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By Nurhani Patmawati

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Implementation of SAK-EMKM: The Influence of Socialization, Understanding Accounting and Readiness of MSMEs

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ABSTRACT

The objective of this study is to examine the impact of socialization, accounting comprehension, and readiness of micro, small, and medium enterprises (MSMEs) on the implementation of financial statement preparation based on the Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK-EMKM). The research method is categorized as quantitative research. The study utilizes primary data in the form of a questionnaire. The study focused on the population of Micro, Small, and Medium Enterprises (MSMEs) that actively took part in the UMKM Juara program in the Karawang Regency during the year 2022. The sampling technique employed was saturation sampling, wherein the whole population under study was sampled. The utilized specimen had a value of 132. The findings indicated that partial socialization positively and significantly influences the implementation of financial statement preparation based on SAK-EMKM.

On the other hand, an understanding of accounting has little impact on implementing financial statement preparation based on SAK-EMKM. Additionally, MSME readiness significantly affects the implementation of financial statement preparation based on SAK-EMKM. The concurrent processes of socialization, comprehension of accounting principles, and preparedness of MSMEs have a favorable and substantial impact on the execution of financial statement preparation based on SAK-EMKM.

Keywords: Socialization, Accounting Understanding, MSME Readiness, Implementation of SAK-EMKM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have been demonstrated to substantially contribute to Indonesia's economic growth (Sidgwick, 2019). MSMEs possess robust,

energetic, and effective characteristics that inspire trust in their ability to enhance the nation's economy. MSMEs require assistance to bolster their capabilities, facilitating ongoing expansion, enhanced commercial possibilities, and the generation of additional employment chances (Octisari et al., 2022). **Micro, Small, and Medium Enterprises (MSMEs) are of paramount importance in the national economy** due to their potential to create jobs, offer a wide range of economic services, contribute to income redistribution, boost public revenue, foster economic growth, and actively contribute to national stability (Mutiar & Yudiantara, 2021).



Figure 1 Development of Indonesian MSMEs in 2018-2022

Source: Kemenkopukm.2022

The growth of **Micro, Small, and Medium Enterprises (MSMEs) in Indonesia** has exhibited a consistent annual rise over the last five years, as seen by the depicted MSME development graph. In 2018, there were 64.2 million MSMEs in Indonesia. This figure climbed to 65.5 million in 2019 but decreased to 61.8 million in 2020. The decline resulted from numerous MSMEs suffering losses and insolvency owing to the COVID-19 pandemic. This occurred due to the government's enforcement of social prohibitions, which prohibited MSME operators from carrying out their economic activities. Micro, Small, and Medium Enterprises (MSMEs) experienced a growth from 64.2 million in 2021 to 65.4 million in 2022.

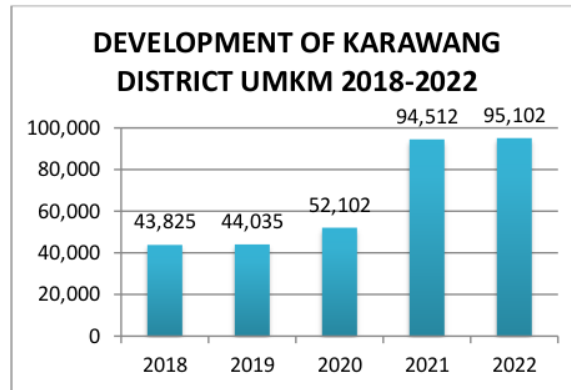


Figure 2 Development of Karawang Regency MSMEs 2018-2022

Source: Karawang Regency Cooperatives and UMKM Service, 2023

The graph illustrates the progression of active ¹⁴ Micro, Small, and Medium Enterprises (MSMEs) in Karawang Regency. In 2018, there were 43,825 MSMEs, which increased to 44,035 in 2019, 52,102 in 2020, 94,512 in 2021, and rose to 95,102 in 2022. The data indicates that the growth of MSMEs in Karawang Regency has experienced a substantial annual increase over the past five years. Despite the COVID-19 pandemic, the number of MSMEs in Karawang Regency did not drop. This is because many employees experienced layoffs and income loss, which motivated them to take advantage of possibilities and establish new firms.

