

Financial Reporting Compliance and Fiscal Accountability under Government Regulation No. 12/2019: Evidence from Malang City, Indonesia

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ABSTRACT

Purpose: This study evaluates documented Malang City financial-reporting compliance under Government Regulation No. 12/2019 and clarifies the interpretation of statutory timeliness, audit outcomes, and fiscal accountability.

Research Method: A qualitative documentary case study examined the regulation and implementing framework, a public Malang City submission record, and BPK East Java audit-result records. Evidence was mapped to legal requirements and interpreted descriptively; no compliance index or undocumented interview evidence was used.

Results and Discussion: Article 191 requires internal review and submission to BPK within three months after year-end. The FY2022 unaudited LKPD was submitted on 27 March 2023, demonstrating timeliness for that verified cycle. BPK records show WTP opinions for FY2021–FY2024. WTP is treated as assurance on fair presentation, not proof of complete regulatory compliance or absence of weaknesses.

Implications: Documentary evidence verifies one submission cycle; the single-city design does not support broad generalization or causal claims. The findings support stronger public evidence trails for fiscal reporting accountability.

Originality: The study separates procedural timeliness from audit assurance, offering a bounded interpretation of post-2019 local fiscal reporting compliance.

Keywords: Local Government Financial Reporting; Fiscal Accountability; Regulatory Compliance; LKPD; Public-Sector Audit; Indonesia.

1. Introduction

Local government financial reporting is a central component of fiscal accountability because it connects budget execution, stewardship of public resources, and external assurance. In Indonesia, the Regional Government Financial Report (Laporan Keuangan Pemerintah Daerah, LKPD) provides the annual financial account of a regional government and forms part of the wider accountability architecture for the Regional Revenue and Expenditure Budget (APBD). Research on Indonesian local governments consistently links the quality and public accessibility of financial reports to accountability, transparency, accounting standards, institutional capacity, and information systems (Abdullah *et al.*, 2022; Adiputra *et*

al., 2018; Juliyantri, 2023; Nor *et al.*, 2019; Suryanto, 2017). These relationships make reporting compliance important not only as an accounting matter but also as a fiscal-governance issue.

Government Regulation No. 12 of 2019 on Regional Financial Management provides the main post-2019 regulatory framework for regional financial management. The regulation integrates planning, budgeting, implementation, administration, reporting, accountability, supervision, and other dimensions of regional public finance. Its reporting provisions are therefore embedded in a broader fiscal system rather than standing as an isolated year-end obligation. Government Accounting Standards under Government Regulation No. 71 of 2010 provide the accounting basis for government financial statements (Government of Indonesia, 2010), while implementing regulations, including Ministry of Home Affairs Regulation No. 77 of 2020, specify technical regional financial-management guidance. This regulatory architecture makes timeliness, reliable presentation, internal review, and audit follow-up complementary but analytically distinct elements of accountability.

The quality of LKPD has been studied from several perspectives. Accrual-based accounting reform has been associated with changes in local-government reporting quality (Karunia *et al.*, 2019), while other studies emphasize government accounting standards, accounting systems, human-resource competence, and internal control (Anggadini *et al.*, 2023; Annisa & Fitra, 2025; Darmawan, 2019; Defitri, 2018; Tanjung & Nurhasanah, 2023; Widodo *et al.*, 2025). Transparency and disclosure studies likewise show that institutional and technological arrangements shape how local financial information reaches stakeholders (Adiputra *et al.*, 2018; Badewin *et al.*, 2025; Hardiningsih *et al.*, 2021; Haustein & Lorson, 2023; Nor *et al.*, 2019). The literature therefore suggests that regulatory compliance should be evaluated through observable requirements and verifiable evidence rather than through impressionistic labels.

A particular interpretive problem concerns the relationship between timely submission and an unqualified audit opinion (Wajar Tanpa Pengecualian, WTP). Both are relevant to financial accountability, but they answer different questions. Timely submission concerns whether a report was delivered within a statutory period. An audit opinion concerns whether the financial statements are fairly presented in all material respects under the applicable audit framework. Indonesian evidence shows that audit opinions are shaped by criteria that include conformity with accounting standards, internal-control considerations, and compliance findings, but an unqualified opinion should not be treated as proof that no control weakness, legal non-compliance, or fraud can exist (Pamungkas *et al.*, 2018; Pattiasina *et al.*, 2022; Putri *et al.*, 2022). BPK itself explicitly warns that WTP is a professional opinion on fair presentation and is not a guarantee that financial management is free of fraud (BPK East Java, 2023a).

