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The Role and Capacity of Tax Knowledge in Enhancing Tax Compliance: A PRISMA-Guided Systematic Literature Review in Ethiopia

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Research Article

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Abstract

Purpose: This article investigates the role and capacity of the tax knowledge in improving tax compliance in Ethiopia the topic is essential relies not just on taxpayer's awareness of tax regulations, but also on motivational, institutional, and governmental considerations that formed either knowledge interprets into real compliance behavior.

Design/ Methodology/ approach: This study employs a Systematic Literature Review (SLR) directed by the PRISMA 2020 framework. Articles were gathered from Google Scholar, Scopus, and DOAJ and limited to peer-reviewed articles published between 2014 and 2026, with a geographic emphasis on Ethiopia. Selected articles were examined employing qualitative descriptive synthesis.

Findings/ Results: The review demonstrates that Tax knowledge commonly supports tax compliance by reinforcing understanding of tax regulations and systems. Nevertheless, the impact of tax knowledge is not unrestricted; it is repeatedly mediated by trust in government, perceived fairness, and tax morale, and moderated by institutional quality and implementation. Tax awareness, trust and education and socialization enhance compliance results, but just when they are rooted in a fair transparent and administratively supportive tax environment.

Originality/Value: This study shows tax compliance as a behavioral institutional result formed by mental, behavioral, and administrative factors. The major significance is that attempts to reinforce voluntary compliance should merge taxpayer education, awareness building, trust in government, and available digital facilities instead of trusting mainly on penalties.

1. Introduction

Tax is a necessary payment enforced by the government, levied on capital and consumption by the public. To create earnings, it is mandatory to pay taxes, owing to the without of personal advantages or receiving direct gains from earning-creating citizens [1,5]. According to [10] defined Tax compliance as the obligation obey to tax regulations and obligations within the proper and correct reporting of income, expenditures, and other financial information to the appropriate tax authorities. As for example quickly filling of tax revenues and proper payment of any taxes owed. Tax compliance is a process that involves following the tax laws and regulations imposed by tax authorities, which are then approved by the cabinet and become constitutional law. While the requirement of tax compliance is globally recognized, factors affecting it vary from one region in the world to another region, formed by related components, like institutional frameworks, cultural attitudes, and historical aspects.

Tax compliance is outlined as enduring through regulation and fitting compliance with intention and integrity [4]. Another way to explain tax compliance is the situation where Taxpayers carry out all tax-related responsibilities and apply their taxation rights [12]. In Ethiopia, tax compliance is an important concern. The tax-to-GDP ratio has declined from 7.5% in 2018 to 4.5% in 2022, continuing below the African average of around 13–16% [17]. This shortfall is largely assigned to low free compliance, fragile

administrative capacity, and low public trust in institutions [19]. Ethiopia's tax administration essentially depends on the economic deterrence model, using audits and penalties to promote compliance, while giving limited focus to social-psychological factors [2]. The government should increase knowledge of the coming generation regarding taxation, for the main aspect is that they will decrease compliance among older taxpayers. So, it is good if the tax administration operates by teaching the new generation regarding the significance of taxation that they receive specifically and the public as a whole. Regarding that teaching taxpayers is a form of they can help them optimistically understand taxation, and they may be a good choice to develop the compliance behavior of the new generation, they are a new power that is entering businesses more [10].

Hypothetically, tax compliance relates to the scope to which taxpayers accomplish their legal regulations correctly, timely, and in accordance with current tax regulations. Within this framework, tax knowledge may be understood as the taxpayer's understanding of tax rules, procedures, rates, reporting mechanisms, and legal responsibilities, whereas tax awareness refers to the recognition that taxes are socially required and that paying them constitutes a civic and moral duty.

The relationship between concepts is not simply additive. Knowledge enables taxpayers with the technical capacity to comply, while awareness motivates the internalization of tax obligations as rightful and necessary. For this reason, the literature increasingly handles compliance as the product of both informational and attitudinal factors instead of as a simple reaction to penalties alone [18,2].

A considerable body of recent research reports that tax knowledge positively affects taxpayer compliance. However, the literature also shows essential gaps. Most studies investigate tax knowledge, tax awareness, approvals, service quality, education, or e-filing in separate empirical models and within specific local or national contexts. As a result, the field is characterized by fragmented findings, mixed analytical emphases, and limited synthesis of how these variables are conceptually and empirically connected [17].