MSMEs in Karawang Regency exploited social media channels, including WhatsApp, Facebook, and Instagram, for ⁸ marketing techniques during the COVID-19 pandemic and social constraints. Introducing the Financial Accounting Standards for Micro, Small, and Medium-sized Entities (SAK EMKM) is anticipated to enhance ³⁷ financial literacy among MSMEs in Indonesia, enabling them to have more comprehensive access to financing from the banking sector. SAK EMKM's presence can enhance Indonesian MSMEs' transparency, efficiency, and accountability. SAK EMKM aims to bolster Indonesia's economic advancement (Yandris & Mitran, 2023).

According to the results of a preliminary poll performed with 20 ¹³ owners of micro, small, and medium enterprises (MSMEs), it was found that 15 respondents opposed and five respondents agreed with the idea of preparing financial situation reports. Regarding the

production of profit and loss statements, seven respondents expressed disagreement, while 13 respondents agreed. Regarding the compilation of Cash Flow Statements (CaLK), 15 respondents disagreed, while five agreed. Many MSMEs in Karawang Regency need more awareness and comprehension of the Financial Accounting Standards for Micro, Small, and Medium-sized Entities (SAK EMKM). Many MSME owners continue to utilize basic recording systems since they need an understanding of the significance of financial reporting and the process of generating precise and dependable records. Therefore, using SAK-EMKM for financial reporting has yet to be fully optimized. Most MSME entrepreneurs possess a straightforward perspective, prioritizing the efficient functioning of their organization and optimizing sales to enhance revenue.

Facilitating the socialization of SAK EMKM is essential for improving MSME practitioners' knowledge, comprehension, and expertise regarding the presence of SAK EMKM. The study conducted by Susilowati et al. (2021) suggests that SAK EMKM can assist MSME owners in enhancing the accuracy and reliability of their financial reporting. The socialization variable phenomenon refers to the need for more knowledge of financial accounting standards, resulting in a lack of familiarity among many MSME owners with financial reports based on SAK-EMKM.

Comprehending accounting is intricately linked to the process of financial reporting and is crucial for the advancement and growth of businesses. Accounting proficiency is necessary to understand and execute financial reporting in compliance with SAK EMKM (Novatiani et al., 2023). The accounting field encompasses various factors that contribute to the difficulty faced by MSME owners in preparing financial reports. These factors include limited education, insufficient accounting knowledge, and a lack of training in accounting principles, all of which hinder their comprehension of bookkeeping. Furthermore, certain MSME practitioners believe financial reporting is unnecessary (Rositasari et al., 2022).

Readiness refers to being fully prepared to execute financial reporting by SAK EMKM. The propensity of MSME proprietors to adopt accounting standards is evident in their comprehension of financial accounting standards, consistent bookkeeping procedures, the employment of specialized bookkeeping personnel, the utilization of accounting software, and adherence to accounting standards (Rositasari et al., 2022). Nevertheless, regarding preparedness, MSME owners typically need more consistency in their record-keeping

practices. They commonly rely on the cash basis technique, which recognizes revenue and expenses only when cash is received or paid. Additionally, they need proficient individuals to carry out bookkeeping in compliance with accounting standards, and their firms need access to accounting software to prepare financial reports.

This study is motivated by the work of Illaihisyah (2023), who examined the impact of accounting comprehension and preparedness on the execution of financial reporting for Micro, Small, and Medium Enterprises (MSMEs) using the Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK-EMKM). This study expands the range of independent variables by incorporating socialization, which is believed to impact the execution of financial report production according to SAK-EMKM.

