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Profitability, Liquidity and Leverage as Precursors of Social Responsibility Disclosure of Listed Manufacturing Firms in Nigeria

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Abstract
The study undertook the assessment of firm profitability, liquidity and leverage as precursors of social responsibility disclosure among listed manufacturing firms in Nigeria by employing an ex-post facto research design. Thirteen listed industrial goods manufacturing firms made up the sample size of the study. However, purposive sampling technique was used in selecting a sample size of nine (9) firms. Secondary data used in the study were sourced from the annual reports of the sampled firms in the industrial goods sector from 2014 to 2023. Descriptive summary of the collected data was done using mean, standard deviation, maximum and minimum values. To test the hypotheses, the study utilized multiple regression analysis with Ordinary Least Squares (OLS) to determine how these financial factors influence social responsibility disclosure. The significance of the results was evaluated at a 5% level, adhering to a decision rule that accepts or rejects the null hypotheses based on p-values. It was found that: firm leverage has a significant positive effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.125111$; p-value = 0.0040); firm profitability has a significant positive effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.807777$; p-value = 0.0253); firm liquidity has a positive but non-significant effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.005175$; p-value = 0.5556). Based on the findings, it was concluded among others that managers of highly leveraged firms should prioritize enhancing their social responsibility disclosure in order to help build trust with stakeholders and mitigate risks associated with their financial obligations.

Keywords: *Social Responsibility; Social responsibility Initiatives; Financial Attributes; Profitability; Liquidity; Leverage*

1. Introduction

In recent times, stakeholders increasingly emphasize the importance of corporate responsibility, urging companies to integrate social sustainable development principles into their decision-making processes, particularly concerning areas like community development (Ghezal, 2024; Belay, Hailu & Sinshaw, 2023). This growing concern over social responsibleness is reflected in global discourse (Nnubia, Anaike & Onyeka, 2024). As described in existing research, social responsibility is a subset of corporate sustainability which involves meeting present needs without jeopardizing the ability of future generations to meet their own (Owolabi, 2022). Although in recent years, companies are intensely pressured to shift from the single (financial) bottom line to an integrated stakeholder business approach, they are still required to increase their financial performance continuously without ignoring social sustainability impacts.

Today, there is a widespread recognition of the importance for businesses to integrate all aspects of their values to minimise the potential harm to global resources, ensuring the well-being of both present and future generations (Alade & Odugbemi, 2022). Consequently, despite the lack of direct financial benefits, the motivation behind corporations' involvement in social responsibility activities raises questions about the factors that drive such engagement (Oburota & Ebiaghan, 2023). Investigating these determinants can shed light on the varying attitudes of firms towards social responsibility disclosures. The current social responsibility-related reporting practices are characterized by a voluntary framework, affording companies the flexibility to experiment with information disclosure (Stancheva-Todorova, 2023). This flexibility, however, has given rise to a myriad of challenges, with some firms falling short in significantly implementing corporate social responsibility (CSR) reporting (Carmo & Miguéis, 2022).

However, Arshad, Khaled and Doaa (2022), argued that companies with low disclosure in this area risk trailing behind in crucial aspects such as transparency, reputation enhancement, and legitimacy, particularly when juxtaposed with their industry counterparts. This corroborates with the argument by Juusola and Srouji (2023) that enhancing a company's name and legitimacy is tied to its commitment to social responsibility reporting. Earlier, Hassan, Elamer, Fletcher and Sobhan (2020) highlighted the value relevance of social sustainability disclosure for investors, suggesting that it can enhance credibility and trust. When a company fails to disclose pertinent information about its social impact, it may find itself at a disadvantage in the eyes of stakeholders who are increasingly prioritizing sustainable practices.

Therefore, in today's business environment where social responsibility considerations are gaining prominence Kumo (2024), poor liquidity, profitability and leverage positions force companies to neglect social responsibility initiatives, thereby risking alienating investors, customers, and other key stakeholders. Firm attributes such as leverage, profitability, and liquidity play pivotal roles in influencing social responsibility disclosures, reflecting a complex interaction between financial performance and social considerations. These attributes can significantly shape a company's approach to CSR reporting, affecting the quantity, quality, and depth of disclosed information. While larger, profitable, and liquid firms often lead in CSR reporting, smaller, highly leveraged, or financially constrained companies may face challenges in allocating resources towards CSR initiatives and may consequently provide limited disclosures (Islamiati & Suryandari, 2021).

However, in response to changing stakeholder expectations and regulatory demands, companies across the board are acknowledging the significance of transparent and thorough CSR reporting, aiming to build trust, improve accountability, and promote long-term value creation (Wijesundara, Khatibi, Azam & Tham, 2024). Highly leveraged companies may face constraints in allocating financial resources towards CSR initiatives, as a significant portion of their cash flows may be earmarked for debt servicing (Islamiati & Suryandari, 2021).

Consequently, these firms might prioritise financial disclosures over CSR reporting, especially during periods of financial strain. Conversely, companies whose leverage ratios are lower may have more flexibility to invest in social sustainable practices and disclose related information to stakeholders, leveraging CSR as a means to enhance long-term value creation and mitigate risk.

Moreover, profitable companies are more likely to disclose detailed information on sustainability performance, demonstrating how social considerations contribute to long-term value creation and operational resilience (Nzereogu & Onyali, 2023). Conversely, financially struggling firms may perceive CSR reporting as an additional cost burden, leading to limited disclosures or a focus on short-term financial metrics to appease investors and creditors (Thomas, Aryusmar & Indriaty, 2020). Companies with robust liquidity positions may allocate resources towards CSR projects without compromising their financial stability, enabling them to disclose comprehensive information on social initiatives (Ruhana & Hidayah, 2020).

Conversely, firms facing liquidity constraints may prioritise short-term financial metrics in their disclosures, relegating CSR reporting to a secondary consideration amidst immediate financial pressures. However, despite the benefits associated with CSR performance, existing literature suggests that certain firm-specific characteristics significantly influence a company's decision to engage in CSR disclosure (Okerekeoti, 2022). This study aims to investigate the effect of firm leverage, liquidity and profitability on social responsibility disclosure among listed manufacturing firms in Nigeria.

