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Total Risk, Capital Structure, and Profitability Analysis: The Impact on Corporate Sustainability Mediated by Firm Performance

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***Abstract**. This research aims to analyze the relationships among total risk, capital structure, and profitability, and their impact on corporate sustainability, with firm performance acting as a mediator. Corporate sustainability has become increasingly important in today's competitive and dynamic business environment. A literature review indicates that well-managed total risk can enhance firm performance, while an optimal capital structure contributes to higher profitability. In turn, profitability enables companies to invest in innovation and sustainable development. This study identifies a gap in the existing literature, as few studies integrate these three factors within the context of sustainability. By employing a comprehensive analytical approach, this research seeks to provide deeper insights into how total risk, capital structure, and profitability interact to support corporate sustainability. The findings are expected to significantly contribute to financial management practices and sustainable corporate policies.*

***Keywords** Total Risk, Capital Structure, Profitability, Firm Performance, Corporate Sustainability*

1. INTRODUCTION

Corporate sustainability is increasingly recognised as a fundamental aspect of modern business strategy, necessitated by rapid changes in the global marketplace and rising environmental concerns. In this context, organisations face the dual challenge of achieving profitability while adhering to sustainable practices. This research explores the interconnected relationships between total risk, capital structure, and profitability, and their collective influence on corporate sustainability, with firm performance acting as a mediating factor(Lee, 2024).

Total risk encompasses various uncertainties that organisations encounter, including operational, financial, and market-related risks. Effective management of these risks is crucial for the long-term viability of a company (Indawati et al., 2024). Firms that successfully identify and mitigate potential risks are more likely to achieve stable performance and protect their resources, enhancing their capacity for sustainable practices. Understanding how total risk interacts with capital structure and profitability is essential for developing comprehensive managerial strategies(Helms et al., 2021).

Capital structure, which refers to the mix of debt and equity financing that a company utilizes, plays a significant role in shaping its financial health (Titus, 2023). An optimal capital structure minimizes the cost of capital and maximizes profitability, allowing firms to allocate

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resources more effectively. Companies with a well-balanced capital structure are often better equipped to navigate financial challenges and invest in sustainable initiatives. Thus, examining the relationship between capital structure and sustainability is vital for understanding the implications of financial decisions on long-term viability.

Profitability serves as a key indicator of a company's financial success and its ability to invest in future growth. Higher profitability not only enhances shareholder value but also provides the necessary resources for firms to pursue innovative and sustainable practices,Machdar, N. M. (2020).

As businesses strive to balance profitability with social and environmental responsibilities, it becomes crucial to explore how profitability influences and is influenced by total risk and capital structure, Khan, M. A., & Manurung, A. H. (2024). Firm performance acts as a mediator in the relationship between total risk, capital structure, profitability, and corporate sustainability. By effectively managing performance metrics, companies can navigate the complexities of risk and financial structure more efficiently, Rossa, E.,dkk (2024). This mediating effect suggests that enhancing firm performance can amplify the positive impacts of total risk and capital structure on sustainability efforts. Therefore, understanding this dynamic is critical for developing comprehensive management strategies that foster corporate sustainability.

A review of existing literature reveals a significant gap in research that integrates total risk, capital structure, and profitability concerning corporate sustainability. Most studies tend to focus on these factors in isolation, overlooking their interdependenciesAdler Haymans Manurung, Adler Haymans Manurung (2022). This gap underscores the need for further investigation into how these elements interact and influence each other. By addressing this gap, the current study aims to contribute to a more holistic understanding of corporate sustainability.

The primary research question guiding this study is: How do total risk, capital structure, and profitability interact to influence corporate sustainability? Additionally, the study will explore sub-questions regarding the specific mechanisms through which firm performance mediates these relationships. By addressing these questions, the research seeks to provide actionable insights for practitioners and scholars alike. To analyze the relationships among total risk, capital structure, profitability, and corporate sustainability, this research will employ a comprehensive methodological approach. The study will utilize quantitative data analysis to identify patterns and correlations among the variables. This robust examination will contribute to the validity of the findings and provide a clearer picture of the interactions at play.

