

DETERMINANTS OF SUSTAINABLE GROWTH RATE: EVIDENCE FROM THE CONSUMER NON-CYCLICAL SECTOR

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Abstract

This study aims to examine the influence of Sales Growth (SG), Net Profit Margin (NPM), Financial Leverage (FL), and Total Asset Turnover (ATO) on Sustainable Growth Rate (SGR) in consumer non-cyclical companies listed on the Indonesia Stock Exchange (BEI) during the 2021–2024 period. SGR is measured using the Higgins (1977) DuPont decomposition framework, which identifies profitability, asset efficiency, leverage, and retention policy as the primary determinants of a firm's internally financed growth ceiling. This study employs a causal quantitative approach with purposive sampling, resulting in a final sample of 38 companies and 152 firm-year observations. Secondary data were obtained from audited annual financial reports published on the BEI official website and analyzed using panel data regression with EViews. The Fixed Effects Model was selected based on the Chow test and Hausman test results. The findings indicate that Net Profit Margin, Financial Leverage, and Total Asset Turnover each exert a positive and significant effect on Sustainable Growth Rate, with Net Profit Margin emerging as the dominant determinant (coefficient = 0.687). Sales Growth, by contrast, does not exert a significant effect on SGR, suggesting that realized revenue expansion does not automatically translate into improvements in internally sustainable growth capacity under post-pandemic macroeconomic conditions. These results contribute sector-specific empirical evidence on SGR determinants in the Indonesian consumer non-cyclical sector and provide practical guidance for corporate managers and investors in evaluating financial growth quality beyond revenue metrics.

Keywords: Sustainable Growth Rate, Net Profit Margin, Total Asset Turnover, Financial Leverage, Consumer Non-Cyclical

INTRODUCTION

Corporate growth sustainability has become a central concern in emerging market finance, particularly as post-pandemic economic recovery exposes structural vulnerabilities in firm-level financial management. In Indonesia, the consumer non-cyclical sector encompassing food and beverages, household products, personal care, and related defensive subsectors occupies a strategically important position within the national economy. Characterized by relatively stable demand patterns driven by domestic consumption rather than economic cycles, this sector is theoretically positioned to achieve more consistent and internally sustainable growth trajectories compared to cyclical industries (Meiliani et al., 2024). However, empirical data reveal a persistent disconnect between this theoretical expectation and actual corporate financial behavior. Many consumer non-cyclical companies listed on the Indonesia Stock Exchange (BEI) demonstrate revenue expansion that systematically exceeds their internal financing capacity, generating structural dependency on external capital that undermines long-run financial stability (Saputri et

al., 2024). This gap between actual growth and internally sustainable growth capacity represents a fundamental challenge for corporate managers, investors, and financial analysts seeking to evaluate growth quality rather than growth magnitude. Understanding the financial determinants that govern this capacity and the conditions under which firms can expand sustainably without compromising their capital structure integrity has therefore become an empirically urgent research question in the Indonesian emerging market context.

The Sustainable Growth Rate (SGR), formalized by Higgins (1977), defines the maximum rate at which a company can expand using only internally generated resources without altering financial policies or issuing new equity. Within the DuPont decomposition framework, SGR is expressed as a joint function of Net Profit Margin (NPM), Total Asset Turnover (ATO), Financial Leverage (FL), and retention policy, establishing a structured linkage between financial performance dimensions and sustainable growth capacity (Akhtar et al., 2022). This framework makes SGR a dynamic diagnostic metric: when actual growth exceeds SGR, firms risk financial distress through overtrading and capital structure deterioration; when SGR is persistently low or negative, firms signal an inability to sustain expansion without external support, both conditions representing critical threats to business viability (Utami et al., 2018).

Empirical evidence from consumer non-cyclical companies on the Indonesia Stock Exchange (BEI) reveals that SGR in this sector is neither stable nor aligned with actual growth trajectories. Studies examining consumer non-cyclical firms found significant deviation between actual growth rates and SGR, where sales expansion frequently exceeds sustainable ceilings, a condition known as overgrowth signaling overtrading and external financing dependency (Amini & Yulianti, 2025). Research across Indonesian manufacturing and consumer sectors documented similar patterns where firms systematically exceeded sustainable growth thresholds, creating financial sustainability risks as growth outpaced internal resource generation capacity (Aqila & Prasetyono, 2023). Sector data reveal high SGR volatility, with leverage ratios and SGR moving in conflicting directions across periods (Meiliani et al., 2024). Several firms recorded negative SGR values indicating conditions where contraction becomes the sustainable trajectory, reflecting serious financial sustainability challenges where dividend policies and leverage structures rendered positive internal growth rates mathematically infeasible.