1.1 Research Questions

1. What is the effect of firm profitability on social responsibility disclosure among listed manufacturing firms in Nigeria?
2. To what degree does firm liquidity influence the social responsibility disclosure among listed manufacturing firms in Nigeria?
3. To what extent does firm leverage influence the social responsibility disclosure among listed manufacturing firms in Nigeria?

1.2 Research Objective and Hypotheses

This study undertakes the assessment of profitability, liquidity and leverage as precursors of social responsibility disclosure among listed manufacturing firms in Nigeria. The research questions led to the formulation of the following research hypotheses:

H_1 Firm profitability has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

H_2 Firm liquidity has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

H_3 Firm leverage has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

2. Review of Related Literature

2.1 Firm Profitability

Firm profitability is defined as the ability of a firm to generate earnings compared to its expenses over a certain period (Nnubia, Anaike & Onyeka, 2024). It is a fundamental measure of a company's financial performance, indicating how efficiently it can convert revenues into profits (Nzereogu & Onyali, 2023). Profitability reflects the firm's capacity to manage its operations, control costs, and utilize its assets to generate value for shareholders, making it a key indicator of business success and sustainability (Omah, 2024). Profitability is typically assessed using various financial metrics, including net profit margin, return on assets (ROA), and return on equity (ROE). The net profit margin measures the percentage of revenue that remains as profit after all expenses are deducted, providing hint into the firm's cost efficiency and pricing strategy. ROA evaluates the firm's ability to generate profit from its total assets, indicating how effectively it utilizes its resources. ROE, on the other hand, measures the return generated on shareholders' equity, reflecting the firm's capacity to create value for its investors.

High profitability is crucial for a firm's long-term viability and growth (Boshnak, 2022). Profitable firms can reinvest earnings into the business to fund expansion, innovation, and improvement of operations. They can also distribute profits to shareholders in the form of dividends, enhancing shareholder value and attracting investment. Moreover, profitability provides a buffer against economic downturns and financial uncertainties, enabling firms to sustain operations and navigate challenging market conditions. However, achieving and maintaining high profitability requires effective management across various aspects of the business (Alade & Odugbemi, 2022). This includes optimizing production processes, managing costs, setting competitive pricing strategies, and driving sales growth. Firms must continuously analyze their operations and market environment to identify opportunities for improvement and innovation. Additionally, profitability is influenced by external factors such as economic conditions, market competition, and regulatory changes, requiring firms to be adaptable and responsive to external challenges. Profitability also has significant implications for stakeholder relationships. Investors and creditors closely monitor profitability metrics to assess the firm's financial health and growth potential, influencing investment decisions and access to financing. Employees benefit from a profitable firm through job security, potential wage increases, and opportunities for career development. Customers may perceive profitable firms as more reliable and capable of delivering quality products and services, enhancing customer loyalty and market reputation.

Thus, firm profitability is a critical indicator of business performance, reflecting the firm's ability to generate earnings relative to its expenses (Nnubia, Anaike & Onyeka, 2024). It underpins the firm's capacity for growth, investment, and value creation, requiring effective management and strategic planning. While profitability drives financial stability and stakeholder confidence, it demands continuous improvement and adaptability to sustain long-term success in a dynamic business environment (Islamiati & Suryandari, 2021).

2.2 Firm Liquidity

Firm liquidity refers to the ability of a firm to meet its short-term obligations using its most liquid assets (Islamiati & Suryandari, 2021). It is a crucial aspect of financial health, indicating a company's capacity to convert assets into cash quickly and efficiently without significant loss of value. Liquidity ensures that a firm can cover its immediate liabilities, such as paying suppliers, meeting payroll, and addressing other operational expenses, thus maintaining smooth business operations and financial stability (Nguyen, Vu, Nguyen & Le, 2021). The concept of liquidity is typically assessed using various financial metrics, with the most common being the current ratio and the quick ratio. The current ratio compares a firm's current assets to its current liabilities, providing a broad measure of liquidity. A current ratio greater than one suggests that the firm has more current assets than current liabilities, indicating good liquidity. The quick ratio, also known as the acid-test ratio, refines this measure by excluding inventory from current assets, thus focusing on the most liquid assets such as cash, marketable securities, and receivables.

High liquidity is generally seen as a positive indicator of a firm's financial health, as it suggests that the firm can easily manage its short-term obligations and is less likely to face financial distress (Islamiati & Suryandari, 2021). Firms with high liquidity can respond quickly to unexpected expenses or opportunities, providing a buffer against financial shocks. This flexibility can be particularly valuable during economic downturns or periods of market volatility, where access to cash can determine the firm's ability to sustain operations and capitalize on investment opportunities. However, maintaining high liquidity also involves trade-offs. Holding large amounts of liquid assets may imply that the firm is not investing enough in growth opportunities, which could limit long-term profitability. Liquid assets, such as cash and marketable securities, typically yield lower returns compared to long-term investments in fixed assets or business expansion. Therefore, firms must balance the need for liquidity with the pursuit of profitability and growth.

Effective liquidity management involves optimizing the balance between assets and liabilities to ensure that the firm can meet its obligations while maximizing returns on its assets (Nguyen, Vu, Nguyen & Le, 2021). This may include managing receivables and payables efficiently, maintaining optimal inventory levels, and ensuring access to credit lines or other short-term financing options. Additionally, liquidity management is often influenced by the firm's operational cycle, industry characteristics, and market conditions, requiring continuous monitoring and adjustment to maintain financial stability. Thus, firm liquidity is a vital aspect of financial management, ensuring that a company can meet its short-term obligations and maintain operational stability (Nguyen, Vu, Nguyen & Le, 2021). While high liquidity provides a safeguard against financial distress, it must be balanced with strategic investments to drive long-term growth and profitability.

2.3 Firm Leverage

Firm leverage refers to the extent to which a firm utilizes borrowed funds to finance its operations and investments (Kumo, 2024). It is a critical aspect of a company's capital structure, involving the use of various forms of debt—such as loans, bonds, or other financial instruments—to augment the firm's equity and finance its activities. The concept of leverage is grounded in the idea that borrowing can amplify the potential returns on investment, allowing firms to undertake larger projects or expand more rapidly than would be possible through equity financing alone (Oburota & Ebiaghan, 2023). The degree of leverage a firm employ is measured through various financial ratios, such as the debt-to-equity ratio, which compares the total debt of the firm to its equity (Nnubia, Anaike, & Onyeka, 2024). A higher ratio indicates a greater reliance on debt, suggesting that the firm is more leveraged. This strategic use of debt can enhance the firm's profitability if the returns on investment exceed the cost of borrowing. For example, if a company borrows money at an interest rate of 5% and invests it in a project that yields a 10% return, the firm benefits from the spread, thereby increasing its overall return on equity.

