Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth

Elia Rossa
Universitas Bhayangkara Jakarta Raya; Jakarta, Indonesia
E-Mail: elia.rossa@dsn.ubharajaya.ac.id

Adler Haymans Manurung
Universitas Bhayangkara Jakarta Raya; Jakarta, Indonesia
E-Mail: adler.manurung@dsn.ubharajaya.ac.id

Nera Marinda Machdar
Universitas Bhayangkara Jakarta Raya; Jakarta, Indonesia
E-Mail: nera.marinda@dsn.ubharajaya.ac.id

Tutty Nuryati
Universitas Bhayangkara Jakarta Raya; Jakarta, Indonesia
E-Mail: tutty.nuryati@dsn.ubharajaya.ac.id

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ABSTRACT

Sustainable company growth has increasingly become a strategic priority in the post-pandemic era, where businesses must balance profitability with Environmental, Social, and Governance (ESG) responsibilities. While previous studies have focused on the direct impact of financial determinants, limited research in emerging markets has explored the mediating role of company performance and the moderating influence of tax rates in shaping sustainable growth. This study investigates the mediating effect of company performance and the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. Using Structural Equation Modeling (SEM) with Partial Least Squares approach, the study analyzed 672 observations from Indonesian Stock Exchange-listed companies during 2018-2024. Financial determinants include capital structure, liquidity, profitability, and company size, while company performance is measured by Tobin's Q and tax rate by effective tax rate. Results reveal that profitability has the strongest positive influence on sustainable growth, while capital structure shows significant indirect effect through company performance mediation. Tax rate significantly moderates the relationship between capital structure and profitability on sustainable growth. The study provides comprehensive understanding of complex relationships in corporate finance, contributing to strategic financial management and policy formulation in emerging markets.

Keywords: *Company Performance, Financial Determinants, Sustainable Growth, Tax Rate.*

ABSTRAK

Pertumbuhan perusahaan yang berkelanjutan semakin menjadi prioritas strategis di era pascapandemi, di mana bisnis harus menyeimbangkan profitabilitas dengan tanggung jawab lingkungan, sosial, dan tata kelola (ESG). Sementara penelitian sebelumnya telah berfokus pada dampak langsung dari penentu keuangan, penelitian terbatas di pasar negara berkembang telah mengeksplorasi peran mediasi kinerja perusahaan dan pengaruh moderasi tarif pajak dalam membentuk pertumbuhan berkelanjutan. Penelitian ini bertujuan untuk mengetahui efek mediasi kinerja perusahaan dan efek moderasi tarif pajak terhadap hubungan antara determinan keuangan dan pertumbuhan berkelanjutan perusahaan. Menggunakan Structural Equation Modeling (SEM) dengan pendekatan Partial Least Squares, penelitian ini menganalisis 672 observasi dari

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perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2018-2024. Determinan keuangan meliputi struktur modal, likuiditas, profitabilitas, dan ukuran perusahaan, sedangkan kinerja perusahaan diukur dengan Tobin's Q dan tarif pajak diukur dengan tarif pajak efektif. Hasil penelitian menunjukkan bahwa profitabilitas memiliki pengaruh positif terkuat terhadap pertumbuhan berkelanjutan, sementara struktur modal menunjukkan efek tidak langsung yang signifikan melalui mediasi kinerja perusahaan. Tarif pajak secara signifikan memoderasi hubungan antara struktur modal dan profitabilitas terhadap pertumbuhan berkelanjutan. Penelitian ini memberikan pemahaman komprehensif tentang hubungan kompleks dalam keuangan korporat, berkontribusi pada manajemen keuangan strategis dan formulasi kebijakan di pasar berkembang.

***Kata kunci**: Kinerja Perusahaan, Penentu Keuangan, Pertumbuhan Berkelanjutan, Tarif Pajak.*

INTRODUCTION

A company sustainable growth has become a primary focus for every business entity in efforts to maintain existence and competitiveness in the global market. Recent research emphasizes that sustainable growth not only reflects a company's ability to generate profit but also its capacity to grow consistently while addressing Environmental, Social, and Governance (ESG) concerns (Gajić & Vuković, 2022; Erawati et al., 2025). In a dynamic and uncertain economic context, particularly following the COVID-19 pandemic and increasing ESG requirements, understanding the factors that influence a company's sustainable growth becomes extremely important.

Financial determinants such as capital structure, liquidity, profitability, and company size have been extensively studied as factors influencing a company's sustainable growth. However, recent studies in emerging markets demonstrate that these relationships have evolved significantly, particularly in the post-pandemic era, where companies face new challenges, including supply chain disruptions, changing consumer behaviors, and increased regulatory scrutiny (Vuković et al., 2022; Khan et al., 2024). Previous research has tended to examine the direct relationship between financial determinants and sustainable growth without considering the role of intervening or moderating variables that might influence this relationship.