The findings from the studies conducted by Susilowati et al. (2021) and Octisari et al. (2022) indicate that socialization has a beneficial impact on the implementation of SAK-EMKM. Contrary to this, research conducted by Rismawandi et al. (2022) and Febriyanti and Wardhani (2018) suggests that socialization does not influence the adoption of SAK EMKM. The findings of Illaihisyah (2023) and Novatiani et al. (2023) indicate that a strong comprehension of accounting positively influences the application of SAK EMKM. In contrast, studies conducted by Purnomo and Adyaksana (2021) and Lestari (2023) suggest no correlation between accounting comprehension and financial reporting under SAK EMKM. The research conducted by Pardita et al. (2019) and Illaihisyah (2023) demonstrates that the preparedness of micro, small, and medium enterprises (MSMEs) has a beneficial impact on the implementation of the SAK-EMKM system. Nevertheless, this study contradicts the findings of Rositasari et al. (2022), suggesting that the preparedness of MSME owners has little impact on adopting SAK-EMKM.

Previous studies have revealed a need for more consistency in the findings across different investigations. This study investigates and evaluates the impact of socialization, accounting knowledge, and MSME preparedness on the execution of financial report preparation based on SAK-EMKM. This research's contribution can serve as a benchmark for future studies on financial reporting using SAK-EMKM.

LITERATURE REVIEW

According to the results of a preliminary poll performed with 20¹³ owners of micro, small, and medium enterprises (MSMEs), it was found that 15 respondents opposed and five respondents agreed with the idea of preparing financial situation reports. Regarding the production of profit and loss statements, seven respondents expressed disagreement, while 13 respondents agreed. Regarding the Cash Flow Statements (CaLK) compilation, 15 respondents disagreed, while five⁸ agreed. Many MSMEs in Karawang Regency need more awareness and comprehension of the Financial Accounting Standards for Micro, Small, and Medium-sized Entities (SAK EMKM). Many MSME owners continue to utilize basic recording systems since they need an understanding of the significance of financial reporting and the process of generating precise and dependable records. Therefore, using SAK-EMKM for financial reporting has yet to be fully optimized. Most MSME entrepreneurs possess a straightforward perspective, prioritizing the efficient functioning of their organization and optimizing sales to enhance revenue.

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Comprehending accounting¹² is intricately linked to the process of financial reporting and is crucial for the advancement and growth of businesses. Accounting proficiency is necessary to understand and execute¹² financial reporting in compliance with SAK EMKM (Novatiani et al., 2023). The accounting field encompasses various factors that contribute to the difficulty faced by MSME owners in preparing financial reports. These factors include limited education, insufficient accounting knowledge, and a lack of training in accounting principles, all of which hinder their comprehension of bookkeeping. Furthermore, certain MSME practitioners believe financial reporting is unnecessary (Rositasari et al., 2022).

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Previous studies have revealed a need for more consistency in the findings across different investigations. This study investigates and evaluates the impact of socialization, accounting

knowledge, and MSME preparedness¹¹ on the execution of financial report preparation based on SAK-EMKM. This research's contribution can serve as a benchmark for future studies on financial reporting using SAK-EMKM.

In their study titled "Transformational Leadership and Job Performance: The Case of SMEs in Taiwan," (Tsai et al., 2015) focused solely on the relationship between transformational leadership and employee competence. In contrast, our study expands on this research by incorporating additional variables such as intrinsic motivation and work discipline to examine their impact on employee performance. In their study titled "The Influence of Motivation and Work Discipline on Employee Work Productivity: A Case Study of Tona'an Markets," (Elqadri et al., 2015) focused on investigating the impact of motivation and work discipline on employee work productivity. However, their study solely examined the influence of motivation on work productivity and discipline. In contrast, our study incorporates variables such as Transformational Leadership, Intrinsic Motivation, and Work Discipline to analyze their effects on employee performance.³²

The primary objective of this research is to acquire a comprehensive comprehension and furnish empirical substantiation concerning the impact of transformational leadership, work discipline, and intrinsic motivation on the performance of employees. The anticipated outcomes¹⁹ of this study are expected to provide valuable insights for the advancement of Management Science, particularly in Human Resource Management. Specifically, it aims to enhance our understanding of the impact of transformational leadership, intrinsic work motivation, and work discipline on employee performance, focusing on the mediating role of work discipline.⁶