However, while leverage can magnify returns, it also increases financial risk. High levels of debt obligate the firm to fixed interest payments regardless of its financial performance, which can strain cash flow and lead to financial distress, especially during economic downturns or periods of reduced revenue. In extreme cases, excessive leverage can result in bankruptcy if the firm is unable

to meet its debt obligations (Wu, 2023). Therefore, firms must carefully balance the benefits of leverage with the associated risks, often guided by financial management principles and industry benchmarks (Nnubia, Anaike, & Onyeka, 2024).
The strategic use of leverage also influences a firm's financial flexibility and operational decisions. Firms with high leverage might adopt more conservative operational strategies to ensure steady cash flow, while firms with low leverage might have greater freedom to pursue aggressive growth strategies (Nzereogu & Onyali, 2023). Additionally, leverage impacts the firm's relationship with investors and creditors, as highly leveraged firms might face higher borrowing costs and stringent lending terms due to perceived higher risk. Thus, firm leverage is a powerful financial tool that, when used judiciously, can drive growth and enhance returns. However, it requires careful management and a thorough understanding of the firm's capacity to service debt, the cost of borrowing, and the potential impacts on financial stability and investor perceptions.

2.4 Social Responsibility Disclosure

Social Responsibility (SR) disclosure refers to the process by which a firm publicly reports its initiatives and performance in areas related to social development (Nnubia, Anaike, & Onyeka, 2024). This practice involves communicating to stakeholders, including investors, customers, employees, and the broader community, about the company's efforts to operate in an ethical, sustainable, and socially responsible manner. SR disclosure encompasses a wide range of activities and policies, such as fair labour practices, community engagement, and ethical business conduct, which demonstrate the company's commitment to contributing positively to society beyond its financial performance (Omah, 2024).
The purpose of CSR disclosure is multifaceted. Primarily, it aims to enhance transparency and accountability by providing stakeholders with detailed information about the firm's CSR activities and their impacts (Nzereogu & Onyali, 2023). This transparency helps build trust and credibility, fostering stronger relationships with stakeholders who are increasingly concerned about the ethical and environmental implications of business operations. Furthermore, CSR disclosure allows companies to showcase their contributions to sustainable development, aligning with global standards and frameworks such as the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDGs).
CSR disclosure typically involves the publication of comprehensive reports that detail the firm's CSR strategies, goals, achievements, and challenges. These reports may include quantitative data, such as reductions in qualitative descriptions of initiatives, such as community development projects or employee welfare programs. By systematically reporting on CSR activities, companies can track their progress over time, identify areas for improvement, and set measurable targets for future performance. This continuous evaluation and reporting process not only aids in internal management but also enhances the firm's external image as a responsible corporate citizen (Lambe, Arumona & Okoli, 2023).
The scope and depth of CSR disclosure can vary significantly among firms, depending on factors such as industry, size, and regulatory requirements. In some jurisdictions, CSR reporting is mandated by law, requiring firms to adhere to specific guidelines and standards. In others, it is voluntary, driven by market expectations and stakeholder pressure (Stancheva-Todorova, 2023). Regardless of the regulatory context, effective CSR disclosure is characterized by its comprehensiveness, accuracy, and relevance. Firms that provide clear, honest, and detailed disclosures are more likely to gain stakeholder support and competitive advantage. In conclusion,

Corporate Social Responsibility disclosure is a critical process that allows firms to communicate their social and environmental contributions transparently and responsibly (Nnubia, Anaike, & Onyeka, 2024). It plays a vital role in building stakeholder trust, enhancing corporate reputation, and promoting sustainable business practices (Nzereogu & Onyali, 2023). As stakeholders increasingly demand greater accountability and ethical conduct from businesses, CSR disclosure becomes an essential tool for demonstrating corporate commitment to social and environmental stewardship.

2.5 Effect of Profitability, Liquidity and Leverage on Social Responsibility Disclosure among Listed Manufacturing Firms in Nigeria

High profitability indicates that a firm has a surplus of funds after covering its operational costs, which can be allocated to various social responsibility initiatives including community development among others (Omah, 2024). Profitable firms are better positioned to invest in long-term and impactful community projects, enhancing their ability to provide comprehensive and detailed disclosures about these activities. Profitable firms often have the financial capacity to engage in extensive community development initiatives (Nzereogu & Onyali (2023), such as building infrastructure, supporting education and healthcare programs, and promoting environmental sustainability. By investing in these areas, they can create significant positive impacts on the communities in which they operate as detailed community disclosure for instance allows these firms to showcase their contributions to social and environmental well-being, thereby enhancing their corporate reputation and building stronger relationships with stakeholders, including customers, investors, and the local community. On the other hand, less profitable firms may need to adopt more strategic approaches to balancing their financial limitations with their commitment to corporate social responsibility.

High liquidity indicates that a firm has sufficient cash or easily convertible assets to cover its immediate financial needs, which can provide greater flexibility in allocating resources to community development initiatives (Islamiati & Suryandari, 2021). Firms with high liquidity are better positioned to invest in and sustain social responsibility initiatives such as community projects, thereby enhancing their social responsibility disclosure practices. Firms with strong liquidity profiles are more likely to engage in comprehensive and consistent community development activities, as they have the necessary financial buffer to support these initiatives without jeopardizing their operational stability. This financial flexibility allows them to undertake long-term projects that can significantly benefit local communities, such as building schools, supporting healthcare services, or improving infrastructure. By publicly disclosing these activities, highly liquid firms can demonstrate their commitment to corporate social responsibility, fostering goodwill and strengthening relationships with stakeholders.

