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The Effect of Retention, Debt to Equity Ratio, and Current Ratio on Company Sustainable Growth Rate

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A R T I C L E
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A B S T R A C T

This study examines the impact of financial metrics on sustainable growth, defined as the maximum rate at which a company can grow without changing its financial leverage, a concept supported in recent studies on corporate growth strategies. The analysis focuses on the retention ratio, debt-to-equity ratio, and current ratio. Data is sourced from non-financial companies listed on the Kompas 100 Index on the Indonesia Stock Exchange, selected based on consistent financial reporting and comprehensive data availability during this period. Utilizing a panel data regression model with Stata 17 software, the findings reveal that the retention ratio positively affects sustainable growth, supporting the idea that reinvesting profits promotes long-term company growth. Conversely, DER has a negative impact, indicating that higher leverage increases financial risk. The current ratio does not significantly affect sustainable growth within this model. These results emphasize the importance of strategic financial management, particularly in optimizing retention and leverage, to foster sustainable growth. The study offers stakeholders and legislators practical advice on how to encourage financial practices that foster long-term organizational growth.

INTRODUCTION

In the rapidly changing business climate, firms seeking to preserve long-term competitiveness and create value must prioritize sustainable growth (Zioło et al., 2023; Rahmawati & Rohma, 2024). This concept is supported by recent research indicating that sustainable growth is not only tied to profit maximization but also to maintaining a balance between growth and financial stability (Nastiti et al., 2019). Sustainable growth ensures that the growth is maintained over time without causing financial strain or compromising the firm's long-term health. For example, consider a company that reinvests its profits effectively to expand its operations while maintaining a low debt-to-equity ratio. Such a firm is better positioned to weather economic downturns, maintain shareholder value, and pursue opportunities without the constraints that come from high debt obligations. In contrast, a company that grows too rapidly by taking on excessive debt may face challenges in periods of economic stress, undermining its sustainability (Ali et al., 2019).

Sustainable growth is closely tied to the company's internal capabilities and external market conditions. For example, a business can achieve sustainable growth if it can generate sufficient revenue to fund its expansion without relying excessively on external financing, such as debt or

equity issuances, which may increase financial risk. Understanding the financial measures that drive long-term growth is critical for investors, governments, and corporate executives when making judgments regarding future strategy (Halim, 2024). Sustainable growth has become a critical issue in corporate governance, finance, and economic development, particularly in emerging economies such as Indonesia (Rohma, 2023). Traditionally, corporate growth was primarily driven by short-term financial performance indicators, with less emphasis on the long-term implications of corporate actions (Mensah, 2019). However, the global financial crisis of 2008, along with increased awareness of environmental and social issues, has shifted the focus towards more sustainable business practices. As a result, financial markets have begun to assess companies not only based on profitability but also on their ability to sustain growth responsibly (Lesnikova & Schmidtova, 2020).

The Kompas 100 Index serves as a barometer of the financial health of the country's largest publicly listed companies in Indonesia. These firms have a significant impact on the overall economy, making their growth and sustainability critical for national economic development (Andrianto & Mirza, 2016). Consequently, understanding the financial factors that influence sustainable growth in this context is essential for policymakers, investors, and business leaders. Sustainable growth creates a win-win situation for all stakeholders by fostering long-term stability, reducing risks, driving innovation, and contributing to societal and environmental well-being. By balancing profitability with responsible resource management, companies can create lasting value for shareholders, employees, customers, suppliers, and the broader community. Sustainable growth benefits stakeholders by fostering a stable business environment that ensures consistent returns for investors and shareholders while protecting against market volatility. For employees, sustainable growth implies job security and opportunities for advancement. For customers, it means continued access to high-quality products and services. Suppliers benefit from long-term contracts and stable partnerships, while communities gain from increased economic stability and corporate social responsibility initiatives that prioritize environmental and social welfare (Aqila & Prasetiono, 2023; Aqila & Prasetiono, 2023).

The motivation for this study stems from the importance of sustainable growth for Indonesia's economic development, as represented by companies in the Kompas 100 Index. These firms are critical to the nation's economy, so understanding the financial factors that support their sustainable growth is beneficial for economic planners, investors, and corporate leaders. The literature highlights gaps in the comprehensive analysis of these metrics within emerging markets, providing a compelling reason to explore how internal financial practices align with growth sustainability in Indonesia (Kismartini et al., 2023). Several financial theories provide the foundation for understanding corporate growth. The Sustainable Growth Rate (SGR) theory emphasizes that growth can only be sustained if it is supported by internally generated funds (Shalaby, 2024). Sustainable growth can be understood through two primary components: internal financing, such as retained earnings, and external financing, such as debt and equity. A company's growth is considered sustainable if it can finance its expansion without over-relying on external sources of capital, which could increase financial risk and reduce flexibility (Peretto, 2021).

