



Review

Beyond Value Maximization: A Capital Structure Perspective Based on Financial Resilience

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Abstract

Capital structure theory has historically been dominated by the objective of maximizing firm value through the optimal combination of debt and equity. However, contemporary environments characterized by systemic uncertainty, financial volatility, and elevated risk exposure have highlighted the limitations of an exclusively value-oriented perspective. In response, this study adopts a theory-building approach and develops a conceptual framework grounded in corporate financial resilience through an integrative theoretical review. Drawing on a critical examination of the principal theories of capital structure, including Modigliani and Miller's propositions, trade-off theory, pecking order theory, agency theory, signaling theory, and market timing theory, the study argues that long-term financial sustainability depends not only on value maximization but also on the organizational capacity to absorb shocks, preserve liquidity, maintain solvency, and reduce vulnerability to financial distress. As its primary theoretical contribution, the study extends the explanatory domain of capital structure theory by formalizing a resilience-oriented framework that integrates key constructs, conceptual relationships, and theoretical propositions linking leverage, liquidity, solvency, financial flexibility, and financial resilience. Within this framework, moderate leverage, financial flexibility, and operational stability emerge as central mechanisms for strengthening corporate continuity under conditions of systemic uncertainty.



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1. Introduction

The financial and economic crises of recent decades have reshaped the debate on the capital structure and limits of traditional corporate financing models. Episodes such as the global financial crisis of 2007–2008, the European sovereign debt crisis, and, more recently, the COVID-19 pandemic highlighted the vulnerability of highly leveraged companies to scenarios of systemic uncertainty, liquidity constraints, and abrupt deterioration of financial

markets (A. Ahmed et al., 2024; Dabi et al., 2023; Gonçalves et al., 2024; Kim, 2023). In this context, multiple studies agree that aggressive financial structures, primarily aimed at maximizing value by leveraging the fiscal shield of debt, can significantly increase financial fragility and the probability of corporate distress when severe exogenous shocks occur (Azhari et al., 2022; Huang & Ye, 2021; Yildirim & Karabayir, 2024).

Historically, the theory of capital structure has been developed within the paradigm of maximizing the firm's value. From Modigliani and Miller (1958)'s propositions of irrelevance, to the later formulations of trade-off, agency theory, financial hierarchy and market timing, the literature has sought to identify optimal combinations between debt and equity capital to minimize the cost of capital and maximize returns for shareholders (Baker & Wurgler, 2002; Jensen & Meckling, 1976; Myers & Majluf, 1984; Ross, 1977; Scott, 1976). However, recent evidence shows that borrowing benefits depend significantly on macroeconomic conditions, institutional stability, and firms' ability to absorb prolonged financial shocks (Gostkowska-Drzewicka & Koralun-Bereznicka, 2024; Izhakian et al., 2022; Qerimi et al., 2024).

In this sense, several studies warn that increased leverage not only increases the risk of insolvency and agency costs but also limits the financial flexibility needed to face high-volatility environments (Agostino et al., 2024; Gonçalves et al., 2024; Khoa & Thai, 2021). In turn, research conducted during the COVID-19 pandemic showed that companies with lower debt levels and greater liquidity retained better financing capacity, incurred lower losses in market value, and had greater possibilities of operational continuity compared to highly leveraged firms (Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Kim, 2023). These findings suggest that the traditional logic of financial optimization is insufficient to explain corporate sustainability in the context of systemic uncertainty.

In parallel, the recent literature on organizational resilience and financial resilience has begun to highlight the importance of entrepreneurial capacity to resist, adapt, and recover in the face of disruptive events (Hillmann & Guenther, 2021; Soufi et al., 2021; Zahedi et al., 2022). From this perspective, variables such as liquidity, solvency, financial flexibility, and operational stability acquire a strategic relevance equivalent to, or even greater than, the immediate maximization of corporate value. Consequently, financial stability is no longer understood exclusively as a result of financial performance and is increasingly interpreted as a structural condition linked to the survival and continuity of the organization (Horváthová et al., 2023; Mondal et al., 2025; Valaskova et al., 2021).

Despite the extensive literature on capital structure, a theoretical gap persists in the explicit integration of financing decisions with corporate financial resilience. While recent research recognizes the relevance of liquidity, financial flexibility, and the reduction of distress risk, most approaches continue to privilege value maximization as the dominant criterion for defining optimal financial structures (Kruk, 2021; Missaoui & Brahmi, 2025). Therefore, the development of conceptual frameworks explaining how capital structure can be strategically designed to strengthen business resilience in the face of systemic uncertainty remains limited.

In this context, this article presents an integrative theoretical review of the evolution of the main theories of capital structure and their limitations in high-uncertainty environments. Based on this analysis, the study criticizes the predominance of the traditional paradigm, which focuses exclusively on value maximization, and proposes a conceptual framework for capital structure oriented toward financial resilience. This approach posits that variables such as moderate leverage, liquidity, financial flexibility, and risk-absorption capacity are fundamental to strengthening corporate continuity and reducing vulnerability to financial distress. To address this gap, the present study adopts a theory-building approach grounded in conceptual integration and develops a resilience-oriented framework

capable of extending the explanatory scope of traditional capital structure theories under conditions of systemic uncertainty. Accordingly, the following research questions guide the analysis:

RQ1. *How can traditional capital structure theories be reinterpreted through a financial resilience perspective under conditions of systemic uncertainty?*

RQ2. *Which financial constructs are theoretically associated with financial resilience in corporate financing decisions?*

RQ3. *How can financial resilience be conceptually integrated into corporate financing decisions beyond the traditional objective of value maximization?*

2. Methodological Approach to Theoretical Development

2.1. Theoretical Development Strategy

This study adopts a conceptual research approach to develop a theory in the field of corporate finance. According to Wacker (1998), theory construction requires the explicit definition of concepts, the delimitation of the domain of application, the specification of relationships between constructs, and the formulation of theoretical propositions. This approach is particularly relevant in areas where changes in the economic environment have exposed the explanatory limitations of traditional frameworks. In the area of capital structure, recent phenomena such as the COVID-19 pandemic, increased financial volatility, and greater exposure to systemic risks have prompted a rethinking of conventional assumptions about maximizing business value (A. Ahmed et al., 2024; Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Kim, 2023).

Under this logic, the present work does not seek to empirically test causal relationships but to integrate knowledge from different theoretical perspectives to develop a broader explanation of financing decisions in contexts of uncertainty. This approach is consistent with the growing relevance that the recent literature has given to concepts such as financial resilience, financial stability, and organizational adaptability in the face of disruptive events (Agostino et al., 2024; Hillmann & Guenther, 2021; Zahedi et al., 2022).

