

The Effect of Financial Performance on Sustainable Growth Rate with Leverage as a Moderating Variable in Consumer Goods Industry Companies Listed on the Indonesia Stock Exchange During 2021–2024

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ABSTRACT

This study aims to investigate the effect of financial performance, as measured by Return on Assets (ROA) and Total Assets Turnover (TATO), on the Sustainable Growth Rate (SGR) among consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2024, using the Debt-to-Equity Ratio (DER) as a moderating variable. The study's sample consists of twelve companies that meet the criteria using the purposive sampling technique. The research data came from www.idx.co.id and the companies' official websites. The data was then assessed using SPSS version 26. The findings show that whereas Financial Performance (TATO) has a positive but negligible impact on the Sustainable Growth Rate, Financial Performance (ROA) has a positive and considerable impact. The Sustainable Growth Rate is significantly impacted by both factors at the same time. According to the R² coefficient of determination test results, 55.8% of the variation in the Sustainable Growth Rate can be explained by Financial Performance (ROA and TATO), with other factors not included in the regression model accounting for the remaining 44.2%. The results of the moderation test showed that the Leverage (DER) variable might moderate the relationship between Financial Performance (TATO) and the Sustainable Growth Rate, but not the relationship between Financial Performance (ROA) and the Sustainable Growth Rate.

INTRODUCTION

In today's business world, sustainable growth has become crucial, especially in light of stakeholder expectations, competitive challenges, and growing global economic instability. In order to guarantee long-term success, businesses must now maintain financial stability in addition to maximizing profits. The International Monetary Fund (IMF, 2023) projects that during 2023–2024, global economic growth will moderate at about 3.0%, with diminishing inflation trends. Even with this relative stability, enterprises face considerable difficulties in sustaining their Sustainable Growth Rate (SGR) due to changes in capital costs and tighter financial circumstances.

The ASEAN area is likewise seeing a downturn in economic growth. Southeast Asia's economic growth fell from 4.7% to 4.3% in 2023, according to the Asian Development Bank (ADB, 2023), mainly as a result of tighter monetary policies and declining export demand. Similar trends can be seen in Indonesia's post-pandemic recovery, where economic growth peaked in 2022 at 5.31% before declining to 5.05% in 2023 and 5.03% in 2024 (BPS, 2025). Higher interest rates have also raised financing costs, which has limited businesses' capacity to grow in a sustainable manner. These circumstances emphasize how crucial internal financial stability is to sustaining long-term growth.

Due to its extreme sensitivity to shifts in macroeconomic policies, inflation, and purchasing power, the consumer goods sector offers a pertinent framework for studying sustainable growth. Growth in important subsectors like food and drinks has demonstrated a downward tendency, reflecting growing pressure on firm performance even while household consumption in Indonesia is still relatively constant. As a result, businesses in this industry must strategically strike a balance between expansion and long-term financial viability.

From a theoretical perspective, Sustainable Growth Rate (SGR), as introduced by Higgins (1977), reflects a firm's ability to grow without relying on external financing. Financial performance plays a crucial role in determining SGR, as it indicates how effectively firms utilize their resources to generate profit and sales. Key indicators such as Return on Assets (ROA) and Total Asset Turnover (TATO) are widely used to measure profitability and efficiency, both of which are essential in sustaining growth.

However, previous research on the connection between SGR and financial performance has produced conflicting results, indicating that it may not be entirely straightforward. Leverage is a significant aspect that could affect this relationship. Excessive debt can raise financial risk and limit future growth, while leverage can improve business performance through tax benefits and improved capital availability. Leverage may therefore serve as a moderating factor that either increases or decreases the effect of financial performance on SGR.

Few studies have explicitly looked at the moderating impact of leverage in the relationship between financial performance and SGR, especially in the context of consumer products companies in emerging countries like Indonesia, despite the expanding body of literature on sustainable growth. Furthermore, there is a contextual vacuum in our knowledge of how financial structure and

performance interact under various economic conditions because the majority of prior research has been on developed markets.

Based on these gaps, the purpose of this study is to examine how financial performance, as measured by Return on Assets (ROA) and Total Asset Turnover (TATO), affects Sustainable Growth Rate (SGR) in consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2024. Leverage, as measured by Debt-to-Equity Ratio (DER), is used as a moderating variable. By offering actual data on how leverage shapes sustainable growth, especially in emerging market situations, this study is anticipated to add to the body of literature.

