

## Impact Of Financial Compensation On The Performance Of Marketing Employees

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### ABSTRACT

**Background.** Compensation is one of the key aspects in determining employee performance. It becomes a critical concern for companies, as employees strive to achieve the performance standards set by the organization. Recognizing the importance of compensation in supporting performance, compensation management should be a top priority.

**Purpose.** Timeliness and the amount of compensation provided by the company significantly influence employees' work spirit, motivation, job performance, and overall performance. The absolute income level of employees determines their standard of living, while relative income reflects their social status and dignity.

**Method.** Therefore, if employees perceive that the compensation they receive is inadequate, their work spirit, motivation, job performance, and overall performance may drastically decline.

**Results.** Motivation is a condition that drives employees in a focused and goal-oriented manner to achieve company objectives. Work performance is essential for business progress since the success or failure of a business is significantly influenced by employee performance.

**Conclusion.** The financial compensation variable (X) has a positive influence on the employee performance variable (Y) with a coefficient of 0.402. The positive coefficient indicates a direct relationship between financial compensation and employee performance. This means that any change in the financial compensation variable by one unit will result in a 0.402 change in the employee performance variable, assuming other independent variables remain constant.

### KEYWORDS

Financial, Compensation, Performance, Marketing Employees

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### INTRODUCTION

Given the intense competition in the business world and increasingly challenging economic conditions, almost all companies are compelled to continuously strive in order to survive and maximize profits to support business growth (Salem dkk., 2025). In today's era of globalization, which brings fierce competition in all sectors, every organization is required to have a competitive advantage to stay ahead (Soana, 2024). One way to achieve a competitive advantage is by improving employee performance.

To achieve this goal, companies must pay attention to all aspects of their employees' work (Obadia & Vida, 2024). This serves as a driving force for employees to



driving force for employees to perform their duties and meet organizational objectives (Zhong dkk., 2025). It is therefore only proper that employee welfare is prioritized from the beginning (Xie & Chen, 2025). Employees, as company assets, must have their needs and desires understood, which in turn is expected to lead to job satisfaction, strong performance, and high loyalty, thereby enabling the company to achieve its goals.

Effective human resource management requires managers to find the best ways to utilize employees to achieve company objectives (Al-Azzam & Obeidat, 2025). Many efforts can be made to empower human resources, including tiered education, training, and creating a conducive work environment where employees feel comfortable in performing their duties.

Employee motivation can be improved when there is a balance between personal goals and organizational objectives (Oktrivina dkk., 2025). Providing motivation from leadership helps fulfill employee needs and reduces errors. The importance of motivation in supporting company goals can be summarized as follows: improving employee performance, supporting the achievement of organizational goals, minimizing work errors, increasing a sense of responsibility, and encouraging employees to work harder and produce high-quality goods or services (Nachyła & Justo, 2024). One factor that can stimulate employee effort is incentives such as promotions to higher positions for improved performance.

Performance is derived from the term “performance” or “work achievement” (Lv dkk., 2024). Thus, performance refers to the execution of work and the results achieved from that work. It involves both what is done and how it is done (Tang dkk., 2025). Performance must be assessed and confirmed by relevant parties to determine the achievement levels of an institution in relation to its vision and to evaluate the positive and negative impacts of its operational policies.

PT. Liek Motor Surabaya is one of the automotive companies operating in Surabaya (Wu dkk., 2024). The company faces intense competition to survive and grow in the future. Effectiveness and efficiency in utilizing various resources have become essential to survive and succeed (Gao dkk., 2025). Among these resources, human capital plays a pivotal role in achieving company goals. Without human resources, sophisticated equipment and technologies are useless since it is people who design and operate them (Liaquat dkk., 2024). A company’s performance whether it improves or declines depends on the quality of its human resources. Similarly, the rise or fall of product sales is greatly influenced by employee performance (Kaur & Kaur, 2025). Therefore, quality service from PT. Liek Motor Surabaya’s employees (Walikota Mustajab Branch) is crucial in influencing customer purchases, which in turn can boost company revenue.

Given the critical role of marketing staff, management must pay close attention to their well-being, particularly in terms of compensation (Brown dkk., 2025). PT. Liek Motor Surabaya understands this need and has implemented a compensation program in the form of incentives for employees who successfully sell the offered products (Opoko Apendi dkk., 2025). This system provides direct monetary incentives to employees for each unit of Toyota vehicle sold. The compensation program is expected to improve employee performance and contribute to increased company sales.

