DO FINANCIAL AND NON-FINANCIAL FACTORS AFFECT SUSTAINABLE GROWTH RATES?

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A R T I C L E I N F O

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A B S T R A C T

Research Purposes. *This study aims to identify the effect of profitability, leverage, firm size and sustainable report disclosure on sustainable growth rate.*
Research Methods. *This research is quantitative research with exploratory type, panel data analysis is used to test the hypothesis. This research was conducted on 29 companies engaged in energy, basic materials, and infrastructure listed on the IDX during the 2020-2023 period.*
Research Results and Findings. *The results of this study indicate that sustainable report disclosure and profitability negatively affect the sustainable growth rate. At the same time, leverage and company size do not affect the sustainable growth rate. Therefore, the results of this study can be used as a basis for decision-making and preparation of financial and operational strategies to support sustainable company growth. In addition, this study provides a new perspective for investors in assessing and selecting companies with high sustainable growth rates as investment options.*

A B S T R A K

Tujuan Penelitian. *Penelitian ini bertujuan untuk mengidentifikasi pengaruh profitabilitas, leverage, ukuran perusahaan dan pengungkapan laporan berkelanjutan terhadap tingkat pertumbuhan berkelanjutan.*
Metode Penelitian. *Penelitian ini merupakan penelitian kuantitaf dengan jenis exploratory, analisis data panel digunakan untuk menguji hipotesis. Penelitian ini dilakukan pada 29 perusahaan yang bergerak di bidang energi, basic material, dan infrastruktur yang tercatat di BEI selama periode 2020-2023.*
Hasil Penelitian dan Temuan Penelitian. *Hasil penelitian ini menunjukkan bahwa pengungkapan laporan berkelanjutan, dan profitabilitas berpengaruh negatif terhadap tingkat pertumbuhan berkelanjutan, sedangkan leverage dan ukuran perusahaan tidak berpengaruh terhadap tingkat pertumbuhan berkelanjutan. Oleh karena itu, hasil penelitian ini dapat digunakan sebagai dasar pengambilan keputusan dan penyusunan strategi keuangan serta operasional untuk mendukung pertumbuhan perusahaan yang berkelanjutan. Selain itu, penelitian ini memberikan perspektif baru bagi investor dalam menilai dan memilih perusahaan dengan tingkat pertumbuhan berkelanjutan yang tinggi sebagai pilihan investasi.*

INTRODUCTION

The company's business sustainability has been experiencing complex problems since the entry of the Covid-19 pandemic (Thi et al., 2023). Financial problems caused by the Covid-19 pandemic are one of the causes of the company's sustainability problems (Theresia & Triwacananingrum, 2022). The pandemic has caused a decline in corporate revenue, forcing companies to increase external funding in debt and issuance of new shares to maintain business continuity (Rahmawati & Kholilah, 2022). As a result, the increase in corporate debt, accompanied by a decline in profit, leads to a deterioration in the company's sustainability, which will impact the increased risk of debt default and bankruptcy risk (Thi et al., 2023).

Companies need to mitigate risks to maintain their sustainability. One way to identify sustainable growth issues is through the Sustainable Growth Rate (SGR). A sustainable growth rate plays a vital role in management's understanding of how much the company can grow sustainably without increasing debt (Nasim & Irnama, 2015). A corporation's sustainable growth rate that is too

high, funded by external funding, will require more liquidity and solvency. Conversely, companies with low sustainable growth rates may end up bankrupt because they cannot maximize the use of company resources. Companies that can manage internal funding effectively without relying on external funding can increase the company's sustainable growth (Vukovic & Tica, 2022). Sustainable growth rates are affected by several complex factors, including financial and non-financial aspects (Mondal et al., 2024). Financial factors affecting sustainable growth are profitability, company size (Vukovic & Tica, 2022), and leverage (Minh et al., 2024). Non-financial factors affecting sustainable growth include disclosing sustainable reports (Theresia & Triwacananingrum, 2022).

The company's activity in evaluating its performance to earn profits is to use profitability ratios. Profitability measures the company's capacity to generate profits from sales, assets, capital, or investments (Priatna, 2016). A study by Wijaya & Atahau (2021) explained that profitability can positively impact the sustainable growth rate, because companies with explained that profitability can positively impact the sustainable growth rate because companies with high profits can increase retained earnings, which function as company reserve funds to be reinvested to enhance the company's sustainable growth rate. The findings of this study are inversely proportional to the research of Giovani & Mardiati (2023) and Andari et al., (2021), which explains that profitability does not affect sustainable growth rates because companies with high profits are not always allocated to retained earnings but are given back to investors as dividends. However, a dividend policy that is too high can eliminate the company's opportunity to make investments that support long-term growth, thus eliminating the opportunity to increase sustainable growth rates (Andari et al., 2021).