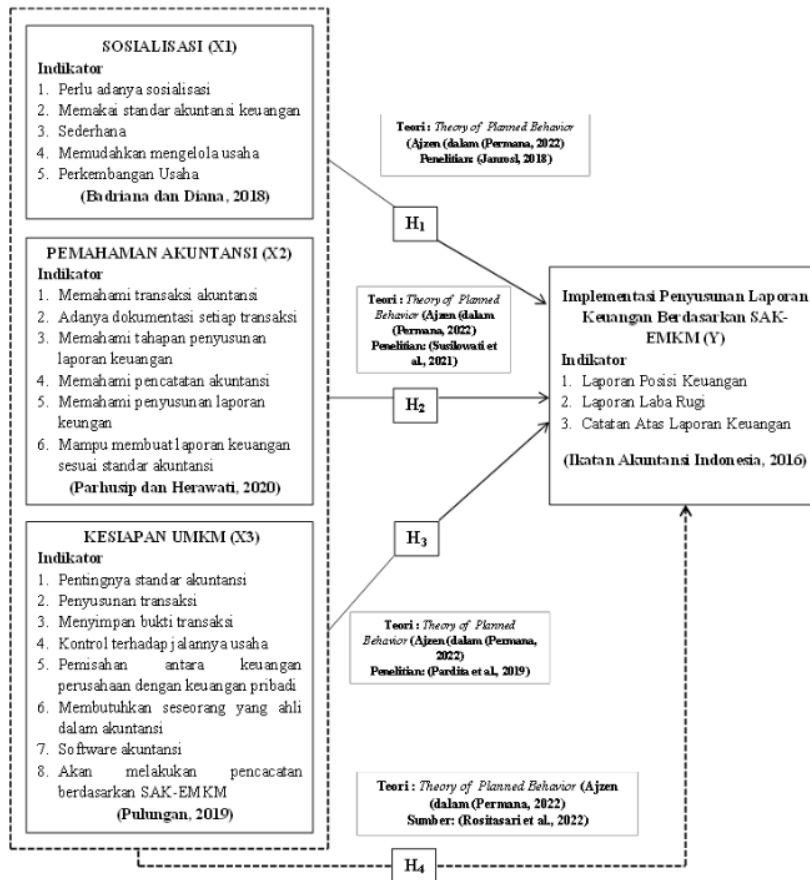


Figure 3. Research Paradigm

METHOD

The research aims to examine the quantitative characteristics of ¹ **small and medium-sized enterprises (SMEs)** within **the** context of **the** Champion SME program. The process of primary data collecting entails disseminating questionnaires and directly utilizing Google Forms by the owners ³ of **small and medium-sized enterprises (SMEs)**. This strategy aims to get direct and immediate insights into their perceptions and practices. The study includes ³ **small and medium-sized enterprises (SMEs)** participating in **the** 2022 Champion SME program in Karawang Regency. In total, there are 167 businesses included. A saturation

sample is used as the sample approach to ensure that all businesses within the population are included in the study, thereby providing a complete representation.

The data acquired from 167 distributed surveys, with a sample size of 132 SMEs, enables a rigorous examination of the correlation between independent and dependent variables. The return rate 132 for the questionnaire reflects the high level of involvement and readiness of the SME owners to provide vital information for the study. Implementing IBM SPSS software for data analysis enhances precision and efficiency, enabling a methodical examination of the complex relationships within the information. This study technique emphasizes the dedication to conducting a detailed and all-encompassing examination of the dynamics of small and medium enterprises (SMEs) within the unique context of the Champion SME program.

The study explores the complex interconnections among several variables, making using IBM SPSS software essential. The dataset can be analyzed using its advanced capabilities to uncover patterns, correlations, and trends. The project will utilize technology to provide valuable insights that could guide strategies and interventions to improve SMEs participating in the Champion SME program. The convergence of technology and research methodology improves the accuracy and dependability of the findings, enhancing the study's overall strength.

