

The Effect of Financial Performance on Sustainable Growth Rate

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Article Info	Abstract
Received : 2023-09-29 Accepted : 2025-09-22 Published : 2025-09-24	<i>The effect of financial performance on the sustainable growth rate (SGR) is generally positive and significant. Financial performance, which reflects a company's profitability and efficiency, plays a crucial role in enabling a company to grow sustainably without relying excessively on external capital. Companies with better financial performance tend to have higher sustainable growth rates, indicating they can fund growth internally through retained earnings and efficient financial management. This study aims to analyze the effect of financial performance (liquidity ratio, solvency ratio, activity ratio, and Market Prospect Ratio) on sustainable growth rates. The population of this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021, namely 269 companies. Sampling in this study used the purposive sampling method, so that of the 269 population only 47 companies fulfilled the sampling criteria. This study used multiple linear regression as a research data analysis tool. The results showed that the liquidity ratio, solvency ratio, and Market Prospect Ratio have a negative effect on the sustainable growth rate (SGR). While the activity ratio has a positive effect on the sustainable growth rate (SGR).</i>
Keywords: sustainable growth rate; financial performance	

Introduction

Companies that have long-term growth will establish their position on the competitive charts and enjoy increasing revenues, accompanied by an increase in market share. However, company management needs to recognize and understand that not all growth strategies are suitable for every company. Each company has its strengths and weaknesses, so it is important for management to look at various options and strategies that make sense for the company's growth. Because company growth is an important part of management's target to generate more profits for shareholders. If management is not careful in evaluating and monitoring the growth rate of its company, it will have an impact on the company's finances (Nasim & Rizki Irmama, 2015). Therefore, it is important for companies to take an approach to managing their sustainable growth rate in order to grow sustainably.

A sustainable growth rate indicates that the company's growth rate is supported by internal funding sources without changing financial policies (debt policy, dividend policy, tax policy, and sales policy) (Higgins, 1981). If financial policies do not change, then the growth rate of shareholders' equity will restrict sales growth. By using the sustainable growth rate, managers and investors will be able to measure whether the company's future growth strategy is realistic based on its current performance and policies.

In the second quarter of 2023, PT Indofood CBP Sukses Makmur Tbk (ICBP) led the highest profit increase compared to its competitors in the processed food sub-industry. ICBP's

net profit for the year in the second quarter rose 1,274% to IDR 2.1 trillion, compared to the same period the previous year of IDR 155 billion. ICBP's profit increase was partly supported by increased sales from the instant noodle, dairy, snack food, food flavoring and nutrition and special food segments. Increased financial income and reduced financial expenses encouraged increased profits at ICBP. However, PT Garudafood Putra Putri Jaya Tbk actually had to record a decline in performance in the second quarter of 2023. GOOD's profit in the second quarter of 2023 fell by 55% to IDR 45 billion. The decrease in profit came from a decrease in the Company's sales of 10.7%. The Company's sales segment consists of packaged foods and beverages. (Setiawati, 2023).

From the phenomenon that occurred above, it can be concluded that good revenue growth cannot always be used as a guarantee that the company's net profit will grow. Increased revenue without an increase in net profit may indicate that the company may be experiencing problems that have an impact on its financial performance. This shows the importance of understanding the relationship between financial performance and sustainable growth rate to help company management determine the right strategies and actions to ensure sustainable growth. It provides information on how companies can improve their financial performance to ensure stable and sustainable growth.

A sustainable growth rate is encouraged by the motivation to obtain sustainable profits in the future. A sustainable growth rate is used as a tool to select and identify potential company growth problems and to evaluate financial performance that focuses on company growth management (Sahin & Ergun, 2018). By using this concept, managers and investors will be able to easily measure the growth plan of a company realistically based on the company's financial conditions and policies. Through these calculations, managers and investors will be able to see and estimate the growth of the company (Fonseka, 2012). In this case, the sustainable growth rate can provide a view for managers and investors as a focus for growth (Pandit and Tejani, 2011).