Conversely, firms with low liquidity may face challenges in allocating sufficient resources to community development initiatives (Nguyen, Vu, Nguyen & Le, 2021). The need to prioritize immediate financial obligations can limit their ability to invest in social responsibility initiatives such as community projects, potentially leading to less comprehensive and less frequent social responsibility disclosure. However, even firms with lower liquidity can adopt strategic approaches to community development by focusing on high-impact, low-cost initiatives or forming partnerships with other organizations to pool resources and achieve greater outcomes.

High leverage implies a greater reliance on debt, which can lead to heightened scrutiny from creditors and investors regarding the firm's financial health and risk management practices (Wu,

2023). This increased scrutiny can drive firms to enhance their transparency and disclosure practices, including those related to social responsibility initiative, to reassure stakeholders of their stability and commitment to responsible business practices. When a highly leveraged firm engages in social responsibility disclosure (SRD), it signals to stakeholders that it is not only focused on meeting its financial obligations but also dedicated to contributing positively to the communities it operates in. This dual focus can enhance the firm's reputation and mitigate potential risks associated with high leverage, such as decreased investor confidence or adverse public perception. Moreover, demonstrating a strong commitment to social responsibility disclosure (SRD) can help attract socially conscious investors and customers, potentially leading to improved financial performance (Yekini, Adelopo & Adegbite, 2017) and a more stable financial position.
Meanwhile, high leverage can also constrain a firm's ability to invest in community development initiatives (Nzereogu & Onyali, 2023). The need to prioritize debt servicing and maintain financial solvency may limit the resources available for social responsibility initiatives. Consequently, leveraged firms may opt for more strategic and high-impact social responsibility initiatives that require fewer resources but still generate significant positive outcomes. These firms might also seek partnerships with non-profit organizations, governments, or other companies to leverage additional funding and support for their social responsibility initiatives.
However, in contrast, firms with lower leverage have more financial flexibility to allocate resources to social responsibility initiatives without the pressing need to service large amounts of debt. They can engage in more extensive and sustained social responsibility activities and provide detailed disclosures to highlight their contributions. This approach can foster stronger community relationships and a more positive corporate image, further enhancing the firm's overall value proposition. Thus, firm leverage influences social responsibility disclosure by shaping the firm's ability and approach to investing in social responsibility initiatives. While high leverage may drive the need for enhanced transparency and strategic community investments, it can also constrain resource allocation. Conversely, firms with lower leverage can engage more robustly in social responsibility activities, supporting comprehensive and impactful disclosure practices (Nzereogu & Onyali, 2023).

2.6 Theoretical Framework

This study is anchored on Legitimacy theory. This theory introduced by Suchman in 1995, provides a foundational framework for understanding how organizations seek to align their operations with societal expectations and norms (Mahadeo, Oogarah-Hanuman & Soobaroyen, 2011). Originating from organizational sociology, this theory posits that organizations continuously strive to maintain their legitimacy in the eyes of stakeholders to ensure their survival and success.
The central tenet of Legitimacy theory is that organizations are motivated to conform to societal expectations and norms to maintain their legitimacy (Thomas & Lamm, 2012). This involves two primary mechanisms: first, organizations actively engage in social and environmental activities to align with prevailing societal values; second, they engage in symbolic actions and disclosures that demonstrate their adherence to these values, thereby mitigating any perceived gaps between their practices and societal expectations. The theory emphasizes that organizations disclose information not solely based on their actual practices but also to project an image of conformity and legitimacy (Crossley, Elmagrhi & Ntim, 2021).

In the context of assessing profitability, liquidity and leverage as precursors of social responsibility disclosure among listed manufacturing firms in Nigeria, Legitimacy theory is highly relevant. The theory helps to explain why firms with varying levels of profitability, liquidity and leverage may engage in different levels of social responsibility disclosure. Firms with significant leverage might use extensive social disclosures to offset negative perceptions related to financial risk, while those with higher profitability might leverage CSR activities to reinforce their positive image. Similarly, liquidity can influence the extent of disclosure as firms with more stable financial positions may be more capable of committing resources to social initiatives. By employing Legitimacy theory, the study can explore how these firm attributes influence the extent and nature of social responsibility disclosures, aligning with societal expectations and legitimizing their operations within the Nigerian manufacturing sector.

2.7 Empirical Studies

Omah (2024) investigated the association between firms' characteristics and the level of corporate social disclosures in the Nigerian financial sector. Using a judgmental sampling technique, 31 listed firms were selected based on market capitalization and direct financing. Data were collected through content analysis of annual reports, with a scoring scheme used to measure CSR disclosure. Multiple regression analysis showed that firm size and profitability have a positive association with the level of corporate social disclosure. The study noted that corporate social disclosures are still developing and recommended the establishment of a corporate social environmental reporting framework to enhance disclosures in the financial industry.

Kumo (2024) examined the effect of firm-specific features on sustainability initiatives among listed financial and non-financial companies in Nigeria. The study encompassed all 168 entities listed on the Nigerian Stock Exchange (NSE) as of December 2021, focusing on those rated by the CSRHUB consensus economic, social, and governance (ESG) rating. Using a purposive sampling technique, 26 firms known for their corporate social responsibility (CSR) efforts were selected. The research, spanning from 2016 to 2021, employed ordinary least square and panel data regression methods, finding that firm size and firm leverage positively affect sustainability reporting.

Nzereogu and Onyali (2023) ascertained the relationship between firm financial characteristics and social responsibility costs of public industrial goods firms listed in Nigeria. Specifically, the study determines the extent to which firm total sales, firm total assets, firm financial leverage, and firm profitability relate to public responsibility costs. The study adopts an ex-post facto research design. From the sampling frame of 13 listed industrial goods firms, a sample size of 11 firms was purposively selected. Secondary data were collected from the annual reports of the sampled firms over a period of 10 years (2012-2021). In addition to diagnostic tests and descriptive tests, Pooled Ordinary Least Square was applied in estimating the regression model at a 5% level of significance. The study found that firm financial leverage has no significant but positive relationship with public responsibility costs of listed industrial goods firms in Nigeria (β= 0.823169, p-value= 0.2199); firm profitability has a significant positive relationship with public responsibility costs of listed industrial goods firms in Nigeria (β= 2.045239, p-value= 0.0230). In conclusion, the findings that profitability has a significant positive relationship with corporate social responsibility supports the notion that more profitable firms have a greater ability to invest in social responsibility initiatives and are therefore expected to contribute more to society.

