootstrapping parameter in Smart PLS was raised to 5000 subsamples. The goal was to improve more precise and accurate findings that would aid in the facilitation of major outcomes.

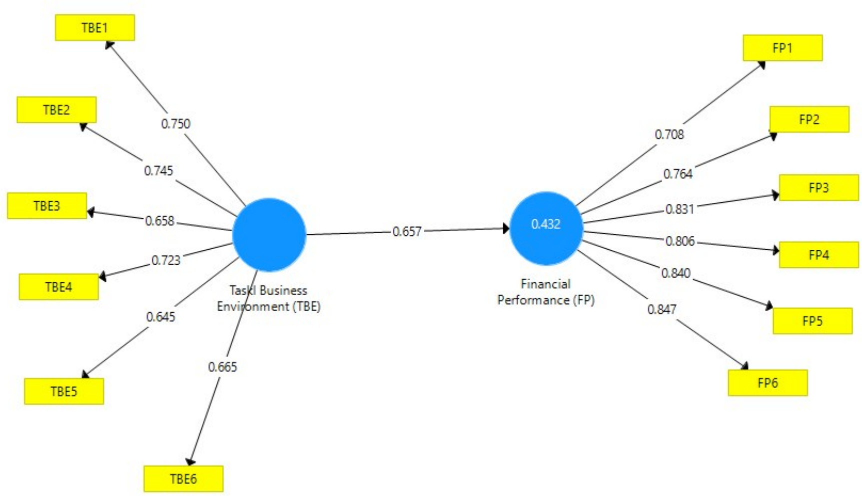

Figure 5 PLS algorithm model of task business environment and financial performance

Figure 5 shows the PLS algorithm model of task business environment and financial performance of the selected manufacturing firm in Ogun state, Nigeria. The path coefficient value of 0.657 shows the level of relationship between task business environment and financial performance variables. R square (R^2) value which is categorised into substantial, moderate and weak (>0.75, >0.50 and <0.25) respectively is 0.432. This implies that 43.0 percent variation in financial performance can be explained by task business environment. Therefore, task business environment shows a weak relationship with financial performance.

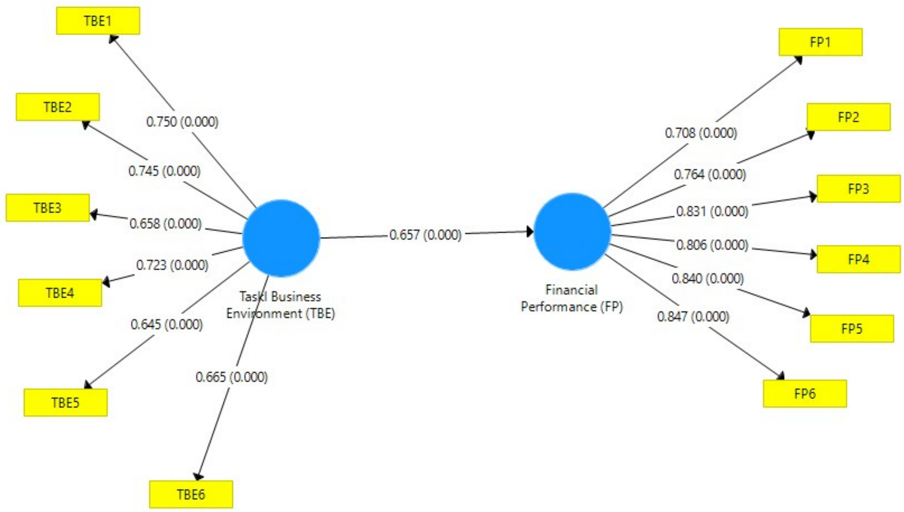

Figure 6 PLS bootstrapping model with β and P values of task business environment and financial performance

To determine the significance of the formulated hypothesis, the standard coefficient, which denotes the expected variance in the dependent variable for a unit variation in the independent variable, was used. The moderate effect on market intelligence increases with the value, which must be noted. The T-statistical test was used to confirm the task business environment's significant impact on the financial performance of the manufacturing sector in Ogun state.

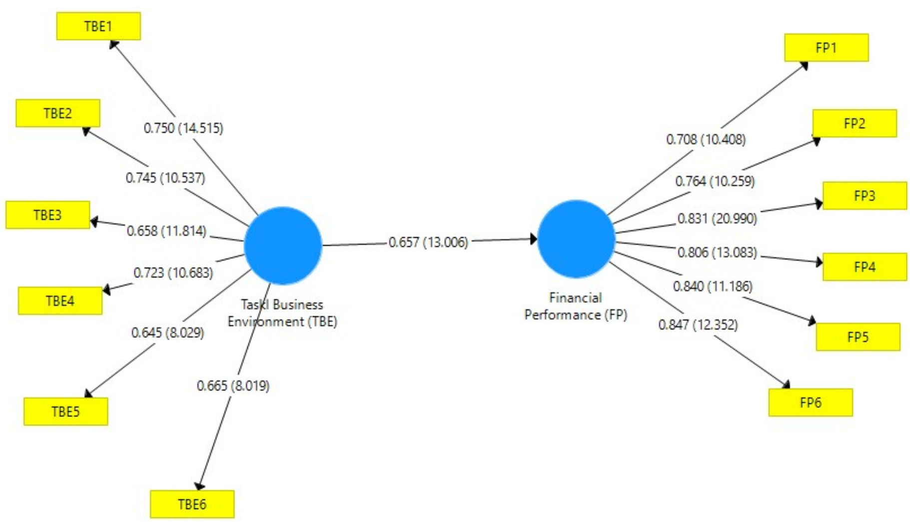

Figure 7 PLS bootstrapping model with β and T values of task business environment and financial performance