To that end, providing employees with compensation including salaries, incentives, and benefits is expected to foster motivation and help them achieve optimal performance (Bouteska dkk., 2024). Proper compensation management is key to maintaining employee performance, which ultimately impacts overall company performance.

According to Mohammadi & Mohammadian, (2025), compensation is a return for the use of labor or services provided by employees. Compensation is the total package offered by an organization to workers in exchange for their labor. According to Cao dkk., (2024), compensation is

a reward provided by the company to its employees that can be valued in monetary terms and tends to be given regularly (Ramgolam dkk., 2025). Compensation is not the same as wages, although wages are a part of compensation. “Compensation, besides wages, may include in-kind benefits, housing facilities, transportation facilities, and many other forms which are typically provided on a regular basis.”

According to Amin dkk., (2024), the components of compensation can be divided into: Non-Financial Compensation: 1. Job-related aspects, 2. Work environment.

Financial Compensation. The financial component can be defined as follows: 1. Direct Financial Compensation: a. Base Pay (Salary), b. Incentive Pay (Bonus). 2. Indirect Financial Compensation. This includes: Protection programs, Payment outside working hours, and Facilities.

According to Dzogbenuku dkk., (2024), benefits are additional components provided by the company related to employment, for example: health and life insurance, company-sponsored vacations, pension plans, and other allowances.

Benefits are also known as indirect financial compensation, which includes income received by employees as a result of certain conditions or events they have experienced (Mac & Lee, 2024). Indirect financial compensation may consist of protection programs (insurance, pension), off-hour payments (holidays, public holidays, maternity leave), and facilities (vehicles, office space), religious holiday allowances, sick pay, employee savings support, profit-sharing in the form of shares, insurance, hospital care, and retirement pensions.

## Employee Performance

According to Wedari dkk., (2024), performance comes from the term performance, which refers to work results or job achievements. Thus, performance is about completing work and the results achieved. It concerns both what is done and how it is done. According to (Yang dkk., 2025), performance or job achievement is the result of work both in quality and quantity achieved by an employee in carrying out their tasks according to the responsibilities given.

According to (Zhu dkk., 2025), “Performance is the level of success employees achieve in fulfilling job requirements in line with company expectations.” Performance is a condition that must be known and confirmed by relevant parties to assess how well an institution achieves its goals in relation to its vision and to identify the positive and negative impacts of its operational policies.

Based on the above definitions, it can be concluded that performance refers to the quality and quantity of the work results of individuals or groups in a specific activity, influenced by natural abilities, learned skills, and the desire or motivation to achieve.

### Factors Affecting Performance

According to (Wang dkk., 2025), the factors affecting performance include: 1. Personal factors, 2. Leadership factors, 3. Team factors, 4. System factors, and 5. Contextual / Situational factors

## Performance Model

Organizational performance processes are influenced by many factors. (Gandhi dkk., 2025), illustrates the relationship between performance and its influencing factors in the form of a Satellite Model (Ertz dkk., 2024). According to the Satellite Model, organizational performance is obtained through the integration of several factors such as knowledge, non-human resources, strategic positioning, human resource processes, and structure. a. Knowledge factors include technical issues, administration, human processes, and systems. b. Non-human resources include equipment, facilities, performance environment, technology, capital, and available funding. c. Strategic

positioning covers market/business issues, social policies, human resources, and environmental changes. d. Human processes include values, management systems, information systems, and flexibility.

Performance is a function of the willingness to work, the skills needed to complete tasks, and a clear understanding of what and how to do the job. Thus, the performance equation is:  $\text{Performance} = f(\text{willingness to work, skill, understanding of what and how to do the job})$ . (Y. Jiang & Lin, 2025), argue that performance is a function of individual, organizational, and environmental attributes:  $\text{Performance} = f(\text{individual attributes, organization, environment})$ .

#### Performance Evaluation Criteria

In a company, there are several criteria used to evaluate employee performance. One type of performance evaluation is based on: 1. Quantity of work, 2. Quality of work, 3. Job knowledge, 4. Cooperation, 5. Dependability, 6. Initiative, and 7. Personal qualities

From the above, it can be concluded that performance is measured by assessing work quality, work quantity, job knowledge, creativity, cooperation, reliability, initiative, and personal qualities (Cumming & Nguyen, 2025). These assessments are necessary to determine whether the employees of PT. Liek Motor Surabaya are performing according to established standards. If performance decreases, leadership can take appropriate action to help improve it.