Malang City provides a useful bounded case for examining this distinction. The public record identifies a dated submission of the unaudited FY2022 LKPD and recent BPK audit opinions for successive fiscal years. The case also sits within a broader national transition toward digitalized regional financial administration, including the Regional Government Information System (Sistem Informasi Pemerintahan Daerah, SIPD). Studies of e-accounting and digital reporting indicate that information technology can support reporting quality and accessibility, but benefits remain contingent on organizational capacity, internal controls, and implementation quality (Hardiningsih *et al.*, 2021; Lustiawan & Priyambodo, 2025; Pratiwi *et al.*, 2022; Rohma *et al.*, 2023; Suryanto & Kurniati, 2025). These studies provide context for interpreting the institutional setting without turning general mechanisms into unverified Malang-specific facts.

Against this background, the study asks: what can the available documentary evidence defensibly establish about Malang City's compliance with the financial-reporting requirements of Government Regulation No. 12 of 2019, and how should the audit outcomes be interpreted within the

boundaries of fiscal accountability? The study has two objectives: first, to map verifiable case evidence to explicit reporting requirements; and second, to distinguish procedural timeliness from the assurance conveyed by BPK audit opinions. The intended contribution is deliberately bounded. Rather than proposing a new compliance theory or assigning an unsupported compliance score, the study offers a transparent documentary assessment that clarifies what the available evidence establishes, what it does not establish, and why that distinction matters for local fiscal governance.

The remainder of the paper reviews the relevant literature and regulatory concepts, explains the documentary method, presents the verified case evidence, discusses its implications, and concludes with limitations and directions for future research.

2. Literature Review and Hypothesis Development

2.1 Financial Reporting, Fiscal Accountability, and Regulatory Compliance

Fiscal accountability requires public entities to explain how authorized resources were used and to provide financial information that can be evaluated by oversight institutions and the public. In the Indonesian local-government setting, this responsibility is operationalized through APBD accountability and the LKPD. Earlier public-sector reform research documents the institutional difficulty of moving from formal accounting reform to effective implementation at local level (McLeod & Harun, 2014). Subsequent studies show that accountability and reporting quality are associated with accounting standards, administrative systems, organizational commitment, professional capacity, and governance arrangements (Abdullah *et al.*, 2022; Defitri, 2018; Kurniawan & Etika, 2026; Zeyn, 2011). Accordingly, compliance should be anchored in a defined norm and observable evidence rather than an undefined qualitative rating.

Government Regulation No. 12 of 2019 creates such observable norms, and implementation research has examined how this framework shapes regional budgeting practice (Mauliydiana & Simangunsong, 2021). Article 191 requires the regional government financial report to be reviewed by the Government Internal Supervisory Apparatus (APIP) before submission to BPK and requires submission to BPK no later than three months after the end of the fiscal year (Government of Indonesia, 2019). This provision matters analytically because it separates a pre-submission internal-review requirement from the external audit that follows. Compliance with the submission deadline can therefore be assessed by comparing a dated submission record with the statutory period. This is a narrower and more defensible test than assigning a generalized category such as “excellent” without a validated scoring framework.

The substantive quality of financial reporting is related but not identical to deadline compliance. Government Accounting Standards provide the basis for presentation, and empirical studies identify links between accounting standards, information systems, and reporting quality (Anggadini *et al.*, 2023; Karunia *et al.*, 2019; Tanjung & Nurhasanah, 2023; Widodo *et al.*, 2025). Recent research also emphasizes that formal adoption of standards does not by itself guarantee transparency and accountability; implementation capacity and monitoring remain material (Kurniawan & Etika, 2026). This distinction supports an evidence model in which procedural compliance and reporting quality are examined as connected but separate dimensions.

2.2 Audit Opinions and the Limits of Interpretation

An external audit opinion provides assurance about the fair presentation of financial statements under the applicable audit criteria. In Indonesian municipal governments, the determinants of audit opinions have been examined through accounting-standard conformity, internal-control deficiencies, and findings of non-compliance with laws and regulations (Pamungkas *et al.*, 2018). Related studies examine the relationship between audit opinions, financial disclosure, governance, and financial-reporting quality, with results that caution against treating any single indicator as a complete measure of accountability (Pattiasina *et al.*, 2022; Putri *et al.*, 2022).