According to that gap, this article leads a Systematic Literature Review on the Role and Capacity of Tax Knowledge in Enhancing Tax Compliance in Ethiopia. Particularly, this study aims to review, analyze, map, and synthesize prior research on the conceptual roles, empirical relationships, mediating pathways, and contextual conditions through which tax knowledge influences taxpayer compliance.

2. Literature Review

In this part, theoretical and empirical literature in relative to tax compliance are considered and the literature is received from published and unpublished materials like articles, books, and other subjects. The data is presented in narrative form.

2.1 Concepts and definitions applied to tax and tax compliance

Taxes are essential revenue of public income that are a small of individual wealth removed from people by the state with the objective of meeting the spending essential to complete the functions of government [20]. Tax is the major section of government revenue that may be utilized to finance all the government expenditures required to stabilize the economy. According to [3], taxes have three fundamental goals: raise funds for the government, managing the economy and commercial activity, and controlling income and employment. According to [13], taxes take a role in assignment, spread, and stabilization

The word “tax compliance” has been explained variously by different researchers. For example, [6] defined tax compliance as the act of an individual registering their tax returns, properly revealing all taxable income, and paying all payable taxes within the allotted time without requiring to expect complementary measures from the government. in the same way, [17] stated that compliance with tax rules involves true reporting of the tax base, correct calculation of the tax liabilities, timely filling of tax returns, and timely payment of the amount due as tax. Tax compliance, according to [8], is the willingness of people to conduct in a way that complies with both the letter and the spirit of the tax legislation and administration without the utilize of enforcement activity.

2.1 Tax Knowledge and Tax Compliance

Tax knowledge is an individual's understanding of tax rules and regulations relating to specific taxation situations [2]. Studies in Ethiopia show that when taxpayers better understand taxation approaches and obligations, they are more likely to file correctly, notice mistakes, and perceive compliance as manageable rather than heavy. [2] discovered that tax knowledge is positively and significantly related to high compliance behavior. A one-unit increase in tax knowledge decreases the probability of low and medium compliance by 3% and 9%, respectively, but increases the tendency for high compliance by 12%. Similarly, [18] affirmed that tax knowledge, awareness, and education regularly develop as critical determinants of tax compliance in Ethiopia, shaping compliance behaviors across various regions and demographic groups.

However, the relationship between knowledge and compliance is not completely consistent. Some studies recommend that greater knowledge may generate mixed effects when taxpayers become more aware of gaps, perceive the system as excessively complex, or feel despondent by procedural burdens [2]. This shows that knowledge alone does not spontaneously generate compliance if it is not supported by an easy-to-use system and credible administration.

2.2 The Mediating Role of Trust

A second, even more stable model in the literature is the crucial role of trust in government and tax authorities. The studies indicate that trust is not easily an attendant attitude variable, but a central psychological mechanism that convert knowledge into behavior.

[19] found that public trust significantly forecasts voluntary tax compliance and partially mediates the effects of economic and psychological factors. Economic factors influence compliance partly by reinforcing trust in government, while psychological factors employ an indirect effect through trust. This implies that awareness and trust offer the motivational and behavioral route through which knowledge becomes actual compliance. [15] in the same way showed that procedural justice promotes voluntary tax compliance, especially when the legitimate power of the tax authority is low and compulsory power is high. Importantly, this effect is mediated by cognition-based trust. Their findings highlight that in developing countries like Ethiopia, where authorities usually have low legitimate power, tax authorities need to be procedurally just to raise voluntary compliance.

2.3 The Role of Fairness and Equity

The literature also highlights that knowledge and awareness perform most effectively when mixed with supportive related factors such as fairness, equity, and service quality. [2] found that tax fairness has a significant positive relationship with high compliance and a negative relationship with low compliance. Taxpayers who view the tax regime as unfair are more likely to weaken their passion and tax collaboration. [18] affirm that equity and fairness have a direct and significant positive effect on both tax revenue and tax compliance behavior among taxpayers in Hossana City. When taxpayers recognize that there are tax fairness and equity in the tax system, they will be ready to pay taxes voluntarily, which in change improves government tax revenue.