#### Performance Issues

Performance does not always run smoothly as expected; problems often arise. Therefore, it's necessary to identify the issues, find the root causes, and seek effective solutions. Some common problems include: a. Lack of ability, b. Inadequate training, c. Low motivation, d. Distractions, and e. Isolation.

Low organizational performance is often caused by poor human resource performance (Chen dkk., 2025). Therefore, if a company wants to succeed, it must improve employee performance by fulfilling their rights or addressing issues affecting the sustainability of the business.

#### Performance Appraisal

Performance appraisal is essentially a key factor in effectively and efficiently developing an organization, as it helps shape better human resource policies and programs. Individual performance appraisal greatly benefits organizational growth dynamics. Through such evaluations, the actual performance of employees can be measured.

According to (Gazi dkk., 2024), "A performance appraisal system can serve various managerial purposes. In addition to systematically enhancing employee performance, it helps identify high-potential employees, provide fair compensation, and determine employee development needs."

Performance appraisal is a periodic and systematic evaluation of an employee's job performance, including their potential for future development (Wahyudi, 2000). It is a process used by organizations to assess individual employee work execution.

#### Performance Improvement

Performance improvement must be carried out when work performance does not meet expectations (Wibowo, 2007:419). Through performance improvement, it is expected that the organization's future goals can be achieved more effectively. Performance improvement should also be pursued even if an individual or organization has met performance expectations, as they can set higher and more quality-driven targets.

Performance improvement can only be undertaken after understanding the current condition and identifying the expected future performance level. If a performance gap exists, an analysis must be conducted to determine the root cause of the problem and why it occurred. Next, a solution must be found, along with identifying the necessary capabilities to address it, determining who should be involved in the performance improvement process, and finally, defining the follow-up actions to be taken.

The Relationship Between Financial Compensation and Employee Performance. According to (Kim & Lee, 2025), compensation must fulfill several criteria: 1. Must meet minimum needs. 2. Must be binding, 3. Must generate enthusiasm and work spirit, 4. Must not be static, 5. Must be fair, and 6. Composition and compensation must be properly considered

## Hypothesis

The hypothesis of this research is:

“Financial compensation affects the performance of marketing employees at PT. Liek Motor Surabaya.” Companies that have competence in the fields of marketing, manufacturing and innovation can make its as a source to achieve competitive advantage. The research design is a plan to determine the resources and data that will be used to be processed in order to answer the research question. Standard of the company demands regarding the results or output produced are intended to develop the company. Time management skills can facilitate the implementation of the work and plans outlined.

## RESEARCH METHODOLOGY

### Conceptual Framework

The conceptual framework underlying this study is that compensation can direct, strengthen, and influence behavior and achievement of goals. Incentives are one form of compensation that is commonly used, where employees are paid based on the quantity or results they achieve. Incentives are a type of reward linked to employee performance. The better the performance, the greater the incentive given. According to Sentono (1999), employee performance improves when they are paid or compensated according to agreed terms.

This influence is illustrated in the following conceptual framework:



Figure 1. Conceptual Framework Diagram

### Concept Definitions

#### Financial Compensation

According to (P. Jiang & Niu, 2025), compensation is a form of reward given by a company to its employees that can be measured in monetary value and tends to be given on a regular basis.

#### Employee Performance

Performance originates from the concept of “performance,” defined as the result or achievement of work. Therefore, performance refers to the work done and the outcome achieved, including how the work is carried out.

## Operational Definitions

**Incentives.** Incentives are additional income given to employees who achieve certain performance standards. Incentive indicators: a. Bonus, b. Commission, and c. Profit sharing. **Employee Performance.** Performance indicators: a. Quality of work, b. Quantity of work, and c. Time utilization

In this study, the instrument used is a questionnaire, which consists of a list of questions given to employees. The questionnaire must first be tested for its validity and reliability. 1. Instrument Validity. Validity testing is used to show whether the instrument truly measures what it intends to measure (Sunyoto, 2007:106). Decision criteria: a. If  $r_{\text{calculated}} > r_{\text{table}} \rightarrow$  the item/question is valid. B. If  $r_{\text{calculated}} < r_{\text{table}} \rightarrow$  the item/question is invalid. 2. Instrument Reliability. Reliability testing is conducted to determine whether the instrument reliably measures what it is intended to measure. If the reliability coefficient (alpha) is greater than 0.60, the variable and question items are considered reliable (Sunyoto, 2007:107).

According to Kerlinger (2003:217), data analysis involves the categorization, arrangement, manipulation, and summarization of data to find answers to research questions. This research uses both descriptive and inferential statistical analysis techniques.