LITERATURE REVIEW

Theoretical Framework

Growth Theory

Higgins first proposed the idea of the Sustainable Growth Rate (SGR) in 1977, and it was further developed in 1981. SGR is the highest growth rate that a company can attain without changing its capital structure, dividend policy, or investment choices. Higgins underlined that the availability of retained earnings as an internal source of funding is critical to business expansion. Greater retained earnings are available for business expansion when profitability is higher and dividend payout ratios are lower. The company may encounter overtrading, which results in inadequate working capital, if expansion surpasses the internal finance capability. Because it clarifies the connection between a company's capacity to turn a profit and its finance practices in promoting sustainable growth, growth theory is used in this study. According to this viewpoint, a company's ability to produce profits that may be reinvested as retained earnings is just as important to its success as gains in sales or assets. Return on Assets (ROA) and Total Asset Turnover (TATO), which show how well a company generates profits and uses assets to boost sales, are key indicators of financial performance. Leverage is particularly important since it affects the company's capacity to secure outside investment for expansion. SGR theory is therefore chosen because it provides a thorough explanation of how capital structure and financial performance affect long-term business growth.

Signaling Theory

Trade-off theory outlines how businesses weigh the advantages and disadvantages of debt to establish the best capital structure. As long as the benefits of debt exceed the expenditures involved, it is seen advantageous. However, further borrowing is no longer advised when the costs of debt outweigh its advantages. Businesses can optimize their worth by striking this equilibrium. This theory is employed in the study because it offers a thorough explanation of how leverage, as determined by the Debt to Equity Ratio (DER), moderates the relationship between financial performance (ROA and TATO) and Sustainable Growth Rate (SGR) in consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2024. The theory supports the premise that DER may either improve or diminish the relationship between

profitability and sustainable growth because it captures the ideal balance between the tax benefits of debt and the penalties associated with financial hardship

Trade Off Theory

Trade-Off Theory describes how businesses weigh the advantages and disadvantages of debt to build an ideal capital structure. Businesses will use debt as long as its advantages—like tax benefits—outweigh its drawbacks. However, businesses should lessen their reliance on debt when its drawbacks—such as financial hardship—outweigh its advantages. This equilibrium enables businesses to optimize their total worth. This theory is used in this study because it provides a thorough explanation of how leverage, as determined by the Debt-to-Equity Ratio (DER), moderates the impact of financial performance (ROA and TATO) on Sustainable Growth Rate (SGR) in consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2024. The concept that DER can either increase or impair the relationship between profitability and sustainable growth is supported empirically by the theory's accommodation of the ideal balance between tax advantages and financial distress costs.

Sustainable Growth Rate

According to Ariesa et al. (2023), sustainable growth refers to a company's capacity to sustain steady, balanced growth that supports its long-term survival and competitiveness within an industry. Financial indicators are frequently employed as sufficient and straightforward gauges of business expansion. There are now two primary methods for gauging business growth. Return on assets, total asset growth, operating income growth, net income growth, and profits per share growth are examples of the single-indicator approach (Feng et al., 2023).

$$SGR = \frac{ROA \times b}{1 - (ROA \times b)}$$

Financial Performance

Rahmani and Mauludi (2020) state that financial performance, which is usually assessed using metrics like capital adequacy, liquidity, and profitability, represents a company's financial state throughout a given time period, encompassing elements of fund collecting and fund distribution. According to Ramadhan (2021), performance is defined as the work outcomes attained by individuals or organizations in compliance with their duties. According to Utari (2020), performance is influenced by three factors:

- *Return On Investment*
- *asset turnover*
- *Net Profit Margin*

Return on Assets (ROA)

A financial ratio called return on assets (ROA) gauges how much money a business makes from its assets. It shows how well a business makes use of its resources to produce profit; the greater the ROA, the more effective the business is. As a gauge of performance, profit is the company's earnings (Chandradinangga & Rita, 2020; Kowalik, 2018). The ROA formula is:

$$\text{Return on asset} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Total Assets Turnover (TATO)

Total Asset Turnover is a financial ratio that assesses how well a company uses its assets to produce income, according to Kasmir (2018). This ratio contrasts the total assets of the business with the income earned over a given time period (Melicher & Norton, 2017). It shows how well assets are used to produce revenue.

$$TATO = \frac{Net\ Sales}{Total\ Assets}$$

Leverage

Leverage is a measure of how much a corporation employs debt financing in its capital structure, according to Ross (1988) in Corporate Finance. As long as the return on assets outweighs the cost of debt, using leverage can boost shareholder returns. However, because the business must pay capital and interest despite diminishing profits, leverage also raises financial risk. Put differently, leverage quantifies the degree to which a company uses debt to fund its operations and its capacity to fulfill its commitments (Utomo, 2016).