For this reason, WTP should be interpreted precisely. BPK describes an unqualified opinion as a professional conclusion concerning the fairness of presentation; BPK East Java has also stated that WTP is not a guarantee that the audited financial statements or financial management are free of fraud or other problems (BPK East Java, 2023a). The FY2023 Malang City audit documentation reinforces this boundary: despite a WTP opinion, BPK reported internal-control weaknesses and non-compliance matters that required corrective action (BPK East Java, 2024). This evidence directly demonstrates why WTP cannot be converted into a claim of complete “material compliance,” flawless controls, or universally valid transactions. Instead, it is best treated as an important assurance signal whose meaning remains bounded by the audit objective and materiality framework.

This bounded interpretation also improves fiscal-accountability analysis. It avoids the opposite error of dismissing WTP as irrelevant. Sustained unqualified opinions can indicate continuity in fair-presentation outcomes and may reflect improvements in reporting processes, but they remain one part of a wider accountability chain that includes timely submission, transparent disclosure, internal review, follow-up on audit recommendations, and correction of identified weaknesses. The conceptual implication is therefore separation rather than substitution: deadline compliance should not be inferred from audit opinion, and complete regulatory compliance should not be inferred from either indicator alone.

2.3 Digitalization, Internal Control, and Reporting Capacity

Indonesia’s local-government reporting environment has increasingly relied on integrated information systems. Ministry of Home Affairs Regulation No. 70 of 2019 establishes SIPD as an integrated regional-government information framework, while Ministry of Home Affairs Regulation No. 77 of 2020 provides technical guidance for regional financial management (Ministry of Home Affairs, 2019, 2020). Digitalization can improve accessibility, standardization, and processing efficiency, but the scholarly evidence does not support a simple assumption that technology automatically produces better accountability.

Empirical research links information-technology utilization to reporting quality and capacity, while also showing that human-resource competence, accounting systems, and internal controls remain relevant (Annisa & Fitra, 2025; Pratiwi *et al.*, 2022; Rohma *et al.*, 2023). Studies of digital disclosure similarly suggest that accessibility and institutional characteristics influence whether financial information is effectively communicated to citizens (Hardiningsih *et al.*, 2021; Nor *et al.*, 2019). Research on reporting quality and transparency further highlights the interaction of systems, standards, governance, and professional capacity (Badewin *et al.*, 2025; Suryanto & Kurniati, 2025).

These findings are useful for interpreting the Malang City case, but they must be applied cautiously. General evidence about digital systems, staff competence, or internal control does not

establish that a particular local government experienced a specific server disruption, staffing problem, or remedial program unless such a fact is documented. In this study, technology and internal control are therefore used as institutional context and interpretive literature, not as unverified case findings. This approach preserves the distinction between evidence generated by the case documents and mechanisms suggested by prior research.

3. Research Method

3.1 Research Design and Unit of Analysis

This study uses a qualitative descriptive documentary case-study design. The unit of analysis is the financial-reporting compliance of the Malang City Government under the post-2019 regional financial-management framework, with particular attention to the LKPD submission requirement and the interpretation of BPK audit opinions. A documentary design is appropriate because the research question concerns externally verifiable legal obligations, dated institutional records, and audit-result documentation. The analysis does not use interviews, survey responses, participant observation, or unpublished claims for which source provenance cannot be independently established. The case is bounded in three ways. First, the legal benchmark is Government Regulation No. 12 of 2019 and directly related implementing instruments. Second, the primary case evidence consists of public institutional records that identify specific submission or audit events for Malang City. Third, the study focuses on what those records can establish about reporting timeliness and audit outcomes, rather than attempting to infer all dimensions of organizational behavior or internal operational performance.