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The insights gained from this research hold significant implications for financial management practices and corporate policies. By understanding the intricate relationships between total risk, capital structure, profitability, and sustainability, managers can make informed decisions that align financial objectives with sustainability goals. This alignment is crucial for fostering long-term resilience and success in an increasingly competitive market.

Furthermore, this study aims to make substantial contributions to the field of corporate sustainability by integrating the concepts of total risk, capital structure, and profitability. By providing a clearer understanding of how these factors interact, the research will help bridge the existing literature gap and enhance theoretical frameworks. The findings are expected to inform future research directions and encourage further exploration of these critical relationships.

2. LITERATURE REVIEW

Total Risk

Total risk, in the context of a corporation, refers to the uncertainty that can impact the financial performance of the organization. This concept encompasses various potential threats that can arise from both internal and external sources. According to Brigham and Ehrhardt (2016), total risk is categorized into systematic risk and unsystematic risk. Systematic risk is associated with external factors that affect the entire industry or market, such as economic downturns, political instability, or changes in regulatory frameworks. On the other hand, unsystematic risk pertains to risks specific to an individual company, including management decisions, operational inefficiencies, or product failures.

Effective management of total risk is crucial for enhancing a company's performance and ensuring its long-term sustainability. The ability to identify and mitigate both types of risk allows organizations to navigate uncertainties more effectively. Research by Smith and Stulz (2003) indicates that companies that adopt robust risk management practices tend to outperform their peers, as they are better equipped to handle adverse events and capitalize on opportunities. This proactive approach to risk management not only safeguards financial resources but also fosters a culture of resilience within the organization.

Understanding the distinction between systematic and unsystematic risk is vital for corporate decision-making. For instance, while systematic risks may be challenging to eliminate, companies can take strategic measures to hedge against them, such as diversifying their investment portfolios or engaging in forward contracts. Conversely, unsystematic risks can often be controlled through effective management practices, such as improving operational efficiencies, investing in employee training, and enhancing product quality. By addressing these risks comprehensively, firms can create a more stable operational environment conducive to sustainable growth.

Furthermore, the implications of total risk extend beyond immediate financial performance; they also influence the long-term sustainability of the organization. Companies that effectively manage their total risk are more likely to maintain stakeholder confidence, attract investment, and foster customer loyalty. As sustainability becomes a critical concern for businesses, risk management strategies that prioritize environmental, social, and governance (ESG) factors are increasingly relevant. This alignment not only mitigates potential risks but also enhances a company's reputation and market positioning.

In conclusion, total risk is a multifaceted concept that plays a significant role in determining a company's financial health and sustainability. By understanding and managing both systematic and unsystematic risks, organizations can enhance their performance and resilience in an ever-changing business landscape. The insights gained from effective risk management not only contribute to financial stability but also position companies favorably in their pursuit of long-term sustainability goals. As such, total risk management should be viewed as an integral component of corporate strategy, essential for thriving in today's competitive environment.

Capital Structure

Capital structure refers to the combination of debt and equity that a company uses to finance its operations and growth Machdar, Nera Marinda (2024). The balance between these two sources of financing is critical, as it can influence various aspects of a company's financial health. Modigliani and Miller (1958) famously proposed that in a perfect market scenario, the capital structure does not affect the overall value of the firm. Their theory suggests that the costs associated with debt and equity will balance out, leaving the firm's value unchanged regardless of its financing mix. However, this theoretical framework assumes conditions that rarely exist in the real world, where factors such as taxes, bankruptcy costs, and agency problems come into play.

In practice, the optimal capital structure can significantly impact a company's cost of capital and the risks it faces. A well-structured combination of debt and equity can minimize financing costs, allowing the company to invest more in growth opportunities and innovation. Conversely, poor capital structure decisions can lead to increased financial risk, which may hinder a company's ability to raise funds or invest in critical projects. Myers (2001) highlights

e-ISSN : 3063-8712; dan p-ISSN : 3063-6205; Hal. 202-221

that companies with an optimal capital structure can effectively manage their risks and enhance profitability, making sound capital structure decisions essential for long-term success.