It highlights the importance of financial stability and efficiency in maintaining growth without over-reliance on external financing. This concept aligns with the retention rate, which reflects the portion of net earnings reinvested in the business rather than paid out as dividends. However, while theory suggests that a higher retention rate leads to more incredible sustainable growth, empirical evidence in emerging markets, such as Indonesia, remains mixed). **S**imilarly, the debt-to-equity ratio (DER) plays a crucial role in determining the balance between debt and equity financing. High DER may amplify returns during favorable market conditions, but it also i ncreases financial risk, which can undermine sustainability in volatile environments (Doktoralina et al., 2018; Vuković et al., 2022). The Current Ratio, a measure of a company's liquidity, is essen-

tial in assessing short-term financial health and ensuring that cash flow constraints do not stunt growth. However, the exact impact of these metrics on sustainable growth in the Kompas Index companies has yet to be thoroughly explored (Vuković et al., 2022; Vaitiekuniene et al., 2024).

This study seeks to explore the relationships between the retention ratio, DER, and current ratio and their effect on sustainable growth. This study aims to provide a nuanced understanding of the financial determinants that enable firms to grow without compromising their long-term financial stability. While financial metrics such as retention ratio, DER, and Current Ratio are widely believed to affect sustainable growth, the specific dynamics within the context of Kompas Index companies are underexplored. The gap in the literature lies in the limited research that specifically addresses how these financial metrics operate within emerging markets like Indonesia. While studies have extensively examined these metrics in developed economies, there is a lack of comprehensive analysis that accounts for the unique economic conditions, regulatory environments, and market dynamics faced by firms in Indonesia (Andrianto & Mirza, 2016; Pahl-Wostl et al., 2023). This research gap needs further investigation to understand how these financial metrics influence sustainable growth in the context of large Indonesian firms, especially in the emerging market setting.

This study examines how financial metrics, more especially the debt-to-equity ratio (DER), current ratio, and retention ratio, affect long-term performance in the Kompas 100 Index companies. The results of panel data regression analysis show that DER has a negative impact on sustainable growth, whereas the retention ratio has a positive impact. There is no discernible impact on the current ratio. These findings offer helpful guidance for business finance planning in Indonesia's dynamic market environment by highlighting the crucial roles that cautious leverage management and reinvested earnings play in promoting sustainable growth.

LITERATURE REVIEW

Sustainable Growth Rate Theory

The concept of Sustainable Growth Rate Theory (SGR) states that a company can achieve sustainable growth at its highest rate without requiring outside equity investment as long as it maintains its current profitability and financial structure (Chen et al., 2013). This idea, which is extensively covered in the literature on corporate finance, is predicated on striking a balance between a company's capacity to manage financial debt and its ability to retain earnings efficiently. It represents a firm’s capacity to increase its operations and profits without depleting its financial and operational resources or overleveraging. The SGR is a central concept in corporate finance and strategic management. It reflects the rate at which a firm can grow its sales, earnings, and assets while maintaining a stable financial structure.

Pratama (2019) stated that when companies aim for growth beyond their sustainable level, they may face liquidity constraints, increased debt, and higher risk, which could negatively impact long-term viability. This theory emphasizes that growth can only be sustained if internally generated funds support it. It highlights the importance of financial stability and efficiency in maintaining growth without over-reliance on external financing (Ross et al., 2021; Mughal et al., 2022). The interplay between sustainable growth and financial performance metrics, such as retention rate, debt-to-equity ratio, and current ratio, forms the basis of this study, as firms listed in such high-profile indices often face heightened scrutiny regarding their growth strategies and financial stability.

Retention Rate reflects the portion of net earnings reinvested in the business rather than paid out as dividends (Cosh, 2018). Firms with a high retention ratio have more resources to reinvest in their operations, driving growth. The relationship between sustainable growth and the retention ratio is closely tied to the firm’s profitability and investment opportunities. A higher retention ratio is generally seen as positive for growth-oriented firms, particularly those aiming

for long-term sustainability. Understanding how sustainable growth affects the retention ratio is crucial for companies listed on the Kompas 100 Index because market pressures require balancing growth and shareholder returns. Companies must decide between reinvesting profits to support growth and providing returns to shareholders, all while maintaining financial health.