3.2 Documentary Sources and Selection Criteria

The documentary corpus comprises four source classes. The first is the governing legal framework: Government Regulation No. 12 of 2019, Government Regulation No. 71 of 2010, Ministry of Home Affairs Regulation No. 70 of 2019, and Ministry of Home Affairs Regulation No. 77 of 2020. The second is a publicly reported record documenting submission of Malang City's unaudited FY2022 LKPD on 27 March 2023. The third is BPK East Java documentation of the audit opinions for Malang City's FY2021, FY2022, FY2023, and FY2024 LKPD. The fourth is peer-reviewed scholarship used to interpret the evidence and place the case within research on local-government financial reporting, audit opinions, accountability, transparency, and digitalization. Sources were retained when they met the following criteria: direct relevance to local-government financial reporting or the regulatory framework; identifiable institutional or scholarly provenance; an explicit publication, fiscal-year, or audit-period reference; and sufficient information to support the claim for which the source was used. Where a claim could not be supported by the documentary corpus, it was not treated as a case finding. This rule is particularly important for allegations about internal staffing profiles, specific operational delays, informal work practices, or causal effects of local interventions.

3.3 Analytical Procedure and Evidence Boundaries

The analysis proceeded in four stages. First, the relevant legal requirements were extracted and separated into observable obligations, especially the APIP pre-submission review and the three-month submission deadline in Article 191 of Government Regulation No. 12 of 2019. Second, dated Malang City and BPK records were mapped to those requirements and organized by fiscal year. Third, audit-

opinion evidence was interpreted according to its stated audit purpose, with particular attention to the distinction between fair presentation and broader claims of total compliance. Fourth, the case evidence was compared with peer-reviewed literature to identify implications for fiscal accountability, reporting quality, and digitalized financial administration. The study does not construct a numerical compliance score, apply an unvalidated threshold, or infer missing years from one observed submission date. It also does not treat WTP as a proxy for the absence of fraud, the absence of internal-control weaknesses, or full compliance with every statutory requirement. These restrictions are methodological controls designed to keep interpretation proportionate to the documentary evidence. Because the final study uses only public institutional documents and published scholarship and does not involve human participants or personal data, no human-participant ethics procedure is implicated by this documentary analysis.

4. Results and Discussion

4.1 Analysis Results

4.1.1 Regulatory Benchmark for LKPD Submission

The controlling submission provision is Article 191 of Government Regulation No. 12 of 2019. Article 191(1) requires the local government financial report to be reviewed by APIP before it is submitted to BPK. Article 191(2) requires the regional head to submit the financial report to BPK no later than three months after the end of the fiscal year (Government of Indonesia, 2019). The external audit then follows within the statutory accountability sequence. This reading corrects a common misattribution of the BPK submission deadline to Article 189; Article 189 concerns the preparation and consolidation process, while Article 191 contains the BPK submission rule. Two implications follow. First, the deadline can be assessed objectively by using an actual dated submission record. Second, APIP review is a required governance step, but the effectiveness of a particular review cannot be inferred solely from the existence of the legal requirement. The analysis therefore distinguishes between the regulatory norm and case evidence of implementation.

4.1.2 Verified Timeliness for the FY2022 Submission Cycle

The available public case record documents that Malang City submitted its unaudited FY2022 LKPD to BPK East Java on 27 March 2023. The date falls within the three-month period after the end of the 2022 fiscal year and before 31 March 2023. On that specific and verifiable criterion, the FY2022 submission was timely. The evidence supports a finding of deadline compliance for the verified cycle; it does not, by itself, support a claim that every submission since the enactment of Government Regulation No. 12 of 2019 occurred in the second or third week of March. This distinction is important because a single verified date and a generalized historical assertion are not evidentially equivalent. The case finding is therefore stated at the strongest level supported by the available documentation: Malang City complied with the statutory LKPD submission deadline for FY2022. Broader longitudinal conclusions would require a year-by-year series of official submission dates.

4.1.3 Recent BPK Audit Outcomes

BPK East Java records show that Malang City received WTP opinions for the FY2021, FY2022, FY2023, and FY2024 LKPD. The corresponding BPK audit-result records identify report dates of 18 May 2022 for



FY2021, 23 May 2023 for FY2022, 30 April 2024 for FY2023, and 23 May 2025 for FY2024 (BPK East Java, 2022, 2023b, 2024, 2025). The sequence establishes a recent pattern of favorable fair-presentation opinions across successive fiscal years. The documentary record also demonstrates why that pattern must not be overstated. BPK's FY2023 documentation for Malang City records an unqualified opinion while simultaneously identifying internal-control weaknesses and non-compliance matters requiring follow-up (BPK East Java, 2024). At the provincial level, BPK East Java likewise explains that WTP is a professional opinion on fair presentation and is not a guarantee that financial management is free from fraud or other problems (BPK East Java, 2023a). Thus, the WTP sequence supports a conclusion about audit opinion continuity, not a conclusion that all financial transactions, controls, or regulatory obligations were flawless.