RESULT AND DISCUSSION

RESULT

Partial Test (t-test)

Table 1. Partial Test Results (t-test)

Model		Coefficients ^a		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients				
		B	Std. Error			
1	(Constant)	17,563	,442		39,771	,000
	Sosialisasi	,163	,015	,544	11,267	,000
	Pemahaman Akuntansi	-,014	,015	-,052	-,880	,380
	Kesiapan UMKM	,140	,016	,537	9,005	,000

a. Dependent Variable: Implementasi Penyusunan Lap.Keu SAK-EMKM

Source: Processed Primary Data, 2023

Referring to Table 1, hypothesis testing was performed by comparing the t-value with the t-table at a significance level of 5%. The degrees of freedom (df) were determined as $n - 2$, where n represents the sample data size of 132. Therefore, the degrees of freedom were calculated as 130. The t-table value derived from the table is 1.65666. Based on the information shown in Table 2, the following inferences can be made:

1. The socialization variable (X1) was tested using a hypothesis test. The estimated t-value is 11.267, and the significance value is 0.000. The t-table value is 1.65666. The results suggest that the calculated t-value (11.267) is greater than the critical t-value (1.65666), indicating statistical significance. Additionally, the estimated significance level (0.000) is lower than the predetermined threshold of 0.05. Thus, the socialization variable partially has a positive and significant impact on implementing financial report preparation, according to SAK-EMKM. Therefore, H1 is approved.
2. The hypothesis test for the accounting understanding variable (X2) yielded a calculated t-value of -0.880 and a significance value of 0.380. The corresponding t-table value is 1.65666. The results suggest that the calculated t-value (-0.880) is smaller than the critical t-value (1.65666) from the t-table. Additionally, the significance estimate of 0.380 is greater than the significance level of 0.05. Thus, the variable of accounting comprehension has only a limited impact on the implementation of financial report preparation based on SAK-EMKM. Therefore, H2 is rejected.
3. The hypothesis test for the preparedness of the SME variable (X3) yielded a calculated t-value of 9.005 and a significance value of 0.000. The corresponding t-table value is 1.65666. The results suggest that the t-value (9.005) is more than the t-table value (1.65666), and the significance estimate (0.000) is less than 0.05. Thus, the variable of SME readiness has a positive and significant impact on the execution of financial report preparation based on SAK-EMKM. Therefore, hypothesis H3 is accepted.

16 Uji Simultan (Uji-f)

Tabel 2. Hasil Uji Simultan (Uji-f)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55,226	3	18,409	122,873	,000 ^b
	Residual	19,177	128	,150		
	Total	74,403	131			

25 a. Dependent Variable: Implementasi Penyusunan Lap.Keu SAK-EMKM

b. Predictors: (Constant), Kesiapan UMKM, Sosialisasi, Pemahaman Akuntansi

35 Source: Processed Primary Data, 2023

According to Table 3, the F-value is determined to be 122.873, with a significance value of 0.000. The critical F-value of 2.67 is determined based on these data. The variables of socialization, accounting comprehension, and SME readiness all substantially influence the execution of financial report preparation based on SAK-EMKM. This result is supported by the fact that the F-value is higher than the critical F-value ($122.873 > 2.67$), and the significance value of 0.000 is lower than 0.05. Therefore, we accept hypothesis H₄.

DISCUSSION

10 The Impact of Socialization on the Execution of Financial Statement Preparation according to SAK-EMKM

This study's first hypothesis suggests that socialization impacts the execution of financial statement preparation according to SAK-EMKM. The analytical findings demonstrate that the socializing factor exerts a favorable and substantial impact on the execution of financial statement preparation by SAK-EMKM. Consequently, the comprehension of UMKM proprietors in implementing SAK EMKM will be enhanced through enhanced information and socialization. Socialization to UMKM owners can help enhance their understanding and proficiency in creating financial statements that comply with relevant standards.