The Debt to Equity Ratio (DER) plays a crucial role in determining the balance between debt and equity financing (Kłysik-Uryszek & Uryszek, 2022). DER measures a company's financial leverage, reflecting the balance between the debt used to finance operations and equity from shareholders. High DER may amplify returns during favorable market conditions, but it also increases financial risk, which can undermine sustainability in volatile environments. Meyer & Affolter (2023) established that debt can enhance a firm's growth potential due to the tax benefits of interest payments. However, excessive reliance on debt may increase the firm's financial risk, potentially compromising sustainable growth. For firms listed in the Kompas 100 Index, DER is particularly important, as high-profile companies are often expected to maintain a balanced capital structure. Firms with high sustainable growth rates may use more debt to finance expansion, but must carefully manage the trade-off between leveraging growth opportunities and the risks of overleveraging. The relationship between sustainable growth and DER thus reflects a firm's ability to fund growth without compromising its financial stability.

The current ratio is a liquidity measurement that assesses how well a business can use its short-term assets to pay its short-term liabilities. According to Farhan et al. (2023), maintaining adequate liquidity is essential for ensuring operational continuity, especially during periods of growth. Companies with higher sustainable growth rates must ensure that their liquidity levels are sufficient to cover increased operational needs, such as working capital and inventory expansion, without facing financial distress. For Kompas 100 Index companies, the current ratio is a crucial metric for assessing their financial health, particularly those who are experiencing rapid or sustained expansion. High sustainable growth could strain liquidity if growth is not adequately supported by cash flow management (Gorski & Dumitraşcu, 2024).

While previous studies have examined the relationship between financial metrics and sustainable growth, the literature reveals several discrepancies and debates that provide a basis for this study. On the one hand, research by Naumoski (2022) and Baum & Turner (2004) suggests that the retention ratio and debt-to-equity ratio (DER) are critical factors in determining a firm's sustainable growth. These studies focus on the theoretical frameworks that guide growth sustainability, emphasizing the role of financial stability and internal funding mechanisms. On the other hand, Pratama (2019) and Meyer & Affolter (2023) argue that external market conditions and the capital structure of firms in emerging markets complicate the application of traditional models of sustainable growth.

Moreover, while the retention rate is widely acknowledged as a determinant of sustainable growth (Baum & Turner, 2004), some studies, such as Meyer & Affolter (2023) suggest that its impact may be moderated by factors such as market volatility and access to external capital, challenging the assumption that a high retention ratio is always positively correlated with long-term growth. In addition, the role of the current ratio as a predictor of sustainable growth has been underexplored, particularly in the context of emerging markets like Indonesia (Wahyudi, 2021). These discrepancies and debates create a gap in the literature, particularly in the context of firms listed on the Kompas 100 Index, which face unique economic and market conditions. As such, the current study seeks to address this gap by investigating how the retention ratio, DER, and current ratio interact to impact sustainable growth in Indonesian firms and by examining how these relationships differ from the findings in developed markets.

Hypotheses Development

The concept of sustainable growth, as articulated in Higgins' Sustainable Growth Model, emphasizes the importance of maintaining a balance between a firm's financial performance and its growth ambitions. The retention rate plays a pivotal role in this balance, as it determines the portion of net income reinvested into the firm. By retaining earnings, firms can finance long-term investments, such as research and development, capacity expansion, or entry into new markets, thereby fostering competitive advantages and value creation (Wassef et al., 2024). It reflects a firm's commitment to growth without compromising its financial stability. A higher retention rate means that a more significant portion of the company's profits is kept for reinvestment. This can fund internal capital improvements, research and development, and expansion projects. By reinvesting in the business, the firm is able to support sustainable growth over time without needing to seek external financing, which could be costly or risky. This helps them grow while managing financial risks, a key tenet of sustainable growth. Retained earnings can also be used to finance long-term investments that enhance a company's competitive advantage, such as expanding production capabilities, entering new markets, or acquiring assets. This creates long-term value and supports higher sustainable growth rates (Vuković et al., 2022; Naumoski, 2022). Thus, the hypothesis proposed in this study is:

H1: The higher retention rate positively influences the sustainable growth rate.