The interaction between capital structure and other financial factors is crucial for understanding its role in corporate sustainability, Machdar, Nera Marinda (2024). For instance, a company with a high level of debt may face greater financial strain during economic downturns, which could jeopardize its sustainability efforts. Conversely, a well-balanced capital structure that incorporates a reasonable level of debt can provide the necessary leverage to pursue expansion without overextending financial resources. This balance is particularly important as companies increasingly seek to align their financial strategies with sustainability objectives.

Moreover, the implications of capital structure extend beyond immediate financial performance to impact stakeholder perceptions and overall corporate reputation. Companies that demonstrate prudent financial management through an optimal capital structure are more likely to attract investors and maintain customer loyalty. In an era where sustainability is a key concern for consumers and investors alike, firms that can effectively communicate their financial strategies in relation to their sustainability goals will likely enjoy a competitive advantage. Thus, understanding capital structure is not merely a financial exercise but a strategic imperative for organizations aiming to thrive in a socially conscious marketplace.

In conclusion, capital structure plays a pivotal role in determining a company's financial stability and sustainability. While theoretical models suggest that capital structure may not affect firm value in perfect markets, real-world complexities necessitate a careful consideration of how debt and equity financing interact. By optimizing their capital structure, companies can minimize risks, reduce costs, and enhance profitability, ultimately supporting their long-term sustainability objectives. As such, capital structure decisions should be integrated into broader corporate strategies to ensure that financial health aligns with sustainable practices and stakeholder expectations.

Profitability

Profitability is a critical measure of a company's ability to generate profit from its revenues. It serves as an essential indicator of financial performance, reflecting how effectively a company can convert sales into earnings. High profitability not only signifies operational efficiency but also provides the necessary resources for businesses to invest in future growth opportunities. According to Garrison et al. (2018), companies with strong profitability are better positioned to allocate funds toward innovation and development initiatives, which are vital for long-term sustainability.

The link between profitability and corporate sustainability is particularly significant in today's competitive landscape Adler Haymans Manurung, Adler Haymans Manurung (2022). Firms that achieve high profit margins often have the financial flexibility to pursue sustainable practices, such as adopting green technologies, improving supply chain sustainability, or investing in corporate social responsibility initiatives. This ability to reinvest profits into sustainable practices not only enhances a company's reputation but also aligns with the growing expectations of stakeholders who prioritize environmental and social governance.

Research by Chen and Wu (2017) emphasizes the positive relationship between profitability and a company's adaptability to market changes. Profitable firms are generally more resilient, allowing them to respond swiftly to evolving consumer preferences, regulatory shifts, and competitive pressures. This adaptability is crucial in a rapidly changing business environment, where companies must continuously innovate to maintain their market position. As a result, profitability not only fuels growth but also enhances a company's capacity to navigate uncertainties.

Moreover, profitability is pivotal in shaping investor perceptions and corporate valuation. Investors are more likely to support companies that demonstrate consistent profitability, as it indicates a lower risk profile and greater potential for returns. This investor confidence can lead to increased access to capital, further enabling firms to invest in transformative projects that promote sustainability, Machdar, N. M. (2018). Consequently, focusing on profitability can create a virtuous cycle, where financial success fuels sustainable initiatives, enhancing long-term profitability.