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Frame of Mind

A methodical and organized depiction of the connections between the variables in a study is called the conceptual framework. It describes the main ideas, underlying hypotheses, and correlations between variables that are thought to be crucial to the study (Sugiyono, 2018).

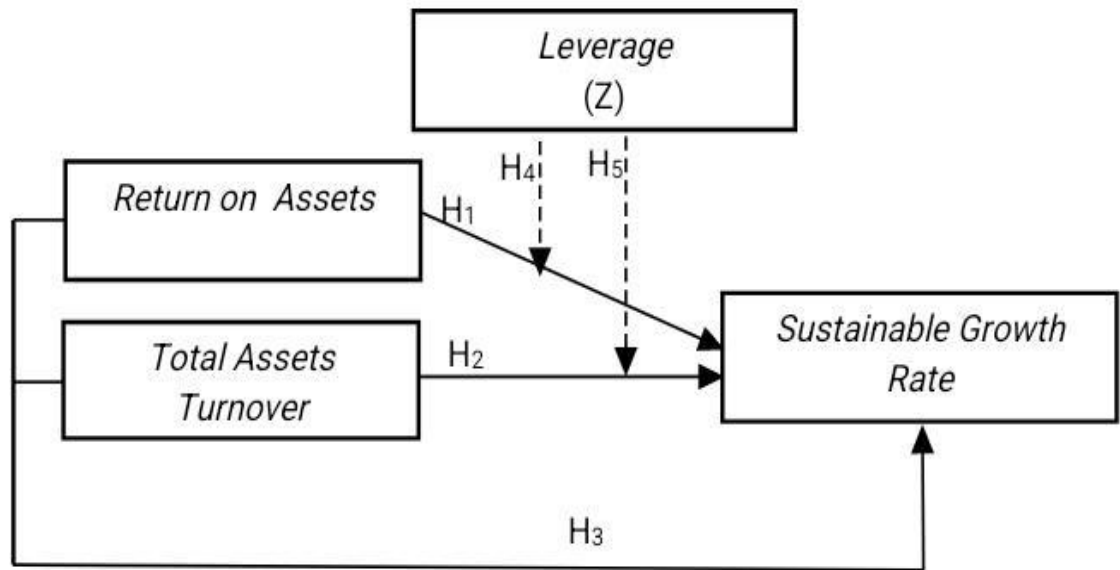


Figure 1. Research Thinking Framework

RESEARCH HYPOTHESES

The following formulation of the study's hypothesis is based on the aforementioned framework:

H₁: The Sustainable Growth Rate (SGR) is positively and significantly impacted by Financial Performance (ROA).

H₂: The Sustainable Growth Rate (SGR) is positively and significantly impacted by Financial Performance (TATO).

H₃: Sustainable Growth Rate (SGR) is significantly impacted by financial performance (ROA and TATO) at the same time.

The impact of Financial Performance (ROA) on Sustainable Growth Rate (SGR) is mitigated by Leverage (DER).

H₅: Leverage (DER) moderates the effect of Financial Performance (TATO) on Sustainable Growth Rate (SGR).

RESEARCH METHODS

This study uses a quantitative methodology and a causal associative research design. Examining the connections between two or more variables, especially those where an independent variable affects a dependent variable, is the goal of causal associative research (Sugiyono, 2018). This study's quantitative approach uses statistical methods to examine the information gathered.

The secondary data used in this study came from the financial statements of consumer products companies that were listed between 2021 and 2024 on the Indonesia Stock Exchange (IDX). Purposive sampling is used in this study, which entails choosing samples according to particular standards that support the study's goals. The following are the selection criteria for the sample:

1. Businesses listed on the IDX during the observation period that are involved in the consumer goods business.
2. Businesses that supply all necessary research variable data and produce comprehensive annual reports.
3. Businesses that continuously turn a profit during the monitoring period.
4. Businesses that pay dividends one after the other throughout the observation period.