The leverage ratio reflects the company's activity in evaluating the company's capability to use external party funds and fulfill company obligations (Madbouly, 2019). The purpose of leverage is to measure the profit generated by the company through external funding, namely debt or the issuance of new shares (Harahap et al., 2022). Debt is significant for companies as a source of external funding for expansion (Veronica, 2020). A study by Madbouly (2019) found that leverage positively affects sustainable growth rates because a good debt ratio can increase company resources to increase sustainable growth. However, companies must keep their debt levels at a specific limit to maintain company growth (Vukovic & Tica, 2022). This statement is from the results of a study by Vukovic & Tica (2022), which states that leverage can negatively affect the sustainable growth rate of companies due to concerns about increasing long-term interest debt burdens that can hinder sustainable growth.

Company size is a reflection of a company's size (Bagaskara et al., 2021). The company's size will make it easier to adapt to market changes, determine market representation, and be attractive to investors (Vukovic & Tica, 2022). Large companies tend to be more attractive to investors because they have better access to information, higher adaptability, and more significant profit potential, thereby increasing the potential for achieving sustainable growth. Minh et al., (2024) stated that company size could positively affect sustainable growth rate. Companies with significant capital have the financial freedom to carry out business activities that attract investors to invest their funds, which has an impact on increasing sustainable growth. The findings of this study are inconsistent with the research of Wijaya & Atahau (2021), which states that leverage can negatively impact the sustainable growth rate because large and small companies, companies will still try their best to achieve sustainable growth (Vukovic & Tica, 2022).

Sustainability reports contain non-financial information about the company's social, environmental, and economic activities (Elkington, 1997). Companies are not only required to achieve profits (Wang, 2023) but also must be accountable for the effects of their business activities on the economy, society, and the environment. In response to stakeholders, most companies are transforming their business into a sustainable one by disclosing sustainability reports (Hermundsdottir & Aspelund, 2021; Rahman et al., 2024). Disclosure of sustainability reports is essential for stakeholders to learn about corporate responsibility and integrate sustainability principles in addressing environmental and social issues (Limarwati et al., 2024). Research by Theresia & Triwacananingrum, (2022) states that sustainability reports positively affect the company's sustainable growth rate in economic and environmental aspects; however, in social aspects, it has a negative effect. Companies can be more transparent in conveying company performance in various aspects, including environmental and social. This transparency not only improves public perception but can also

influence investor decisions. Sustainability reports are a communication tool and a strategic instrument that can encourage sustainable corporate growth. The study is inversely proportional to the research of Oprean-Stan et al., (2020) stating that the disclosure of sustainability reports cannot affect the rate of sustainable growth because the information disclosed by companies does not impact the company.

The results of these studies show inconsistent results and more research is still needed on the effect of sustainability report disclosure on sustainable growth rates. Therefore, the study's novelty is adding the sustainability report variable as non-financial information that affects the sustainable growth rate. The addition of sustainability reports is important because few studies test the impact of sustainability reports on sustainable growth rates (Theresia & Triwacananingrum, 2022). In addition, the novelty in research is in the object of research that is different from previous studies.

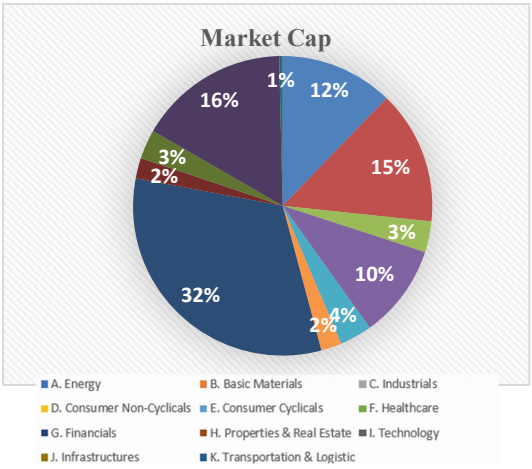

Figure 1. Market Cap

This research focuses on those in the energy, basic materials, and infrastructure sectors as sectors with the largest market cap on the IDX, and the operations have a direct impact on the environment, society and economy (Fahiratunnisa & Darmawati, 2024; Istiningrum, 2023). Based on sectoral index market capitalization data from the IDX in 2023, the three sectors are in the 2nd, third and fourth positions with a market cap of 16% for the infrastructure, 15% for introductory material, and 12% for the energy sector. Capitalization illustrates that the stock index contributes to trading activities in the capital market, the high investor interest in those sectors, and the influence of the sectors on development growth in Indonesia (Mufreni & Amanah, 2015). The issuance of IDX letter No. Peng-00007 / BEI.POP / 01-2021 shows that energy, basic materials, and infrastructure companies can compete with other sectors and are part of IDX's new industry group, IDX Industrial Classification / IDX IC. Large capitalization can illustrate how much the contribution of energy, basic materials, and infrastructure sector companies is a market driver on the Indonesia Stock Exchange and contributes to advancing the economy in Indonesia. This sector will impact increasing the sustainable growth of companies in the energy, basic materials, and infrastructure sectors.