Table 1. Documented compliance indicators and bounded interpretation

Indicator / Norm	Documentary benchmark	Malang City evidence	Defensible interpretation
Submission deadline	Article 191(2): LKPD submitted to BPK no later than three months after fiscal year-end.	FY2022 unaudited LKPD submitted on 27 March 2023.	Timely compliance is verified for FY2022. Other years require their own dated submission evidence.
Pre-submission review	Article 191(1): LKPD is reviewed by APIP before submission to BPK.	The legal framework requires the control step; the available public case corpus does not independently measure the effectiveness of the Malang City review.	The study recognizes the required governance mechanism but does not infer review effectiveness without direct evidence.
External audit opinion	BPK opinion addresses fair presentation under applicable audit criteria and materiality.	WTP for FY2021, FY2022, FY2023, and FY2024.	Sustained favorable audit opinions are verified; they do not prove complete legal compliance, fraud-free operations, or perfect internal control.
Audit follow-up context	Audit findings and recommendations may coexist with WTP.	FY2023 BPK documentation records internal-control and compliance matters alongside WTP.	WTP and corrective findings are compatible; accountability includes follow-up, not only the opinion label.
Digital reporting context	SIPD is established within the national regional-government information framework.	Digital administration forms part of the institutional environment, but the documentary corpus does not verify specific Malang server incidents or overtime practices.	Technology is treated as contextual infrastructure, not as an unsupported case-specific causal finding.

Sources: Government of Indonesia (2019); Malang Times (2023); BPK East Java (2022, 2023a, 2023b, 2024, 2025).

4.1.4 Institutional Context: Internal Review and Digital Administration

The regulatory framework places internal review and digital administration around, but not inside, the same evidentiary category as submission timeliness. Article 191 makes APIP review a mandatory pre-submission step. SIPD, established under Ministry of Home Affairs Regulation No. 70 of 2019, provides the national information-system context for regional government administration. These features help explain the institutional environment in which LKPD preparation and submission occur, but the available documents do not justify attributing Malang City's verified FY2022 timeliness to any single mechanism. This evidence boundary is consistent with the literature. Information technology, accounting systems, human resources, and internal controls are associated with financial-reporting quality in multiple settings (Anggadini *et al.*, 2023; Annisa & Fitra, 2025; Pratiwi *et al.*, 2022; Rohma *et al.*, 2023), while digital disclosure research highlights the importance of accessibility and governance (Hardiningsih *et al.*, 2021; Nor *et al.*, 2019). These studies make such mechanisms plausible analytical considerations, but they do not convert undocumented Malang-specific operational narratives into empirical findings.

4.2 Discussion

The primary case finding is narrow but meaningful: the documented FY2022 unaudited LKPD submission was made within the statutory period. This supports a conclusion of formal deadline compliance for that fiscal-year cycle. It does not support an "excellent" compliance classification because neither Government Regulation No. 12 of 2019 nor the study establishes a scoring system, weighted indicators, or threshold for such a category. Removing the unsupported rating strengthens rather than weakens the study because the conclusion becomes directly traceable to the governing rule and the dated record.

The second finding concerns the meaning of the WTP sequence. Four successive WTP opinions from FY2021 through FY2024 provide evidence of sustained favorable audit outcomes. This continuity matters because financial-statement audit opinions are not arbitrary labels; they are professional conclusions based on the audit framework. Nevertheless, the FY2023 BPK documentation is especially instructive: WTP coexisted with identified control and compliance matters. This illustrates the analytical distinction found in prior research on audit opinions and government reporting (Pamungkas *et al.*, 2018; Pattiasina *et al.*, 2022). A WTP opinion therefore supports a statement about fair presentation in all material respects, not a claim that the audited entity has no weaknesses, no non-compliance, or no risk of fraud.