The macroeconomic environment during 2021–2024 compounded these SGR pressures for consumer non-cyclical companies in Indonesia. Following the pandemic-induced contraction, Indonesia's economy recorded growth of 3.69% in 2021 and accelerated to 5.31% in 2022 (Badan Pusat Statistik, 2022, 2023). Growth subsequently moderated to 5.05% in 2023 and 5.03% in 2024, reflecting a stable but structurally constrained post-recovery trajectory (Badan Pusat Statistik, 2024, 2025). While macroeconomic growth remained positive, the recovery was accompanied by significant inflationary pressures that directly strained corporate financial capacity, with Indonesia's annual inflation rate rising sharply to 4.21% in 2022 a seven-year high driven by global supply chain disruptions, rising commodity prices, and partial fuel subsidy removal (World Bank, 2024). Higher financing costs elevated the cost of external capital, reducing the attractiveness of debt-funded growth and increasing the strategic importance of internally supported expansion. Collectively, these macroeconomic conditions moderating GDP growth, elevated inflation, compressed margins, and rising interest rates created an environment where maintaining stable and positive SGR became structurally more difficult for consumer non-cyclical companies during the observation period.

This research provides a new perspective by making Net Profit Margin, Total Asset Turnover, and Sales Growth independent variables alongside Financial Leverage within the complete Higgins (1977) DuPont framework. The novelty of this study lies in two aspects: (1) Sector-specific focus, unlike prior Indonesian studies examining SGR predominantly in manufacturing, banking, or energy sectors, this research specifically targets the consumer non-cyclical sector characterized by defensive demand dynamics and distinctive margin structures that generate unique SGR behavior not captured in cross-sector analyses; (2) Explicit Financial Leverage inclusion, FL is incorporated as

an independent variable within the Higgins (1977) DuPont decomposition, directly capturing the capital structure mechanism through which leverage amplifies return on equity and extends SGR ceiling a dimension frequently omitted from SGR analyses in the Indonesian emerging market context. This differs from previous studies that showed variations in variable selection and analytical scope, such as studies using profitability as moderating variables or examining different sectors with varied time periods.

Despite the growing body of literature on SGR determinants, several critical research gaps remain unresolved. Prior studies have produced inconsistent and often contradictory findings regarding the direction and significance of key financial variables. Indarti et al. (2021) documented a negative relationship between Total Asset Turnover and SGR among Indonesian manufacturing firms. Similarly, Yulia et al. (2025) reported a non-significant effect of Net Profit Margin on SGR in Indonesian consumer goods companies, whereas Saputri et al. (2024) confirmed a positive and significant NPM effect within an overlapping sample frame. Meiliani et al. (2024) identified conflicting directional movements between financial leverage and SGR across observation periods, while Akhtar et al. (2022) established a consistently positive leverage effect across international markets. These contradictory findings suggest that SGR determinants are highly sensitive to sectoral characteristics, time periods, and macroeconomic contexts, implying that results from one sector or country setting cannot be generalized without sector-specific validation. Furthermore, the majority of existing Indonesian SGR studies have concentrated on the manufacturing, banking, and energy sectors, leaving the consumer non-cyclical sector which exhibits distinctive demand stability, defensive revenue characteristics, and margin structures fundamentally different from cyclical and financial sectors largely underexplored. The limited number of studies specifically targeting this sector means that the empirical behavior of SGR determinants under defensive demand conditions remains poorly understood. This study directly addresses these gaps by providing sector-specific evidence on SGR determinants in the Indonesian consumer non-cyclical sector during the post-pandemic macroeconomic period of 2021–2024, contributing empirical clarity to a literature characterized by mixed findings and limited sectoral focus.