2.4 Tax Education and Socialization

The literature shows that education and socialization are important tools for building both tax knowledge and tax awareness. Taxpayer education programs, public engagement, training, and educational-based exposure have been found to get better understanding of tax obligations while also forming more positive perspective toward compliance. [17] found that tax education does not have a direct significant effect on tax revenue or tax compliance. However, the mediation analysis showed that tax compliance fully mediates the relationship between tax education and tax revenue. This means that tax education affects tax revenue not directly but indirectly through tax compliance behavior. Alternatively stated, tax education offers taxpayers additional information so that they will have a greater understanding and, as a result, comply with tax requirements. This finding is significant because it proposes that the capacity of tax knowledge is dependent; knowledge must be translated into compliance behavior before it can affect revenue outcomes.

2.5 Institutional and Cultural Factors

Recent studies underline that knowledge and awareness are influenced by supporting institutional variables such as institutional quality, cultural norms, and administrative effectiveness. [19] discovered that institutional factors have the strongest direct effect on voluntary tax compliance ($\beta = 0.348$), followed by cultural factors ($\beta = 0.235$) and economic factors ($\beta = 0.218$). However, institutional factors did not significantly predict public trust, suggesting that institutional quality can influence compliance

directly through effective enforcement and service delivery, even when trust remains relatively low. [17] also found that taxpayers' culture has a direct and significant positive effect on both tax revenue and tax compliance behavior. Cultural norms emphasizing self-control and conformity to social wishes may contribute positively to voluntary tax compliance behaviors.

2.6 Theoretical Framework

The reviewed studies attract on numerous theoretical frameworks:

- **Slippery Slope Framework (SSF):** Trust leads to voluntary compliance, while power secures enforced compliance [15, 2 19].
- **Theory of Planned Behavior (TPB):** Tax knowledge → attitudes → behavioral intention → compliance [18].
- **Economic Deterrence Theory:** Sanctions and audits influence compliance decisions [2].
- **Fairness Heuristic Theory:** Perceived fairness shapes trust and compliance [15].

These theories together suggest that tax compliance is best understood as a multidimensional phenomenon shaped by the interaction of knowledge, awareness, trust, fairness, service experience, regulatory clarity, and administrative design.

2.7 Research Gap

Despite the growing volume of empirical research, the existing literature still reveals an important gap. Most studies examine tax knowledge, tax awareness, sanctions, service quality, education, or e-filing in isolated empirical models and within specific local or national contexts. As a result, the field is characterized by fragmented findings, varied analytical emphases, and limited synthesis of how these variables are conceptually and empirically connected.

What is still limited is a systematic synthesis that integrates these scattered findings into a coherent explanation of how tax knowledge and awareness interact in enhancing tax compliance in Ethiopia. Therefore, this article adopts a Systematic Literature Review perspective with a conceptual focus on **tax knowledge as the cognitive foundation of compliance**, **trust and fairness as the attitudinal and moral channels of compliance**, and **institutional factors as contextual enhancers** that shape the effectiveness of both.

3. Methodology

3.1 Research Design and Review Framework

This study utilizes a **Systematic Literature Review (SLR)** to investigate the role and capacity of tax knowledge in enhancing tax compliance in Ethiopia. The SLR method is selected because it enables a

structured, transparent, and attributable procedure for identifying, selecting, evaluating, and synthesizing previous studies applicable to a focused research issue.

To secure methodological clarity and reporting transparency, the review follows the **PRISMA 2020 framework**, so that the stages of identification, screening, eligibility, and inclusion can be described systematically and logically. The review is guided by the following research questions:

1. What is the **role** of tax knowledge in enhancing tax compliance in Ethiopia?
2. What is the **capacity** of tax knowledge in directly improving tax compliance in Ethiopia?
3. When does tax knowledge require **mediating or moderating factors** (e.g., trust, fairness, tax morale) to enhance compliance in Ethiopia?
4. What research gaps remain regarding the role and capacity of tax knowledge in enhancing tax compliance in Ethiopia?

3.2 Inclusion and Exclusion Criteria

The review applies predefined inclusion and exclusion criteria to reduce selection bias and maintain methodological consistency.