This study aims to determine the effect of profitability, leverage, company size, and disclosure of sustainable reports that represent financial and non-financial factors in influencing sustainable growth in Indonesia. This study can explain the extent to which financial and non-financial factors represented by profitability, leverage, company size, and disclosure of sustainable reports can affect sustainable growth in energy, primary raw materials, and infrastructure sector companies in Indonesia. Therefore, the results of this study can be used as a consideration in decision-making and strategizing the company's financial and operational policies so that the company can continue to grow and develop. In addition, the results of this study can be a tool for investors, providing a different perspective and aiming to help investors determine a company's sustainable growth rate. Thus, investors can find out the company's sustainable growth rate and invest in companies with a high sustainable growth rate.

LITERATURE REVIEW

Pecking Order Theory

Donaldson (1961) introduced the pecking order theory, developed and referred to as the Pecking Order Theory by Myers & Majluf (1984). This theory explains that a company's preference for the priority order of financing sources starts internally (Myers & Majluf, 1984). Pecking order theory is a concept that explains the different funding patterns in the use of capital (Aswad & Haryono, 2023). This theory is used to explain the corporate funding priorities that impact the sustainability growth rate of companies. The general order of corporate funding is retained earnings, debt, and equity (Mwangi & Muturi, 2016). Companies prioritize internal funding sources over external funding (Aswad & Haryono, 2023) due to the ease of acquisition and low cost of funding (Aswad & Haryono, 2023), which affects increasing

company profits and the corporate's sustainable growth rate.

Signal Theory

Spence (1973) proposed signal theory, which explains that in the business world, parties with information send information using signals that explain the company's state and can be utilized by investors. In 1977, the signal theory was developed by Ross, explaining that management is the party that has better information about the company. This will encourage management to communicate this information to investors, which increases the company's share price (Mariani et al., 2018). Signaling theory explains how companies signal to stakeholders (Forcadell et al., 2023). This theory explains the effect of company size and sustainability reporting on sustainable growth rates.

Sustainable Growth Rate

The sustainable growth rate was initially presented by Higgins (1977), the sustainable growth rate is the maximum rate at which a corporate can consistently generate profits (Theresia & Triwacananingrum, 2022). The primary aim of the sustainable growth rate is to illustrate the company's capability to maintain company growth in the long term, as well as preserve the company's financial health and stability (Naumoski, 2022). Sustainable growth can be measured by the Sustainable Growth Rate (SGR). SGR is a company indicator that measures the company's sales and profit growth rate without relying on excessive debt and equity funding (Nurvita & Dayanti, 2021).

Profitability

Profitability is a ratio used to measure the company's ability to get the revenue generated by the company in a certain period (Setiawati & Lim, 2018). The profitability ratio shows the company's ability to earn profits; companies that generate hefty profits can attract investors (Viyanis et al., 2023). This is because profitability is an indicator that stock investors use to assess company performance. By gaining investor confidence, it will encourage the company's sustainable growth. Sustainable growth is not only about the company's ability to develop and grow but also about how the company can develop using internal funding sources (Wijaya & Atahau, 2021). Therefore, companies must be able to increase the company's profitability every period consistently and increase; this is because companies that have a high level of profitability show the company's financial performance is getting better, and this will be able to increase the company's sustainable growth rate.

Leverage

Leverage refers to the debt used by the company in financing its operations (Susilawati & Purnomo, 2023). Leverage is a ratio that reflects the relationship between corporate debt and capital. The leverage ratio demonstrates the company's debt to increase capital (Tristiarini & Pratiwi, 2018). According to Nurcholis & Triyani (2024), the leverage ratio is an analysis that measures the debt used by the corporation that is used for the company's assets. The main objective of leverage is to measure the profit generated by the company using external funding (Bagaskara et al., 2021). An increased debt ratio will increase the corporate source of funds, thus allowing the company to grow and develop. However, companies must still control the levels of corporate debt ratio because companies with debt ratios that exceed the company's capacity to pay debt will cause an increase in the risk of default (Solikhah & Kholilah, 2023). Therefore, corporate must be able to manage the level of corporation debt to continue to grow, develop, and reduce the level of risk of corporate financial problems.

Firm Size

Firm size is a reflection of the size of a company as seen from the value of equity, sales, and company assets (Bagaskara et al., 2021). Company size shows the scale of a corporate's large or small assets (Bagaskara et al., 2021). Companies can be categorised into three types based on their size: large, medium, and small (Bagaskara et al., 2021). Large companies tend to be more attractive to investors because they have better access to information, higher adaptability, and more significant profit potential, thereby increasing the potential for achieving sustainable growth (Minh et al., 2024).

Sustainability Report

Companies disclose Sustainability reports to communicate environmental, social, and environmental performance to stakeholders (Rachmat, 2024). Sustainability reports must use internationally recognized standards for quality and accountability. Sustainability reports with good quality can limit information asymmetry between stakeholders and companies and increase stakeholder confidence (Rahman et al., 2023). Many institutions standardize the preparation of

sustainability reports, and one of the institutions most widely used by global companies to prepare sustainability reports is Global Initiative Reporting (GRI). GRI is a non-profit organization that standardizes the preparation of corporate sustainability reports using economic, environmental, and social aspects. GRI has been established since 1997. Based on KPMG research in 2022, as many as 78% of the world's largest companies, known as the G250, have used GRI as a standard in preparing their sustainable reports.