A more excellent debt-to-equity ratio (DER) indicates that a business relies more on debt to finance its expansion and operations. While debt can serve as a helpful tool for growth, excessive reliance on debt can create significant risks, particularly in terms of sustainable growth. Sustainable growth refers to a company's ability to maintain a steady rate of growth over time without compromising its financial stability or long-term viability. High levels of debt increase financial obligations, which can strain profitability and limit a company's ability to invest in growth opportunities. As debt levels rise, the company faces higher interest payments and an increased risk of default, which can be especially damaging during economic downturns. As debt increases, the company faces higher interest payments, greater risk of default, and more volatility during economic downturns, which undermines sustainable growth over time (Doktoralina et al., 2018; Vuković et al., 2022). Thus, the hypothesis proposed in this study is:

H2: The negative influence of the higher debt-to-equity ratio on the sustainable growth rate.

A greater CR indicates that a company has sufficient liquidity to manage its short-term obligations, contributing to financial stability. Effective liquidity management through a healthy CR reduces the risk of financial distress, enhances operational stability, and supports the reinvestment of resources into growth opportunities. Sustainable growth refers to a company's capacity to grow at a steady and stable rate without overextending its financial resources or compromising its long-term stability. In this context, a strong liquidity position evidenced by a favorable current ratio helps firms manage cash flow, make strategic investments, and absorb economic shocks, all of which are essential for maintaining sustainable long-term (Vuković et al., 2022; Vaitiekuniene et al. 2024). Thus, the hypothesis proposed in this study is:

H3: The higher current ratio positively influences the sustainable growth rate.

RESEARCH METHOD

This study employs a quantitative research design to examine the impact of key financial measures on sustainable growth, which serves as the dependent variable. Specifically, the study explores how the retention ratio, debt-to-equity ratio (DER), and current ratio (independent variables) influence sustainable growth. Data from companies listed on the Indonesia Stock Exchange (IDX) and included in the Kompas 100 Index from 2018 to 2022 will be utilized. A panel data re-

gression model will be applied to assess the relationships between these variables. The data analysis will be conducted using Stata 17. The Kompas 100 Index is a stock market index that represents the 100 most prominent and most liquid companies listed on the Indonesia Stock Exchange (IDX). It is a benchmark for the financial health and performance of the most significant publicly listed companies in Indonesia, selected based on their market capitalization, trading volume, and overall financial stability.

Companies included in this index are generally recognized as leaders in their respective industries, with strong financial foundations, making them highly relevant for studies on sustainable growth and financial metrics. By focusing on firms listed in the Kompas 100 Index, this study ensures that the sample includes companies that are not only large and financially stable but also actively traded, ensuring the availability of reliable and comprehensive financial data. These companies are typically well-established, and their financial metrics are expected to offer insights that reflect broader trends in the Indonesian economy. Additionally, using the Kompas 100 Index helps control for extreme variations found in smaller, less stable firms, thereby providing a more consistent and representative sample for analyzing the relationship between financial metrics and sustainable growth.

The inclusion criteria for sample selection are companies that have been continuously part of the Kompas 100 Index from 2018 to 2022 and possess complete financial statements designed to ensure that the firms included are both representative of the top tier of Indonesian companies and have consistent data for analysis over the study period. Each research variable's measurements are displayed in the table 1. The analysis will be conducted using panel data regression to explore the effect of retention rate, DER, and current ratio on sustainable growth. Panel data analysis is appropriate for this study as it provides greater insight into dynamic relationships. The panel data regression model is as follows: $SGRit = \alpha + \beta 1RRit + \beta 2DERit + \beta 3CRit + \varepsilon it$. Where: A = Intercept; $\beta 1, \beta 2, \beta 3$ = the coefficients for the independent variables; SGRi = Sustainable Growth Rate for firm i in year-t; RRit = Retention Rate for firm i in year t; DERit Debt-To-Equity Ratio for firm i in year t; CRit = Current Ratio for firm i in year t; ϵit = Error term.

RESULT AND DISCUSSION

Table 2 shows the a snapshot of the financial health of the firms in the dataset, highlighting differences in sustainable growth, retention ratio, DER, and CR. Table 2 shows that, on average, the firms have positive, sustainable growth, but the large negative minimum (-6.0697) shows that some firms struggle with declining growth. The average retention rate is positive (0.5685), meaning most firms retain a significant portion of earnings. However, the negative minimum (-5.1994) indicates that some firms experience significant losses or pay out large dividends. The mean value of DER is above 1, suggesting that these firms use more debt than equity to finance their operations. On the contrary, the mean of CR is below 1, which means that most firms have very few current assets (minimum of 0.0160).