Inclusion Criteria:

Number	Criterion
1	Published between 2014 and 2026
2	Peer-reviewed journal articles
3	Available in full text
4	Directly suitable to tax knowledge, tax literacy, tax education, tax awareness, taxpayer awareness, fiscal awareness, tax compliance, taxpayer compliance, or voluntary tax compliance
5	Geographic focus: Ethiopia only
6	Indexed in credible scholarly sources

Exclusion Criteria:

Number	Criterion
1	Duplicate records
2	Unavailable in full text
3	Not journal articles (editorials, conference abstracts, reports, theses, book chapters)
4	Published outside the specified time range
5	Only marginally related to the focus of the review
6	Geographic focus outside Ethiopia

3.3 Data Sources and Article Search Strategy

The literature seek is carried out using:

Database	Purpose
Google Scholar	Broad coverage of Ethiopian tax studies
Directory of Open Access Journals (DOAJ)	Peer-reviewed open access journals
Semantic Scholar	AI-powered academic search
Scopus	High-impact peer-reviewed journals
Ethiopian Journal Databases	Local scholarly sources

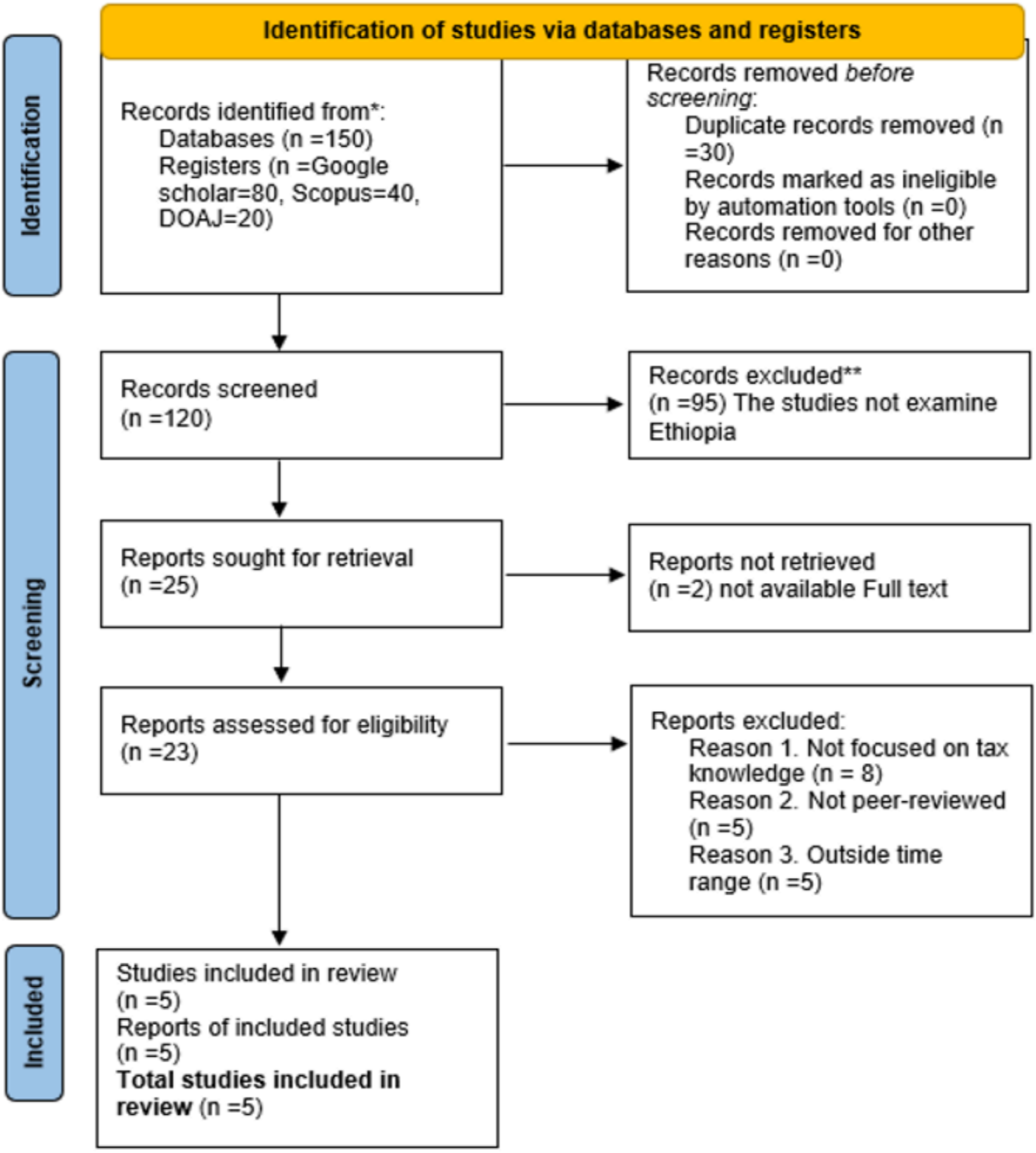
The principal search cord is developed as:

("tax knowledge" OR "tax literacy" OR "tax education" OR "knowledge of taxation") AND ("tax compliance" OR "taxpayer compliance" OR "voluntary tax compliance" OR "tax compliance behavior") AND ("Ethiopia" OR "Ethiopian")

flag operators AND and OR are employed to provide that the search captures articles most closely aligned with the conceptual and geographic focus of the review.

3.4 Article Selection Process and Data Analysis

All documents identified in the first search are first documented and checked for replication. The remaining records are then screened on the basis of title and abstract to assess initial relevance. Articles examined potentially relevant proceed to full-text assessment, where each study is assessed opposite the predefined inclusion and exclusion criteria.



The process follows the PRISMA sequence:

Stage	Description
Identification	Records identified from databases
Screening	Records screened by title and abstract
Eligibility	Full-text articles assessed for eligibility
Inclusion	Studies included in the final review

After the final set of studies is decided, the included articles are reviewed in depth and their data are removed according to: title, author(s), year of publication, research objective, method, thematic focus, principal findings, and the direct, mediating, or moderating role of tax knowledge.

The extracted material is analyzed using **descriptive qualitative synthesis** through:

- Thematic grouping (organizing findings by theme)
- Comparison of findings (comparing results across studies)
- Identification of recurring patterns (noting consistent findings)
- Interpretation of dominant tendencies (analyzing trends)
- Narrative synthesis (producing a coherent narrative)

3.5 Quality Assessment

To assure that the final synthesis stands on methodologically and substantively sound evidence, each included article undergoes a **quality assessment**. Since the selected studies may vary in design and disciplinary orientation, the appraisal is conducted through a **structured evaluative matrix** rather than through one design-specific instrument.

Each article is evaluated based on:

No.	Criterion
1	Topic relevance
2	Clarity of research objectives
3	Transparency of method
4	Adequacy of analysis
5	Contribution to understanding the role and capacity of tax knowledge

The results of the review are presented in narrative form and, where necessary, supported by a summary table of included studies.

3.6 Included Studies

The following **5 studies** were selected for the final review:

No.	Author(s) & Year	Title	Focus	Method
1	[17]	Factors Affecting Tax Compliance in Ethiopia: A Systematic Review	Tax knowledge, awareness, education, fairness, trust, penalties	PRISMA SLR
2	[2]	Determinants of Tax Compliance Behavior: A Case Study in Ethiopia	Tax knowledge, trust, fairness, tax morale, education	Ordered Logit
3	[15]	Power, Justice, and Trust: A Moderated Mediation Analysis of Voluntary Tax Compliance among Ethiopian Small Business Owner	Procedural justice, trust, legitimate power, coercive power	Field Study / Moderated Mediation
4	[19]	Exploring the Drivers of Voluntary Tax Compliance in Ethiopia	Economic, psychological, cultural, institutional factors, public trust	PLS-SEM
5	[18]	Social Psychological Drivers and Tax Revenue for Sustainable Economic Development (Hossana City)	Taxpayers' attitude, equity and fairness, culture, tax education, tax compliance	PLS-SEM

3.7 Theoretical Framework

The review assumes a **multi-theoretical framework** to explain the role and capacity of tax knowledge in enhancing tax compliance in Ethiopia:

Theory	**Application**
Theory of Planned Behavior (TPB)	Tax knowledge → attitudes → behavioral intention → compliance
Institutional Theory	Trust, fairness, and administrative quality shape compliance
Economic Deterrence Theory	Sanctions and audits influence compliance decisions
Slippery Slope Framework	Trust and power interact to shape voluntary vs. enforced compliance
Fairness Heuristic Theory	Perceived fairness shapes trust and compliance

3.8 Ethical Considerations

Whereas this study is a Systematic Literature Review, it does not use human participants or primary data collection. Therefore, ethical approval is not appliable. However, the review attaches to academic

integrity by correctly citing all sources, prevent plagiarism, clearly reporting the selection process, and acknowledging limitations.