In conclusion, profitability is a vital component of corporate performance that directly influences a company's ability to sustain and grow in a competitive market. Organizations can generate substantial profits by investing in innovation and sustainable practices that bolster their long-term viability. The positive correlation between profitability and adaptability underscores the importance of financial health in achieving resilience amid market fluctuations. Therefore, companies must prioritize strategies that enhance profitability while aligning with sustainability goals to ensure continued success in an evolving business landscape.

e-ISSN : 3063-8712; dan p-ISSN : 3063-6205; Hal. 202-221

Firm Performance as a Mediator

Firm performance is often regarded as a crucial mediator in the relationship between total risk, capital structure, and profitability, impacting corporate sustainability. It serves as an essential link that facilitates the interactions among these variables. According to Kaplan and Norton (1996), firm performance can be measured through various indicators, including operational efficiency, customer satisfaction, and revenue growth. These indicators collectively reflect how well a company is managing its resources and responding to market demands, thereby influencing its overall sustainability efforts.

Effective firm performance enables organizations to better manage risks associated with their operations. Research by Ittner and Larcker (1998) indicates that companies with strong performance metrics are typically more adept at identifying and mitigating potential risks. By employing risk management strategies tailored to their unique circumstances, these firms can enhance their resilience in the face of uncertainties. This capability is particularly important in today's volatile business environment, where firms are constantly challenged by economic fluctuations and competitive pressures.

Moreover, a company's performance is closely tied to its capital structure decisions. Firms that optimize their capital structure can achieve better financial outcomes, which in turn enhances their overall performance. A well-managed capital structure allows companies to allocate resources efficiently, reducing the cost of capital and improving profitability. Consequently, improved firm performance not only reflects effective capital management but also contributes to a positive feedback loop that reinforces sustainability initiatives.

Profitability is another critical aspect influenced by firm performance. High-performing companies are generally more profitable, providing them with the financial resources necessary to invest in sustainable practices and innovations. This relationship underscores the importance of performance as a mediator; as firms enhance their operational efficiency and customer satisfaction, they are likely to see improvements in profitability. This increased profitability can then be reinvested into sustainable initiatives, further supporting the company's long-term viability.

In conclusion, firm performance plays a pivotal mediating role in the interplay between total risk, capital structure, and profitability concerning corporate sustainability. By focusing on enhancing performance metrics, companies can better navigate risks, optimize their financial structures, and ultimately improve profitability. This holistic approach not only strengthens their market position but also aligns with sustainability goals, ensuring that firms remain competitive and responsible in their operations. As such, understanding and improving firm performance should be a strategic priority for organizations aiming to achieve long-term sustainability.

Corporate Sustainability

Corporate sustainability refers to a company's ability to operate over the long term without compromising its economic, social, and environmental resources. This concept goes beyond mere compliance with regulations; it embodies a holistic approach to conducting business that prioritizes the well-being of all stakeholders involved. According to Elkington (1997), sustainability encompasses three key pillars: economic viability, social equity, and environmental protection. Balancing these pillars is essential for organizations that aim to thrive in a rapidly changing world while contributing positively to society and the planet.

In this context, companies that effectively manage total risk, capital structure, and profitability are better positioned to achieve sustainability. A robust risk management framework allows firms to identify potential threats and opportunities, enabling them to make informed decisions that align with their sustainability goals. Additionally, an optimal capital structure can provide the financial flexibility needed to invest in sustainable initiatives, while strong profitability ensures that resources are available for innovation and development. Together, these elements create a foundation for long-term sustainable practices. Research by Bocken et al. (2014) emphasizes that companies focusing on sustainability tend to be more innovative and responsive to market needs. Such organizations recognize that sustainability is not just a regulatory requirement but a strategic advantage that can lead to enhanced reputation, customer loyalty, and competitive differentiation. By integrating sustainability into their core business strategies, these firms are often more agile and capable of adapting to changing consumer preferences and environmental challenges.

Moreover, corporate sustainability has become increasingly relevant in attracting investment and building stakeholder trust. Investors are now more inclined to support companies that demonstrate a commitment to sustainable practices, viewing them as lower risk and more likely to generate long-term returns. This shift in investor sentiment underscores the importance of sustainability in corporate strategy, as it directly impacts a company's access to capital and overall market valuation.