According to Sugiyono (2018), a population is a generalization area composed of objects or people with specific qualities that the researcher has selected for analysis and conclusion. All 65 consumer products companies registered on the Indonesia Stock Exchange between 2021 and 2024 make up the study's population. A screening process was conducted based on the predetermined criteria. Due to incomplete financial statement data during the observation period, a total of fifteen enterprises were eliminated. Additionally, 25 businesses that suffered losses during the study period were disqualified. Furthermore, 13 businesses were disqualified for failing to pay dividends in a consecutive manner. Because it is necessary to compute the Sustainable Growth Rate (SGR), namely the dividend payout ratio and retention ratio, dividend distribution was utilized as one of the sample criteria. Due to insufficient data for the necessary variables, companies that did not pay dividends were eliminated. Twelve businesses were chosen as the final sample after these criteria were applied.

Variable Operational Definitions

Table 1. Variable Operational Definition

Variabel	Definition	Rumus	Skala
<i>Return on Assets</i> (ROA)	Measures a company's ability to generate net profit by utilizing all of its assets within a given period.	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$	Ratio
<i>Total Assets Turnover</i> (TATO)	Measures a company's effectiveness in utilizing its assets to generate sales.	$TATO = \frac{\text{Net Sales}}{\text{Total Assets}}$	Ratio
<i>Debt to Equity Ratio</i> (DER)	Measures the proportion of financing derived from liabilities relative to equity	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
<i>Sustainable Growth Rate</i> (SGR)	Represents the maximum growth rate a company can achieve without relying on external financing.	$SGR = \frac{ROA \times b}{1 - (ROA \times b)}$	Ratio

Source: Data processed (2026)

Data Analysis Techniques

Several complimentary and sequential steps of statistical analysis make up the data analysis methods used in this study. Prior to additional research, a preliminary knowledge of the variables is provided by using descriptive statistics, which include measures of central tendency, dispersion, and distributional features. Second, a number of traditional assumption tests, such as the normality test using the Kolmogorov-Smirnov method, the multicollinearity test using tolerance and Variance Inflation Factor (VIF) values, the autocorrelation test using the Durbin-Watson statistic, and the heteroscedasticity test using scatterplot analysis, are performed to make sure the data satisfy the requirements for multiple linear regression analysis. Third, the impact of financial performance, as measured by Return on Assets (ROA) and Total Asset Turnover (TATO), on Sustainable Growth Rate (SGR) is investigated using multiple linear regression analysis. Fourth, by adding interaction terms between the independent variables and the moderating variable into the regression model, Moderated Regression Analysis (MRA) is used to examine the moderating role of leverage (Debt to Equity Ratio/DER) in the relationship between financial performance and sustainable growth. Fifth, three methods are used in hypothesis testing: the simultaneous F-test to determine the joint significance of all independent variables, the partial t-test to determine the individual significance of each independent variable, and the coefficient of determination (R²) to gauge the model's ability to explain changes in the dependent variable. SPSS version 26 was used for all statistical analyses in this investigation.

RESULTS AND DISCUSSION

Statistics Descriptive Statistics Descriptive

Table 2. Statistics Descriptive

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA(X1)	32	.0096	.2418	.091981	.0620477
TATO(X2)	32	.1811	1.4658	.858013	.2987123
SGR(Y)	32	.0017	.1554	.047250	.0409381
DER(M)	32	.0617	.8294	.457128	.2531168
Valid N (listwise)	32				

Source: SPSS output, data processed (2026)

Classical Assumption Test

Normality Test

The One-Sample Kolmogorov-Smirnov Test, one of the most popular statistical methods for determining whether the residuals of a regression model follow a normal distribution, was used to perform the normalcy test. The test's Asymptotic Significance (2-tailed) value of 0.200 significantly above the predefined significance threshold of 0.05. This result makes it clear that the residual data produced by the regression model has a normal distribution, proving that the normality assumption – one of the essential requirements for the legitimate use of multiple linear regression analysis – has been satisfactorily met. This assumption's fulfillment ensures that the regression model's parameter estimations are objective and trustworthy, and that the study's subsequent hypothesis testing processes will generate results that are both statistically valid and understandable. This result thus validates the continuation of the analytical procedure to the next phases of inferential statistical analysis and classical assumption testing within the research framework used in this study.