Separating these two dimensions—deadline compliance and audit assurance—offers a clearer fiscal-accountability lens. Timeliness is established by comparing an actual submission date with a statutory deadline. Audit assurance is established by the BPK opinion and must be read within the audit objective. Neither indicator can stand in for the entire governance system. Accountability also depends on transparent disclosure, internal review, reliable systems, and follow-up on audit findings. This layered view is consistent with research that links accountability and reporting quality to standards, internal controls, disclosure, and organizational capacity (Abdullah *et al.*, 2022; Adiputra *et al.*, 2018; Badewin *et al.*, 2025; Juliyanti, 2023; Zeyn, 2011).

The digital context adds a further implication. SIPD and related reforms are intended to standardize and integrate regional administration, while empirical studies show that digitalization and information-technology utilization can improve reporting access and processing when supported by adequate capacity and controls (Hardiningsih *et al.*, 2021; Pratiwi *et al.*, 2022; Rohma *et al.*, 2023). Yet the evidence also cautions against technological determinism. Reporting quality remains associated

with human-resource competence, accounting standards, internal control, and governance arrangements (Annisa & Fitra, 2025; Darmawan, 2019; Defitri, 2018; Suryanto & Kurniati, 2025; Tanjung & Nurhasanah, 2023; Widodo *et al.*, 2025). For Malang City, the responsible interpretation is therefore that digital systems form part of the reporting infrastructure; specific causal claims about how a particular system event produced a particular result require direct case evidence that is not available in the present documentary corpus.

The study's contribution is consequently methodological and interpretive rather than theory-building. It demonstrates a replicable way to assess a local-government reporting case using explicit legal criteria, dated public evidence, and bounded interpretation. This approach is relevant to fiscal governance because public confidence can be weakened when positive audit labels are generalized beyond their technical meaning. Conversely, accountability analysis becomes more informative when it recognizes both achievements and residual weaknesses. The case also aligns with broader evidence that transparency and financial-reporting quality are multidimensional outcomes rather than products of one isolated reform (Haustein & Lorson, 2023; Kurniawan & Etika, 2026; Nor *et al.*, 2019).

For policy and practice, three priorities follow. First, local governments should publish a consistent year-by-year record of LKPD submission dates, not merely current-year announcements, so that timeliness can be independently verified longitudinally. Second, public communication of WTP should be accompanied by clear explanation that the opinion concerns fair presentation and does not eliminate the need to address control or compliance findings. Third, digital reporting reform should be accompanied by sustained attention to staff competence, internal-control quality, data governance, and audit-recommendation follow-up. These priorities shift the emphasis from reputation-oriented reporting toward evidence-based fiscal accountability.

5. Concluding Remarks and Recommendation

This study examined what the available documentary evidence can defensibly establish about Malang City's financial-reporting compliance under Government Regulation No. 12 of 2019. The legal benchmark is Article 191, which requires APIP review before submission and requires the regional head to submit the LKPD to BPK within three months after the fiscal year ends. The public record documents submission of the unaudited FY2022 LKPD on 27 March 2023, which verifies timely compliance for that fiscal-year cycle. BPK records also document WTP opinions for FY2021 through FY2024, establishing a recent pattern of favorable audit opinions.

The central interpretive conclusion is that these two findings should not be conflated. Timely submission is evidence of procedural compliance with a defined deadline. WTP is an audit opinion on fair presentation under applicable criteria and materiality; it is not proof of complete regulatory compliance, flawless internal control, absence of fraud, or universally valid transactions. The FY2023 BPK record, which combines WTP with identified control and compliance matters, illustrates this boundary directly. The study therefore replaces unsupported categorical judgments with a traceable, evidence-proportionate assessment.

The findings have practical implications for local fiscal governance. Public reporting would be strengthened by maintaining accessible year-by-year submission records, communicating the technical meaning and limits of audit opinions, and integrating digital financial administration with capacity development, internal control, and systematic follow-up of audit recommendations. The study is limited

by its documentary single-city design. Only one LKPD submission date is directly verified in the available case corpus, and audit-opinion records cannot substitute for the detailed content of all audit findings. Future research should assemble multi-year submission dates and audit-finding data across municipalities, examine follow-up quality, and compare how digital reporting capacity interacts with institutional controls.

Statement of Use of Generative AI

During the preparation of this work, the author used generative artificial intelligence tools to support the scientific writing process. All interpretations, analyses, and conclusions presented in this study are the sole responsibility of the author.

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