This study aims to empirically analyze the determinants of Sustainable Growth Rate (SGR) in consumer non-cyclical companies listed on the BEI during 2021–2024, specifically examining the influence of Net Profit Margin (NPM), Total Asset Turnover (ATO), Sales Growth (SG), and Financial Leverage (FL) on SGR using panel data regression analysis. The results of this research are expected to provide contributions in the form of input and considerations for corporate managers in optimizing profitability, asset utilization, and capital structure for financially balanced sustainable growth. For investors and financial analysts, this research can provide a diagnostic framework for evaluating the structural quality of growth trajectories among consumer non-cyclical firms on the BEI, thereby enabling more informed investment decisions based on sustainable growth capacity rather than short-term revenue expansion alone.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Sustainable Growth Rate

Higgins (1977) conceptualized the Sustainable Growth Rate (SGR) as an internally bounded growth ceiling the highest pace at which a firm can expand its revenue base while relying exclusively on retained earnings and leaving existing financial policies unchanged. This ceiling is jointly shaped by four interlocking dimensions: earnings efficiency, asset productivity, capital structure, and profit distribution decisions. In emerging market contexts, a growing body of empirical evidence positions internal financial capacity as the foremost engine of sustainable corporate expansion. Mubeen et al. (2021) demonstrated that profitability and operational efficiency are the most consistent determinants of sustainable growth among non-financial listed firms in emerging economies. Similarly, Naumoski (2022) found that financial policy decisions particularly those governing

profitability management and asset utilization significantly shape a firm's long-run sustainable growth capacity.

Sales Growth and Sustainable Growth Rate

Revenue momentum, operationalized through Sales Growth (SG), measures the annual rate of change in a firm's top-line income, providing a direct signal of market penetration and demand-side vitality. Within the SGR analytical framework, comparing realized revenue growth against the sustainable growth benchmark reveals whether a firm's expansion trajectory falls within or exceeds its internally financed capacity. Akhtar et al. (2022) established that firms with stronger revenue growth trajectories tend to demonstrate higher sustainable growth rates, as the continuous expansion of the sales base amplifies the profitability-to-reinvestment cycle. Naumoski (2022) further confirmed that sales dynamics are a robust predictor of sustainable financial expansion across European listed firms. In the Indonesian consumer non-cyclical sector, where revenue streams are tied to domestic consumption and purchasing power trends, periods of positive sales growth correspond to expanded financial slack and reduced reliance on external financing, thereby raising SGR. Based on this reasoning, the following hypothesis is proposed:

H1: Sales Growth has a positive and significant effect on Sustainable Growth Rate in the consumer non-cyclical sector.

Net Profit Margin and Sustainable Growth Rate

NPM quantifies the fraction of each revenue unit that survives the full cost absorption process encompassing operational expenditures, debt servicing, and taxation to reach the bottom line as net profit. Firms achieving superior NPM convert a larger share of their sales into investable earnings, broadening the retained resource base that underwrites sustainable growth. Within the SGR decomposition, profit margin operates as an explicit driver: holding retention policy constant, an improvement in NPM mechanically elevates the firm's sustainable growth ceiling. Guliyev & Muzaffarov (2024) confirmed that NPM is among the most influential financial metrics in explaining cross-sectional variation in SGR across listed companies. In the Indonesian context, Saputri et al. (2024) found that NPM exerts a positive and significant effect on SGR among consumer goods sector companies listed on the BEI for the 2018–2022 period. Furthermore, Erawati et al. (2025b) established that profitability positively and significantly determines SGR in emerging market settings. Based on this evidence, the following hypothesis is proposed:

H2: Net Profit Margin has a positive and significant effect on Sustainable Growth Rate in the consumer non-cyclical sector.

Financial Leverage and Sustainable Growth Rate

Financial Leverage (FL), measured as total assets divided by total equity, captures the extent to which a firm finances its asset base through debt relative to shareholders' equity. Within the SGR framework, financial leverage is an explicit multiplier: a higher leverage ratio amplifies return on equity (ROE), and since $SGR = ROE \times RR$, higher leverage mechanically raises the sustainable growth ceiling provided that profitability remains positive. Akhtar et al. (2022) empirically demonstrated that financial leverage has a significant positive impact on sustainable growth, as firms that strategically utilize debt can expand operations beyond what internal equity alone would permit. Priyanto & Robiyanto (2020) similarly found that DER positively influences SGR in Indonesian manufacturing firms, attributing this to the strategic use of debt to expand asset bases beyond what equity alone would permit. However, excessive leverage may also increase financial risk and constrain growth if interest burdens erode profitability. In the consumer non-cyclical sector, where firms typically maintain moderate and stable leverage profiles due to relatively predictable cash flows, leverage is expected to have a positive and significant relationship with SGR. Based on this evidence, the following hypothesis is proposed:

H3: Financial Leverage has a positive and significant effect on Sustainable Growth Rate in the consumer non-cyclical sector.