Table 3. Normality Test Results (Kolmogorov-Smirnov)

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			32
Normal Parameters ^{a,b}	Mean		.0000000
	Std. Deviation		.2721783
Most Extreme Differences	Absolute		.089
	Positive		.089
	Negative		-.076
Test Statistic			.089
Asymp. Sig. (2-tailed)			.200 ^{c,d}

Source: SPSS output, data processed (2026)

Multicollinearity Test

The Tolerance value and Variance Inflation Factor (VIF) were the main diagnostic indicators used in the multicollinearity test to find any detrimental connections between the independent variables in the regression model. When two or more independent variables have a strong correlation with one another, multicollinearity is regarded as a possible issue in multiple regression analysis because it can skew the estimated regression coefficients and compromise the validity and interpretability of the model's findings. The results of the multicollinearity test show that all of the independent variables included in the regression model have VIF values that are below the maximum allowable threshold of 10 and tolerance values that are higher than the minimum acceptable level of 0.10. It can be definitively concluded that there is no multicollinearity issue among the independent variables in the regression model built in this study because all variables meet both of these diagnostic criteria. This result ensures that the estimated regression coefficients accurately and reliably reflect the individual influence of each predictor variable on the dependent variable without being distorted by overlapping or collinear relationships among the independent variables, confirming that each independent variable contributes distinct and non-redundant information to the model. The integrity and dependability of the regression model used in this investigation are thus further validated by the multicollinearity assumption's fulfillment.

Table 4. Multicollinearity Test Results

Model		Collinearity Statistics Tolerance VIF	
1	(Constant)		
	ROA	.922	1.084
	TATO(X2)	.761	1.313

Source: SPSS output, data processed (2026)

Autocorrelation Test

The Durbin-Watson (DW) value is 1.784, falling between -2 and $+2$ ($-2 < 1.784 < 2$). This suggests that the residuals are independent and uncorrelated across data since there is no autocorrelation in the regression model. One of the fundamental tenets of linear regression – the lack of autocorrelation – is satisfied by the model when the DW value falls within this range. Additionally, the model's prediction accuracy is indicated by the Standard Error of the Estimate, which is 0.0286388. Since it represents the difference between actual and expected values, a smaller number indicates superior predictive ability. The regression model can be used to accurately assess the connection between independent and dependent variables and to test hypotheses within this study after the autocorrelation assumption is met.

Table 5. Autocorrelation Test Results (Durbin-Watson)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 ^a	.558	.511	.0286388	1.784

Source: SPSS output, data processed (2026)

Heteroscedasticity Test

A scatterplot graph was used to conduct the heteroscedasticity test. The findings demonstrate that there is no heteroscedasticity issue because the data points are dispersed randomly above and below the number 0 on the Y axis.

Multiple Linear Regression Analysis**Table 6. Multiple Linear Regression Analysis Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.021	.028		-.742	.464
ROA	.509	.086	.771	5.894	.000
TATO	.008	.020	.062	.429	.671

$$\text{SGR} = -0,021 + 0,509\text{ROA} + 0.008\text{TATO} + e$$

(Moderation Regression Analysis)

Tabel 7. Moderation Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.069	.042		1.640	.113
ROA	.567	.142	.859	3.988	.000
TATO	-.081	.035	-.592	-2.309	.029
X1M	-.092	.247	-.081	-.335	.740
X2M	.198	.069	1.127	2.878	.008

a. Dependent Variable: SGR

$$\text{SGR} = 0,069 + 0,567\text{ROA} - 0,081\text{TATO} - 0,092(\text{ROA.DER}) + 0,198(\text{TATO.DER}) + e$$

Hypothesis Testing**Partial Test (t-test)****Tabel 8. Partial Test (t-test) Results**

Model	t	Sig.
1 (Constant)	-.742	.464
ROA	5.894	.000
TATO	.429	.671

Tabel 9. t-test (Moderating Variable) Results

Model		Unstandardized Coefficients B Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.069 .042		1.640	.113
	ROA	.567 .142	.859	3.988	.000
	TATO	-.081 .035	-.592	-2.309	.029
	X1M	-.092 .247	-.081	-.335	.740
	X2M	.198 .069	1.127	2.878	.008

Simultaneous Test (F-test)

Tabel 10. Simultaneous Test (F-test) Results

Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	0.29	3	.010	11.781	.000 ^b	Significant
	Residual	0.23	28	.001			
	Total	.052	31				

Coefficient of Determination (R²) Test

Tabel 11. Coefficient of Determination (R²) Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.747 ^a	.558	.511	.0286388	1.784

The R-squared value is 0.558 (55.8%), indicating that Return on Assets (ROA) and Total Asset Turnover (TATO) explain 55.8% of the variation in Sustainable Growth Rate (SGR), while the remaining 44.2% is influenced by other variables not included in the regression model.