Liquidity ratios play an important role in determining the financial condition of a company. The liquidity ratio measures the ability of a company to fulfill its short-term obligations that will come due (Hery, 2016). Low liquidity levels can cause problems for the company, such as difficulty paying short-term obligations, and will affect the company's reputation. Therefore, maintaining a stable and high level of liquidity is essential for companies to ensure business continuity and sustainable growth. Liquidity in this study is measured by the current ratio, which is a ratio that describes the amount of availability of current assets owned by the company compared to its total current liabilities (Kasmir, 2018). Gunawan and Leonnita (2015) and Indarti et al. (2021) state in their research that liquidity has a significant effect on sustainable growth rates. Meanwhile, research by Putra (2015), Nabilah (2017), Manaf et al. (2018), Priyanto and Robiyanto (2020), and Fajri (2021) states that liquidity has no significant effect on sustainable growth rates. If the company has good liquidity, it will have a better ability to fulfill its financial obligations and manage financial difficulties if necessary.

The sustainable growth rate is also related to the level of debt utilization against the company's equity. Management needs to manage the solvency ratio so that the company's debt level does not exceed its equity. The solvency ratio in this research is proxied by the debt-to-equity ratio (DER), which is the ratio used to see the composition of total debt to capital and equity in a company. This ratio serves to determine every rupiah of own capital used for debt collateral (Hakim, 2018). The results of research by Nasim and Irmama (2015), Gunawan and Leonnita (2015), Zulaecha et al. (2020), Chandradinagga and Rita (2020), Indarti et al. (2021), and Samjaya and Harianti (2021) concluded that the debt-to-equity ratio has a significant positive effect on the sustainable growth rate. Pede (2019) concluded that the debt-to-equity ratio has a significant negative effect on the sustainable growth rate. Meanwhile, research by Putra (2015), Destikasari and Tandika (2017), Insaniyah (2017), Awalia, Adam, and Yuliani (2018),

and Priyanto and Robiyanto (2020) states that the debt-to-equity ratio has no significant effect on the sustainable growth rate.

Companies also need to pay attention to the activity/efficiency ratio to see the company's ability to manage its assets. The activity or efficiency ratio is to measure the efficient use of the company's assets and resources in generating revenue. The activity/efficiency ratio in this study is measured by the total asset turnover ratio. A low total asset turnover ratio means that the company has excess assets where existing assets have not been maximally utilized to create sales (Hery, 2016). Nasim and Irnama (2015), Awalia, Adam, and Yuliani (2018), Zulaecha, Rachmania, Hakim, and Utami (2020), Fajri (2021), and Samjaya and Harianti (2021) state in their research that total asset turnover has a significant effect on sustainable growth rates. Meanwhile, research by Priyanto and Robiyanto (2020) and Indarti et al. (2021) states that total asset turnover has no significant effect on sustainable growth rates.

Market Prospect Ratios are frequently used to assess a successful company in terms of creating value for investors and making stock growth projections. Market Prospect Ratios proxied by dividend payout ratio (DPR) with high market value levels can indicate that the company has good growth potential and the ability to expand the business, while low market value levels can indicate that the company is less attractive to investors and may have problems maintaining long-term growth. Manaf et al. (2018) research shows that the dividend payout ratio has a significant effect on the sustainable growth rate. Meanwhile, the results of research by Awalia, Adam, and Yuliani (2018) found that the dividend payout ratio has no significant effect on sustainable growth rates. If the dividend payout ratio is high, then this indicates that the company pays a lot of dividends to shareholders and has few funds for future investment and growth.

This study aims to analyze the effect of financial performance on the sustainable growth rate of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021.

Literature Review and Hypothesis Development

Agency Theory

According to Brigham and Houston (2018), agency theory is a theory that explains the agency relationship that occurs when the principal hires another individual or organization as an agent to provide some service and delegates the authority to make decisions to the agent. Likewise, Jensen & Meckling (1976) stated in their research that agency relationships arise when one or more principals hire an agent to provide a service and then delegate decision-making authority to the agent. Thus, an agent is obliged to be responsible for the mandate given to him by the principal. Rachmawati & Triatmoko (2007) state that agency conflicts occur due to the parties involved, namely the principal as the party who gives the contract or shareholders and the agent as the party who receives the contract and manages the principal's funds.