Asset Turnover and Sustainable Growth Rate

ATO captures the revenue-generating productivity of a firm's deployed asset base, measuring how much top-line income each unit of total assets produces within a given period. Within the Higgins (1977) framework, a higher ATO is structurally equivalent to compressing the asset-to-sales ratio, an adjustment that directly widens the sustainable growth ceiling available to the firm. Nasim & Irnama (2015), examining service sector companies on the BEI during 2010–2012, confirmed that total asset turnover exerts a positive and significant effect on SGR, establishing early empirical grounding for the asset efficiency mechanism in the Indonesian market context. Kusnadi & Halim (2025) further showed that asset turnover plays a meaningful role in shaping sustainable growth for companies in the LQ-45 index of the BEI during the 2019–2023 period. However, Indarti et al. (2021) reported a negative ATO-SGR relationship in Indonesian manufacturing firms, suggesting that the direction of this effect may be sensitive to sector-specific asset deployment characteristics. Given the theoretical alignment and the predominance of empirical evidence supporting a positive ATO-SGR relationship in Indonesian non-manufacturing contexts, the following hypothesis is proposed:

H4: Total Asset Turnover has a positive and significant effect on Sustainable Growth Rate in the consumer non-cyclical sector

RESEARCH METHODS

This research uses a causal quantitative approach aimed at examining the influence of Net Profit Margin, Total Asset Turnover, Sales Growth, and Financial Leverage on Sustainable Growth Rate in consumer non-cyclical companies listed on the Indonesia Stock Exchange. The research object includes consumer non-cyclical sector companies on the BEI during the 2021–2024 period. The sampling technique used is purposive sampling with the criteria of: (1) companies classified under consumer non-cyclical sector throughout the observation period; (2) publishing complete audited annual financial reports for 2021–2024; (3) reporting positive equity values in all observation years; (4) not in financial distress, delisted, or suspended; and (5) disclosing dividend policy information. Application of these criteria resulted in a final sample of 38 companies observed over 4 years, yielding a total of 152 firm-year observations. The data used are secondary data obtained from audited annual financial reports published on the Indonesia Stock Exchange website (www.idx.co.id) and company investor relations portals. The data analysis technique used in this study is panel data regression analysis to test the direct influence between variables. Data were processed using EViews 13 software.

The dependent variable in this study is Sustainable Growth Rate (SGR), measured using the Higgins (1977) formula as follows:

$$SGR = NPM \times ATO \times FL \times RR \quad (1)$$

The Retention Ratio (RR) is calculated as:

$$RR = 1 - \frac{\text{Dividends Declared}}{\text{Net Income}} \quad (2)$$

where RR functions solely as a measurement component in calculating the SGR value for each firm-year observation and is not treated as an independent variable in the regression model. The independent variables consist of four financial performance indicators. Sales Growth (SG) is measured as the year-on-year percentage change in net sales:

$$SG = \frac{(\text{Sales}_t - \text{Sales}_{t-1})}{\text{Sales}_{t-1}} \times 100\% \quad (3)$$

Net Profit Margin (NPM) is measured as:

$$NPM = \frac{\text{Net Income}}{\text{Net Sales}} \times 100\% \quad (4)$$

Financial Leverage (FL) is measured as:

$$FL = \frac{\text{Total Assets}}{\text{Total Equity}} \quad (5)$$

Total Asset Turnover (ATO) is measured as:

$$ATO = \frac{Net\ Sales}{Total\ Assets} \quad (6)$$

The panel data regression model estimated in this study is specified as:

$$SGR_{it} = \beta_0 + \beta_1 SG_{it} + \beta_2 NPM_{it} + \beta_3 FL_{it} + \beta_4 ATO_{it} + \varepsilon_{it} \quad (7)$$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