3.9 Limitations of the Methodology

Limitation	Description
Limited geographic scope	Focus on Ethiopia only may limit generalizability
Language bias	Only English-language articles are included
Publication bias	Grey literature (theses, reports) is excluded
Database limitations	Some relevant Ethiopian studies may not be indexed in selected databases
Small number of included studies	Only 5 studies met the inclusion criteria

4. Results and Discussion

4.1 Overview of Included Studies

The final body shows many common features. Most of the studies were published between 2016 and 2026, indicating that the topic remains current and expanding. Geographically, the proof is concentrated in Ethiopia, with the dominant units of analysis being individual taxpayers, SMEs, and Category "A", "B", and "C" taxpayers. In methodological terms, the retained studies are predominantly quantitative, using ordered logit, PLS-SEM, and moderated mediation models.

4.2 The Role of Tax Knowledge

A first important pattern is that tax knowledge generally provides positively to tax compliance, especially when it improves taxpayers' understanding of legal obligations, registering procedures, sanctions, and reporting prerequisites [2] found that tax knowledge is positively and significantly associated with high compliance behavior. A one-unit increase in tax knowledge decreases the probability of low and medium compliance by 3% and 9%, respectively, but increases the tendency for high voluntary compliance by 12%. This finding supports the perspective that tax knowledge is a foundational factor in self-assessment systems, where taxpayers must understand rules independently rather than rely solely on authority intervention. [18] similarly affirmed that tax knowledge, awareness, and education consistently emerge as critical determinants of tax compliance in Ethiopia, forming compliance behaviors across various regions and demographic groups.

4.3 The Capacity of Tax Knowledge: Conditional and Mediated

A second and even more consistent pattern is that **the capacity of tax knowledge is conditional**. Knowledge does not always work in a straightforward linear way. Its effect depends on intervening

psychological, procedural, and institutional conditions.[19] found that public trust significantly predicts voluntary tax compliance and partially mediates the effects of economic and psychological factors. Economic factors influence compliance partly by strengthening trust in government, while psychological factors exert an indirect effect through trust. This suggests that awareness and trust provide the motivational and behavioral pathway through which knowledge becomes actual compliance. [15] demonstrated that procedural justice fosters voluntary tax compliance, particularly when legitimate power of the tax authority is low and coercive power is high. Importantly, this effect is mediated by cognition-based trust. Their findings highlight that in developing countries like Ethiopia, where authorities usually have low legitimate power, tax authorities need to be procedurally just to nurture voluntary compliance. [17] found that tax education does not have a direct significant effect on tax revenue or tax compliance. However, tax compliance **fully mediates** the relationship between tax education and tax revenue. This means that the capacity of tax knowledge is realized only when it is translated into compliance behavior.

4.4 The Role of Trust, Fairness, and Institutional Factors

The review also shows that knowledge and awareness are shaped by supporting institutional variables such as **trust, fairness, service quality, and cultural norms**.[19] found that institutional factors have the strongest direct effect on voluntary tax compliance (β = 0.348), followed by cultural factors (β = 0.235) and economic factors (β = 0.218). However, institutional factors did not significantly predict public trust, suggesting that institutional quality can influence compliance directly through effective enforcement and service delivery, even when trust remains relatively low. [2] found that tax fairness has a significant positive relationship with high compliance. Taxpayers who regard the tax regime as unjust are more likely to undermine their enthusiasm and tax cooperation. Similarly, [18] confirmed that equity and fairness have a direct and significant positive effect on both tax revenue and tax compliance behavior.