Signalling Theory

According to Brigham and Houston (2018), signaling theory is the action of the company's management to provide guidance to investors about the company's prospects. This theory provides an explanation of why companies have an urge to convey or provide information related to the company's financial statements to external parties. The urge to submit or provide information related to financial reports for external parties is based on the existence of an information asymmetry between company management and external parties (Bergh et al., 2014).

Pecking Order Theory

The pecking order theory states that companies prefer internal funding over external funding, safe debt over risky debt, and finally common stock (Corey and Myers, 1984). The Pecking

order theory proposed by Corey and Myers (1984) uses the premise that there is no certain target debt-to-equity ratio when there is only a hierarchy of funding sources that are most preferred by companies.

Sustainable Growth Rate (SGR)

Higgins (1981) explains that the Sustainable Growth Rate (SGR) is the maximum rate at which a company's sales can increase without depleting financial resources. In determining the formulation of disclosure of sales growth dependence on financial resources, Higgins (1981) assumes that: (1) The firm wants to grow as fast as market conditions whenever possible; (2) Management is unable or unwilling to sell new shares; and (3) The firm has a target capital structure and a maintained dividend policy. Increased sales require new assets funded by the company's financial resources from both increased liabilities and retained earnings, assuming the company will not sell shares.

Liquidity Ratio

According to Kariyoto (2017), liquidity is the ability of a company to meet its financial obligations in the short term, or the company's ability to meet financial obligations at maturity. This ratio is very important because if the company is able to pay off its short-term obligations on time, it will get a positive view from investors, which will increase the company's value. The company's liquidity is indicated by the size of its current assets, namely assets that can be converted into cash in a short time, which include cash, securities, accounts receivable, and inventory.

Solvency Ratio

According to Fahmi (2017), the solvency ratio is a ratio that measures how much the company is financed with debt. This ratio describes the company's ability to pay its financial obligations if the company is liquidated. The use of debt that is too high will endanger the company because it will be trapped in a high level of debt and it will be difficult to release the debt burden. Therefore, the company should consider how much debt is worth taking and from which source funds can be used to pay the debt. If the proportion of debt is not considered, it can cause a decrease in profitability, as using debt creates a fixed interest expense (Arifin et al., 2018).

Activity Ratio

Activity ratios are ratios that measure how effective a company is in utilizing all the available resources. All activity ratios involve a comparison between the level of sales and investment in different types of assets. Activity ratios assume that there should be an appropriate balance between sales and various elements of assets such as inventory, fixed assets, and other assets. Low assets at a given level of sales will result in more excess funds being invested in those assets. These excess funds would be better invested in other assets that are more productive.

Market Prospect Ratio

According to Darmadji and Fakhruddin (2012), Market Prospect Ratios are ratios used to compare the share prices of publicly traded companies with other financial measures. Such financial measures include earnings and dividend rates. In other words, Market Prospect Ratios show investors what they should receive from their investment. They will probably receive dividends, earnings, or sales of the appreciated stock value in the future.

The Effect of Liquidity on Sustainable Growth Rate

Liquidity is used to measure the company's ability to pay off its short-term obligations at maturity. When the company's liquidity level is high, it shows that the company has no difficulty paying off its short-term obligations. In agency theory, when the company's liquidity is high, it

shows that management is able to manage and keep the company's cash flow positive so that it can pay off its short-term debt and allocate its capital to the company's operational activities (Kariyoto, 2017). Companies will maintain their liquidity in order to minimize agency costs between shareholders and management. Based on signal theory, liquidity ratios can signal the financial performance of a company and potentially affect the level of sustainable growth. A high liquidity ratio indicates that the company has the ability to meet short-term obligations quickly, thus creating a positive image for investors and increasing the sustainable growth rate. The results of research by Gunawan and Leonnita (2015), Manaf et al. (2018), and Indarti et al. (2021) state that liquidity has a significant negative effect on sustainable growth rates. This shows that a high liquidity value has a negative effect on the sustainable growth rate. Based on the description above, the hypothesis is as follows:

H1: Liquidity Affects Sustainable Growth Rate

The Effect of Solvency on Sustainable Growth Rate

Solvency refers to the company's ability to fulfill its liabilities on time and is measured by the ratio of debt to equity. The higher the level of solvency, the more funds the company has to use for investment and expanding its business, so its growth rate will be higher. In the pecking order theory, companies will prefer to use internal funding sources before seeking external funding sources and will only seek external funding sources if internal funding sources are insufficient (Fahmi, 2017). Good solvency will allow the company to have a larger internal source of funds, so the company will prefer to use internal sources of funds to finance its growth. This will make the company more stable and have a lower level of risk, allowing the company to achieve a higher sustainable growth rate. The results of research by Nasim and Irnama (2015), Gunawan and Leonnita (2015), Destikasari and Tandika (2017), Zulaecha et al. (2020), Chandradinagga and Rita (2020), Priyanto and Robiyanto (2020), Indarti et al. (2021), and Samjaya and Harianti (2021) concluded that the debt-to-equity ratio has a significant positive effect on the sustainable growth rate. Based on the description above, the hypothesis is as follows:

H2: Solvency Affects Sustainable Growth Rate

The Effect of Activity on Sustainable Growth Rate

The activity ratio measures the company's efficiency in managing its resources to generate revenue. A high activity ratio indicates that the company is able to utilize resources well so that it can accelerate growth. In agency theory, companies that have a high activity ratio are considered more profitable for shareholders because they have better growth potential. Management will always make maximum efforts to manage assets and utilize existing resources efficiently so that the activity ratio gets higher (Syamsuddin, 2016). Nasim and Irnama (2015), Awalia, Adam, and Yuliani (2018), Zulaecha et al. (2020), Fajri (2021), Samjaya and Harianti (2021), and Fajri (2021) state in their research that total asset turnover has a significant positive effect on sustainable growth rates. Based on the description above, the hypothesis is as follows:

H3: Activity Affects Sustainable Growth Rate.

The Effect of Market Prospect Ratio on Sustainable Growth Rate

The Market Prospect Ratio, which is measured by the dividend payout ratio, is used for measuring the company's ability to provide profits to shareholders and also to determine how much revenue or profit is retained to be reinvested in order to enhance the company's growth. In signal theory, if the company pays a high dividend rate, it will give a positive signal to investors that the company has good growth prospects and has stable cash flow. However, if the dividend rate paid is very high, then this can be interpreted as a negative signal that the company does not have good growth prospects and will make cash flow unstable, which will reduce investor interest and affect the level of sustainable growth rate (Darmadji and Fakhruddin, 2012). In the pecking order theory, if the company has a high level of DPR, it will affect the level of internal

capital of the company and reduce the source of funds for investment. This can affect the long-term growth of the company and reduce its sustainable growth rate. In agency theory, shareholders and management have different interests, so management can take actions that are not in line with the interests of shareholders. A high level of DPR will reduce internal capital and reduce the company's source of funds for investment, and this can affect the long-term growth of the company and reduce its sustainable growth rate. Manaf's research, et al. (2018), states that dividends per share have a significant negative effect on sustainable growth rates. Based on the description above, the hypothesis is as follows:

H4: Market Prospect Ratio Affects Sustainable Growth Rate

Methods

This research uses a quantitative approach. The object of this research is the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021. The type of data used in this study is quantitative secondary data in the form of sustainable growth rate, current ratio, debt-to-equity ratio, total asset turnover, and dividend payout ratio data. The data source is obtained from the Indonesia Stock Exchange (IDX). The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021, totaling 269 companies. The sample in this study used the purposive sampling method. Purposive sampling is a sampling technique based on certain criteria (Sugiyono, 2017). Of the 269 companies, there are only 47 that meet the predetermined sampling characteristics. The data was analyzed using multiple regressions.

Results and Discussion

Results

Data Description Analysis

Descriptive statistics are a description of the summary data for each variable that will be included in the testing process. The aim is to make it easier to understand the data, starting from the amount of data (N), average value (mean), maximum value, minimum, and standard deviation data (Std Deviation).