In conclusion, corporate sustainability is essential for ensuring that companies can operate successfully over the long term without depleting the resources they rely on. By effectively managing total risk, capital structure, and profitability, organizations can create sustainable business models that benefit not only their bottom line but also society and the

e-ISSN : 3063-8712; dan p-ISSN : 3063-6205; Hal. 202-221

environment. As businesses continue to navigate the complexities of the modern economy, embracing sustainability will be crucial for their resilience, innovation, and overall success.

3. METHODS

This literature review aims to analyze the interrelationships between total risk, capital structure, and profitability, and their collective impact on corporate sustainability, with a specific focus on the mediating role of firm performance. The review process will begin with the identification of relevant literature through comprehensive searches in academic databases such as Google Scholar, JSTOR, and Scopus, using keywords including "total risk," "capital structure," "profitability," "corporate sustainability," and "firm performance." Inclusion criteria will encompass peer-reviewed articles, books, and dissertations published within the last two decades to ensure the relevance and currency of the findings. Selected studies will be systematically categorized based on their themes and methodologies, allowing for a structured analysis of the existing body of knowledge. Each piece of literature will be critically evaluated to identify key findings, theoretical frameworks, and gaps in the research. The synthesis of this information will facilitate a comprehensive understanding of how total risk, capital structure, and profitability influence corporate sustainability through firm performance, ultimately contributing to the development of a coherent narrative that highlights the significance of these relationships in the context of contemporary business practices.

4. RESULTS

Total Risk and Corporate Sustainability

Effective management of total risk is integral to enhancing corporate sustainability. Companies that can identify, assess, and mitigate risks are better equipped to navigate the complexities of their operating environments. According to Hillson (2002), organizations that prioritize risk management are more likely to endure over the long term, as they can adapt to unforeseen challenges and capitalize on emerging opportunities. By proactively addressing potential threats, these companies can create a stable foundation that supports sustainable practices and long-term growth.

Unmanaged risks can disrupt operations and undermine financial performance, making it critical for organizations to develop robust risk management frameworks. For instance, operational risks such as supply chain disruptions, regulatory changes, and market volatility can significantly impact a company's ability to deliver products and services. By implementing effective risk management strategies, firms can minimize the likelihood of such disruptions, ensuring continuity in operations and stability in revenue generation. Furthermore, the nature of risks faced by organizations is evolving, particularly in the context of sustainability. Environmental risks, such as climate change and resource depletion, have become increasingly prominent in corporate risk assessments. Firms that fail to recognize and address these risks not only endanger their operational viability but also risk damaging their reputation and stakeholder trust. In contrast, companies that integrate sustainability considerations into their risk management processes are more likely to build resilience against these environmental challenges.

The relationship between total risk and corporate sustainability also extends to financial stability. Companies that effectively manage their risks can achieve better financial outcomes, allowing them to invest in sustainable initiatives. For example, firms with a strong risk management culture can secure lower insurance premiums, access favorable financing terms, and attract socially responsible investors. These financial advantages enable organizations to allocate resources toward innovation and sustainable practices that further enhance their sustainability efforts. Moreover, effective risk management fosters a culture of accountability and transparency within organizations. When companies prioritize risk management, they often implement systems for monitoring, reporting, and evaluating risks. This transparency helps build trust with stakeholders, including employees, customers, investors, and communities. By demonstrating a commitment to responsible risk management, companies enhance their reputation and solidify their social license to operate, which is essential for long-term sustainability.

Additionally, the ability to manage total risk impacts a company's strategic decision-making processes. Organizations that understand their risk landscape can make informed choices about resource allocation, market entry, and product development. This strategic alignment not only supports financial performance but also ensures that sustainability considerations are embedded in the decision-making framework. As a result, firms can pursue growth opportunities that are both profitable and environmentally responsible.

In conclusion, the relationship between total risk and corporate sustainability is multifaceted and critical for long-term success. Companies that prioritize effective risk management are better positioned to withstand external pressures, maintain operational continuity, and achieve financial stability. By integrating sustainability into their risk management practices, organizations can create a resilient framework that fosters innovation and enhances their overall sustainability. As the business landscape continues to evolve, the

e-ISSN : 3063-8712; dan p-ISSN : 3063-6205; Hal. 202-221

ability to manage total risk effectively will be a key determinant of an organization's sustainability journey.