2.2. Identification of the Literature and Theoretical Scope

The purpose of the literature review was to support the conceptual development of the proposed theoretical framework rather than to provide an exhaustive synthesis of the empirical evidence. Accordingly, completeness of coverage was not the objective; instead, conceptual relevance and explanatory power guided the selection of the literature. This approach enabled the integration of relevant concepts, theoretical relationships, and explanatory mechanisms into a resilience-oriented perspective on capital structure under conditions of systemic uncertainty.

The review strategy was based on three guiding principles. First, keywords directly linked to the study's theoretical domain were used, including capital structure, leverage, liquidity, solvency, financial flexibility, financial distress, and financial resilience (Baker & Wurgler, 2002; Hillmann & Guenther, 2021; Myers & Majluf, 1984; Zahedi et al., 2022). Second, seminal contributions that have defined the evolution of capital structure theory were deliberately incorporated, such as Modigliani and Miller (1958, 1963), Jensen and Meckling (1976), Ross (1977), Myers and Majluf (1984), and Baker and Wurgler (2002). Third, the selection of studies favored research that could contribute to defining constructs, delimiting the theoretical domain, identifying relationships between variables, and formulating conceptual propositions. The guiding principles used for the identification and selection of the literature are summarized in Table 1.

Table 1. Guiding principles for literature identification and theory development.

Guiding Principle	Illustrative Applications in the Review	Theoretical Purpose
Domain-relevant keywords	Capital structure; leverage; financial flexibility; financial distress; liquidity; solvency; and financial resilience.	To delimit the conceptual domain and identify relevant theoretical constructs.
Seminal theoretical foundations	Foundational contributions in capital structure theory (Modigliani and Miller, Jensen and Meckling, Ross, Myers, and Baker and Wurgler).	To establish the foundational assumptions and theoretical evolution of capital structure research.
Theory-building principles	Conceptual definitions, domain specification, construct relationships, and theoretical propositions following Wacker (1998).	To integrate dispersed constructs into a coherent explanatory framework

The review combined theoretical and empirical evidence from searches of high-impact academic databases, complemented by a purposeful citation-tracking strategy. This procedure favors the incorporation of seminal and contemporary contributions relevant to the domain under analysis, thereby enabling the identification of conceptual relationships among leverage, liquidity, solvency, financial flexibility, and organizational resilience that would be difficult to capture with excessively restrictive search criteria (Agostino et al., 2024; Amoa-Gyarteng & Owusu-Adusei, 2024; Gonçalves et al., 2024; Nam & Tuyen, 2024; Oanh et al., 2023).

2.3. Theoretical Construction Procedure

The construction of the conceptual framework followed the sequence proposed by Wacker (1998). In the first stage, the main constructs associated with financial resilience were identified and defined, including leverage, liquidity, solvency, financial flexibility, and corporate continuity. Subsequently, the theoretical domain of the model was delimited, circumscribing it to contexts characterized by systemic uncertainty, financial volatility, and high-risk conditions (A. Ahmed et al., 2024; Gajdka & Pietraszewski, 2025).

In the third stage, arguments from the literature on capital structure, financial stability, and organizational resilience were integrated to establish conceptual relationships between the analyzed constructs (Agostino et al., 2024; Hillmann & Guenther, 2021; Oanh et al., 2023; Zahedi et al., 2022). Finally, these relationships were formalized through theoretical propositions that explain how moderate leverage, liquidity, solvency, and financial flexibility strengthen corporate financial resilience. These propositions constitute the predictive component of the conceptual framework and provide a basis for future empirical validation.

3. Evolution of Capital Structure Theory: From Value to Risk

3.1. Classical Value Maximization Paradigm

The theory of capital structure initially emerged from a logic aiming to maximizing a company’s value through the efficient combination of debt and equity. The first approaches to the relevance of indebtedness argued that leveraged companies could generate greater returns for shareholders compared to those financed exclusively with internal capital, due to the positive effect of debt on returns on capital (Godoy, 2002). Subsequently, the proposals of Modigliani and Miller radically transformed the discussion by establishing that, under conditions of perfect competition, the absence of taxes, and frictionless markets, the capital structure is irrelevant in determining the value of the firm (Modigliani & Miller, 1958; Tenjo et al., 2006).

From this perspective, the market value and weighted average cost of capital remain unchanged regardless of the debt-to-equity ratio (Baker & Wurgler, 2002; Bilgin, 2023; Bui

et al., 2023; Jaworski & Czerwonka, 2023; Oanh et al., 2023). Subsequent research has even shown that the proposition retains explanatory power even under scenarios of uncertainty and macroeconomic ambiguity (Izhakian et al., 2022). However, the contemporary literature agrees that the assumptions required by the classical model are rarely met in practice due to taxes, bankruptcy costs, financial constraints, and information asymmetries (Heckenbergerova & Honkova, 2023; Ilie & VasIU, 2022; Lizarazo et al., 2022; Missaoui & Brahmi, 2025; Yildirim & Karabayir, 2024).

The incorporation of corporate taxes significantly modified the initial logic of irrelevance. Modigliani and Miller later demonstrated that debt provides a tax shield from the deductibility of interest, thereby increasing the company's value through leveraged financing (Godoy, 2002; Modigliani & Miller, 1963; Scott, 1976). Under this logic, the value of the firm could increase linearly as debt increases, provided that the tax benefits exceed the costs of external financing (Ross, 1977; Yildiz, 2024). However, subsequent evidence showed that excessive borrowing simultaneously increases the likelihood of financial distress, insolvency, and bankruptcy costs, gradually eroding the benefits derived from the fiscal shield (Dabi et al., 2023; DeAngelo, 2022).

Consequently, the classic paradigm of value maximization consolidated the idea that financing decisions should be oriented towards identifying optimal levels of indebtedness that minimize the cost of capital and maximize shareholder returns. However, the limitations observed in real-world contexts of uncertainty and volatility began to shift the analysis progressively towards approaches that incorporate financial risk, market frictions, and organizational adaptability as central elements in determining the capital structure.

3.2. Optimal Structure and Trade-Off

The subsequent evolution of the theory of capital structure maintained the search for an optimal combination of debt and equity as its dominant axis. In this context, trade-off theory posits that firms pursue a level of indebtedness at which the marginal tax benefits of debt are balanced by the expected costs of insolvency and financial distress (Ilie & VasIU, 2022; Isik & Ersoy, 2021; Missaoui & Brahmi, 2025; Scott, 1976). Under this logic, the optimal structure emerges when the weighted average cost of capital (WACC) reaches its minimum, thereby maximizing the company's value (Jaworski & Czerwonka, 2023; Kruk, 2021; Yildirim & Karabayir, 2024).