Table 1. Descriptive Analysis Results

	CR	DER	TATO	DPR	SGR
Mean	2.4488	0.9903	1.2245	0.4516	0.0353
Median	2.0046	0.7206	0.9907	0.3806	0.0354
Maximum	10.479	4.2858	4.6246	3.5034	0.0680
Minimum	0.6140	0.0670	0.0024	0.0200	-0.0590
Std. Dev.	1.6590	0.8230	0.8214	0.3368	0.0152
Observations	235	235	235	235	235

Source: SPSS 26 Output Data, (2023)

From Table 1 above, it can be seen that the number of research samples is 235 observations from a sample of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021, namely 47 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021 (5-year observation period). By rounding two decimal places, it can be seen that the average value of SGR is 0.03 while the std.deviation is 0.01, indicating that the variation is not too large in the acquisition of company value in 2017–2021. Next is the average CR of 2.44 with a std.deviation of 1.65, then the average DER of 0.99 with a std.deviation of 0.82, then the average TATO of 1.22 with a std.deviation of 0.82, and the

DPR studied with an average value of 0.45 with a std. deviation of 0.33. So it can be seen that each variable has a mean value greater than the standard deviation value, meaning that the data for each variable is in good condition or there is no data deviation on the variable.

Data Normality Test

The normality test aims to test whether the standardized residual values in the regression model are normally distributed or not. In this approach, the residual value is normally distributed if the Jarque-Bera probability value > 0.05 . Based on the normality test results (Figure 1), it can be seen that the Jarque-Bera probability value = $0.319128 > 0.05$. Therefore, based on the normality test, the residual values are normally distributed, regression analysis is feasible.

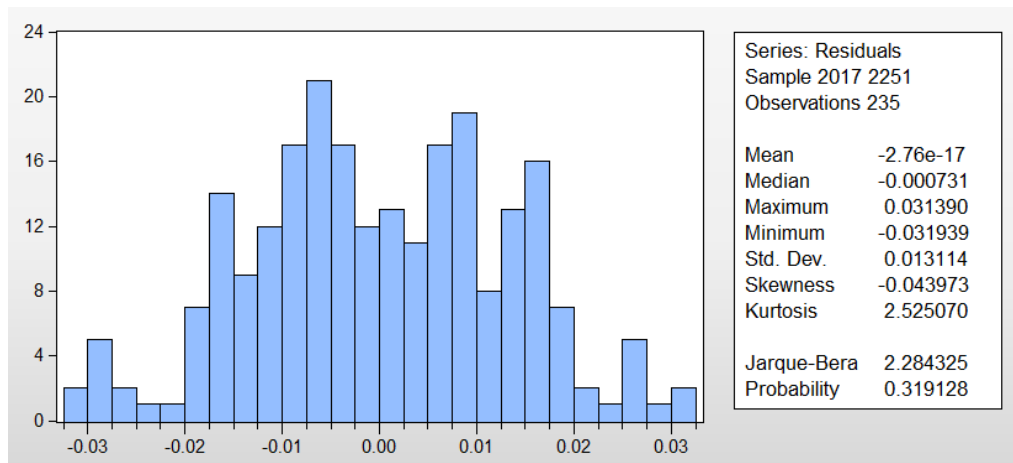


Figure 1. Normality Test

Heteroscedasticity Test Results

Heteroscedasticity is the problem of regression in which the disturbance factor does not have a constant variance or the same variance. This can lead to several problems, including incorrect variance of the OLS coefficients and biased OLS estimation.

Table 2. Heteroscedasticity Test

F-statistic	2.246520	Prob. F(4,230)	0.0649
Obs*R-squared	8.836200	Prob. Chi-Square(4)	0.0653
Scaled explained SS	7.371262	Prob. Chi-Square(4)	0.1175

Source: SPSS 26 Output Data, (2023)

From table 2, it appears that the P-value Obs*R-Squared is 0.0653, so there is no problem with heteroscedasticity. This is because the P-value Obs*R-Squared = $0.0653 > 0.05$, which proves that there is no problem with heteroscedasticity.