Hypothesis Development

The effect of profitability on sustainable growth rate

Pecking order theory states that companies have different funding patterns between companies in using capital according to company policy (Aswad & Haryono, 2023). Companies prioritize funding from retained earnings, debt, and equity financing (Mwangi & Muturi, 2016). Therefore, the profit generated by the corporation is prioritized for the operational use of the corporation. A study by Giovani & Mardiati, (2023) showed that profitability does not affect sustainable growth rates. This is because companies that increase their profits are only sometimes allocated to the company's retained earnings. However, it is allocated to investors as dividends (Andari et al., 2021). This will cause the company to lose the opportunity to reinvest and develop a business that will allow it to increase its sustainable growth rate, unlike the research carried out by Aswad & Haryono, (2023). The greater the company's profitability, the more it can pay all its obligations and reinvest and develop the company, thereby increasing the sustainable growth rate. This contrasts research (Ahmeti et al., 2024), which explains that companies with high profits can experience slower long-term sustainable growth rates due to prudent financial policy factors and limited business expansion opportunities. This result shows that profitability negatively influences the sustainable growth rate.

H_1: Profitability has a negative effect on sustainable growth rate.

The effect of leverage on sustainable growth rate

Pecking order theory explains that each company has a different funding pattern between companies in the use of capital by company policy (Aswad & Haryono, 2023). Companies prefer retained earnings funding and debt and equity financing (Mwangi & Muturi, 2016). Companies use debt as a second alternative after internal funding to fund operations. In previous research, leverage positively affected sustainable growth rates (Madbouly, 2019). This is because a company with high leverage indicates that the company has a source of funds that can be used for business development to increase sustainable growth (Madbouly, 2019). This is inversely proportional to the results of the study by Vukovic & Tica, (2022), which found that leverage has an adverse impact on a corporation's sustainable growth rate. Eastern European corporations tend to rely more on internal funding than external (debt) because they are worried about the long-term debt burden that can hinder sustainable growth. Giovani & Mardiati, (2023) research shows that leverage does not affect sustainable growth because companies have various funding options to carry out business development and finance company operations. High-interest costs and inefficient use of resources due to excessive debt can threaten the company's survival in the long run.

H_2: Leverage negatively affects sustainable growth rate.

The effect of company size on sustainable growth rate

Signal theory explains that investors consider large companies to have developed and performed well (Siregar & Dalimunthe, 2019). Minh et al., (2024) showed that company size positively affects sustainable growth rates. This is because companies with significant capital will make the company financially independent and make it easy for investors to enter the market, so investors are increasingly keen on investing their funds in companies on a large scale. Thus, it will impact increasing the company's sustainable growth rate. This result differs from research (Wijaya & Atahau, 2021), which explains that company size does not affect sustainable growth rates. Company size is not a determinant of sustainable growth because large or small-scale companies can still achieve sustainable growth (Vukovic & Tica, 2022). Some previous research shows that company size affects sustainable growth rate.

H_3: Company size positively affects the sustainable growth rate.

The effect of sustainability report disclosure on sustainable growth rate

Signal Theory explains that companies use Sustainability reports to communicate corporate responsibility for economic, social, and environmental impacts to stakeholders (Theresia & Triwacananingrum, 2022). This result is based on research by Theresia & Triwacananingrum (2022), which explains that companies that disclose sustainability reports positively affect sustainable economic

and environmental growth. This statement is because companies that disclose sustainability reports on economic and environmental aspects signal to investors that the company has excellent financial and environmental performance and can contribute to the environment and the economy in society. Thus, companies that are transparent in reporting social, environmental and economic performance tend to attract more investors.

This result shows the company's commitment to sustainable growth and can increase investor confidence. Thus increasing sustainable growth rate. However, the social aspect negatively affects the sustainable growth rate. In the social aspect, companies must face additional costs to carry out social programs without getting benefits for the company because stakeholders and the public assume that social programs are not something special but an obligation the company must fulfill. Therefore, the social aspect negatively affects the sustainable growth rate. However, over the long term, this social aspect will provide a turning point for the company that is greater than the costs incurred by the company (Theresia & Triwacananingrum, 2022). This result differs from the research of Oprean-Stan et al (2020), who who explain that the disclosure of sustainability reports does not affect the sustainable growth rate because the information disclosed does not impact the company. It can be concluded that sustainability reports can negatively affect a corporation's sustainable growth rate.

H_4: Sustainability report disclosure has a negative effect on the sustainable growth rate.

Research Model

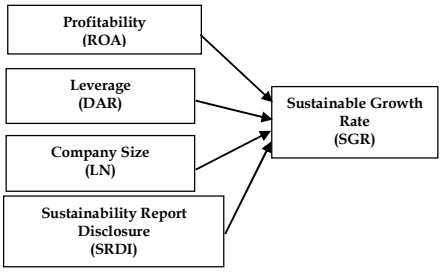

Figure 2. Research Model

RESEARCH METHOD

This research employs quantitative research methods with explanatory approach to test the relationship between research variables (Ghozali, 2018; Arrosyida & Khoiriawati, 2023). The quantitative method is research that collects data in numbers, which are then analyzed using statistics to solve the problem under study and produce conclusions (Arif et al., 2023).