This pertains to the Theory of Planned Behavior, which posits that if owners of UMKM (Micro et al.) desire to enhance their financial statements for organized financial

recordkeeping, it will facilitate their ability to apply for external finance in the future. Comprehension of SAK EMKM is strongly linked to the process of socialization. When UMKM owners are adequately informed about the implementation of SAK EMKM, they will try to put it into practice (Aresteria & Apip, 2022). As one's knowledge about a subject increases, one's understanding also deepens, which in turn affects one's decision-making while responding to circumstances. The research is backed by prior studies conducted by (Yanti et al., 2023), (Parhusip & Herawati, 2020), (Octisari et al., 2022), and (Susilowati et al., 2021), which affirm that socialization positively and significantly impacts the implementation of Financial Statement Preparation based on SAK-EMKM.

The Impact of Accounting Comprehension on the Execution of Financial Statement Compilation according to SAK-EMKM

The second hypothesis proposed in this study is that comprehension of accounting impacts the execution of financial statement preparation according to SAK-EMKM. The analysis findings indicate that the variable of accounting understanding does not exert a statistically significant influence on the implementation of financial statement preparation based on SAK-EMKM. Enhancing UMKM owners' comprehension of financial statements will facilitate the enhancement of the caliber of their financial reports.

This pertains to the Theory of Planned Behavior, which posits that if owners of Micro, Small, and Medium Enterprises aim to enhance their financial statements through organized financial documentation, it will facilitate their ability to apply for external finance in the future. The limited impact of accounting comprehension among Juara UMKM owners can be attributed to their inadequate knowledge and proficiency in accounting, resulting in many of them failing to prepare financial statements. The primary factors contributing to finance professionals' inadequate proficiency include insufficient education, training, experience, and expertise. The lack of competence in human resources within the finance department hurts the comprehension of accounting. The findings of this investigation align with the research conducted by Purnomo & Adyaksana (2021) and Lestari (2023), which indicate that comprehension of accounting does not impact the execution of Financial Statement Preparation based on SAK-EMKM.

The Impact of Preparedness on the Execution of Financial Statement Compilation according to SAK-EMKM

The third hypothesis posits that the readiness of small and medium enterprises (SMEs) impacts the implementation of financial statement preparation according to the SAK-EMKM standards. The analysis findings indicate that the SME readiness variable substantially impacts the execution of financial statement preparation based on SAK-EMKM. SME owner's readiness refers to the state in which business owners can effectively address issues and adapt to changes in regulations, particularly the adoption of SAK-EMKM.

This pertains to the Theory of Planned Behavior, which suggests that if owners of UMKM (Micro, Small, and Medium Enterprises) desire to enhance their financial statements for organized financial recording, it will facilitate their ability to apply for external finance in the future. Small and medium-sized enterprise (UMKM) proprietors that possess a high level of preparedness will have the capacity to conform to prevailing requirements, such as adopting SAK EMKM (Pardita et al., 2019). In this scenario, the owners of Juara UMKM demonstrate a high level of preparedness in embracing changes and adhering to government rules when it comes to preparing their financial reports, ensuring the long-term viability of their business. The findings of this study are corroborated by (Illaihisyah, 2023), (Nancy, 2022), and (Aryaksana, 2021), which assert that the preparedness of small and medium enterprises (SMEs) has a favorable and substantial impact on the execution of financial statement preparation based on the Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK-EMKM).

The impact of socialization (X1), accounting comprehension (X2), and SME preparedness (X3) on the execution of financial statement preparation according to SAK-EMKM.

The fourth hypothesis in this study suggests that adopting financial statement preparation based on SAK-EMKM is influenced by socialization, accounting understanding, and SME readiness. The analytical findings demonstrate that the variables of socialization, accounting comprehension, and SME preparedness exert a favorable and noteworthy impact on the execution of financial statement preparation by SAK-EMKM.