Coefficient of Determination (R²)

The coefficient of determination (R²) essentially measures how far the model's ability to explain variations in the dependent variable. A low (R²) value means that the ability of the independent variables to provide almost all the information needed to explain the dependent variable is weak (Ghozali, 2018).

Table 3. Coefficient of Determination

Model	R	Ajusted R-Square
1	0.545 ^a	0.297

Source: SPSS 26 Output Data, (2023)

From table 3 above, it can be seen that the adjusted R-square (R²) is 0.0.297. This figure is used to see the effect of CR, DER, TATO, and DPR on SGR by calculating the coefficient of determination (KD) with the following formula:

$$KD = R^2 \times 100\%$$

$$KD = 0,297 \times 100\%$$

$$KD = 29.70\%$$

This figure means that the effect of CR, DER, TATO, and DPR on SRG simultaneously is 29.7%; the rest is influenced by other factors.

Simultaneous Test (F-Test)

The F-test is used to test whether the regression model simultaneously affects the dependent variable. If the independent variables together (simultaneously) affect the dependent variable, then the regression equation model can be said to be feasible. Conversely, if the independent variables together (simultaneously) have no effect on the dependent variable, then the regression equation model can be said to be inappropriate.

Table 4. F-Test Results

Variable	F Count	Sig
CR, DER, TATO dan DPR	15.131	0.000

Source: SPSS 26 Output Data, (2023)

Based on the output in Table 4 above, the prob. (F-statistic) value is 0.000000. Where the value is smaller than the α value of 0.05, it can be said that the regression model is feasible. Because Prob. (F-statistic) < 0.05, then H₀ is rejected and H₁ is accepted. This states that the liquidity ratio (CR), solvency ratio (DER), activity ratio (TATO), and Market Prospect Ratio (DPR) together (simultaneously) have a significant effect on the sustainable growth rate of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021.

Individual Significant Test (t-Test)

The individual test is used to determine the effect of the current ratio variable, debt-to-equity ratio, total asset turnover, and dividend payout ratio on the sustainable growth rate. The results of the t-test statistical analysis can be seen in Table 5 below.

Table 5. t-Test Results

Variable	Coefficient	T-Statistic	Prob
C	0.032424	1.023913	0.3070
CR	-0.001566	-1.933880	0.0057
DER	-0.005117	-2.777429	0.0059
TATO	0.004053	3.378869	0.0009
DPR	-0.022986	-8.807235	0.0000

Source: SPSS 26 Output Data, (2023)

It is known that the t-table value is at the 5% significance level with the following equation:

$$= 235 - 4 - 1; (0,05)/2$$

$$= 230; 0,025$$

$$= 1,914$$

Information: n = number of samples; k = number of independent variables;
 1 = constant

The Effect of the Liquidity Ratio on Sustainable Growth Rate

This study shows that there is a significant effect of liquidity (CR) on the sustainable growth rate (SGR). This is evidenced by the coefficient value (-0.001), the calculated t value of -1.933 < from the t table of -1.914, and a significance value that is less than 0.05 ($\alpha = 5\%$), which is 0.005 < 0.05. So these results state that liquidity (CR) affects the sustainable growth rate (SGR).

The Effect of the Solvency Ratio on Sustainable Growth Rate

This study shows that there is a significant effect of solvency (DER) on the sustainable growth rate (SGR). This is evidenced by the coefficient value (-0.005), the calculated t value of -2.777 < from the t table of -1.914, and a significance value that is less than 0.05 ($\alpha = 5\%$), which is 0.005 < 0.05. So these results state that solvency (DER) affects the Sustainable Growth Rate (SGR).

The Effect of Activity Ratio on Sustainable Growth Rate

This study shows that there is a significant effect of the activity ratio (TATO) on the sustainable growth rate (SGR). This is evidenced by the coefficient value of 0.004 and the t value of 3.378 > from the t table of 1.914 and a significance value that is less than 0.05 ($\alpha = 5\%$), which is 0.000 < 0.05. So these results state that the activity ratio (TATO) affects the sustainable growth rate (SGR).