DISCUSSION

The Effect of Financial Performance (ROA) on Sustainable Growth Rate (SGR)

According to the t-test regression results, Return on Assets (ROA) has a positive and substantial impact on Sustainable Growth Rate (SGR), with a coefficient value of 0.509 and a significance value (sig) of 0.000. The study's findings show that a company's profitability as determined by ROA can have a substantial and powerful impact on long-term business growth. In theory, ROA shows how profitable the business can make all of its assets. A greater ROA indicates that the business is making better use of its resources to turn a profit, which immediately promotes a higher Sustainable Growth Rate (SGR). The best use of income for internal growth, reinvestment in profitable assets, and fortifying the organization's financial structure all promote this. Furthermore, a high return on assets (ROA) enhances the company's position, which is bolstered

by elements including smart financing practices, balanced dividend policies, effective capital structure, and ideal asset management. As a result, the company's ability to make money off of its assets directly boosts its potential to maintain long-term growth. Therefore, it is possible to accept the first hypothesis (H1), which claims that Sustainable Growth Rate (SGR) is positively and significantly impacted by Financial Performance (ROA). The study's findings are in line with those of Sari et al. (2023) and Nguyen and Tran (2024), which demonstrate that Return on Assets (ROA) significantly and favorably influences Sustainable Growth Rate (SGR).

The Effect of Financial Performance (TATO) on Sustainable Growth Rate (SGR)

According to the t-test regression results, Total Asset Turnover (TATO) has a positive but not significant impact on Sustainable Growth Rate (SGR), with a coefficient value of 0.008 and a significance value (sig) of 0.671. These findings show that the company's sustainable growth has not been greatly enhanced by the level of total asset turnover. A ratio called Total Asset Turnover (TATO) is used to assess how well a business uses its assets to produce sales, which are anticipated to support business expansion. Nevertheless, the Sustainable Growth Rate (SGR) in this study has not been significantly impacted by asset usage efficiency. This could happen because optimal profit growth does not always follow greater sales brought about by asset utilization. The company's profit may not rise much because increased sales may be linked to high operating expenses. Additionally, additional elements including capital structure, dividend policy, financial management, and industry and economic conditions all have an impact on sustainable business growth. Therefore, it is impossible to accept (reject) the second hypothesis (H2), which claims that Financial Performance (TATO) significantly and favorably affects Sustainable Growth Rate (SGR). The findings of Utama and Sari (2020) and Sari and Nugroho (2021), which show that Total Asset Turnover (TATO) has a favorable but not statistically significant impact on Sustainable Growth Rate (SGR), are in line with the conclusions of this study.

The Simultaneous Effect of Financial Performance (ROA and TATO) on Sustainable Growth Rate (SGR)

The significance value (sig.) is 0.000 based on the simultaneous test (F-test) findings, which is less than the alpha value of 0.05 ($0.000 < 0.05$). Thus, it can be said that Sustainable Growth Rate (SGR) is significantly impacted by both Return on Assets (ROA) and Total Asset Turnover (TATO) at the same time. This indicates that variations in SGR in the companies under study can be explained by both independent factors taken together. While TATO characterizes the effectiveness of asset turnover in producing sales, ROA, an indication of asset profitability, shows the company's capacity to produce profit from asset use. The sustainable growth model put forth by Higgins (1977) is supported by the combination of these two factors, which show that concurrent increases in ROA and TATO will speed up the company's capacity to expand without unduly depending on external debt.

Therefore, it is possible to accept the third hypothesis (H3), which claims that Sustainable Growth Rate (SGR) is significantly impacted by Financial Performance (ROA and TATO) at the same time. The findings of Putri and Santoso (2020), who conclude that ROA and TATO simultaneously have a favorable and significant effect on Sustainable Growth Rate (SGR), are in line with the conclusions of this study.