Population is a complete collection of elements, such as individuals, policies, objects, transactions, or events that have specific characteristics that are relevant for research (Hossan et al., 2023). The population in this study are Firms traded on the IDX within the energy sector, basic materials, and infrastructure sectors are the subject of this study for the period 2020-2023. A sample is a representative part of the population used in a research study (Casteel & Bridier, 2021). In this study, the research sample was obtained through purposive sampling technique.

Table 1. Purposive Sampling Results

Description	Total
Total Population	264
Companies in the energy, basic materials, and infrastructure sectors listed on the IDX after 2020	-67
Companies that experienced losses in the 2020-2023 research period	-123
Companies do not release sustainability reports or Annual Reports that do not contain sustainability reports in the 2020-2023 research period	-30
Companies engaged in the energy, basic materials, and infrastructure sectors that do not distribute dividends in the 2020-2023 research period	-12
Total Sample	29
Research Period	4
Total Observation Data	116

Based on the purposive sampling above, not all energy, basic materials, and infrastructure companies become samples in this study because it does not meet the criteria determined for the sample. Researchers obtained 29 companies: nine energy sector companies, nine essential material sector companies, and 11 infrastructure sector companies that were suitable and aligned with the criteria.

The data utilized in this study is panel data, which integrates cross-section data with time series data. The data utilized in this study relies on secondary data sources, The results of this study based on the data collected by the authors, namely financial reports and sustainability reports obtained from energy sector companies listed on the IDX before 2020, through access to the BEI website www.idx.co.id

and the company's official website.

The dependent variable is the variable whose value depends on the amount of the independent variable (Purwanto, 2019). In this study, the dependent variable used is the sustainable growth rate. Independent variables are variables whose values affect the dependent variable (Casini et al., 2021). This study employs four independent variables: profitability, leverage, firm size, and sustainability report disclosure.

Sustainable growth rate (SGR) measures the company's ability to fund operations and earn profits using internal funds without external funds (Florensia et al., 2022). The sustainable growth rate is measured using the van home method. This research uses this method because, The Van Horne method suggests that the factors influencing a company's targeted sustainable growth remain aligned with both the corporate's actual conditions and the realities of the financial markets (Florensia et al., 2022).

$$SGR = \frac{b\ (NP)\ (1 - DER)}{(A/S) - b\ (NP)(1 - DER)} \quad \ldots\ldots (1)$$

Description:

D/E	= Debt to equity
A/S	= Total Aset to sales
b	= Retention Rate
NP/S	= Profit Margin

Profitability is a ratio used to measure the company's ability to get the income generated by the company in a certain period (Huggi, 2022). ROA is an indicator that demonstrates how effectively a company uses its assets to produce profits (Vukovic & Tica, 2022). This research uses ROA because it can show how much the company can earn by using assets or internal funding.

$$ROA = \frac{EAT}{Total\ Asset} \quad \ldots\ldots (2)$$

Leverage refers to the debt used by the company in financing its operations (Susilawati & Purnomo, 2023). Leverage diukur menggunakan DAR. DAR is a metric that assesses the degree to which a company depends on debt to fund all of its assets (Gozali & Budianto, 2019). Leverage is measured using DAR. DAR is used to determine how effective the company is in utilizing its debt to increase sustainable growth.

$$DAR = \frac{Total\ Debt}{Total\ Asset} \quad \ldots\ldots (3)$$

Company size is a measure of the size or size of a company which can be seen from the value of equity, sales and company assets (Bagaskara et al., 2021). Company size shows the scale of the size or size of a company's assets (Diana & Osesoga, 2020). Company size is measured using the Natural Logarithm (Total Assets) because, This natural log measures company size because it reflects its size through the total assets it owns (Rahim, 2017).

$$UK = Log\ Natural\ (Total\ Asset) \quad \ldots\ldots\ldots (4)$$

A sustainability report is a report disclosed by the company with the aim of communicating about environmental, social, and environmental performance to stakeholders (Rachmat, 2024). Sustainable reporting is measured using the sustainability reporting disclosure index (SRDI). SRDI measures how well a company communicates its accountability on social, economic, and environmental impacts to stakeholders (Hardi & Chairina, 2019).

$$SR = \frac{Total\ Indikator\ Expressed}{Total\ GRI - G4\ Compliant\ Indicators} \quad \ldots\ldots (5)$$

The analysis methods used in this study include descriptive statistics and panel data regression models. By calculating the mean, extreme values (maximum and minimum), and data distribution (standard deviation), descriptive analysis provides a clear picture of the data distribution (Widarjono, 2005). Meanwhile, Panel data regression analysis is employed to examine the effect of independent variables on the dependent variable (Hutagulung & Darnius, 2022). The initial step in panel data regression analysis is to determine the most appropriate model *Common Effect Model* (CEM), *Fixed Effect Model* (FEM), or *Random Effect Model* (REM) (Sugiyono, 2013) through Chow, Hausman, and Lagrange Multiplier tests (Sugiyono, 2019). The goal is to get accurate and relevant estimation results (Susilawati & Purnomo, 2023). The model formed from the three approaches is presented as follows.