The Effect of Market Prospect Ratio on Sustainable Growth Rate

This study shows that there is a significant effect of Market Prospect Ratios (DPR) on the sustainable growth rate (SGR). This is evidenced by the coefficient value (-0.022) and the calculated t value of -8.807 < from the t table of -1.914, as well as a significance value that is less than 0.05 ($\alpha = 5\%$), which is 0.000 < 0.05. So this result states that the Market Prospect Ratio (DPR) affects the sustainable growth rate (SGR).

Discussion

The Effect of the Liquidity Ratio on Sustainable Growth Rate

Liquidity makes the growth of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021 decrease due to company management not optimizing the funds owned by the company to increase profits, so that the company is unable to generate large profits for corporate equity growth (Indarti et al., 2021). The liquidity ratio, measured by the current ratio, is used to measure the ability of current assets to pay current debt. Current assets usually consist of cash, securities, accounts receivable, and inventory. Current debt consists of accounts payable, short-term notes payable, maturities of long-term debt, unpaid taxes (accrued), and other accrued expenses (mainly wages). However, a company with a high current ratio does not guarantee that it will be able to pay the company's maturing debt due to the proportion or distribution of unfavorable current assets. For example, if the amount of inventory is relatively high compared to the estimated level of future sales, the inventory turnover rate is low, which indicates excess

investment in the inventory or the existence of a large receivable balance that may be difficult to collect (Putri et al., 2025).

The Effect of the Solvency Ratio on Sustainable Growth Rate

High solvency makes the growth of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021 decrease because company profits are eroded by paying interest on corporate debt. There is a negative impact between DER and sustainable growth rate (SGR) in manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021, because a higher debt ratio increases the value of corporate debt and reduces profit growth. The results of this study indicate that an increase in DER will reduce earnings growth. The results of this study indicate that manufacturing companies have greater leverage in their operations, which in the future will incur somewhat higher interest costs for the company, which will affect operating profit growth.

The Effect of Activity Ratio on Sustainable Growth Rate

Activity ratio makes the growth of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021 increase because company profits have increased. Along with the rapid development of the world economy, which has led to a free market economic system, companies are increasingly required to be able to increase competitiveness in order to survive and achieve success. A company can be said to be able to achieve success and be able to compete if it can generate maximum profit. Profit reflects the ability of a company to actually generate value and is the main measure of success. Profit is an increase in economic benefits during one accounting period in the form of income, an increase in assets, or a decrease in liabilities, resulting in an increase in equity that does not come from capital investment contributions.

The Effect of Market Prospect Ratio on Sustainable Growth Rate

Market Prospect Ratio (DPR) makes the growth of manufacturing companies listed on the Indonesia Stock Exchange in 2017–2021 decrease because the company's retained earnings are getting smaller. Dividend policy is a decision about whether the profit earned by the company will be distributed to shareholders as dividends or retained in the form of retained earnings to finance future investments. This dividend policy is actually inseparable from the function of meeting funding needs, meaning that if dividends are not distributed and used for new investments, the investment returns must be greater than retained earnings. If the level of profit from investment is below the dividend, then it is better for the dividend to be distributed to shareholders. Dividend payout ratio can also inhibit profit growth because if dividends are paid in full, it will reduce capital for the company's operating costs, so that it can reduce company profits (Darmadji and Fakhruddin, 2012).

Conclusion and Suggestion

Conclusion

Based on the results of this study, several conclusions were obtained, which are briefly presented as follows: The liquidity ratio has a negative effect on the sustainable growth rate (SGR). Company management has not optimized the use of company funds to increase profits, so the company is unable to generate higher profits for the company's equity to grow. The solvency ratio has a negative effect on the sustainable growth rate (SGR). The profit generated by the company is eroded by the company's debt interest payments, so the company is unable to increase profits. Activity ratio has a positive effect on sustainable growth rate (SGR). The profit generated by the company has increased. The Market Prospect Ratio has a negative effect on the sustainable growth rate (SGR). The company's retained earnings are getting less.

Suggestion

For future researchers to expand the scope of their research by examining several industrial sectors so that the results obtained can be used as a reference for other research in a more general manner. Differences in industrial sectors are likely to affect the results of research findings. Future researchers need to add other variables that have the potential to affect the company's sustainable growth rate (SGR).

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