Table 4 Confirmatory factor analysis for Hypothesis 2

Constructs	Loading	AVE	Composite Reliability	Cronbach's Alpha	RhO.A
	≥ 0.7	≥0.5	≥ 0.8	> 0.7	
Task Business Environment (TBE)		**0.488**	**0.851**	**0.791**	**0.792**
TBE1	0.790				
TBE2	0.710				
TBE3	0.786				
TBE4	0.864				
TBE5	0.698				
TBE6	0.673				
Financial Performance (FP)		**0.642**	**0.915**	**0.888**	**0.902**
FP1	0.831				
FP2	0.800				
FP3	0.736				
FP4	0.644				
FP5	0.874				
FP6	0.634				

To determine the validity and reliability of the research instrument, analyses such as factor loadings, composite reliability (CR), average variance extracted (AVE) estimate, and Cronbach Alpha were performed, as shown in Table 4. Based on the benchmarks suggested by Ab-Hamid et al. (2017) for factor loading, CR, AVE, and Cronbach Alpha were satisfied. According to Hair et al. (2017) and Ringle and Sarstedt (2015), the variance inflation factor (VIF) values for all the constructs are less than 5, which is a measure of collinearity. This implies that the multi-collinearity and normality assumptions were satisfied. Table 4 shows the statistical results.

Table 5 Path co-efficient for Hypothesis 2

Variables	T Statistics	P Values	Path Co-efficient	R^2
Structural Path:				
Internal Business Environment→Market Performance	**13.151**	**0.000**	**0.657**	**0.432**
TBE1	14.515	0.000		
TBE2	10.537	0.000		
TBE3	11.814	0.000		
TBE4	10.683	0.000		
TBE5	8.029	0.000		
TBE6	8.019			
FP1	10.408	0.000		
FP2	10.259	0.000		
FP3	20.990	0.000		
FP4	13.083	0.000		
FP5	11.186			
FP6	12.352			

Table 5 depicts the PLS statistical results of the structural model for Hypothesis 2. Hypothesis 2 has task business environment as an independent variable and financial performance as a dependent variable. The independent variable was measured with six specific items while the financial performance of manufacturing industry was also measured with six items expressed. The findings show if measured task business environment had a significant influence on market performance.

Specifically, the findings revealed that task business environment significantly influenced financial performance (T-value=13.151>1.96, P-value =0.000 <0.05). The path co-efficient shows that the level of direct relationship between task business environment and financial performance is statistically significant (β= 0.657, R^2 =0.432, T-value=13.151>1.96, P-value =0.000 <0.05). This implies that task business environment weakly influences on financial performance. Generally, the R^2 of 0.432 suggests 43.0 influences on principal variable i.e. if one unit of task business environment increases, then 43.0 financial performances will increase. Therefore, task business environment has significant influence on financial performance of manufacturing industry in Ogun state.

5. Discussion and recommendations

The first objective, which looked at how the internal business environment affects market performance, gave rise to the first hypothesis. The results demonstrate that market performance has a significant relationship with the internal business environment. The internal business environment and market performance are directly correlated, which suggests a strong and significant relationship between the two. This implies that organizations that keep up with the performance in spite of challenges and make a valuable contribution with the adoption of the right structure in ensuring a substantial increase in the demands of their products are likely to survive any challenging situations in the business environment.

This finding validates the submission of Srakar (2018), who noted that the internal environment executives are often linked to the measure of execution accomplishment of a business element. This was also validated by Bormane (2018), who posited that organizations do not work in a vacuum and are influenced by everything around them, but it all starts with an internal audit which does not forget about the other concerns in the area. This implies that the internal business environment is instrumental to the market performance of any organization.

This second hypothesis explored the influence of the task business environment on financial performance. However, all the data collected pointed to a considerable relationship between task business environment and financial performance. The resultant effect and the direct relationship between the task business environment and financial performance imply that the task business environment is one of the strategic tools capable of improving the financial performance of the selected firms. Invariably, if firms are well prepared for any challenges that might come their way and are able to strategically address them, it will make the firms strong and competitive with their counterparts around the world. This will positively result in increased profitability, return on investment, improved product sales, and reduced logistics. The finding is similar to the submission of Donthu and Gustafsson (2020). They noted that the task environment has an impact on the organization's financial performance. This implies task business environment contributes significantly to financial performance.

The study recommended the following based on the specific objectives of the study:

i. Nigeria's manufacturing and service companies leverage the internal environment for market performance. This is because the internal environment is essential for constant increase in market shares, sales volume, and effectiveness of the organisational market performance. The relationship between the internal business environment and market performance is high. Therefore, efforts should be intensified by the firms to sustain the impact of the internal environment on market performance.

ii. The task business environment is one of the prospects for the improved financial performance of the manufacturing firms. To this end, the study recommended that the management of these firms in Nigeria should strive never to relent in taking advantage of a task business environment that will promote return on investment, increased profitability, improved product sales and reduced logistics.

6. Conclusion

Based on the results of the formulated hypotheses that were examined in this study, the conclusion of this study supports the relationship between the effect of business environmental factors on organizational performance during the COVID-19 pandemic and its subsequent effect. This study concluded that market performance is a function of organizational performance. Therefore, the ability to continuously improve financial turnover and reduce operating and administrative costs could perhaps influence the task environment. Although the majority of studies show a positive relationship between sustainable practices and firm performance, there is a critical viewpoint on the implementation of sustainability strategies that contends it may serve more as a means of swaying public opinion than a practical means of addressing environmental or social harm.

About the author

Mercy Ejovwokeoghene Ogbari Email: mercy.ogbari@covenatuniversity.edu.ng

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