Oburota and Ebiaghan (2023) examined four firm-specific CSR disclosure drivers in the Nigerian oil and gas industry over ten years, spanning 2012 to 2021. The regressors employed were Return on Asset (ROA), Leverage (LEV), firm size (FSZ), and Dividend Per Share (DPS), while the regressed variable was CSRD. Data collected was sourced from targeted oil and gas multinationals for the years 2012-2021. The data set was described using descriptive and inferential statistics and panel least squares method with the help of E-VIEWs version 9.0. The findings show that all variables except LEV have a direct (linear) and considerable effect on CSRD, whereas LEV has an adverse (non-linear) but significant effect on CSRD.

Alade and Odugbemi (2022) investigated the effect of corporate characteristics (firm size, board size, share ownership structure, and profitability) on the implementation of the integrated reporting framework in listed oil and gas firms in Nigeria. A census sampling technique was adopted, using the total population of eleven (11) oil and gas firms listed on the Nigerian Stock Exchange as of 31st December 2020 as the sample, since the firms are few. Data was drawn from annual reports obtained from the companies' websites for the period of 2011–2020. The data was analyzed using descriptive statistics, a serial correlation test, and panel least square regression techniques. The findings revealed a positive effect of corporate characteristics on integrated reporting frameworks, which is statistically significant for profitability, firm size, and board size.

Islamiati and Suryandari (2021) examined the effect of firm size, leverage, and liquidity on the level of sustainability reports by using profitability as a moderating variable. Firm samples were gathered from the Sri-Kehati Index of the Indonesia Stock Exchange for the period of 2016-2019. Applying a purposive sampling technique, as much as 56 observations were available for further analysis. Test of hypotheses were conducted using moderated regression analysis (MRA). Results support hypothesis one suggesting larger firm size is associated with higher sustainability report disclosure. Meanwhile, hypothesis two is rejected suggesting that leverage has no effect on sustainability report disclosure. The results of this study also reject the third hypothesis, indicating that liquidity has no effect on the disclosure of sustainability reports. As for the moderating variable, the results show that profitability does not affect the relationship between firm size, leverage, and liquidity with sustainability report disclosure.

Nguyen, Vu, Nguyen, and Le (2021) examined the impact of company size, industry sensitivity, government ownership, liquidity, and company age on Corporate Social Responsibility Disclosure (CSRD) in 2019 annual reports of listed companies on the Vietnam stock market. They also considered the relationship between CSRD and financial performance measured by return on assets (ROA) and return on equity (ROE). This study used descriptive statistics and regression methods to test research hypotheses. The empirical findings show that company characteristics, including firm size, liquidity, government ownership, and environmental industry sensitivity, are positively associated with firms' CSRD level.

Jeroh (2020) examined the effect of firm attributes on corporate social responsibility disclosure of listed companies in Nigeria. Secondary data were collated from the financial reports of a sample of 29 listed Nigerian firms in the financial service sector over a 10-year period (2009-2018). Estimation was based on the structural equation modeling (SEM) technique. The study observed that measures of firm performance, firm value, and capital structure exert significant influence on CSR disclosure.

Sürdü and Çalışkan (2020) examined the determinants of corporate social responsibility disclosure practices by Turkish insurance companies. For this purpose, the annual reports of insurance companies were analyzed. In order to examine the determinants of insurance companies' corporate social responsibility disclosure, two independent variables, namely, return on assets and leverage, and three control variables, namely, size, age, and listing status of the company, were included in the study. Panel data analysis was employed using data from 54 insurance companies for the period of 2009-2017. The findings indicate that leverage, firm size, age, and listing status affect insurance companies' social responsibility disclosure.

Ramadhani and Agustina (2019) analyzed the influence of company characteristics on the disclosure of CSR (Corporate Social Responsibility). All manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2014 to 2016, namely 149 companies, were the population used to determine whether there was an influence between the characteristics of companies and the disclosure of CSR. The sample in this study was taken using a purposive sampling technique and selected a sample of 83 companies with 249 units of analysis and observation periods for 3 years. Multiple regression analysis using IBM SPSS 24 is a data analysis technique used as a hypothesis testing tool. The results of this study prove that the first hypothesis, namely profitability, can affect CSR disclosure. CSR disclosure is also influenced by how large the size of a company is, and the leverage variable also has an influence on CSR disclosure, but the direction is negative. Other variables, namely the size of the board of commissioners and public share ownership, have no effect on CSR disclosure. The conclusion of this study is that higher levels of profitability and the size of the company can influence the increase in information about CSR disclosure, while an increase in the value of leverage makes the company reduce information about the disclosure of CSR.

Asrori, Amal, and Harjanto (2019) examined the effect of company characteristics on the corporate social reporting index of corporate social and environmental disclosure in Indonesian public companies. The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) that publish financial reports and annual reports for the last fiscal year, 2008-2009. This study uses secondary data sourced from audited financial reports and annual reports of manufacturing companies listed on the IDX in 2008-2009. Multiple regression was conducted in the study. The findings reveal that earnings management, managerial ownership, company size, and company profitability have a significant positive effect on the extent of corporate social responsibility (CSR) and environmental disclosure.

Salehi, Tarighi, and Rezanezhad (2019) examined the effective factors of social responsibility disclosure of Iranian companies. The study population consists of 125 firms listed on the TSE during the years 2010–2015. Content analysis is used to measure the level of social responsibility disclosure, and hypotheses are performed using multiple regression analysis and R software. The results represented that there is a positive significant relationship between firm size and firm age with the level of CSRD. However, there is a negative significant association between financial leverage and profitability with the level of CSRD.

3. Methodology

3.1 Research Design

The study adopted an *ex-post facto* design. This research design was chosen as it allows for the analysis of existing secondary data, collected from the annual reports of these firms over a specified period. By employing this approach, the study aimed to determine how historical financial variables influence the extent of social responsibilities disclosure. This design helped to provide useful hints into the relationship between financial metrics and social responsibility disclosure within the Nigerian manufacturing sector.

3.2 Population of Study

The population of the study comprised the entirety of industrial goods manufacturing firms that hold listings in Nigeria Exchange Group. As at 31st December 2023, this sector of the Nigerian Exchange Group has a total of 13 firms.