4.5 The Role of Tax Education and Socialization

The literature promote demonstrates that **education and socialization** are critical instruments for building both tax knowledge and tax awareness. However, the effect of tax education is often indirect. [17] found that tax compliance fully mediates the relationship between tax education and tax revenue. This suggests that tax education affects tax revenue not directly but indirectly through tax compliance behavior. In other words, tax education provides taxpayers with additional information so that they will have a greater understanding and, as a result, comply with tax requirements.

4.6 Theoretical Implications

From a theoretical perspective, the included studies heavily reinforce behavioral descriptions of tax compliance, remarkably those related to the Theory of Planned Behavior and the Slippery Slope Framework. In the reviewed prove, tax knowledge functions as the cognitive factor, trust and awareness operate as the motivational or attitudinal element, and compliance appears as the behavioral outcome.

However, the combination also shows that this relationship is not separated from contextual factors such as trust, fairness, institutional quality, and procedural simplicity.

Thus, the review expands actual understanding by showing that tax knowledge and tax awareness should be interpreted as interdependent systems within a broader behavioral and institutional framework, rather than as independent predictors**.**

4.7 Practical Implications

real world implications are equally clear. Tax authorities should not trust only on sanctions and enforcement if the objective is supportable voluntary compliance. The maintained studies consistently support aids such as:

- Structured tax education and practical procedural training
- Awareness campaigns and socialization
- Better service quality and transparent tax administration
- Accessible digital reporting systems
- Fair and equitable tax policies
- Trust-building initiatives

Educational efforts should focus not just on complex rules but also on procedural competence, filing correctness, and the social meaning of paying taxes. For SMEs and individual taxpayers, the proof suggests that compliance enhances when taxpayers are informed, aware, supported, and able to use tax systems with minimal procedural friction.

4.8 Research Gaps

The review also identifies several research gaps:

1. Most of the included studies rely on cross-sectional self-reported survey data, which limits causal inference and long-term behavioral explanation.
2. The literature remains concentrated in Ethiopia, leaving broader cross-country comparison underdeveloped.
3. The distinction between the direct, mediating, and moderating roles of tax knowledge is still modeled inconsistently across studies.
4. The role of digital tax systems is not yet settled.
5. There is limited research on how tax knowledge affects different categories of taxpayers (A, B, C) differently.

5. Conclusion and Suggestion

This PRISMA-guided Systematic Literature Review shows that tax compliance is most regularly strengthened when **tax knowledge and tax awareness develop together**. Through the final corpus, tax knowledge generally functions as the **cognitive foundation** of compliance by improving taxpayers' understanding of obligations, procedures, and reporting requirements, while trust, fairness, and awareness serve as the **motivational mechanisms** that translate such understanding into responsible and voluntary behavior.

The combination also indicates that **awareness and trust often mediate the influence of knowledge**, and that tax education, tax socialization, service quality, trust, fairness, and easy to use digital systems reinforce these effects. simultaneously, the review approves that the effect of tax knowledge is **not always linear**, since some studies found indirect or even non-significant direct effects when psychological, procedural, or institutional factors intervened.

However, the main offering of this review lies in explaining that the relationship between tax knowledge and tax compliance is both **robust and conditional** within a wider behavioral and institutional framework. The review therefore reinforces theoretical understanding by incorporating formerly fragmented findings into a more logical explanation of how cognitive, attitudinal, and institutional factors interact in shaping compliance.

Practically, it suggests that sustainable voluntary compliance is more likely to be achieved through a **balanced strategy** that combines taxpayer education, awareness-building, administrative transparency, service improvement, and accessible digital reporting systems rather than relying primarily on sanctions.

Future research should:

- Expand the database coverage and include a wider range of country contexts
- Employ broader time spans and stronger research designs beyond cross-sectional self-reported surveys
- Examine more consistently the direct, mediating, and moderating roles of tax knowledge
- Investigate the role of digital tax systems, trust, literacy, and usability
- Compare different categories of taxpayers (A, B, C) and different regions within Ethiopia.

Declarations

Ethical statement.

Not applicable

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Data availability.

The study has used published documents**.**

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Conflict of Interest.

There is no Conflict of interest the author.

Consent to Publish declaration: *Not applicable as this study did not involve human participants*

Consent to Participate declaration : Not *applicable as this study did not involve human participants*:

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