Empirical evidence has partially supported this approach, showing that borrowing can generate benefits through tax shields, financial discipline, and reduced agency costs (Amare, 2021; Bui et al., 2023; Nguyen et al., 2023). Likewise, various studies argue that debt can act as a disciplinary mechanism that limits the discretionary use of cash flows and aligns the interests of managers and shareholders (Fatima & Shaik, 2022; Jensen & Meckling, 1976). In this sense, leverage is interpreted not only as a source of financing, but also as an instrument of organizational control and value creation (A. M. Ahmed et al., 2023; Zeitun & Goaid, 2023).

However, the progressive increase in indebtedness also has adverse effects, including deteriorating solvency and increased financial risk. The literature agrees that high levels of debt intensify bankruptcy costs, agency problems, and vulnerability to macroeconomic shocks (Dabi et al., 2023; Gomez-Gonzalez et al., 2022; Qabajeh et al., 2024; Yildiz, 2024). Similarly, recent research shows that highly leveraged firms experience greater liquidity constraints and reduced adaptive capacities during periods of systemic crisis (Azhari et al., 2022; Gonçalves et al., 2024; Huang & Ye, 2021).

Consequently, the logic of the trade-off evolved from a static view to dynamic approaches that recognize that firms gradually adjust their financial structure in response to institutional, macroeconomic, and sectoral changes (DeAngelo, 2022; Qerimi et al., 2024).

From this perspective, the optimal structure is no longer interpreted as a fixed point but is conceived as a dynamic equilibrium conditioned by uncertainty, adjustment costs, and future expectations (Fischer et al., 1989; Khoa & Thai, 2021; Nikhil et al., 2024). This transition is particularly relevant in contemporary contexts characterized by financial volatility, liquidity constraints, and increasing exposure to systemic risk.

3.3. Information Asymmetry and Dynamic Decisions

The subsequent development of capital structure theory progressively incorporated external factors associated with imperfect information, market expectations, and strategic uncertainty. In this context, the pecking order theory posits that companies prioritize internal financing over debt and issue shares only as a last resort, due to the costs arising from information asymmetry between managers and investors (Myers & Majluf, 1984). Under this logic, financing decisions do not necessarily respond to the search for an optimal structure but to the need to minimize adverse selection problems and issuance costs (Jaworski & Czerwonka, 2023; Lizarazo et al., 2022).

Research has confirmed that companies prefer to use retained earnings before turning to external sources of financing, especially in contexts of economic uncertainty or high volatility (Amare, 2021; Bahaw, 2023; Habibniya et al., 2022). Likewise, the tangibility of assets and the availability of collateral partially reduce the restrictions associated with asymmetric information, favoring access to financing via debt (Carreras-Simó & Coenders, 2021; Tejos et al., 2021). However, information asymmetries persistently condition financial structure decisions (Gomez-Gonzalez et al., 2022; Ilie & Vasiu, 2022).

In parallel, signaling theory holds that firms use borrowing as a mechanism to convey confidence about the future profitability and quality of their projects (Ross, 1977). From this perspective, higher debt levels can be interpreted as positive signals from investors, particularly when the company has favorable performance expectations (Amoa-Gyarteng & Owusu-Adusei, 2024; Endri et al., 2021; Yildiz, 2024). However, the recent literature warns that excessive leverage can also signal increased risk of insolvency and deterioration of financial stability (Myers & Majluf, 1984; Nguyen et al., 2023).

In a complementary way, the theory of market timing proposes that financing decisions respond to temporary market opportunities. Under this approach, companies issue shares when they perceive that they are overvalued and resort to borrowing when stock market conditions are unfavorable (Baker & Wurgler, 2002; DeAngelo, 2022; Missaoui & Brahmi, 2025). Consequently, the capital structure reflects a historical accumulation of opportunistic decisions rather than a stable convergence towards a predetermined optimal level (Nam & Tuyen, 2024; Noriller et al., 2021).

Nonetheless, dynamic trade-off approaches explicitly incorporate adjustment costs and financial volatility, noting that firms gradually modify their capital structure as economic conditions and risk levels change (Fischer et al., 1989; Qerimi et al., 2024). From this perspective, financial decisions cease to respond exclusively to the immediate maximization of value and instead become linked to the preservation of financial flexibility, adaptability, and long-term corporate sustainability (DeAngelo, 2022; Izhakian et al., 2022). This conceptual evolution marks a progressive shift from models focused exclusively on financial efficiency to approaches that incorporate uncertainty, resilience, and systemic risk as fundamental dimensions of contemporary capital structures. Taken together, these theoretical perspectives have shaped the dominant paradigm of capital structure research, primarily centered on firm value maximization through financing decisions. Although they differ in their assumptions and explanatory mechanisms, they collectively emphasize value creation as the principal objective of capital structure choices. A comparative synthesis of these theoretical approaches is presented in Table 2.

Table 2. Comparative synthesis of capital structure theories.

Theory	Core Objective	Main Explanatory Mechanism	Limitation Under Systemic Uncertainty	Key References
Modigliani and Miller	Value maximization	Debt-equity irrelevance/relevance	Assumes relatively stable economic conditions	Modigliani and Miller (1958, 1963)
Trade-Off Theory	Optimal leverage	Tax benefits versus financial distress costs	Focuses on equilibrium rather than resilience and adaptation	Scott (1976)
Pecking Order Theory	Financing hierarchy	Information asymmetry between managers and investors	Limited attention to organizational survival capacity	Myers and Majluf (1984)
Signaling Theory	Information transmission	Financing decisions act as market signals	Secondary consideration of resilience and continuity	Ross (1977)
Market Timing Theory	Exploitation of market conditions	Capital structure responds to mispricing opportunities	Predominantly short-term orientation	Baker and Wurgler (2002)
Resilience-Oriented Framework	Financial continuity and adaptation	Liquidity, solvency, financial flexibility, and moderate leverage	Requires future empirical validation	This study

4. Limitations of the Value Maximization Paradigm Under Systemic Uncertainty

The economic and financial transformations of recent decades have called into question the adequacy of the traditional paradigm of value maximization as the exclusive basis for capital structure decisions. Although classical and modern theories justify the use of debt based on tax benefits, market signals, and reduction of agency costs, recent evidence shows that high levels of leverage also increase exposure to financial risk, operational fragility, and the likelihood of distress in contexts of systemic uncertainty ([Dabi et al., 2023](#); [Gonçalves et al., 2024](#); [Yildirim & Karabayir, 2024](#)). Consequently, events such as the global financial crisis of 2007–2008 and the COVID-19 pandemic have shown that financial structures designed solely based on efficiency and value maximization can deteriorate rapidly in the face of extreme volatility and liquidity constraints ([A. Ahmed et al., 2024](#); [Gajdka & Pietraszewski, 2025](#); [Huang & Ye, 2021](#); [Kim, 2023](#)).