Table 1. Variables Measurements

Variables	Measurements	Sources
Sustainable Growth Rate (SGR)	Retention Ratio x (Net Income: Average Equity)	(Suntraruk, 2023)
Retention Rate (RR)	1-Dividend Payout Ratio	(Naumoski, 2023)
Debt to Equity Ratio (DER)	Total Debt / Total Equity	(Guliyev & Muzaffarov, 2024)
Current Ratio (CR)	Current Assets / Current Liabilities	(Farhan et al., 2023b)

Source: Processed Data, 2024

Table 2. Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
Sustainable Growth	230	0.0239	0.5102	-6.0697	0.8542
Retention Rasio	230	0.5685	0.7399	-5.1994	1.3052
Debt to Equity Ratio	230	1.3095	1.4427	0.0828	9.8740
Current Assets	230	0.8225	0.7684	0.0160	4.2516

Source: Processed Data, 2024

Table 3. Normality Test

Variable	Obs	W	V	Z	Prob>z
res	230	0.6042	66.702	9.732	0.0713

Source: Processed Data, 2024

Table 4. Multicollinearity

Variables	VIF	1/VIF
RR	1.04	0.9597
DER	2.01	0.4979
CR	2.35	0.4258
Mean VIF	2.56	

Source: Processed Data, 2024

Table 5. Heteroskedasticity Test

Chi2 (46)	=	3.01
Prob > chi2	=	1.000

Source: Processed Data, 2024

Table 6. Autocorrelation Test

F(1,43)	=	0.191
Prob > F	=	0.6645

Source: Processed Data, 2024

Table 7. Hypotheses Test

Variables	Coeff.	Std. dev.	t	P>[t]
Cons.	-1.1663	0.0553	-3.01	0.003
RR	0.4389	0.3476	12.63	0.000
DER	-0.0416	0.1923	-2.17	0.031
CR	-0.0025	0.0366	-0.07	0.945
Prob>F	0.0000	R-squared	0.4242	
Adj R-squared	0.4166			

Source: Processed Data, 2024

Table 3 shows that the p-value is 0.0713, which is greater than 0.05. The test strongly indicates that the data follows a normal distribution. The test results are consistent with normality at a very high level of confidence. The results of the multicollinearity test in Table 4 showed that all variables had a Variance Inflation Factor (VIF) value of less than 10. This indicates that multicol linearity is not a concern in the model, suggesting that the regression model is robust and reliable without the issues associated with highly correlated independent variables. The heteroscedasticity in Table 5 using the Breusch-Pagan method yielded a p-value of 1.000, indicating that the regression model is free of heteroscedastic symptoms. The F probability value is 0.6645, which is greater than the value of 0.05, according to the autocorrelation test results in Table 6. From this, it

can be concluded that the regression model is free from autocorrelation issues.

Regression analysis is a statistical method for examining the relationship between independent variables and a dependent variable over time. Based on Table 6, the regression model is built as follows: SGRit = -0.1663 + 0.4389RR - 0.0416DER – 0.0025CR + εit. Table 7 displays that retention rate has a positive effect on Sustainable Growth. For every one-unit increase in retention rate, sustainable Growth increases by 0.4389, holding other factors constant. DER has a negative impact on Sustainable Growth. For every one-unit increase in DER, Sustainable Growth decreases by 0.0416, holding other variables constant. The P-value of the current ratio is 0.945, which means that the current ratio does not have a significant effect on Sustainable Growth in this model.

The Prob > F = 0.0000 indicates that the independent variables (RR, DER, CR) explain a significant portion of the variance in Sustainable Growth. The R-squared = 0.4242 suggests that the model explains 42.42% of the variability in Sustainable Growth. This indicates a moderate fit, meaning that the model accounts for a meaningful amount of the variation in the dependent variable. The Adjusted R-squared = 0.4166 confirms that the model explains about 41.66% of the variance. The model test in Table 7 found that retention rate had a positive effect on sustainable growth rate with a significance value of less than 0.05 and β 0.4389. Based on this finding, H1 was supported. The results of the model test in Table 7 showed that DER had a negative impact on the sustainable growth rate, with a significance value of less than 0.05 and β -0.0416. As a result, H2 was supported. The model test revealed that the current ratio had a significance value greater than 0.05, implying that it did not affect the sustainable growth rate. Based on the test results, H3 was not supported.