1. Model CEM

$$SGRit = \beta 0 + \beta 1SR1it + \beta 2PROFITit + \beta 3LEVit + \beta 4UK4it + \varepsilon it \quad \ldots\ldots\ldots (6)$$

2. Model FEM

$$SGRit = \beta0 + \beta1SR1 + \beta2PROFIT2it + \beta3LEV3it + \beta UK4it + \beta5D1it + \beta6D2it + \beta7D3it + \beta8D4it + \varepsilon it \quad \text{..... (7)}$$

3. Model REM

$$SGRit = \beta0 + \beta1SR1it + \beta2PROFITit + \beta3LEV3it + \beta4UK4it + \alpha it + \varepsilon it \quad \text{..... (8)}$$

Description:

SGG	= Sustainable Growth Rate
SR1	= Sustainabilitiy Report Disclosure
PROFIT2	= Profitability
LEV3	= Leverage
UK4	= Company Size
β0	= Constants
β1,2,3,4	= Regression Coefficient
D	= Dummy
ε	= Eror
It	= Company

RESULTS AND DISCUSSION

Results

This study's data was first transformed into natural logarithms (LN) before conducting regression analysis (Dabbous et al., 2023; Sun et al., 2024). This data transformation was carried out to limit heteroscedasticity so that the data distribution can be close to normal and increase the linearity of the relationship between the analysed variables. This process is essential to produce more accurate and reliable analysis results.

Tabel 2. Descriptive Results

	Mean	Median	Max	Min	Std. Dev
SGR	4.97%	3.31%	38.53%	2%	5.70%
PROF	8,9%	5,5%	62%	0%	10,2%
LEV	44,8%	47,5%	82%	7%	17,8%
UK	29.17	29.44	33.29	23.02	2.26
SR	40,7%	41%	78%	7%	16,6

The outcomes of the statistical analysis of the sustainable growth rate variable in Table 2 show a significant disparity between companies. PT Golden Energi Mines Tbk recorded the lowest growth of 2% in 2020, while PT Total Bangun Persada Tbk recorded the highest growth of 38.53% in 2022. Nevertheless, the average growth of 4.97% with a standard deviation of 5.70% indicates a significant positive growth trend in the energy, raw materials, and infrastructure sectors.

Companies in the energy, basic materials, and infrastructure sectors show profitability measured using ROA with an average of 8,9%. The highest value of ROA recorded the highest growth by PT Golden Energi Mines Tbk in 2020 with 62%, while the lowest value of 0% was obtained by PT Wijaya Karya Beton Tbk in 2023. This finding shows that companies in this sector are still less efficient and effective in utilizing assets to produce profits, so the level of profitability is relatively low. Leverage in companies in the energy, basic materials and infrastructure sectors, as measured using DAR, has an average of 44,8%. The greatest value of DAR was achieved by PT Sarana Menara Nusantara Tbk in 2021 amounting to 82%, while the lowest value of 7% was obtained by PT Indocement Tunggal Prakarsa Tbk in 2022. This shows that the assets of companies in this sector are mostly financed by debt, so this sector has a high level of debt and is less effective in managing debt.

Company size in the energy, basic materials and infrastructure sector, measured using the natural logarithm, has an average of 29.17. The greatest value of 33.29 trillion was achieved by PT Telkom Indonesia (Persero) Tbk in 2023, while the lowest value of 23.020 trillion was recorded by PT Aneka Tambang Tbk in 2022. This data shows that companies in this sector are generally large in scale, with a standard deviation of 2.26 trillion. The disclosure of sustainability reports measured using SRDI shows that companies in the energy, basic materials and infrastructure sectors have good quality sustainability reports, with an average of 40,7%. The greatest value of 78% was achieved by Golden Energi Mines Tbk in 2022, while the lowest value of 7% was obtained by PT Gihon Telekomunikasi Indonesia Tbk in 2020, with a standard deviation of 16,6%.

After conducting a descriptive analysis of the data, the next step is to choose the most appropriate regression model. For that, Chow, Hausman, and Lagrange Multiplier tests will be conducted. The Chow test results are displayed in Table 3.

Tabel 3. Chow Test

Effects Test	Statistic	d.f	Prob
Cross-Section F	4.122	-28.8	0.00
Cross-section Chi-square	101.11	28	0.00

According to the outcomes of the Chow test, the probability values are 0.00 or <0.05, so the Fixed

Effect Model (FEM) is selected. The next step . is to conduct a Hausman test to determine whether the FEM or REM model is more suitable. The Hausman Test results are presented in Table 4.

Table 4. Hausman Test

Test Summary	Chi-Sq Statistic	Chi-Sq d.f	Prob
Cross-section Random	2.004	4	0.735

According to the Hausman test outcomes, the probability value is 0.73 or > 0.05, indicating that the chosen model is the Random Effect Model (REM). The Lagrange Multiplier Test results are presented in Table 5.