Contemporary research in emerging markets reveals that the sustainable growth paradigm has expanded beyond traditional financial metrics to incorporate broader stakeholder considerations (Ramli et al., 2022). Company performance, as a reflection of operational efficiency and strategic effectiveness, can serve as a mediator in the relationship between financial determinants and sustainable growth. This perspective aligns with stakeholder theory and the growing emphasis on sustainable finance practices in emerging economies (Gratcheva et al., 2022). The external regulatory environment, particularly tax policies, has become increasingly complex in the current global landscape (Raman et al., 2025). High tax rates can reduce net profit and affect a company's ability to reinvest, while tax incentives can encourage growth through increased investment capacity. Recent studies highlight the importance of understanding how fiscal policies moderate the influence of financial determinants on sustainable growth, especially as governments worldwide implement new sustainability-focused tax regimes (Fu & Li, 2023).

Although financial determinants of company sustainable growth have been widely studied, most prior research has focused on direct effects and overlooked the potential mediating role of company performance and the moderating role of tax rates. Moreover, in the post-pandemic context marked by evolving ESG requirements, supply chain disruptions, and regulatory changes, there is limited empirical evidence from emerging markets that integrates these factors into a comprehensive model. Addressing this gap is crucial as companies in emerging economies face heightened pressure to achieve sustainable growth while navigating complex fiscal environments and rising ESG expectations. Understanding the interplay between financial determinants, performance,

and tax policies will provide actionable insights for policymakers and business leaders to formulate strategies that enhance competitiveness and resilience in the global market. This study examines how financial determinants affect company sustainable growth, with company performance as a mediator, tax rate as a moderator, and their interaction within this relationship. This research was expected to provide the following benefits: enriching the literature in the fields of financial management and business strategy by providing empirical evidence on the complex relationships between financial determinants, company performance, tax rates, and company sustainable growth.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Company Sustainable Growth

Company sustainable growth has evolved significantly in recent academic discourse to encompass both financial sustainability and broader ESG considerations (Chen & Zhao, 2021). The traditional Higgins model, while still relevant, has been enhanced by researchers who recognize that sustainable growth must account for environmental and social factors alongside financial performance (Mettler & Rohner, 2022). Recent research demonstrates that sustainable growth rates vary significantly across emerging markets, with factors such as institutional quality, regulatory frameworks, and access to sustainable finance playing crucial roles (Zahoor et al., 2022). The mathematical formulation remains: $g = ROE \times b$. where ROE is Return on Equity and b is the retention rate. However, contemporary studies suggest that this formula should be interpreted within broader sustainability frameworks that consider long-term value creation beyond purely financial metrics (Sun & He, 2023). Post-COVID research reveals that sustainable growth patterns have been significantly impacted by pandemic-related disruptions, leading to new insights about the resilience factors that enable companies to maintain growth trajectories during crisis periods (Safraz et al., 2023).

Research from Vietnam and other ASEAN countries shows that companies with moderate debt levels (debt-to-equity ratios below 1.5) tend to achieve better sustainable growth rates, while excessive leverage constrains growth, particularly during economic uncertainty (Le & Nguyen, 2023). ESG considerations increasingly influence the relationship between capital structure and sustainable growth, as companies with better ESG ratings tend to have access to lower-cost debt financing (Alghifari et al., 2022). Recent research on liquidity management in emerging markets emphasizes the critical balance between maintaining adequate liquidity for operational flexibility and avoiding excessive cash holdings that reduce returns (Nguyen et al., 2024). Studies from Indonesian and Vietnamese markets demonstrate that companies maintaining current ratios between 1.5-2.5 times achieve optimal sustainable growth rates, while excessive liquidity (above 3.0 times) may indicate inefficient capital allocation (Aprilia & Oktaviannur, 2022). The profitability-growth relationship has been strengthened by digitalization trends, with companies successfully implementing digital transformation showing superior ability to convert profitability into sustainable growth (Rahman et al., 2024). ESG-focused research reveals that companies with strong environmental and social performance achieve higher profitability margins and subsequently better sustainable growth rates (Fakher et al., 2021). Recent research on company size effects reveals complex non-linear relationships with sustainable growth (Lee & Chang, 2023). While larger companies continue to benefit from economies of scale and better access to capital markets, studies from emerging markets show that medium-sized companies (with assets between $100 million-$1 billion) often achieve superior sustainable growth rates due to their optimal balance of resources and flexibility (Ahmad & Kumar, 2024).

H1a: Capital structure has a significant effect on the sustainable growth rate.
H1b: Liquidity has a significant effect on the sustainable growth rate.
H1c: Profitability has a significant effect on the sustainable growth rate.
H1d: Company size has a significant effect on sustainable growth rate.
H1e: Company performance has a significant effect on the sustainable growth rate.