Under these conditions, the contemporary discussion on capital structure has begun to shift from approaches focused exclusively on financial optimization to perspectives that incorporate resilience, adaptability, and long-term corporate sustainability ([Hillmann & Guenther, 2021](#); [Zahedi et al., 2022](#)). This conceptual transition is especially relevant in emerging economies and sectors highly sensitive to external shocks, where financial constraints and macroeconomic volatility intensify the negative effects of excessive indebtedness ([Gostkowska-Drzewicka & Koralun-Bereznicka, 2024](#); [Qerimi et al., 2024](#)).

4.1. Financial Fragility and Excess Leverage

Recent empirical evidence converges on the view that excessive increases in leverage can transform debt, originally conceived as a value-creation mechanism, into a significant source of financial fragility ([Khoa & Thai, 2021](#); [Yildiz, 2024](#)). Although trade-off theory

holds that there is an optimal threshold where marginal tax benefits equal the expected costs of insolvency (Scott, 1976), studies show that exceeding this threshold significantly increases the risk of bankruptcy, the volatility of cash flows, and the destruction of corporate value (Dabi et al., 2023; Qabajeh et al., 2024; Zancan et al., 2023).

In this regard, recent research developed in different economic contexts shows that highly leveraged companies experience greater financial difficulties during periods of systemic crisis (Azhari et al., 2022; Gajdka & Pietraszewski, 2025). Particularly during the COVID-19 pandemic, numerous firms experienced abrupt declines in profitability, liquidity, and market value due to their inability to sustain financial commitments amid operational interruptions and revenue declines (A. Ahmed et al., 2024; Huang & Ye, 2021; Kim, 2023). Likewise, the financial crisis of 2007–2008 demonstrated that capital structures overly dependent on debt amplify institutional vulnerability and accelerate insolvency processes (Dabi et al., 2023).

At the same time, several authors warn that the negative impact of indebtedness depends not only on its magnitude but also on institutional, sectoral, and macroeconomic factors that condition companies' ability to absorb external shocks (Bvirindi & Inalegwu, 2024; Gostkowska-Drzewicka & Koralun-Bereznicka, 2024; Izhakian et al., 2022). Therefore, the notion of optimal structure based exclusively on value maximization is beginning to show significant limitations in the face of scenarios characterized by high uncertainty, financial volatility, and systemic risk.

4.2. Liquidity, Distress, and Corporate Vulnerability

In addition to leverage, the contemporary literature identifies liquidity and cash flow stability as determinants of firms' financial vulnerability (Tejos et al., 2021; Valaskova et al., 2021). From this perspective, financial distress arises when organizations lose the ability to meet operational and financial obligations, thereby progressively deteriorating their solvency and corporate continuity (Hiong et al., 2021; Mondal et al., 2025).

Studies show that increasing debt gradually reduces cash flexibility and increases exposure to liquidity crises, particularly when external financing constraints or unstable macroeconomic environments are present (Gonçalves et al., 2024; Qabajeh et al., 2024). Consequently, companies with lower liquid reserves are more likely to default financially and accelerate value destruction during periods of economic contraction (Agostino et al., 2024; Huang & Ye, 2021).

Likewise, recent research warns that the effectiveness of the fiscal shield decreases considerably under scenarios of systemic uncertainty because revenue volatility and reduced profitability limit the real use of the tax benefits associated with debt (Godoy, 2002; Gostkowska-Drzewicka & Koralun-Bereznicka, 2024). In this context, insolvency risk is no longer interpreted as a secondary marginal cost and is beginning to be recognized as a central element in corporate financing decisions (Izhakian et al., 2022; Koralun-Bereznicka & Gostkowska-Drzewicka, 2025).

In a complementary way, the literature on financial distress has found that indicators of liquidity, profitability, and solvency enable more accurate anticipation of corporate vulnerability to adverse events (Abdullah, 2021; Horváthová et al., 2023; Zhu et al., 2024). In particular, models such as the Altman Z-score have been widely used to assess financial risk and the probability of bankruptcy across sectors and industries (Abdioglu & Aytekin, 2024; Heralová, 2024; Podobnik et al., 2011). These approaches reinforce the idea that financial stability depends not only on maximizing profitability but also on preserving resilience in the face of crisis scenarios.

4.3. Financial Flexibility and Survivability

Given the limitations observed in traditional capital structure models, the recent literature has begun to emphasize the importance of financial flexibility as a strategic element to ensure organizational survival (DeAngelo, 2022; Hillmann & Guenther, 2021). Under this logic, maintaining moderate levels of indebtedness and sufficient liquidity reserves allows companies to respond with greater capacity to adapt to economic shocks and financing constraints (Ivashina & Scharfstein, 2010; Malinić et al., 2020).

Evidence from the COVID-19 pandemic showed that companies with less aggressive financial structures retained greater access to credit, lower losses in market value, and better conditions to sustain operations during periods of high uncertainty (Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Kim, 2023). In contrast, organizations with high levels of leverage faced greater operational constraints, financial deterioration, and accelerated insolvency processes (Azhari et al., 2022; Tascón et al., 2023).

In this sense, financial flexibility is increasingly interpreted as an organizational capacity directly linked to business resilience (Zahedi et al., 2022). Beyond maximizing tax benefits or temporarily minimizing the cost of capital, financing decisions take on a strategic dimension aimed at preserving stability, operational continuity, and resilience in the face of adverse environments (Soufi et al., 2021; Valaskova et al., 2021).

For this reason, the contemporary literature is beginning to recognize that sustainable financial structures do not necessarily correspond to the maximum levels of indebtedness compatible with value creation but to configurations capable of balancing profitability, liquidity, and risk-absorbing capacity (Agostino et al., 2024; Horváthová et al., 2023). This conceptual transition marks the progressive shift from a paradigm focused exclusively on value maximization to a perspective oriented towards corporate financial resilience.

5. Towards a Capital Structure Based on Financial Resilience

The limitations of traditional capital structure approaches have driven the emergence of perspectives that prioritize not only financial efficiency but also firms' ability to withstand, adapt to, and recover from systemic uncertainty. Under this logic, the financial structure is no longer interpreted exclusively as a mechanism to maximize market value. It is beginning to be conceived as a strategic tool to strengthen corporate resilience (Hillmann & Guenther, 2021; Zahedi et al., 2022).

Recent evidence shows that organizations with more balanced capital structures, lower leverage, and higher liquidity buffers have a greater capacity to absorb external shocks, sustain operations, and preserve financial stability during periods of crisis (Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Tascón et al., 2023). Consequently, variables such as solvency, financial flexibility, and corporate health become increasingly relevant in contemporary analyses of financing decisions (Horváthová et al., 2023; Valaskova et al., 2021).

From this perspective, financial resilience emerges as a complementary approach to the traditional paradigm of value maximization. Instead of prioritizing only the use of the fiscal shield and the reduction of the cost of capital, this approach proposes balancing profitability, liquidity, stability, and adaptability as necessary conditions to ensure organizational continuity in high-volatility contexts (Agostino et al., 2024; Soufi et al., 2021).