Table 5. Lagrange Multiplier test

	Test Hypothesis		
	Chi-Sq Statistic	Chi-Sq d.f	Prob
Breusch-Pagan	31.76	1.778	0.00
	0	-0.18	0.00

According to the Lagrange Multiplier test results, the Breusch-Pagan value is 0.00 or <0.05, so the model selected is the Random Effect Model (REM). This shows that the REM model is more suitable to use in this study because the random effects in the model are not correlated with the independent variables (Herizal & Juliansyah, 2021). With this model selection, REM does not require a classical assumption test, because REM uses the generalized least square (GLS) method. The GLS method produces a BLUE (Best Linear Unbiased Estimator) estimator even though there is autocorrelation in the data (Kosmaryati et al., 2019).

Table 6. Hypothesis Testing

	Coefficient	t-stat	Prob	Result
C	0.353	0.187	0.851	-
SR	-1.14	-2.039	0.043	Accept
PROF	-0.731	-6.268	0.00	Accept
LEV	0.079	0.325	0.745	Reject
UK	-0.028	-0.463	0.643	Reject
R-Squared			0,363	

According to the hypothesis test results presented in Table 6, the regression equation for this study, using the REM model, is as follows:

SGRit = 0.353 + -0.731PROFIT1it + 0.079LEV2it + -0.028UK3it + -1.140SR4it +0.353ait + εit .....(9)

The Coefficient of Determination test is conducted to assess the extent to which the independent variable can explain the dependent variable (Piepho, 2023). The results of the coefficient of determination test obtained an R-squared value of 0.36. This value indicates that the variables of profitability, leverage, company size, and sustainability report disclosure can explain the sustainable growth rate variable by 36%, and other variables can explain the rest.

According to the hypothesis test results presented in Table 6, it can be concluded that H1 is accepted since the probability value for profitability is 0.000, which is less than 0.01. This finding also indicates that the t-statistic or regression coefficient exhibits a negative direction of -0.731, which indicates that every increase in profitability as measured by ROA by one will reduce the sustainable growth rate by 0.731. Thus, profitability, measured using ROA, can negatively affect the company's sustainable growth rate.

The results of additional hypothesis testing indicate that H2 is rejected since the probability value for leverage is 0.745, which is greater than 0.1, and the t-statistic or regression coefficient is 0.079. This means that leverage, as assessed by DAR, does not have an impact on the company's sustainable growth rate. Similarly, the results for H3 are rejected because the probability value for company size is 0.643, which is also > 0.1, with the t-statistic or regression coefficient being -0.028. Thus, company size, as measured by LN (Total Assets), does not influence the company's sustainable growth rate.

The results of additional hypothesis testing reveal that H4 is accepted, as the probability value for the sustainability report is 0.043, which is less than 0.05. The t-statistic test results show a regression coefficient in the negative direction of -1.140, indicating that an increase in sustainability reports, measured by SRDI, by one unit will lead to a decrease in the sustainable growth rate by 1.140. Thus, the disclosure of sustainability reports, as assessed by SRDI, negatively affects the company's sustainable growth rate.

Discussion

The analysis results from the t-test regression model for the profitability variable indicate a negative effect on the sustainable growth rate. These findings contrast with the research conducted by Giovani & Mardiati, (2023), which concluded that

profitability does not influence sustainable growth rates. This is because companies that increase their profits are only sometimes allocated to the Company's retained earnings. However, it is allocated to investors as dividends (Andari et al., 2021). This will cause the Company to lose the opportunity to reinvest and develop a business that will allow it to increase its sustainable growth rate.

This study supports research by Ahmeti et al., (2024) that found that profitability negatively affects the sustainable growth rate. Companies with high profits may experience slower long-term sustainable growth rates due to prudent financial policy factors and limited business expansion opportunities. Therefore, financial factors represented by profitability can negatively affect the sustainable growth rate. The findings of this study align with the pecking order theory, which suggests that companies exhibit varying funding patterns based on their capital usage as dictated by company policies (Aswad & Haryono, 2023). The Company prioritizes funding from retained earnings, then debt and equity financing (Mwangi & Muturi, 2016). However, the use and allocation are less effective, and efficient profits will reduce the Company's sustainable growth rate.

Infrastructure sector companies depend on short-term debt, which will slow the increase in sustainable growth rates (Manjunatha & Vikas., 2021). Energy and basic material sector companies prioritize dividend distribution to investors rather than allocating company profits for company development so that it can reduce the Company's sustainable growth rate (Hermanto & Fitriati, 2022; Tripathi, 2024). Therefore, although energy, basic materials, and infrastructure sector companies have high profitability, the sustainable growth rate decreases due to factors in different financial policies.