3.3 Sample Size and Sampling Technique

Purposive sampling technique was employed to select the sample constituents based on the availability of annual reports for the period covered by the study. The final sample comprised nine (9) industrial firms that had complete financial statements from 2014 to 2023.

3.4 Methods of Data Collection

The study utilized secondary data, sourcing information on social responsibility disclosure and firm profitability, liquidity and leverage from the annual reports of the firms. These reports and accounts, spanning a period of ten years from 2014 to 2023, provided the necessary data.

3.5 Description of Variable

Table 1: Measurement of Variables

Variable	Type	Measurement	Source
1. Firm profitability	Independent	Net Profit/Assets	Husna & Satria, 2019
2. Firm liquidity	Independent	Current Asset/Current Liabilities	Husna & Satria, 2019
3. Firm leverage	Independent	Liabilities/Equity	Nzereogu & Onyali, 2023
4. Social responsibility disclosure	Dependent	Measured as a dummy variable of "1" for companies that have a section in the Annual Reports for social responsibility or Community activities and "0" if otherwise	Nnubia, Anaike & Onyeka, 2024

Source: Researchers' Compilation

3.6 Model Specification

To test H_{01}, H_{02}, and H_{03} and H_{04}, the study estimated the following regression equations:

$SRD_{it} = \alpha_0 + \beta_1 PRO_{it} + \beta_2 LIQ_{it} + \beta_3 LEV_{it} + \mu_{it}$ …………………………………..eqn 1

Where, SRD_{it} = Social responsibility disclosure for company i in period t

PRO_{it} = Firm profitability for company i period t

LIQ_{it} = Firm liquidity for company i in period t

LEV_{it} = Firm leverage for company i in period t

α_0 = Constant (intercept)

β_{1-3} = Coefficient of the independent variables

μ = Error term

3.7 Method of Data Analysis

The study employed descriptive analysis and multiple regression analysis estimated with (OLS) to analyze the data. Descriptive analysis was used to summarize and describe the basic features of the data, providing a comprehensive overview of the firm attributes and their social responsibility disclosures. Subsequently, OLS regression was applied to examine the hypotheses by establishing how profitability, liquidity, and leverage affect social responsibility disclosure. This method allowed for the identification of significant predictors and the quantification of their effects on social responsibility practices among the listed manufacturing firms in Nigeria.

OLS was chosen because it possesses several desirable statistical properties that make it a reliable and robust method for linear regression analysis. Firstly, OLS is unbiased, meaning that on average, the estimated coefficients will equal the true population parameters, assuming that the model is correctly specified. Secondly, OLS is consistent, which means that as the sample size increases, the estimated coefficients converge to the true population parameters, provided the assumptions of the regression model are met. Lastly, OLS is efficient, ensuring that it produces the smallest possible variance of the estimators among all unbiased linear estimators, given the assumptions of the classical linear regression model hold true. These properties—unbiasedness, consistency, and efficiency—make OLS an ideal method for analyzing the relationship between profitability, liquidity, leverage, and social responsibility disclosure in the context of Nigerian manufacturing firms.

Hypotheses' testing was conducted at a 5% level of significance. As a decision rule, if the P-value of the test is greater than 0.05, the null hypothesis (H0) is accepted. But if the P-value is less than 0.05, H0 should be rejected.

4. Data Analysis and Results

4.1 Data Analysis

Descriptive analysis was employed to succinctly summarize the data, facilitating a comprehensive grasp of the variables. See table 2 below for this descriptive analysis.

Table 2: Descriptive Analysis

	SRD	**PRO**	**LIQ**	**LEV**
Mean	0.822222	0.091811	2.802442	0.957377
Median	1.000000	0.078976	1.592368	0.645027
Maximum	1.000000	0.539594	36.41061	5.241450
Minimum	0.000000	-0.141588	0.220739	0.033328
Std. Dev.	0.384467	0.116725	4.925084	0.971273
Skewness	-1.685591	1.284652	5.162781	2.611348
Kurtosis	3.841216	5.973656	32.26947	10.63291
Jarque-Bera	45.27191	57.91479	3612.446	320.7668
Probability	0.000000	0.000000	0.000000	0.000000
Sum	74.00000	8.263000	252.2198	86.16397
Sum Sq. Dev.	13.15556	1.212595	2158.825	83.96008
Observations	90	90	90	90

Source: Output from Eviews Version 11 Software

From table 2 above, the descriptive analysis of social responsibility disclosure (SRD) indicates a mean of approximately 0.82, suggesting that a significant majority of the sampled manufacturing firms include a section in their annual reports dedicated to social responsibility or community activities. The maximum value of 1.00 indicates that some firms fully engage in these disclosures, while the minimum of 0.00 shows that some do not participate at all. The standard deviation of

0.38 reflects moderate variability in SRD practices among the firms. The negative skewness of -1.69 implies that more firms tend to have higher SRD scores, with a longer tail on the lower end. The kurtosis value of 3.84 suggests a distribution that is slightly peaked, indicating that many firms cluster around the higher end of the SRD scale. The Jarque-Bera probability of 0.000 indicates that the distribution of SRD significantly deviates from normality.

For firm profitability (PRO), the mean of 0.09 indicates that, on average, the firms are operating with low profitability relative to their total assets. The maximum profitability value of 0.54 suggests that some firms are managing to achieve significantly higher returns, while the minimum value of -0.14 shows that a few firms are incurring losses. The standard deviation of 0.12 indicates a moderate level of variability in profitability across the firms. The positive skewness of 1.28 suggests that most firms exhibit lower profitability, with a few outliers performing better. The kurtosis of 5.97 indicates a distribution that is more peaked than normal, highlighting the presence of a significant number of firms with low profitability relative to those that perform better. The Jarque-Bera probability of 0.000 implies that the profitability data also does not follow a normal distribution.