5.1. Conceptualization of Financial Resilience

Financial resilience can be defined as a company's ability to withstand economic shocks, adapt to structural changes, and regain operational and financial stability after adverse events (Hillmann & Guenther, 2021; Zahedi et al., 2022). Under this conception, resilience transcends mere organizational survival. It is linked to the ability to maintain

operational continuity, preserve access to financing, and sustain adequate performance even in highly uncertain scenarios (Soufi et al., 2021; Tascón et al., 2023).

The recent literature agrees that this concept integrates several interrelated dimensions. First, financial flexibility is the ability to adjust financing, investment, and liquidity decisions in response to abrupt changes in the economic environment (DeAngelo, 2022; Malinić et al., 2020). Secondly, financial stability is related to the ability to maintain solvency and operational balance without compromising corporate continuity in the face of external shocks (Horváthová et al., 2023; Valaskova et al., 2021). Finally, organizational continuity refers to the ability to preserve operations, supply chains, and access to capital even during prolonged crises (Hillmann & Guenther, 2021; Ivashina & Scharfstein, 2010).

In this sense, financial resilience entails a conceptual shift relative to traditional capital structure models. While classical perspectives privilege efficiency derived from indebtedness and the maximization of expected value, resilience-oriented approaches emphasize minimizing financial vulnerabilities and strengthening the capacity to absorb risk (Agostino et al., 2024; Zahedi et al., 2022). Therefore, the analysis of the financial structure is beginning to incorporate dimensions associated with stability, liquidity, and adaptability as fundamental components of long-term business sustainability.

5.2. Financial Determinants of Resilience

The contemporary literature identifies various financial factors that directly influence corporate resilience. Among them, liquidity plays a central role due to its relationship with companies' ability to withstand operational disruptions and external financing constraints (Tascón et al., 2023; Tejos et al., 2021). Various studies show that organizations with higher liquid reserves are less likely to experience financial distress and retain greater capacity to respond to crisis scenarios (Agostino et al., 2024; Huang & Ye, 2021).

In addition, leverage is one of the main determinants of financial vulnerability. Although moderate levels of debt can generate fiscal and disciplinary benefits, excessive indebtedness significantly increases the probability of insolvency and impairs organizational adaptability (Dabi et al., 2023; Gonçalves et al., 2024; Yildirim & Karabayir, 2024). Consequently, recent research argues that more conservative capital structures favor financial stability and strengthen corporate continuity in high-volatility contexts (Azhari et al., 2022; Gajdka & Pietraszewski, 2025).

Likewise, financial solvency emerges as a critical component of resilience because it enables a balance between financial obligations and operational capacity (Mondal et al., 2025; Valaskova et al., 2021). Companies with higher levels of solvency have fewer financing restrictions and greater capacity to sustain strategic investments during periods of uncertainty (Regmi & Featherstone, 2022; Zhu et al., 2024).

On the other hand, the availability of internally generated resources is also a key element in strengthening financial resilience. According to the pecking-order logic, retained earnings reduce dependence on external financing and allow operational flexibility to be maintained in the face of adverse conditions (Lizarazo et al., 2022; Myers & Majluf, 1984). In this sense, companies with higher levels of profitability and accumulation of internal resources present better conditions to absorb economic shocks and preserve organizational continuity (Amare, 2021; Nguyen et al., 2023).

Taken together, these elements suggest that financial resilience depends on a balanced interaction between liquidity, solvency, moderate leverage, and domestic resourcing capacity. From this perspective, the capital structure is no longer evaluated solely for its contribution to maximizing value; it is also analyzed for its ability to reduce fragility and strengthen long-term corporate stability.

5.3. Distress Indicators as Potential Operationalizations of Financial Resilience

Within the contemporary literature on financial stability and corporate risk, the Altman Z-score has established itself as one of the main indicators to assess the probability of corporate distress and insolvency (Abdioglu & Aytekin, 2024; Hiong et al., 2021). Its relevance lies in the simultaneous integration of variables related to liquidity, profitability, solvency, and operational efficiency, enabling the generation of a continuous measure of financial stability (Heralová, 2024; Podobnik et al., 2011).

The model's logic is that high Z-score values reflect lower bankruptcy probabilities and higher financial stability, whereas low scores indicate greater vulnerability to adverse events (Mondal et al., 2025; Rezina & Mostofa, 2020). In this sense, the indicator has been widely used as a diagnostic and predictive tool in multiple industries and national contexts (Agostino et al., 2024; Buzinskiene & Gelashvili, 2024; Matanga & Holman, 2024).

In particular, recent research shows that increasing leverage systematically deteriorates the Z-score, evidencing the negative relationship between excessive indebtedness and financial stability (Agostino et al., 2024; Regmi & Featherstone, 2022). In addition, variables such as liquidity, profitability, and firm size significantly improve levels of financial stability and reduce the probability of distress (Buzinskiene & Gelashvili, 2024; Gholampoor & Asadi, 2024).

Likewise, the contemporary literature has begun to complement the traditional model through machine learning techniques and advanced predictive approaches, incorporating nonlinear relationships and non-financial variables to improve accuracy in the early detection of financial impairment (Abdullah, 2021; Horváthová et al., 2023; Zhu et al., 2024). These developments reinforce the idea that the evaluation of the capital structure should not be limited to expected-value metrics but should also include indicators that capture vulnerability, stability, and corporate survival.

Consequently, the Altman Z-score can be interpreted as an operational proxy for financial resilience because it captures companies' ability to maintain financial balance, reduce insolvency risk, and preserve operational continuity amid systemic uncertainty. Under this logic, the optimal capital structure is no longer defined exclusively by maximizing value; it is instead linked to financial configurations that minimize distress, strengthen stability, and increase organizational adaptability.

6. Conceptual Framework of Resilience-Oriented Capital Structure

Based on the evolution of capital structure theories and the limitations identified in contexts of systemic uncertainty, a conceptual framework for capital structure oriented toward financial resilience is proposed. This approach states that corporate financing decisions should not be evaluated exclusively in terms of maximizing expected value or temporarily minimizing the cost of capital, but they should also consider the company's ability to withstand shocks, preserve operational stability, and sustain organizational continuity in the face of adverse scenarios (Hillmann & Guenther, 2021; Zahedi et al., 2022).

From this perspective, the capital structure is interpreted as a dynamic system composed of the interactions among leverage, liquidity, solvency, profitability, and financial flexibility. While the traditional paradigm prioritizes the fiscal benefits of debt and financial efficiency (Modigliani & Miller, 1963; Scott, 1976), the resilience-oriented approach explicitly accounts for the risks of financial distress, macroeconomic volatility, and operational fragility (Agostino et al., 2024; Gonçalves et al., 2024; Huang & Ye, 2021).