The analysis results from the t-test regression model for the leverage variable indicate no effect on the sustainable growth rate. This means that leverage, representing financial factors, does not affect the sustainable growth rate. These findings contrast the research conducted by which found a negative impact of leverage on the Company's sustainable growth rate. This discrepancy can be attributed to the tendency of companies in Eastern Europe to rely more on internal funding than on external sources (debt), as they are concerned about the long-term burden of debt that could impede sustainable growth. High interest costs and inefficient resource utilization due to excessive debt can threaten the Company's long-term sustainability.

The findings align with Giovani & Mardiati, (2023), which indicated that leverage does not affect sustainable growth rates. Companies have various funding options for development and financing operations, including selling assets and issuing new shares. Companies with sufficient internal funds tend to prioritize internal resources to avoid the complexity of external financing (Frank et al., 2020). Companies can also use internal funding to support operational needs (Chung et al., 2013). Furthermore, the results do not conform to the pecking order theory, which suggests that companies exhibit different funding patterns. Firms in the energy, basic materials, and infrastructure sectors prioritize internal funding as their primary source for business development over external funding.

The analysis results from the t-test regression model for the size variable indicate that it does not affect the Sustainable Growth Rate. These findings contrast with research by Minh et al., (2024), which suggests that company size can influence the Sustainable Growth Rate. This discrepancy arises because companies with substantial capital can achieve financial independence, making it easier for investors to enter the market, thus increasing their interest in investing in larger firms. Consequently, this can lead to an increase in the Company's sustainable growth rate.

Additionally, the findings of this study do not align with signal theory, which posits that investors view larger companies as having thrived and performed well (Siregar & Dalimunthe, 2019). Both large and small companies can enhance their levels of sustainable growth. Conversely, this study supports research by Wijaya & Atahau, (2021), which found that company size does not influence sustainable growth rates. This is because company size is not a key determinant of sustainable growth. The t-test regression model analysis results for the company size variable show that this variable has no effect on the Sustainable Growth Rate.

Companies in the energy, basic materials, and infrastructure sectors may be relatively large, but smaller firms can also increase their sustainable growth rates. The analysis results from the t-test regression model for the sustainability report disclosure variable indicate a negative effect on sustainable growth rates. These findings contrast with the research by Oprean-Stan et al., (2020), which found that the disclosure of sustainability reports does not influence sustainable growth rates.

This discrepancy is attributed to the fact that the information provided in sustainability reports does not significantly impact the Company, thereby failing to affect the sustainable growth rate.

Furthermore, the results of this study support signaling theory, which posits that companies utilize sustainability reports to convey their corporate responsibility regarding economic, social, and environmental impacts to stakeholders (Theresia & Triwacananingrum, 2022), albeit in the short term. The disclosure of sustainability reports that represent non-financial factors that contain information about environmental, social and economic performance can negatively affect in the short term; this is because the Company is burdened with the costs incurred to improve environmental, social and economic performance even though it does not directly receive the impact.

The findings also align with the research of Theresia & Triwacananingrum, (2022), which concluded that the disclosure of sustainability reports negatively influences sustainable growth levels. This occurs because companies in the energy, basic materials, and infrastructure sectors, while implementing economic, social, and environmental programs and subsequently disclosing sustainability reports, incur additional costs without realizing corresponding benefits. Stakeholders and the public often perceive these disclosures as mere obligations rather than significant contributions, leading to reduced interest from investors in funding these companies and diminishing sustainable growth.

This study supports the idea that companies use sustainability reports to communicate their economic, social, and environmental responsibilities to stakeholders (Theresia & Triwacananingrum, 2022). However, in the short term, the lack of perceived benefits results in a lower sustainable growth rate. In the long run, companies that disclose sustainability reports may experience a turning point, allowing them to reap more significant benefits than the costs incurred (Theresia & Triwacananingrum, 2022).

CONCLUSION

The results of this study indicate that profitability can negatively affect the level of sustainable growth. The companies should be able to use appropriate accounting policies in company profits to encourage the Company's sustainable growth rate. Leverage does not affect the level of sustainable growth. These results indicate that the companies prioritize the use of internal funding in financing company development to increase the level of sustainable growth. Company size does not affect the level of sustainable growth. These results indicate that energy, basic material, and infrastructure sector companies are relatively large, but relatively small companies can increase sustainable growth. therefore, investors are expected to make investment decisions that do not look at a company's size to measure company performance and sustainable growth rates. Disclosure of sustainable reports can negatively affect the level of sustainable growth. The companies are expected to be able to disclose sustainable reports consistently because they directly have a negative impact on the environment, society and economy, and report the Company's sustainability performance. Although, in the short term, the Company does not receive benefits, in the long term, there is a turning point where the Company will feel the benefits that are greater than the costs incurred, which can increase sustainable growth.

The Company is expected to be able to choose a more appropriate financial policy to use the Company's profits, and the Company is expected to disclose sustainable reports to increase the sustainable growth rate. In addition, investors are expected not to be fixated on the Company's profits because the Company's inappropriate policies in using its profits can harm investors, and the Company's sustainable growth rate decreases. This study has limitations, namely the object of research, period, and use of research variables. Recommendations for further research can use different research objects and comparisons with other countries and add variables that influence the Company's sustainable growth rate, such as dividend policy, stock price, and intellectual capital.

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