	SGR	SG	NPM	FL	ATO
Mean	0.074401	0.121954	0.089849	0.581322	1.246250
Median	0.070500	0.089000	0.074500	0.490500	1.078000
Maximum	0.232000	1.200000	0.323000	1.836000	3.576000
Minimum	-0.081000	-0.253000	-0.067000	0.062000	0.256000
Std. Dev.	0.054360	0.187440	0.074404	0.363079	0.796354
Skewness	0.047800	1.913184	0.895931	1.043559	1.245508
Kurtosis	3.561481	10.19082	3.473263	4.069433	3.788151

Source: Processed data, Eviews, 2026. Financial Leverage (FL) values were transformed using natural logarithm $\ln(\text{Total Assets}/\text{Total Equity})$ prior to regression estimation.

Table 1 above indicates that:

1. Sustainable Growth Rate has a minimum value of -0.081000 and a maximum value of 0.232000. Sustainable Growth Rate has an average value (mean) of 0.074401 and a standard deviation of 0.054360. The negative minimum value indicates that some consumer non-cyclical companies experienced negative SGR during the observation period, reflecting conditions where dividend payouts exceeded net income or negative profitability occurred, rendering sustainable expansion mathematically infeasible without external financing. The average SGR of 7.44% suggests that consumer non-cyclical companies can sustain annual growth of approximately 7.44% using only internally generated resources.
2. Sales Growth has a minimum value of -0.253000 and a maximum value of 1.200000. Sales Growth has an average value (mean) of 0.121954 and a standard deviation of 0.187440. The average SG of 12.20% reflects revenue expansion during the 2021–2024 period, with high variability (standard deviation 18.74%) indicating heterogeneous growth trajectories across firms. The maximum value of 120% indicates exceptional revenue growth in certain firms, while the minimum value of -25.3% reflects revenue contraction experienced by some companies during the observation period.
3. Net Profit Margin has a minimum value of -0.067000 and a maximum value of 0.323000. Net Profit Margin has an average value (mean) of 0.089849 and a standard deviation of 0.074404. The average NPM of 8.98% indicates that consumer non-cyclical companies retain approximately 8.98 cents of net income for every rupiah of sales after all operating costs, interest, and taxes. The negative minimum value indicates that some firms experienced net losses during certain observation years.
4. Financial Leverage, expressed as the natural logarithm of the equity multiplier, has a mean of 0.581, corresponding to an average equity multiplier of approximately 1.79, indicating that consumer non-cyclical companies deploy assets at 1.79 times their equity base on average a moderate leverage level consistent with the stable cash flow characteristics of this sector.
5. Total Asset Turnover has a minimum value of 0.256000 and a maximum value of 3.576000. Total Asset Turnover has an average value (mean) of 1.246250 and a standard deviation of 0.796354. The average ATO of 1.25 indicates that consumer non-cyclical companies generate Rp 1.25 in sales for every rupiah invested in total assets, reflecting moderate asset utilization efficiency.

Model Selection Test**Chow test**

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.969687	(37,110)	0.0000
Cross-section Chi-square	281.481819	37	0.0000

Source: Processed data, Eviews, 2026

Based on the Chow test results in the table above, the cross-section probability value Chi-square is 0.0000, which is smaller than the significance value of 0.05, indicating that the Fixed Effect Model is a better model than the Common Effect Model.

Hausman test

Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.037177	4	0.0111

Source: Processed data, Eviews, 2026

Based on the Hausman test results in the table above, the cross-sectional random probability value is 0.0111, which is less than the significance value of 0.05, indicating that the Fixed Effect Model is a better model than the Random Effect Model.

Based on the Chow test and Hausman test results, the Fixed Effects Model is selected as the most appropriate panel regression specification for this study.

Classical Assumption Test**Normality test**

Based on the results of the normality test carried out using the Jarque-Bera method, the probability value was obtained as 0.1148, which is greater than the significance value of 0.05. This indicates that the residuals of the regression model follow a normal distribution. Therefore, it can be concluded that the normality assumption has been fulfilled and the data is suitable for further regression analysis.