The analysis of firm liquidity (LIQ) shows a mean of approximately 2.80, indicating that firms, on average, maintain a healthy liquidity position, with current assets significantly exceeding current liabilities. The maximum liquidity ratio of 36.41 suggests that some firms have exceptionally high levels of liquidity, while the minimum of 0.22 points to a few firms with very low liquidity. The standard deviation of 4.93 indicates high variability in liquidity across the sample. The positive skewness of 5.16 reveals that many firms are clustered around lower liquidity ratios, with a few firms exhibiting extremely high liquidity. The kurtosis value of 32.27 indicates a distribution with very heavy tails, suggesting that there are numerous firms with low liquidity levels compared to those with high liquidity. The Jarque-Bera probability of 0.000 further reinforces that the liquidity data is not normally distributed.

Finally for firm leverage (LEV), the mean value of approximately 0.96 suggests that, on average, these firms have relatively high leverage, indicating a substantial proportion of liabilities compared to equity. The maximum leverage ratio of 5.24 indicates that some firms rely heavily on debt financing, while the minimum of 0.03 shows that others have very little leverage. The standard deviation of 0.97 reflects considerable variability in leverage among the firms. The positive skewness of 2.61 suggests that a greater number of firms exhibit lower leverage ratios, with a few firms having extremely high leverage. The kurtosis value of 10.63 indicates a distribution with heavy tails, meaning that the presence of extreme values (very high leverage) is significant. The Jarque-Bera probability of 0.000 confirms that the leverage data does not follow a normal distribution.

4.2 Results

Table 3: Ordinary Least Square Estimation

Dependent Variable: SRD
Method: Least Squares
Date: 3/15/25 Time: 22:57
Sample: 1 90
Included observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LEV	0.125111	0.042303	2.957464	0.0040
PRO	0.807777	0.354872	2.276252	0.0253
LIQ	0.005175	0.008745	0.591734	0.5556
C	0.613778	0.080543	7.620482	0.0000

R-squared	0.129587	Mean dependent var	0.822222
Adjusted R-squared	0.099224	S.D. dependent var	0.384467
S.E. of regression	0.364895	Akaike info criterion	0.865013
Sum squared resid	11.45077	Schwarz criterion	0.976116
Log likelihood	-34.92559	Hannan-Quinn criter.	0.909816
F-statistic	4.267888	Durbin-Watson stat	0.584063
Prob(F-statistic)	0.007370		

Source: Output from Eviews Version 11 Software

From the regression result in table 3 above, the adjusted R-squared value of 0.099 indicates that approximately 9.9% of the variability in social responsibility disclosure can be explained by the independent variables (firm leverage, liquidity, and profitability) included in the model. This suggests a modest fit for the model, with other factors likely influencing SRD beyond those measured.

The F-statistic of 5.407 is associated with a p-value (Prob(F-statistic)) of 0.007370, which is less than the conventional significance level of 0.05. This finding suggests that at least one of the independent variables (firm leverage, liquidity, or profitability) has a statistically significant effect on social responsibility disclosure. The F-statistic tests the overall significance of the model, supporting the inclusion of the predictors in explaining SRD.

4.3 Test of Hypotheses

4.3.1 Hypothesis One

H_1 Firm profitability has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

For firm profitability (PRO), the coefficient is 0.807777, indicating that, controlling for other variables, a one-unit increase in profitability is associated with a 0.807777 increase in social responsibility disclosure. The p-value of 0.0253 is also below the 5% threshold, indicating that the effect of profitability on SRD is statistically significant. Thus, we accept the alternate hypothesis that firm profitability has a significant positive effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.807777$; p-value = 0.0253).

4.3.2 Test of Hypothesis Two

H_2 Firm liquidity has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

In contrast for firm liquidity (LIQ), the coefficient 0.005175, suggests that a one-unit increase in liquidity is associated with a minimal increase in social responsibility disclosure. However, the p-value of 0.5556 is greater than the 5% significance level, indicating that the effect of liquidity on SRD is not statistically significant. Therefore, we accept the null hypothesis (H0) that firm liquidity has a positive but non-significant effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.005175$; p-value = 0.5556).

4.3.3 Test of Hypothesis Three

H_3 Firm leverage has significant effect on the social responsibility disclosure among listed manufacturing firms in Nigeria.

As shown in Table 3, firm leverage (LEV) has a positive coefficient of 0.125111, indicating that, holding other variables constant, a one-unit increase in firm leverage is associated with a 0.125111 increase in social responsibility disclosure. The p-value of 0.0040 is less than the 5% significance level, suggesting that the effect of firm leverage on SRD is statistically significant. Therefore, we accept the alternate hypothesis (H0) that firm leverage has a significant positive effect on social responsibility disclosure among listed manufacturing firms in Nigeria ($\beta = 0.125111$; p-value = 0.0040).

4.4 Discussion of Findings

In terms of firm profitability, the results show a positive effect on SRD, with a coefficient of 0.807777 and a p-value of 0.0253. This indicates that more profitable firms tend to disclose more information about their social responsibility initiatives. The availability of resources enables these firms to invest in CSR activities, making them more likely to communicate their efforts to stakeholders. By doing so, profitable firms can enhance their reputation and strengthen stakeholder relationships, which can further contribute to their financial success. This finding highlights the importance of financial performance in driving firms to be more proactive in their social responsibility efforts. The positive effect of profitability on SRD is echoed by Omah (2024), who found that profitability significantly enhances the level of corporate social disclosure in Nigeria's financial sector. This suggests that profitable firms can allocate resources to CSR activities, thus increasing their reporting on these initiatives. Nzereogu and Onyali (2023) also demonstrated a significant positive relationship between profitability and public responsibility costs among listed industrial goods firms, aligning with the notion that financial success correlates with greater CSR engagement. Similarly, Thomas et al. (2020) confirmed that profitability positively impacts sustainability report disclosures, suggesting that firms recognize the reputational benefits of CSR activities. However, Agarwala, Pareek, and Sahu (2024) presented a conflicting view, highlighting a negative relationship between firm performance and CSR participation, which suggests that not all profitable firms prioritize CSR. This disparity underscores the complexity of the profitability-CSR relationship, indicating that motivations for CSR engagement can vary significantly among firms.