Capital Structure and Profitability

A well-optimized capital structure plays a crucial role in enhancing a company's profitability. Capital structure refers to the mix of debt and equity financing that a firm utilizes to fund its operations and growth initiatives. According to research by Harris and Raviv (1991), firms with an optimal capital structure can effectively lower their cost of capital, which in turn boosts their profits. This relationship underscores the importance of strategic financial management in achieving long-term success.

The cost of capital is a critical factor that influences a company's profitability. When a firm maintains an appropriate balance between debt and equity, it can minimize its overall financing costs. Debt financing, in particular, often comes with tax benefits, as interest payments are tax-deductible. By leveraging debt effectively, companies can enhance their return on equity (ROE), leading to improved profitability. This financial leverage allows firms to invest more in growth opportunities while maintaining a healthy profit margin. Moreover, the relationship between capital structure and profitability is particularly relevant in the context of sustainability. High profitability enables companies to reinvest in sustainable practices and innovations that can drive long-term growth. For example, firms can allocate resources toward developing eco-friendly products, implementing energy-efficient technologies, or enhancing supply chain sustainability. These investments not only contribute to a company's sustainability goals but also position it favorably in the eyes of consumers and investors who prioritize corporate responsibility.

Additionally, a strong capital structure can enhance a company's resilience against market fluctuations. Firms with a sound balance of debt and equity are often better equipped to withstand economic downturns, as they have the financial flexibility to adjust their operations and manage cash flow effectively. This resilience is essential for maintaining profitability during challenging times, ensuring that the company can continue to invest in sustainable initiatives even in adverse conditions.

The impact of capital structure on profitability also extends to investor perceptions. Investors are more likely to support companies that exhibit a well-balanced capital structure, as it signifies prudent financial management and lower risk. A favorable capital structure can enhance a company's market valuation, making it easier to attract investment for future growth.

This influx of capital can further facilitate investments in sustainable practices, creating a positive feedback loop between capital structure, profitability, and sustainability.

Furthermore, the dynamics of capital structure and profitability can vary across industries. Different sectors have unique capital requirements and risk profiles, which can influence the optimal mix of debt and equity. For instance, capital-intensive industries may rely more heavily on debt financing, while technology firms might favor equity to support rapid growth. Understanding these industry-specific nuances is crucial for companies seeking to optimize their capital structure and enhance profitability.

In conclusion, the relationship between capital structure and profitability is vital for the financial health and sustainability of an organization. A well-structured capital framework enables firms to lower their cost of capital, enhance profitability, and reinvest in sustainable practices. By strategically managing their capital structure, companies can not only improve their financial performance but also align their operations with broader sustainability goals. As businesses continue to face evolving market dynamics, optimizing capital structure will remain a key factor in achieving long-term success.

Firm Performance and Corporate Sustainability

Firm performance serves as a crucial mediator in the relationship between total risk, capital structure, and profitability concerning corporate sustainability. As previously mentioned, firm performance can be measured through various indicators, including operational efficiency, customer satisfaction, and revenue growth. When a company demonstrates strong performance across these metrics, it is generally better equipped to manage the total risks it faces. Effective risk management is essential, as it helps organizations avoid potential losses that could threaten their operational continuity and long-term viability.

A well-performing company can proactively identify risks and implement strategies to mitigate them. For instance, firms with high operational efficiency can streamline processes to reduce waste and improve productivity, thereby minimizing financial losses associated with unforeseen disruptions. This capability is particularly important in today’s dynamic business environment, where external factors such as economic fluctuations and regulatory changes can pose significant threats. By effectively managing risks, high-performing companies can ensure stability and continuity, which are vital for achieving sustainable operations. Moreover, a well-structured capital framework directly contributes to enhanced firm performance. Companies that optimize their capital structure can utilize financial resources more efficiently, leading to increased profitability. This financial strength allows firms to invest in initiatives that promote sustainability, such as developing eco-friendly products, adopting sustainable supply chain practices, or enhancing employee training programs. As profitability rises, companies gain the financial leverage needed to pursue long-term sustainability goals, creating a positive cycle of investment and growth.