## Descriptive Statistical Analysis

Before hypothesis testing using inferential statistics, this study uses descriptive statistics. According to Sugiyono (2007:29), descriptive statistics serve to describe or give an overview of the research objects through sample or population data as is, without conducting hypothesis testing or drawing general conclusions. This technique is used to describe financial compensation and employee performance, including the sub-variables of each.

## Regression Analysis

Regression analysis is used to determine the effect of one variable on another. In regression analysis, the influencing variable is called the independent variable, and the influenced variable is called the dependent variable.

If the regression equation contains only one independent and one dependent variable, it is called a simple regression equation. If there are multiple independent variables, it is called a multiple regression equation.

Simple Regression Analysis is used to determine the effect of an independent variable on a dependent variable, or in other words, to see how far changes in the independent variable influence the dependent variable.

The formula for simple regression is:

$$Y = a + bX$$

Where:

Y = Dependent Variable

X = Independent Variable

a = Constant

b = Regression Coefficient

To determine the regression line equation, several formulas can be used so that the values of constant (a) and coefficient (b) can be calculated using appropriate methods.

$$a = [(\Sigma Y \cdot \Sigma X^2) - (\Sigma X \cdot \Sigma XY)] / [(N \cdot \Sigma X^2) - (\Sigma X)^2]$$

$$\text{or } a = (\Sigma Y/N) - b(\Sigma X/N)$$

$$b = [N(\Sigma XY) - (\Sigma X \cdot \Sigma Y)] / [(N \cdot \Sigma X^2) - (\Sigma X)^2]$$

### Correlation Analysis

Correlation analysis is an analysis used to determine the degree of closeness of the relationship between two variables. The level of relationship can be categorized into three criteria: having a positive relationship, having a negative relationship, or having no relationship.

### Correlation Analysis (r):

This is used to measure the strength of the relationship between the variables studied. The degree of closeness can be seen from the correlation coefficient. A correlation coefficient close to +1 indicates a strong positive relationship, while a coefficient close to -1 indicates a strong negative relationship. A coefficient close to 0 means that the relationship between the two variables is weak or not strong. Thus, the correlation coefficient ranges between  $-1 \leq r \leq +1$ . A correlation coefficient equal to -1 or +1 indicates a very strong or perfect relationship between the variables, which is very rare in real data. To calculate the correlation coefficient (r), the following formula can be used:

$$r = [(N \times \Sigma XY) - (\Sigma X \times \Sigma Y)] / \sqrt{\{(N \times \Sigma X^2) - (\Sigma X)^2\} \times \{(N \times \Sigma Y^2) - (\Sigma Y)^2\}}$$

### Hypotesis Testing

The final step to be performed in data analysis is hypothesis testing, which aims to test the research hypothesis that has been proposed by the researcher. The hypothesis testing to be conducted includes:

#### 1. t-test

To test whether there is an effect of the financial compensation variable on employee performance, a t-test is used.

The criteria for the t-test are as follows:

- a. If  $t_{\text{calculated}} < t_{\text{table}}$ , then  $H_0$  is accepted and  $H_a$  is rejected, which means the independent variable does not have a significant effect on the dependent variable.
- b. If  $t_{\text{calculated}} > t_{\text{table}}$ , then  $H_0$  is rejected and  $H_a$  is accepted, which means the independent variable has a significant effect on the dependent variable. This can also be seen from the significance value of t:
  1. If  $\text{sig } t < 0.05$ , then  $H_0$  will be rejected and  $H_a$  will be accepted.
  2. If  $\text{sig } t > 0.05$ , then  $H_0$  will be accepted and  $H_a$  will be rejected. (Sandy, 2009)

Formula 1. for the t statistic value:

$$t = \frac{b_j}{Se(b_j)}$$

$Se(b_j)$  = the standard deviation of the regression coefficient of variable X, which can be calculated using the following formula:

$$Se(b_j) = \frac{\sqrt{1}}{n - k} \sum e_i^2$$

Where  $b_j$  = the regression coefficient of variable X.

The value of  $t$  is obtained by comparing the calculated  $t$  value with the  $t$  table value. The **t-test** in this study was conducted using the SPSS software program.



**Figure 2.** Partial Distribution of Acceptance or Rejection of Hypotheses

## RESULT AND DISCUSSION

### Validity Test

The validity test is used to determine whether an instrument truly measures what it is intended to measure (Sunyoto, 2007:106).