However, the effect of firm liquidity on SRD is not statistically significant, with a coefficient of 0.005175 and a p-value of 0.5556. This suggests that liquidity does not substantially influence the level of social responsibility disclosure among the firms studied. The lack of significance may

arise because liquidity primarily addresses a firm's ability to meet short-term obligations rather than its commitment to long-term CSR initiatives. As a result, firms with high liquidity may prioritize operational stability over extensive social responsibility reporting, leading to minimal effects on their disclosure practices. The study found no significant effect of liquidity on SRD, a finding consistent with Islamiati and Suryandari (2021), who concluded that liquidity does not influence sustainability reporting. Their results indicate that while liquidity is important for operational stability, it does not necessarily drive CSR commitments. Conversely, Nguyen et al. (2021) found a positive association between liquidity and CSR disclosure, suggesting that firms with better liquidity positions may feel more secure in committing resources to CSR initiatives. This contrast highlights the variability in how liquidity impacts disclosure practices across different contexts. Furthermore, Omah (2024) noted that while liquidity may provide the means to support CSR initiatives, it does not directly translate into increased reporting, suggesting that other factors play a more critical role in determining SRD.
The effect of firm leverage on SRD is significant, as indicated by a coefficient of 0.125111 and a p-value of 0.0040. This suggests that increased leverage positively affects the level of social responsibility disclosure. Firms with higher leverage may feel greater pressure from stakeholders, such as investors and regulatory bodies, to demonstrate their commitment to corporate social responsibility (CSR). The necessity to reassure stakeholders about their financial stability and ethical practices may drive these firms to enhance their disclosures. This finding aligns with theories suggesting that heavily leveraged firms often adopt more transparent reporting practices to mitigate risks associated with their financial obligations. The study's finding that firm leverage positively affects social responsibility disclosure (SRD) is supported by Nnubia, Anaike, and Onyeka (2024), who reported a similar positive relationship in Nigerian listed manufacturing firms. Their results suggest that firms with higher leverage may enhance transparency to satisfy stakeholder expectations. Additionally, Kumo (2024) found that firm leverage positively influences sustainability reporting across various sectors, reinforcing the idea that leveraged firms feel compelled to disclose CSR activities to maintain stakeholder trust. In contrast, Ramadhani and Agustina (2019) indicated a negative effect of leverage on CSR disclosure, suggesting that in some contexts, reliance on debt may deter firms from openly communicating their social initiatives due to fears of scrutiny. Furthermore, Oburota and Ebiaghan (2023) observed that while leverage typically encourages disclosure, it can also be perceived negatively if firms face financial difficulties, complicating their CSR narratives. This divergence in findings indicates the complex nature of leverage's influence on disclosure practices, influenced by the broader corporate context.

5. Conclusion, Recommendation, Limitations and Suggestions for Further Studies

5.1 Conclusion

This study assessed the effect of firm profitability, liquidity and leverage on social responsibility disclosure (SRD) among listed manufacturing firms in Nigeria. The findings reveal that firm profitability and leverage significantly influence the extent to which firms engage in social responsibility reporting, while liquidity does not exhibit a substantial effect. The positive effect of firm leverage on SRD suggests that companies with higher levels of debt may be more inclined to disclose their social responsibility initiatives. This can be attributed to the heightened scrutiny and expectations from stakeholders, such as investors and regulatory bodies, who demand greater transparency from firms that rely heavily on external financing. As these firms seek to build trust and mitigate risks associated with their financial obligations, enhanced disclosures about social responsibility efforts become a strategic priority.

Similarly, the significant effect of profitability on SRD indicates that financially successful firms are more likely to invest in and report on their corporate social responsibility activities. With greater resources at their disposal, these firms can allocate funds towards meaningful CSR initiatives and subsequently communicate their contributions to stakeholders. This not only serves to enhance their corporate image but also reinforces stakeholder relationships, potentially leading to increased loyalty and support. In contrast, the lack of a significant effect of liquidity on SRD suggests that a firm's ability to meet short-term obligations does not correlate with its commitment to long-term social responsibility initiatives. This finding implies that while liquidity is crucial for operational stability, it may not drive firms to engage more deeply in social accountability practices. Firms with strong liquidity might prioritize immediate financial health over expansive reporting on social initiatives, leading to minimal impact on their SRD. Thus, firms with better profitability, leverage and liquidity tend to disclose more social responsibility practices. In conclusion, while some firms adopt comprehensive reporting frameworks, others limit their disclosures, potentially due to varying firm leverage structures, profitability levels, or liquidity constraints.

5.2 Recommendations

Based on the findings of the study, the following recommendations are proposed:

1. Given the significant positive effect of firm leverage on social responsibility disclosure, managers of highly leveraged firms should prioritize enhancing their social responsibility reporting. This can help build trust with stakeholders and mitigate risks associated with their financial obligations.
2. Since profitability positively influences social responsibility disclosure, corporate executives in profitable firms should invest in robust CSR initiatives and ensure these efforts are effectively communicated in their annual reports. This transparency can enhance their corporate reputation and stakeholder relationships.
3. Recognizing that liquidity has a positive but non-significant effect on social responsibility disclosure, managers should aim to balance their financial strategies to ensure that sufficient liquidity is available to support CSR initiatives. This approach can help facilitate continued engagement in social responsibility activities, thereby enhancing overall corporate reputation and stakeholder trust.

5.3 Limitations of the Study

The focus of this study on a specific sector, namely listed manufacturing firms within the industrial goods segment in Nigeria, may limit the generalizability of the findings to other sectors or regions. Additionally, by concentrating only on firm attributes such as profitability, liquidity, and leverage, other potentially influential factors like corporate governance, firm size, or market conditions are not considered, which could provide a more comprehensive understanding of corporate social responsibility (CSR) disclosure.

Furthermore, the study's time scope from 2014 to 2023 may not capture long-term trends or the impact of significant external events that could influence CSR practices beyond this period.

5.4 Suggestions for Further in-depth Studies

Future studies should consider broadening the scope of research to include various sectors beyond listed manufacturing firms as this could enhance the generalizability of findings across different industries and regions.

Additionally, incorporating a wider array of influencing factors such as corporate governance, firm size, and market conditions could provide a more nuanced understanding of the determinants of corporate social responsibility (CSR) disclosure. Exploring these variables in conjunction with profitability, liquidity, and leverage may uncover complex interactions that impact CSR practices. Furthermore, extending the time frame of analysis to capture long-term trends and the effect of significant external events such as economic downturns, regulatory changes or shifts in consumer preferences could yield deeper insights into the evolving landscape of CSR engagement.

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