This pertains to the Theory of Planned Behavior, which posits that if owners of UMKM (micro, small, and medium enterprises) have the purpose of enhancing their financial statements through organized financial documentation, it will facilitate their ability to apply for external finance in the future. Various factors, including socialization, impact the formulation of SAK-EMKM financial statements. SAK EMKM socialization refers to disseminating information to business proprietors regarding the procedures for straightforwardly recording transactions while ensuring the production of dependable data for financial planning, assessment, and oversight. In addition to socialization, a comprehensive understanding of accounting significantly impacts the compilation of SAK-EMKM reports. Business owners with a firm grasp of accounting principles are likelier to adopt SAK-EMKM to provide precise and high-quality financial reports. Furthermore, the capacity of SME participants to execute financial reports using SAK EMKM will be enhanced in tandem with their preparedness regarding transaction flow, document comprehensiveness, organizational structure, human resources availability, and supportive infrastructure (computers and software). Confirming the findings of Rositasari et al. (2022), this study affirms that socialization, accounting understanding, and SME readiness positively and significantly impact the implementation of Financial Statement Preparation based on SAK-EMKM.

CONCLUSION

The outcomes of the conducted tests in this study can be summarized as follows:

Socialization exerts a beneficial and substantial impact on adopting financial statement preparation, according to SAK-EMKM in UMKM Juara, Karawang Regency. This suggests that socialization to UMKM owners can help expand their understanding of creating financial statements in compliance with relevant requirements. Offering education on the implementation of SAK EMKM is advantageous for UMKM practitioners, as it enables owners to comprehend the significance of bookkeeping by SAK EMKM for the long-term viability of their enterprises.

The level of understanding in accounting is relatively low in implementing financial statement preparation based on SAK-EMKM in UMKM Juara, Karawang Regency. The reason for this is the need for more knowledge and abilities in accounting among Juara

UMKM owners, resulting in a significant number of them failing to prepare financial accounts. The inadequate level of education, training, experience, and expertise is the fundamental reason for the need for more competency of human resources in the field of finance. The need for qualified human resources in the finance department adversely affects the level of comprehension in accounting.

⁷ Micro, Small, and Medium Enterprises (MSMEs) ¹² The level of preparedness has a favorable and substantial impact on the execution of financial statement preparation, according to SAK-EMKM in UMKM Juara, Karawang Regency. UMKM owners with adequate preparedness can conform to prevailing requirements, including implementing SAK EMKM. In this scenario, Juara UMKM entrepreneurs demonstrate a robust preparedness to embrace alterations and adhere to government rules when compiling their financial reports, ensuring the long-term viability of their firms. The greater the preparedness of UMKM actors, the more proficient they become in implementing SAK EMKM.

⁴ Socialization, Comprehension of Accounting, and Micro, Small, and Medium Enterprises (UMKM) ¹⁷ The readiness of UMKM Juara in Karawang Regency has a good and significant impact on the implementation of financial statement preparation based on SAK-EMKM. Consequently, it is necessary to organize socializing events to enhance the understanding of Juara UMKM owners. Comprehending accounting is crucial for maintaining financial records, strategizing, and assessing. The greater the preparedness of UMKM actors in transaction flow, document quality, organization, and availability of human resources and supporting facilities (computers and software), the more proficient they become in executing ³¹ financial statements based on SAK EMKM.

Consequences

Regarding UMKM Owners in Karawang Regency: UMKM owners must actively engage in the socialization and training programs provided by the cooperative and UMKM departments. These programs aim to expand their skills in financial management and deepen their understanding of accounting. Through regular engagement in socialization and bookkeeping training, UMKM owners can acquire the skills necessary to produce ⁹ financial statements according to relevant accounting standards, creating more comprehensive and organized financial reports. ⁹ Financial statements prepared in compliance with accounting

standards will demonstrate strong performance and assist in securing financial loans from financial institutions for business expansion. These financial statements are also applicable to company decision-making.

For Future Researchers: Future researchers are expected to broaden the research's scope, encompassing a more comprehensive range of factors and geographical areas, to yield more comprehensive and representative findings.

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