The model test found that retention rate had a positive effect on sustainable growth rate with a significance value of less than 0.05 and β 0.4389. Based on this finding, H1 was accepted. This finding is consistent with Naumoski (2023), who highlighted that companies with higher retention rates tend to achieve more sustainable growth. By prioritizing internal reinvestment over external borrowing, these companies are better positioned to expand without compromising their financial health. The retention rate reflects the portion of a company's earnings reinvested rather than paid out as dividends. The Sustainable Growth concept posits that a firm's sustainable growth rate is the maximum growth rate it can achieve without increasing its financial leverage. This theory highlights the importance of using internally generated funds to finance growth, reducing reliance on debt, and mitigating the risks of financial distress. Firms that prioritize high retention rates are more likely to grow sustainably as they avoid the complications associated with excessive debt, such as higher interest payments, default risk, and the volatility that can arise during economic downturns (Kim, 2021; Gorski & Dumitraşcu, 2024).

The results of the model test showed that DER had a negative impact on the sustainable growth rate, with a significance value of less than 0.05 and β -0.0416. As a result, H2 was accepted. This result aligns with the findings of Doktoralina et al. (2018), and Vuković et al. (2022), who documented that high leverage often correlates with constrained growth due to increased financial burdens and reduced operational flexibility. Companies with high leverage, indicated by a high Debt-to-Equity Ratio (DER), often face challenges in securing additional financing. Lenders and investors may perceive highly leveraged companies as riskier, which can result in higher borrowing costs or difficulties in raising capital for new projects. The financial strain associated with higher leverage can negatively impact a company's sustainable growth by increasing financial risk and interest expenses, thereby reducing financial flexibility. According to the sustainable growth concept, enterprises must maintain an optimal debt-to-equity balance in order to achieve long-term growth. Excessive leverage upsets this balance, leading to increased financial expenses, operational inefficiencies, and reduced reinvestment capability. Firms with significant debt may have slower, less sustainable growth due to a reduced ability to fund profitable projects or manage financial shocks (Chen et al., 2013; Kim, 2021).

The model test revealed that the current ratio had a significance value greater than 0.05, implying that it did not affect the sustainable growth rate. Based on the test results, H3 was rejected. This perspective contrasts with the findings of Vuković et al. (2022) and Vaitiekuniene et al. (2024), who argue that higher liquidity correlates with sustainable growth. However, it aligns with the argument of Ali et al. (2019), who posited that overly conservative liquidity management could limit growth potential by underutilizing available resources. Additionally, according to the Sustainable Growth concept, retained earnings represent a pivotal source of funding for growth. Companies with high current ratios may allocate resources toward maintaining liquidity rather than reinvesting them into productive ventures. This strategy, while mitigating short-term risks, could restrict the potential for compounding growth and undermine long-term profitability (Chen et al., 2013; Sanoran, 2023).

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This study examined the effects of retention rate, DER, and current ratio on sustainable growth of the Kompas 100 index companies between 2018 and 2022. Research findings show that a higher retention rate supports sustainable growth by allowing companies to reinvest profits rather than rely on external financing. This reduces financial risks such as high leverage, which can lead to repayment difficulties and higher interest expenses. High leverage, represented by a high DER, negatively affects sustainable growth by increasing financial risk and limiting flexibility. Companies with high debt may face higher borrowing costs and reduced profitability, which restricts their ability to reinvest in the business and maintain long-term growth. While a high current ratio can indicate strong liquidity, it may also point to inefficient capital use. Conversely, a low current ratio doesn't always hinder sustainable growth if the company effectively manages its long-term financing and investments. Overall, balancing these factors is critical to ensuring sustainable growth. The study is limited to companies in the Kompas 100 Index on the Indonesian Stock Exchange. Results may not be generalizable to other companies outside this index or in different markets and economic conditions. This study also covers a relatively short period of five years, which might not capture long-term trends and effects. A more extended period could provide more robust insights into the relationship between financial metrics and sustainable growth. Future research could benefit from expanding the dataset to include a broader sample of companies, both within Indonesia and internationally, to provide more generalizable results. Additionally, covering a longer time frame could offer deeper insights into long-term growth patterns. Since companies in different industries have unique financial structures and growth challenges, future research could examine how the relationship between financial metrics and sustainable growth differs across sectors.

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