Multicollinearity test

Table 4. Multicollinearity Test

	SG	NPM	FL	ATO
SG	1.000000	0.272957	-0.078240	-0.027359
NPM	0.272957	1.000000	-0.319047	-0.511439
FL	-0.078240	-0.319047	1.000000	0.140800
ATO	-0.027359	-0.511439	0.140800	1.000000

Source: Processed data, Eviews, 2026

The results of the multicollinearity test using the correlation matrix of independent variables are presented in Table 4. Multicollinearity is indicated when the correlation coefficient between two independent variables exceeds 0.80. Based on the results, the highest correlation observed is between NPM and ATO at -0.511439, followed by NPM and FL at -0.319047 and SG and NPM at 0.272957. All correlation values between independent variables fall below the threshold of 0.80. Therefore, it can be concluded that there is no multicollinearity among the independent variables in this regression model.

Heteroscedasticity test

Table 5. Heteroscedasticity test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.007470	0.006222	1.200592	0.2325
SG	-0.002591	0.002601	-0.996028	0.3214

NPM	0.006891	0.014597	0.472114	0.6378
FL	0.008586	0.004803	1.787497	0.0766
ATO	-0.004919	0.003863	-1.273277	0.2056

Source: Processed data, Eviews, 2026

The results of the heteroscedasticity test using the Glejser method are presented in Table 5. The Glejser test regresses the absolute value of residuals against the independent variables to detect systematic variance patterns. Based on the test results, the probability values for all independent variables are above the 0.05 significance level: SG (0.3214), NPM (0.6378), FL (0.0766), and ATO (0.2056). Therefore, it can be concluded that the regression model does not exhibit heteroscedasticity, and the homoscedasticity assumption has been fulfilled.

Autocorrelation test

Based on the Durbin-Watson statistic of 2.232628 presented in Table 6, which falls within the acceptable range of 1.5–2.5, the regression residuals do not exhibit significant autocorrelation. Therefore, it can be concluded that the autocorrelation assumption has been fulfilled and the model is free from autocorrelation problems.

F-test

Table 6.F-Test

R-squared	0.895905	Mean dependent var	0.074401
Adjusted R-squared	0.857106	S.D. dependent var	0.054360
S.E. of regression	0.020549	Akaike info criterion	-4.702791
Sum squared resid	0.046448	Schwarz criterion	-3.867245
Log likelihood	399.4121	Hannan-Quinn criter.	-4.363363
F-statistic	23.09098	Durbin-Watson stat	2.232628
Prob(F-statistic)	0.000000		

Source: Processed data, Eviews, 2026

Table 6 shows an adjusted R-squared value of 0.857106. The independent variables collectively explain 85.71% of the variation in the dependent variable (SGR), while the remaining 14.29% is explained by other variables outside the model. Based on the test results, a probability value of 0.0000 is obtained, which is less than the significance value of 0.05, indicating highly statistically significant results. Therefore, it can be concluded that the independent variables in the regression model collectively make a significant contribution to explaining the variation in the dependent variable, namely SGR.

T-test

Table 7.T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.107981	0.027439	-3.935361	0.0001
SG	0.003859	0.011470	0.336470	0.7372
NPM	0.686672	0.064374	10.66692	0.0000
FL	0.077968	0.021183	3.680656	0.0004
ATO	0.060093	0.017037	3.527234	0.0006

Source: Processed data, Eviews, 2026

Based on the results of the t-test above, it shows that SG has a coefficient value of 0.003859 and a t-statistic value of 0.336470 with a probability of 0.7372, which means it has a positive and not significant effect on the sustainable growth rate so that hypothesis 1 is rejected. NPM has a coefficient value of 0.686672 and a t-statistic value of 10.66692 with a probability of 0.0000, which means it has a positive and significant effect on the sustainable growth rate so that hypothesis 2 is accepted. FL has a coefficient value of 0.077968 and a t-statistic value of 3.680656 with a probability

of 0.0004, which means it has a positive and significant effect on the sustainable growth rate so that hypothesis 3 is accepted. ATO has a coefficient value of 0.060093 and a t-statistic value of 3.527234 with a probability of 0.0006, which means it has a positive and significant effect on the sustainable growth rate so that hypothesis 4 is accepted.