In this sense, the proposed framework integrates elements from different theoretical currents. From the trade-off theory, the notion of balance between tax benefits and insolvency costs is taken up (Kruk, 2021; Yildirim & Karabayir, 2024); the pecking order theory incorporates the relevance of internally generated resources and liquidity to reduce

dependence on external financing (Lizarazo et al., 2022; Myers & Majluf, 1984); while dynamic and resilience approaches allow for the incorporation of uncertainty, adaptability, and long-term financial sustainability (DeAngelo, 2022; Soufi et al., 2021).

In addition, the framework recognizes that the relationship between capital structure and corporate performance is neither linear nor stable across all contexts. Under scenarios of economic stability, higher levels of debt can increase corporate value through tax advantages and disciplinary effects (Bui et al., 2023; Nguyen et al., 2023). However, in environments of systemic crisis or high volatility, excess leverage significantly increases the likelihood of financial distress, loss of liquidity, and accelerated value destruction (Azhari et al., 2022; Dabi et al., 2023; Gajdka & Pietraszewski, 2025). For this reason, financial resilience emerges as a complementary and necessary dimension within contemporary financing decisions.

Under this logic, the resilient capital structure is characterized by maintaining moderate levels of debt, sufficient liquidity, capacity to generate internal resources, and financial flexibility to respond to abrupt changes in the economic environment (Hillmann & Guenther, 2021; Tascón et al., 2023; Valaskova et al., 2021). As a result, the financial objective is no longer limited to maximizing expected value and is also beginning to be oriented towards preserving stability, continuity, and organizational resilience. Table 3 synthesizes the principal constructs identified in the literature and specifies their conceptual definitions and theoretical roles within the proposed resilience-oriented framework.

Table 3. Core constructs of the resilience-oriented capital structure framework.

Construct	Conceptual Definition	Theoretical Role Within the Framework
Leverage	The degree to which a firm relies on debt financing relative to equity financing (DeAngelo, 2022; Scott, 1976).	Antecedent condition that can generate value through tax benefits but may increase vulnerability when debt exceeds sustainable levels.
Liquidity	The firm's capacity to meet short-term financial obligations and preserve cash availability under adverse conditions (Tascón et al., 2023; Tejos et al., 2021).	Shock-absorption mechanism that supports financial stability during periods of stress.
Solvency	The firm's long-term capacity to meet financial obligations and maintain financial stability over time (Mondal et al., 2025; Valaskova et al., 2021).	Stability mechanism that reduces insolvency risk and strengthens resilience capacity.
Financial flexibility	The firm's ability to access, reallocate, or preserve financial resources in response to changing environmental conditions (DeAngelo, 2022; Malinić et al., 2020).	Adaptive capability that enables strategic adjustment under uncertainty.
Financial resilience	The firm's dynamic capability to absorb financial shocks, adapt to disruptions, and recover stability while preserving long-term viability (Hillmann & Guenther, 2021; Zahedi et al., 2022).	Intermediate strategic capability emerging from resilience-oriented financing configurations and enabling organizational continuity under systemic uncertainty.
Corporate continuity	The sustained functioning of organizational operations and financing activities during and after disruptive events (Hillmann & Guenther, 2021; Soufi et al., 2021).	Observable organizational outcome resulting from the firm's financial resilience under conditions of systemic uncertainty.

6.1. Conceptual Representation of the Proposed Framework

Figure 1 presents the conceptual representation of the proposed resilience-oriented capital structure framework. The model illustrates the theoretical transition from the traditional value-maximization paradigm toward a broader perspective centered on financial resilience under conditions of systemic uncertainty. Building upon the principal theories of capital structure and the limitations identified in highly volatile environments, the framework integrates leverage, liquidity, solvency, financial flexibility, and corporate continuity as key constructs influencing organizational resilience.

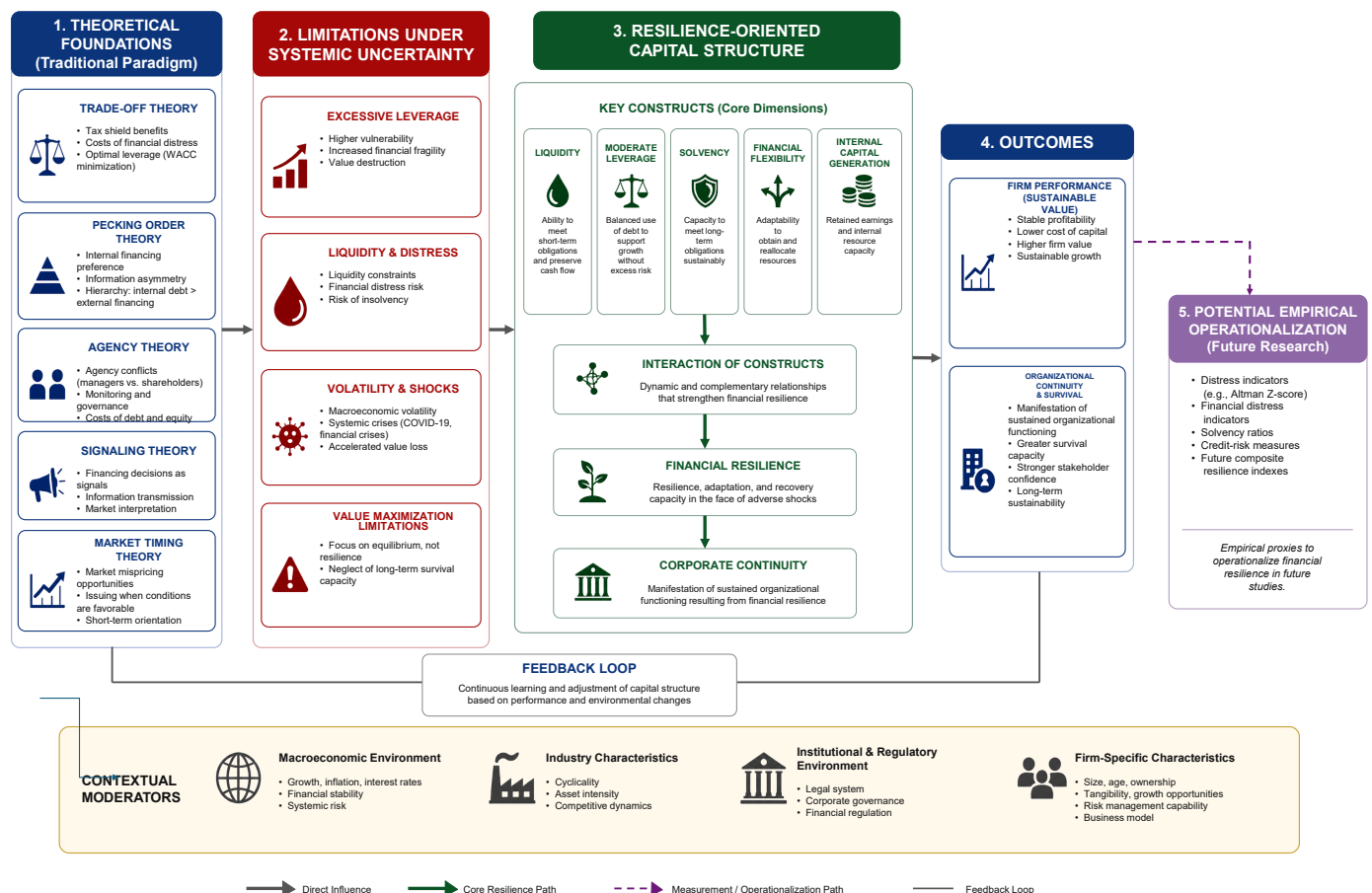


Figure 1. Conceptual framework of capital structure oriented to financial resilience.