The Effect of Leverage (DER) as a Moderating Variable on the Relationship between Financial Performance (ROA) and Sustainable Growth Rate (SGR)

A significance value of 0.740, which is greater than 0.05, indicates that the interaction between leverage (DER) and financial performance (ROA) does not significantly affect Sustainable Growth Rate (SGR), according to the study's hypothesis testing results. This suggests that the impact of financial performance (ROA) on Sustainable Growth Rate (SGR) cannot be mitigated by leverage (DER). In theory, DER represents the capital structure of the business, which is determined by the ratio of total debt to equity. The impact of profitability on business expansion should be reinforced by a suitable capital structure. It is anticipated that profitable businesses would make the best use of debt finance to promote long-term growth and corporate expansion. The study's findings, however, show that DER has no effect on the relationship between financial performance (ROA) and Sustainable Growth Rate (SGR). This could happen as a result of businesses not making the most of debt funding for profitable ventures that foster expansion. Furthermore, employing too much debt might raise financial risk, making businesses more cautious while growing. Therefore, even in cases where the company has a specific capital structure, the level of profitability does not directly transfer into sustainable growth. Therefore, it is not possible to accept (reject) the fourth hypothesis (H4), which claims that leverage (DER) can decrease the impact of financial performance (ROA) on Sustainable Growth Rate (SGR).

The Effect of Leverage (DER) as a Moderating Variable on the Relationship between Financial Performance (TATO) and Sustainable Growth Rate (SGR)

A significance value of 0.008, which is less than 0.05, indicates that the interaction between leverage (DER) and total asset turnover (TATO) has a significant impact on Sustainable Growth Rate (SGR), according to the results of hypothesis testing. This suggests that the impact of financial performance (TATO) on Sustainable Growth Rate (SGR) can be mitigated by leverage (DER). This result demonstrates that the relationship between asset efficiency (TATO) and sustainable growth (SGR) can be moderated by leverage, as measured by DER. This outcome is in line with trade-off theory (Modigliani & Miller, 1963), which emphasizes that the best use of debt offers tax shield advantages that increase a business's potential for expansion. In this situation, businesses with a moderate (optimal) DER can use asset efficiency to support sustainable growth, while businesses with an overly high DER may have to pay interest costs, which would reduce the beneficial impact of TATO on SGR. Therefore, it is possible to adopt the fifth hypothesis (H5), which claims that leverage (DER) can decrease the impact of financial performance (TATO) on Sustainable Growth Rate (SGR).

The findings of this study are in line with those of Pratiwi and Ariadi (2023) and Rahman et al. (2024), who discovered that DER moderates the association between TATO and sustainable growth.

Coefficient of Determination (R^2)

The coefficient of determination test results indicate that the R Square value is 0.558, or 55.8%. This indicates that 55.8% of the variation in Sustainable Growth Rate (SGR) can be explained by the independent variables Return on Assets (ROA) and Total Asset Turnover (TATO), with additional variables outside the study model influencing the remaining 44.2%.

Summary of Hypothesis Testing Results

Table 12. Summary of Hypothesis Testing Results

H	Hipotesis	t/F	Say.	Results
H ₁	ROA → SGR (positive & significant)	5.894	0.000	Accepted
H ₂	TATO → SGR (positive & significant)	.429	0.671	Rejected
H ₃	ROA, TATO → SGR (simultaneous)	11.781	0.000	Accepted
H ₄	ROA × DER → SGR (moderating effect)	-.335	0.740	Rejected
H ₅	TATO × DER → SGR (moderating effect)	2.878	0.008	Accepted

Source: Data processed (2026)

CONCLUSION

In consumer goods companies listed on the Indonesia Stock Exchange between 2021 and 2024, this study looks at the impact of financial performance, measured by Return on Assets (ROA) and Total Assets Turnover (TATO), on Sustainable Growth Rate (SGR). Leverage, measured by Debt to Equity Ratio (DER), is used as a moderating variable. The findings show that TATO has a positive but negligible impact on SGR, whereas ROA has a positive and large impact. TATO and ROA both have a major impact on SGR at the same time. Additionally, DER effectively moderates the relationship between TATO and SGR but not the relationship between ROA and SGR. 55.8% of the variation in SGR can be explained by the model, with other variables outside the model influencing the remaining 44.2%.

RECOMMENDATIONS

In order to ensure sustainable growth, companies are recommended to increase profitability, especially ROA, and improve asset efficiency. They should also carefully manage leverage to prevent taking on excessive financial risk. When making investment selections, investors should carefully evaluate leverage levels and take profitability metrics, particularly ROA, into account. For more thorough findings, it is advised that future studies include other factors such firm size, dividend policy, and liquidity in addition to extending the study time and sector coverage.

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