The interplay between firm performance and sustainability is further reinforced by the emphasis on social and environmental responsibility. Companies that excel in performance are often more attuned to the expectations of stakeholders, including customers, employees, and investors. By integrating sustainability into their core strategies, these firms not only meet economic demands but also address social and environmental concerns. This holistic approach enhances their reputation, fosters customer loyalty, and attracts investment, all of which are crucial for long-term success in today's market.

Research by Bocken et al. (2014) highlights that a focus on sustainability can drive greater innovation and responsiveness to market changes. Companies that prioritize sustainable practices often find themselves at the forefront of industry advancements, as they seek to develop products and services that align with consumer preferences for environmentally responsible options. This innovation not only enhances their competitive edge but also contributes to their overall performance, demonstrating how sustainability and profitability can go hand in hand.

Furthermore, the relationship between firm performance and corporate sustainability emphasizes the importance of measuring success beyond financial metrics. While profitability is a key indicator, firms must also consider their social and environmental impact. By adopting a balanced scorecard approach that includes sustainability metrics, organizations can gain a comprehensive understanding of their performance and its implications for long-term viability. This broader perspective enables companies to align their strategic goals with sustainable practices, ultimately enhancing their overall performance.

In conclusion, firm performance plays a pivotal role as a mediator linking total risk, capital structure, and profitability to corporate sustainability. High-performing companies are better positioned to manage risks, optimize their capital structure, and achieve profitability, all of which contribute to their sustainability objectives. By recognizing the interconnectedness of these concepts, organizations can develop strategies that not only enhance their financial health but also promote responsible business practices. Ultimately, strong firm performance reinforces a company's ability to achieve long-term sustainability, ensuring that it remains competitive and resilient in an ever-evolving business landscape.

5. DISCUSSION

Despite the extensive body of research on individual factors such as total risk, capital structure, and profitability, there remains a notable gap in the literature regarding the integration of these elements with firm performance as a mediator in the context of corporate sustainability. While scholars have examined each of these components separately, few studies have explored the interrelationships among them, particularly how they collectively influence a company's sustainability efforts. This lack of comprehensive analysis limits our understanding of how organizations can strategically manage these factors to enhance their long-term viability.

The existing literature often treats total risk, capital structure, and profitability as isolated constructs, neglecting the complex dynamics that exist between them. For instance, while research has demonstrated the importance of effective risk management in supporting financial performance, there is insufficient exploration of how variations in capital structure might influence a firm's ability to manage risks. Similarly, while the relationship between profitability and sustainability is well-documented, the mediating role of firm performance in this context remains underexplored. This gap presents an opportunity for further investigation into how these variables interact to shape sustainable business practices. Moreover, much of the existing research tends to focus on quantitative analyses, which may overlook the nuanced qualitative aspects of these relationships. Understanding the contextual factors that influence how total risk, capital structure, and profitability interact with firm performance requires a more holistic approach that considers organizational culture, industry characteristics, and external environmental factors. By adopting a mixed-methods approach, future studies can provide richer insights into these dynamics and offer practical implications for managers seeking to enhance sustainability.

Another key aspect of the research gap is the need for empirical studies that specifically examine the mediating role of firm performance in the relationship between total risk, capital structure, and profitability. While theoretical frameworks suggest that firm performance should act as a bridge connecting these factors, empirical evidence supporting this assertion is limited. Investigating this mediation effect could yield valuable insights into how firms can optimize their strategies to achieve both financial success and sustainability objectives. Additionally, the existing literature often emphasizes large corporations while neglecting small and medium-sized enterprises (SMEs), which also play a critical role in promoting sustainability. As SMEs face unique challenges and opportunities in managing risk, capital structure, and profitability, it is essential to explore how these factors operate in the context of smaller organizations. By

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1 including a diverse range of firms, researchers can develop a more comprehensive understanding of the dynamics at play and create actionable recommendations that are applicable across various business sizes.