The framework proposes that financial resilience emerges from the interaction of these financial dimensions, enabling firms to absorb shocks, adapt to adverse conditions, and maintain operational continuity over time. In addition, the model incorporates contextual factors, including macroeconomic, institutional, industry, and firm-specific conditions, recognizing that financing decisions and resilience outcomes are shaped by the environment in which organizations operate.

Finally, the framework distinguishes between the theoretical construct of financial resilience and its potential empirical operationalization. In this regard, indicators such as the Altman Z-score, financial distress measures, solvency indicators, and other financial stability metrics are presented as possible avenues for future empirical validation of the proposed theoretical relationships.

6.2. Theoretical Propositions

Based on the proposed conceptual framework, the following theoretical propositions are advanced:

Proposition 1. *Companies with moderate levels of leverage and higher liquidity buffers exhibit greater financial resilience under conditions of systemic uncertainty (Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Tascón et al., 2023).*

Proposition 2. *Excessive leverage increases the likelihood of financial distress, weakens corporate solvency, and reduces organizational adaptive capacity under conditions of elevated uncertainty (Agostino et al., 2024; Dabi et al., 2023; Qabajeh et al., 2024).*

Proposition 3. *Financial flexibility and the capacity to generate internal resources strengthen operational continuity and reduce vulnerability to external financing constraints (DeAngelo, 2022; Myers & Majluf, 1984; Soufi et al., 2021).*

Proposition 4. *The effects of capital structure on corporate value and financial resilience are contingent upon macroeconomic, institutional, and industry conditions, such that financial configurations considered optimal under stable environments may become sources of fragility during periods of crisis (Gostkowska-Drzewicka & Koralun-Bereznicka, 2024; Izhakian et al., 2022; Yildirim & Karabayir, 2024).*

Proposition 5. *Higher levels of financial resilience are associated with greater corporate continuity and lower vulnerability to financial distress under conditions of systemic uncertainty (Agostino et al., 2024; Hillmann & Guenther, 2021; Zahedi et al., 2022).*

Together, these propositions formalize a resilience-oriented perspective in which capital structure is no longer conceived exclusively as a mechanism for financial optimization but as a strategic configuration that strengthens financial resilience and, consequently, supports corporate continuity under conditions of systemic uncertainty.

7. Theoretical Novelty of the Resilience-Oriented Capital Structure Framework

The theoretical contribution of the proposed framework does not reside in introducing financial resilience as a novel construct. Rather, it lies in extending the explanatory scope of capital structure theory by explicitly incorporating resilience considerations into corporate financing decisions under conditions of systemic uncertainty. While traditional capital structure theories have predominantly focused on firm value maximization through tax benefits, agency considerations, information asymmetries, or market timing mechanisms (Baker & Wurgler, 2002; Jensen & Meckling, 1976; Myers & Majluf, 1984; Ross, 1977; Scott, 1976), recent disruptions have revealed the importance of understanding how financing configurations may also contribute to organizational stability, adaptive capacity, and continuity during adverse events.

The previous literature has developed important insights related to several dimensions of the proposed framework. For example, studies on dynamic financing decisions and financial flexibility recognize that firms preserve borrowing capacity to respond to changing environmental conditions (DeAngelo, 2022). Likewise, research on organizational resilience emphasizes the ability of firms to absorb shocks, adapt to disruption, and recover from adverse circumstances (Hillmann & Guenther, 2021). In parallel, emerging studies on financial resilience have identified organizational capabilities associated with stability and adaptability in uncertain environments (Zahedi et al., 2022). However, these streams

of the literature have largely evolved independently and have not explicitly theorized how capital structure configurations contribute to financial resilience as an objective of financing decisions.

Accordingly, the novelty of the present study lies in conceptually integrating previously fragmented domains within a coherent explanatory framework. Specifically, the proposed model reinterprets leverage, liquidity, solvency, and financial flexibility not solely as determinants of firm value or financing efficiency but as interdependent mechanisms that collectively shape financial resilience and support corporate continuity under conditions of systemic uncertainty. In doing so, the framework broadens the theoretical objectives traditionally associated with capital structure decisions by incorporating resilience as a complementary strategic dimension rather than a substitute for value creation.

Furthermore, the framework contributes to theory development by formalizing theoretical propositions that specify the relationships among the proposed constructs and by defining a clear domain of application characterized by financial volatility, elevated risk exposure, and recurrent disruptions. Table 4 positions the proposed framework relative to the prior resilience-related literature and illustrates its incremental theoretical contribution to capital structure research.

Table 4. Incremental theoretical contribution of the resilience-oriented capital structure framework.

Study	Primary Analytical Focus	Explicit Integration of Resilience and Capital Structure	Role of Financial Resilience	Role of Corporate Continuity	Main Limitation Addressed by This Study
DeAngelo (2022)	Capital structure under imperfect managerial knowledge	Limited	Implicit	Indirect	Does not explicitly integrate resilience within a capital structure framework.
Hillmann and Guenther (2021)	Organizational resilience conceptualization	No	Central construct	Limited	Does not specify financial mechanisms or capital structure decisions.
Zahedi et al. (2022)	Organizational determinants of financial resilience	No	Central construct	Indirect	Does not integrate resilience determinants with financing configurations.
This study	Capital structure under systemic uncertainty	Yes	Strategic objective shaped by financing decisions	Explicit outcome of resilience-oriented financing decisions	Integrates capital structure theory and financial resilience by explicitly theorizing how financing configurations contribute to resilience and corporate continuity under systemic uncertainty.

Table 4 highlights that the proposed framework extends existing knowledge by repositioning resilience as a complementary strategic objective within capital structure decisions. Rather than replacing traditional value-maximization approaches, the framework broadens their explanatory scope by emphasizing how financing configurations may contribute to organizational continuity under systemic uncertainty. Consequently, the study provides a foundation for future empirical research aimed at examining how financing decisions influence resilience-related outcomes across different organizational and institutional contexts.