Multiple Linear Regression Analysis

Based on the regression test results in Table 7, the correct regression equation is obtained as follows. $SGR_{it} = -0.107981 + 0.003859SG_{it} + 0.686672NPM_{it} + 0.077968FL_{it} + 0.060093ATO_{it}$

a. The Effect of Sales Growth on Sustainable Growth Rate

The first hypothesis (H1) states that Sales Growth has a positive and significant effect on Sustainable Growth Rate. The test results show that SG has a coefficient of 0.003859 with a probability of $0.7372 > 0.05$, indicating that Sales Growth does not have a significant effect on SGR. Therefore, H1 is rejected.

This finding is inconsistent with the theoretical argument embedded in the Higgins (1977) PRAT framework, where revenue expansion is expected to amplify the profitability-to-reinvestment cycle and raise sustainable growth capacity. However, the result aligns with evidence from Febriani et al. (2022), who found that high actual growth particularly during crisis-adjacent periods does not automatically translate into higher SGR because revenue expansion is frequently funded through mechanisms that diverge from retained earnings, including short-term debt and external financing arrangements. In the post-pandemic Indonesian context, this decoupling is amplified by sector-specific dynamics: consumer non-cyclical companies experienced sharp post-2020 sales rebounds driven by demand recovery and price effects from inflation, yet these revenue increases were often accompanied by proportional rises in cost of goods sold and operating expenses, compressing the net margins that ultimately determine how much of each revenue rupiah can be retained and reinvested. Chandradinangga & Rita (2020), in a study of manufacturing firms on the BEI, similarly documented that sales growth exhibits weak and inconsistent effects on SGR when macroeconomic conditions create simultaneous cost pressures a scenario directly applicable to the 2021–2024 period characterized by commodity price spikes and logistics cost inflation, thereby reinforcing the current study's finding that sales expansion and sustainable growth capacity can diverge systematically in emerging market consumer sectors.

b. The Effect of Net Profit Margin on Sustainable Growth Rate

The second hypothesis (H2) states that Net Profit Margin has a positive and significant effect on Sustainable Growth Rate. The test results show that NPM has a coefficient of 0.686672 with a probability of $0.0000 < 0.05$, indicating that Net Profit Margin has a positive and significant effect on SGR. Therefore, H2 is accepted.

The highly significant positive relationship (t-statistic = 10.67) establishes NPM as the dominant determinant of SGR in this study, consistent with the mathematical role of profit margin in the Higgins (1977) PRAT decomposition. This finding is supported by Saputri et al. (2024), whose examination of 14 consumer goods companies on the BEI for the 2018–2022 period using SPSS multiple regression confirmed that NPM exerts a positive and significant effect on SGR an identical directional finding to the present study despite methodological differences in sample composition and period. Yulia et al. (2025), studying Jakarta Islamic Index (JII) companies during 2021–2023, similarly documented that profitability proxied by ROE which incorporates NPM as a component positively and significantly influences SGR, indicating that earnings efficiency operates as a consistent SGR driver even across different index classifications. The role of profitability as the primary SGR determinant is further validated by Erawati et al. (2025a), who found across 2,365 company-year observations on the IDX from 2019–2023 that profitability consistently exerts the strongest positive effect on SGR compared to other financial determinants. These converging findings confirm that in the Indonesian capital market context, the earnings generation mechanism the firm's ability to extract net income from each rupiah of sales is the most critical lever for

expanding sustainable growth capacity, particularly in periods of macroeconomic pressure where external financing becomes more costly.

c. The Effect of Financial Leverage on Sustainable Growth Rate

The third hypothesis (H3) states that Financial Leverage has a positive and significant effect on Sustainable Growth Rate. The test results show that FL has a coefficient of 0.077968 with a probability of $0.0004 < 0.05$, indicating that Financial Leverage has a positive and significant effect on SGR. Therefore, H3 is accepted.