Furthermore, the evolving landscape of corporate sustainability necessitates a reexamination of traditional financial metrics. As stakeholders increasingly demand transparency regarding environmental and social impacts, firms must adapt their performance measurements to consider sustainability indicators alongside financial performance. This shift highlights the need for research that investigates the interplay between traditional profitability metrics and sustainability-focused measures, as well as how these relationships are mediated by firm performance. Lastly, the integration of sustainability into corporate strategies is a relatively recent phenomenon, and the academic community has yet to fully grasp its implications for risk management and capital structure decisions. Future research should focus on how organizations can effectively align their financial strategies with sustainability goals, particularly in light of growing regulatory pressures and market demands. Understanding these alignments will be crucial for firms aiming to navigate the complexities of modern business while maintaining a commitment to sustainable practices.

In summary, the research gap identified in this study centers on the lack of integrated analyses involving total risk, capital structure, and profitability, with firm performance as a mediator in the context of sustainability. By addressing this gap, the proposed research aims to provide a comprehensive framework that elucidates the relationships among these factors and offers practical insights for organizations seeking to enhance their sustainability efforts. This investigation will not only contribute to the academic literature but also serve as a valuable resource for practitioners aiming to implement effective sustainability strategies.

Ultimately, the findings from this research could pave the way for more informed decision-making in corporate finance and sustainability practices. As businesses continue to face mounting pressures to operate sustainably, understanding the intricate dynamics between these key factors will be essential for achieving long-term success. Through rigorous analysis and empirical investigation, this study seeks to bridge the existing research gap and contribute to the development of more sustainable business models.

6. CONCLUSION

This literature review highlights the significant interrelationships among total risk, capital structure, and profitability in influencing corporate sustainability. The findings indicate that effective management of total risk and an optimal capital structure are crucial for

1 enhancing a company's profitability. Furthermore, firm performance acts as a vital mediator in this dynamic, suggesting that organizations that excel in managing risks and structuring their capital effectively are more likely to achieve high profitability. This profitability, in turn, supports the long-term sustainability of the organization. The role of firm performance as a mediator underscores the importance of integrating financial management practices with sustainability objectives. By focusing on operational efficiency, customer satisfaction, and revenue growth, companies can create a robust foundation that not only mitigates risks but also enhances their capacity for sustainable growth.

This holistic approach allows firms to navigate the complexities of the modern business environment while maintaining a commitment to responsible practices. Moreover, this review reveals a gap in the existing literature regarding the integration of these key factors. While individual studies have addressed total risk, capital structure, and profitability separately, there is a need for further research that examines their interconnectedness, particularly in the context of sustainability. Future studies should aim to explore the mediating role of firm performance more comprehensively and consider the implications for various types of organizations, including small and medium-sized enterprises (SMEs). In addition, the evolving landscape of corporate sustainability calls for a reexamination of traditional financial metrics. As stakeholders increasingly demand transparency regarding a company's environmental and social impacts, firms must adapt their performance measurements to include sustainability indicators alongside financial performance metrics. This shift presents an opportunity for researchers to investigate how these measures can be effectively integrated to provide a more comprehensive assessment of corporate success. Ultimately, this research aims to contribute to the fields of financial management and sustainable business practices by providing a framework that elucidates the relationships among total risk, capital structure, profitability, and firm performance. By addressing the identified research gaps, this study seeks to offer valuable insights for practitioners looking to implement effective sustainability strategies while ensuring financial health. In conclusion, the interplay between total risk, capital structure, and profitability is fundamental to achieving corporate sustainability. As businesses face growing pressures to operate responsibly, understanding the dynamics of these relationships will be essential for long-term success. This research serves as a stepping stone toward a more integrated approach to financial management and sustainability, ultimately fostering a more resilient and responsible business environment.

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