8. Discussion and Theoretical Implications

The findings of this study suggest that the traditional capital structure paradigm, predominantly focused on firm value maximization, is insufficient to fully explain financing

decisions under conditions of systemic uncertainty. Although classical and contemporary theories have substantially contributed to understanding the relationships among leverage, cost of capital, profitability, and firm value (Modigliani & Miller, 1958; Myers & Majluf, 1984; Scott, 1976), recent economic disruptions have revealed the need for broader explanatory perspectives capable of incorporating organizational continuity, adaptability, and resilience (A. Ahmed et al., 2024; Gajdka & Pietraszewski, 2025; Huang & Ye, 2021).

From a theoretical standpoint, the proposed framework contributes by extending the explanatory domain of capital structure theory. Traditional approaches largely evaluate financing decisions according to their expected effects on firm value, tax efficiency, agency costs, or information asymmetries (Baker & Wurgler, 2002; Jensen & Meckling, 1976; Myers & Majluf, 1984; Ross, 1977). In contrast, the resilience-oriented perspective suggests that financing decisions should also be assessed according to their capacity to preserve organizational stability, absorb financial shocks, and sustain corporate continuity under adverse conditions. Consequently, the framework broadens the theoretical objectives of capital structure beyond value maximization by incorporating resilience as a complementary explanatory dimension.

A second theoretical implication derives from the reinterpretation of established capital structure theories through a resilience lens. The trade-off perspective traditionally emphasizes the balance between tax benefits and financial distress costs (Kruk, 2021; Scott, 1976). However, under systemic uncertainty, the resilience-oriented framework highlights that excessive leverage may generate organizational fragility and reduce adaptive capacity despite its potential value-enhancing effects (Agostino et al., 2024; Dabi et al., 2023; Gonçalves et al., 2024). Likewise, the pecking order theory can be reinterpreted as a mechanism for preserving liquidity and financial flexibility by prioritizing internally generated resources over external financing (Lizarazo et al., 2022; Myers & Majluf, 1984). These interpretations suggest that financial resilience does not represent a rupture with existing theories but rather an integrative extension that expands their explanatory capacity.

The framework also contributes to theory development by integrating previously fragmented streams of the literature related to capital structure, financial distress, financial flexibility, and organizational resilience. While these domains have traditionally evolved as relatively independent research areas, the proposed model establishes conceptual relationships among them and organizes their interactions within a coherent explanatory structure. In this sense, leverage, liquidity, solvency, financial flexibility, and corporate continuity are conceptualized as interconnected mechanisms that collectively influence financial resilience under conditions of elevated uncertainty.

The implications of this perspective are particularly relevant for contemporary corporate finance. The increasing frequency of financial crises, geopolitical disruptions, regulatory changes, and extreme economic events has intensified the need for financing strategies capable of balancing efficiency and stability (Gostkowska-Drzewicka & Koralun-Bereznicka, 2024; Izhakian et al., 2022). Under these circumstances, firms may benefit from capital structure configurations that preserve liquidity, maintain solvency, and retain adaptive financial capacity rather than pursuing aggressive leverage strategies exclusively oriented toward short-term value creation (Gajdka & Pietraszewski, 2025; Huang & Ye, 2021; Tascón et al., 2023).

Finally, the proposed framework provides a foundation for future empirical research. The theoretical propositions developed in this study offer testable relationships that can be examined through longitudinal analyses, dynamic modeling approaches, and comparative studies across industries and institutional contexts. Future research may also explore how macroeconomic conditions, regulatory environments, and firm-specific characteristics influence the relationship between capital structure and financial resilience. In this regard, the

resilience-oriented perspective represents a promising avenue for advancing contemporary capital structure theory and improving the understanding of financing decisions under systemic uncertainty.

9. Conclusions

The evolution of capital structure theory has historically been dominated by the objective of firm value maximization through the efficient combination of debt and equity. While classical and contemporary theories have substantially advanced the understanding of financing decisions, recent scenarios characterized by systemic uncertainty, financial volatility, and recurrent economic disruptions have revealed important limitations in approaches focused exclusively on value creation (A. Ahmed et al., 2024; Gajdka & Pietraszewski, 2025; Huang & Ye, 2021).

In response to this challenge, the present study adopted a theory-building approach and developed an integrative conceptual framework that extends the traditional explanatory domain of capital structure theory. Rather than viewing financing decisions solely through the lens of profitability, tax efficiency, or cost of capital optimization, the proposed framework incorporates financial resilience as a complementary dimension for understanding corporate financing behavior under adverse conditions.

The framework contributes theoretically by integrating previously fragmented streams of the literature related to capital structure, financial distress, financial flexibility, and organizational resilience. In doing so, it reconceptualizes leverage, liquidity, solvency, financial flexibility, and corporate continuity as interconnected mechanisms that collectively influence financial resilience. Furthermore, the study formalizes a set of theoretical propositions and specifies a clear domain of application characterized by systemic uncertainty, thereby providing a foundation for future empirical research.

The findings suggest that optimal financing decisions should not be evaluated exclusively according to their capacity to maximize expected value but also according to their contribution to organizational continuity, adaptive capacity, and long-term financial sustainability. From this perspective, financial resilience emerges not as a substitute for value creation but as a complementary strategic objective that broadens the theoretical scope of contemporary corporate finance.

The practical implications are particularly relevant in contexts marked by increasing economic volatility, geopolitical uncertainty, regulatory change, and recurrent disruptions. Under such conditions, firms may benefit from capital structure configurations that balance profitability, liquidity, solvency, and financial flexibility, while avoiding excessive dependence on leverage that may compromise organizational stability during periods of crisis.

Nonetheless, this study presents several limitations that simultaneously open opportunities for future research. First, the framework was developed through a conceptual and theory-building approach grounded in the integration of the existing literature. Consequently, the proposed relationships and theoretical propositions have not yet been subjected to empirical validation. Future studies should therefore examine the proposed framework through longitudinal designs, dynamic modeling techniques, and comparative analyses across industries and institutional environments.

Second, although financial stability indicators such as the Altman Z-score may provide useful operational proxies for assessing financial vulnerability and corporate continuity, they do not fully capture the multidimensional nature of financial resilience. Financial resilience encompasses adaptive capacity, strategic flexibility, and organizational responses to uncertainty, dimensions that extend beyond the predictive scope of traditional distress

indicators. Therefore, future research should explore complementary measures capable of capturing the broader theoretical domain proposed in this study.

Future research may also investigate how macroeconomic conditions, regulatory environments, and firm-specific characteristics shape the relationship between capital structure and financial resilience. In this regard, the resilience-oriented perspective represents a promising avenue for extending and updating contemporary capital structure theory in an increasingly uncertain economic environment.

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