The positive and statistically significant leverage effect is theoretically grounded in the equity multiplier mechanism within the Higgins (1977) PRAT model: higher leverage amplifies ROE, which in turn raises the sustainable growth ceiling when profitability is maintained. This finding is consistent with Yulia et al. (2025), who documented that financial leverage proxied by DER exerts a positive and significant influence on SGR in JII-listed companies during 2021–2023, directly supporting the equity amplification mechanism in a contemporary Indonesian market context. Saputri et al. (2024) similarly confirmed that DER positively and significantly affects SGR in consumer goods companies on the BEI, reinforcing the finding that moderate debt utilization enhances rather than constrains sustainable growth capacity when leverage is maintained within prudent thresholds. The positive leverage-SGR relationship in this study is particularly notable given the rising interest rate environment during 2021–2024 (Bank Indonesia raised benchmark rates from 3.50% to 6.25%), which theoretically should compress leverage benefits through higher debt servicing costs. The finding suggests that for consumer non-cyclical companies characterized by stable and predictable cash flows from defensive demand patterns the ROE amplification effect of moderate leverage outweighed the increased financing costs during the observation period, enabling leverage to function as a net positive contributor to sustainable growth capacity. This is consistent with Priyanto & Robiyanto (2020), who found that DER positively influences SGR in manufacturing firms, attributing this to the strategic use of debt to expand asset bases beyond what equity alone would permit.

d. The Effect of Total Asset Turnover on Sustainable Growth Rate

The fourth hypothesis (H4) states that Total Asset Turnover has a positive and significant effect on Sustainable Growth Rate. The test results show that ATO has a coefficient of 0.060093 with a probability of $0.0006 < 0.05$, indicating that Total Asset Turnover has a positive and significant effect on SGR. Therefore, H4 is accepted.

The positive and significant ATO-SGR relationship confirms that asset utilization efficiency constitutes a meaningful contributor to sustainable growth capacity, consistent with the asset-to-sales ratio reduction mechanism in Higgins (1977). This finding aligns with Saputri et al. (2024), who documented that TATO exerts a positive and significant effect on SGR in consumer goods companies during 2018–2022 an identical directional finding to the present study indicating that the asset efficiency mechanism operates consistently across consumer sector sub-classifications on the BEI. Meiliani et al. (2024), examining 102 consumer non-cyclical companies across the 2017–2022 period, found that the activity ratio (proxied by ATO) significantly influences SGR, confirming that operational efficiency in revenue generation from deployed assets translates into measurable improvements in sustainable growth capacity at the sector level. The finding also aligns with Giovani et al. (2023), who established that asset turnover positively influences sustainable growth rate suggesting that firms capable of generating higher revenue per unit of assets deployed exhibit structurally superior sustainable growth profiles. The positive ATO effect in the consumer non-cyclical sector during 2021–2024 reflects the defensive demand characteristics of this sector: companies able to maintain high throughput efficiency despite macroeconomic volatility (inflation, supply chain disruptions, rising input costs) demonstrated superior asset productivity, which in turn expanded their internally financed growth ceiling without requiring proportional capital investment increases. This finding also addresses the contradictory result of Indarti et al. (2021), who documented a negative ATO-SGR relationship in Indonesian manufacturing firms; the directional

difference is attributable to sector-specific asset structures, as manufacturing firms face higher capital intensity compared to the relatively asset-light operations of consumer non-cyclical companies.

CONCLUSION

Based on the test results of this study, the first hypothesis (H1) is rejected as Sales Growth does not have a significant effect on Sustainable Growth Rate in consumer non-cyclical companies listed on the BEI during 2021–2024, the second hypothesis (H2) is accepted as Net Profit Margin has a positive and significant effect on Sustainable Growth Rate, the third hypothesis (H3) is accepted as Financial Leverage has a positive and significant effect on Sustainable Growth Rate, and the fourth hypothesis (H4) is accepted as Total Asset Turnover has a positive and significant effect on Sustainable Growth Rate. From a managerial standpoint, consumer non-cyclical firms should treat margin management and asset utilization efficiency as the primary levers of sustainable growth, while maintaining financial leverage within thresholds that amplify ROE without exposing the firm to disproportionate debt servicing risk. Investors and analysts are encouraged to evaluate growth quality through a multi-dimensional lens encompassing earnings efficiency, operational productivity, and capital structure discipline rather than relying on revenue expansion as a standalone indicator of financial health. For future research, extending the observation period beyond 2024 would capture a more complete economic cycle, while cross-sector comparisons could illuminate whether SGR determinants behave differently under cyclical versus defensive demand conditions. Incorporating dynamic panel estimation methods, such as GMM, would further strengthen causal inference by accounting for potential endogeneity between profitability and sustainable growth capacity.

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