The decision-making criteria are as follows:

- c. If  $r_{\text{calculated}} > r_{\text{table}}$ , then the item or question is valid.
- d. If  $r_{\text{calculated}} < r_{\text{table}}$ , then the item or question is not valid.

**Table 1.** of Validity Test Results

Variable	Item	Total pearson correlation	r table	description
Financial Compensation (X)	X1	0,856	0,334	Valid
	X2	0,789	0,334	Valid
	X3	0,787	0,334	Valid
	X4	0,789	0,334	Valid
	X5	0,615	0,334	Valid
Employee Performance (Y)	Y1	0,610	0,334	Valid
	Y2	0,781	0,334	Valid
	Y3	0,693	0,334	Valid
	Y4	0,787	0,334	Valid
	Y5	0,765	0,334	Valid
	Y6	0,755	0,334	Valid

Variable	Item	Total pearson correlation	r table	description
Financial Compensation (X)	X1	0,856	0,334	Valid
	X2	0,789	0,334	Valid
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	X5	0,615	0,334	Valid
Employee Performance (Y)	Y1	0,610	0,334	Valid
	Y2	0,781	0,334	Valid
	Y3	0,693	0,334	Valid
	Y4	0,787	0,334	Valid
	Y5	0,765	0,334	Valid
	Y6	0,755	0,334	Valid

Based on the table above, it can be seen that all question items measuring the variables of financial compensation (X) and employee performance (Y) are valid because the total Pearson correlation is greater than 0.334.

### Reliability Test

A measuring instrument is considered reliable if it produces consistent results from unchanged symptoms measured at different times. Reliability is an index that indicates how trustworthy or dependable a measuring instrument is. An instrument is said to be reliable if it is used several times to measure the same object and produces the same data. In this test, the reliability test results using Cronbach's alpha statistic show that a variable is considered reliable if the Cronbach's alpha value is greater than 0.6 (Arikunto, 2002).

**Table 2.** of Reliability Test Results

Variable	Cronbach's alpha	Description
Financial Compensation (X1)	0,829	Reliabel
Employee Performance (Y)	0,827	Reliabel

From the table above, it can be seen that both variables financial compensation (X) and employee performance (Y) are reliable because their Cronbach's alpha values are greater than 0.6.

### Model Analysis and Hypothesis Testing

#### Model Analysis

Based on the formulation of the problem and the proposed hypothesis, multiple linear regression analysis was used in data processing. Using SPSS version 16.0, the results of the calculations are presented in the table below.

**Table 3.** Simple Linear Regression Coefficient Data

	Coefficients Regresi	t	Sig.
Constant	2,643	-	-
X	0,402	3,021	0,005
R = 0,465			
R Square = 0,217			

From the table above, the multiple linear regression equation model can be formulated as follows:

$$Y = a + bX + e$$

$$Y = 2.643 + 0.402X + 0.783$$

From the linear regression equation above, it can be understood that the financial compensation variable (X) has a positive influence on employee performance (Y).

The constant value of 2.643 indicates that if financial compensation (X) is assumed to be zero or does not exist, then employee performance (Y) would be 2.643.

The financial compensation variable (X) has a positive effect on the employee performance variable (Y) with a coefficient of 0.402. A positive coefficient indicates a direct relationship between the two variables. This means that every one-unit change in the financial compensation variable will result in a change in employee performance of 0.402, assuming other independent variables remain constant.

The simple determination coefficient value (R square) of 0.217 means that 21.7% of the variation in employee performance is explained by the financial compensation variable, while the remaining 78.3% is explained by other variables not included in this study.

#### Hypothesis Testing (t-test)

**Table 4.** T-test Results

Variable	t Count	Sig.
Financial Compensation (X1)	3,021	0,005

Based on the table above, the second hypothesis can be tested using the following steps: 1. Formulating the hypothesis statistically:  $H_0$ : It is assumed that there is no significant partial effect of the independent variable on the dependent variable.  $H_1$ : It is assumed that there is a significant partial effect of the independent variable on the dependent variable. 2. t-table The value of the t-table is determined as follows:

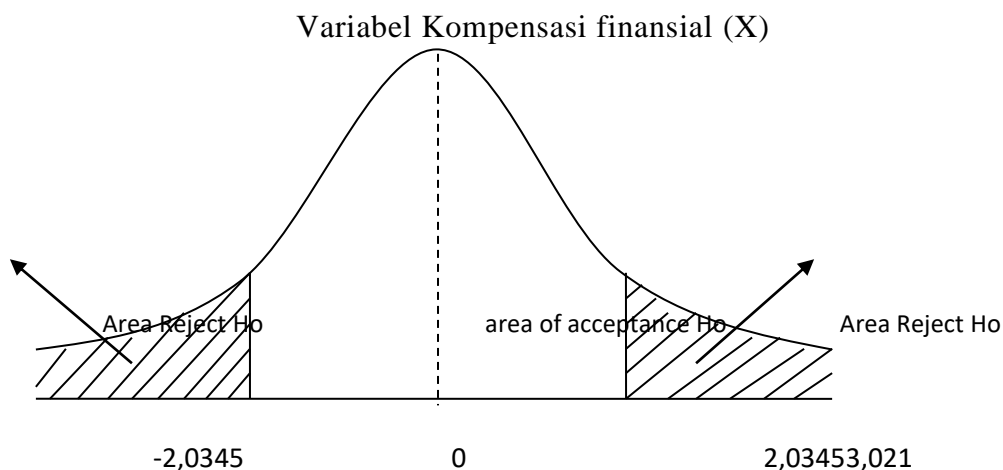
$$df = n - k - 1 = 35 - 1 - 1 = 33$$

$$\alpha = \frac{5\%}{2} = 2,5\% \text{ or } 0,025$$

Thus, the t-table value is 2.0345.

Testing criteria: a. If t-count > t-table, then  $H_0$  is rejected and  $H_1$  is accepted. b. If t-count < t-table, then  $H_0$  is accepted and  $H_1$  is rejected. c. Alternatively,  $H_0$  is accepted if the significance value of  $t > 0.05$ , and  $H_1$  is rejected. d. Or  $H_1$  is accepted if the significance value of  $t < 0.05$ .

### Acceptance and rejection region of $H_0$ on the curve:



**Figure 3.** Graph of the “t” Test Curve

From the figure above, it can be seen that the t-value for the financial compensation variable (X) lies in the rejection region of  $H_0$ , where t-count (3.021) > t-table (2.0345), with a significance level of  $0.005 < 0.05$  or 5%. Therefore,  $H_0$  is rejected and  $H_1$  is accepted. This indicates that the financial compensation variable (X1) has a significant influence on employee performance (Y) in the marketing department at PT. Liek Motor Surabaya.

Based on the results of the simple linear regression analysis using the equation  $Y = 2.643 + 0.402X$ , it is known that the influence of the independent variable, namely financial compensation (X), is positive on employee performance. This shows a direct relationship between the variable and employee performance, meaning that the more positive the independent variable, the stronger the employee performance.

Based on the t-test results, it can be concluded that the financial compensation variable (X) has a significant effect on employee performance (Y). In the process of achieving the goals of an organization or company, employees or the workforce play a very important role as implementers of operational activities. Therefore, the company must pay attention to the living needs of its employees. Providing incentives is a means for employees to meet their living needs. With proper and appropriate incentives, the performance they produce will also increase. This is because it

cannot be denied that every worker (employee) has certain motives, such as the fulfillment of physical and safety needs, social needs, and egoistic needs while working for the company.

An employee's work motivation is crucial for completing tasks, as they carry responsibilities for the company. Anoraga (2001:68) stated that to encourage a person's work spirit, it is necessary to emphasize several factors related to the job, working conditions, company policies, quality of supervision, and the quality of relationships between superiors and subordinates, as well as among fellow employees.

## CONCLUSION

Based on the results, analysis, and tests that have been conducted, the following research conclusions can be drawn: 1. The financial compensation variable (X) has a positive influence on the employee performance variable (Y) with a coefficient of 0.402. The positive coefficient indicates a direct relationship between financial compensation and employee performance. This means that any change in the financial compensation variable by one unit will result in a 0.402 change in the employee performance variable, assuming other independent variables remain constant. 2. Based on the study, the value of the coefficient of determination or R square is 0.217, which means 21.7% of the variation in employee performance is explained by the financial compensation variable, while the remaining 78.3% of the variation in employee performance is due to other variables not included in this study. 3. The t-test result for the financial compensation variable (X) shows a t-count of 3.021 > t-table of 2.0345, with a significance level of 0.005 < 0.05 or 5%. Therefore,  $H_0$  is rejected and  $H_1$  is accepted. This confirms that the financial compensation variable (X1) has a significant effect on employee performance (Y) in the marketing department at PT. Liek Motor Surabaya.

## AUTHORS' CONTRIBUTION

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.

Author 2: Conceptualization; Data curation; In-vestigation.

Author 3: Data curation; Investigation.

## DECLARATION OF COMPETING INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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