Company Performance

Recent capital structure research in emerging markets has revealed significant heterogeneity in optimal leverage levels across different countries and institutional contexts (Ndruru & Ananda, 2025). The traditional trade-off theory and pecking order theory continue to provide theoretical foundations, but empirical evidence from emerging markets shows that institutional factors, government ownership, and market development significantly influence optimal capital structure decisions (Nazarova & Budchenko, 2020). COVID-19 pandemic studies demonstrate that companies in emerging markets adjusted their capital structures differently compared to developed markets, with greater reliance on government support and more conservative leverage approaches (Prakash et al., 2023). The COVID-19 pandemic highlighted the importance of liquidity buffers, with companies maintaining higher cash reserves showing better resilience and ability to maintain growth during crisis periods (DeAngelo et al., 2020). However, post-pandemic research suggests that companies are gradually reducing excess liquidity as operational conditions normalize, seeking to optimize the trade-off between liquidity and profitability (Suharna & Kurniasih, 2024). Contemporary research consistently identifies profitability as the most critical determinant of sustainable growth across emerging markets (Erawati et al., 2025). Studies using large datasets from Asian markets demonstrate that ROA improvements of 1% typically translate to sustainable growth rate increases of 3-5%, with the relationship being stronger for companies operating in technology-intensive sectors (Mukherjee & Sen, 2022). Previous studies have found that debt ratio (DR) and firm size negatively affect financial performance, suggesting that higher leverage and larger scale may constrain a firm's efficiency and profitability (Badar et al., 2025). However, some studies report that company size (firm size) and capital structure (DER) do not have a significant effect on ROA, indicating that these factors may not directly impact profitability in certain contexts (Herawati & Sumiati, 2025). Digital transformation has somewhat reduced traditional size advantages, enabling smaller companies to achieve scale economies through technology platforms and digital business models (Stoiljković et al., 2024).

H2a: Capital structure has a significant effect on company performance.
H2b: Liquidity has a significant effect on company performance.
H2c: Profitability has a significant effect on company performance.
H2d: Company size has a significant effect on company performance.

Company Performance as Mediator

Contemporary performance measurement has evolved beyond traditional financial metrics to incorporate market-based measures such as Tobin's Q and ESG performance indicators (Cardao-Pito, 2022). Recent research challenges some traditional uses of Tobin's Q, suggesting that it may capture debt levels rather than just intangible assets and growth opportunities, which has important implications for its use as a mediating variable (Cardao-Pito, 2022). Studies from emerging markets demonstrate that companies with Tobin's Q ratios between 1.2 and 2.0 typically show optimal mediation effects, where good financial fundamentals translate into market recognition and subsequently support sustainable growth (Ishaq et al., 2021). However, research from South Korean markets suggests that the relationship between Tobin's Q and performance may have threshold effects, with different implications for companies with different risk profiles (Lim & Mali, 2023). ESG-enhanced performance measures are increasingly recognized as important mediating factors, with companies scoring highly on ESG metrics demonstrating superior ability to translate financial strengths into sustainable growth (Singh & Kumar, 2023).

H3a: Company performance mediates the effect of capital structure on sustainable growth rate.
H3b: Company performance mediates the effect of liquidity on sustainable growth rate.

H3c: Company performance mediates the effect of profitability on sustainable growth rate.
H3d: Company performance mediates the effect of company size on sustainable growth rate.

Tax Rate as Moderator

Recent research on corporate taxation and growth reveals increasingly complex relationships, particularly in emerging markets where tax policies are often used as development tools (Do et al., 2023). The traditional trade-off theory predictions regarding tax shield benefits are validated by recent studies, but with important caveats regarding the interaction between tax rates and other institutional factors (Chen et al., 2021). Emerging market research demonstrates that effective tax rates above 25% tend to significantly constrain the positive relationship between profitability and sustainable growth, while optimal tax rates for growth appear to be in the 15-22% range (Zhang & Liu, 2024). However, these relationships are highly context-dependent, with factors such as tax system quality, enforcement mechanisms, and availability of tax incentives playing crucial moderating roles (Raman et al., 2025). Recent policy research suggests that sustainability-focused tax incentives (such as carbon tax credits and green investment deductions) can significantly enhance the positive relationship between ESG performance and sustainable growth (Safraz et al., 2023).

H4a: Tax rate moderates the effect of capital structure on sustainable growth rate.
H4b: Tax rate moderates the effect of liquidity on sustainable growth rate.
H4c: Tax rate moderates the effect of profitability on sustainable growth rate.
H4d: Tax rate moderates the effect of company size on sustainable growth rate.
H4e: Tax rate moderates the effect of company performance on sustainable growth rate.

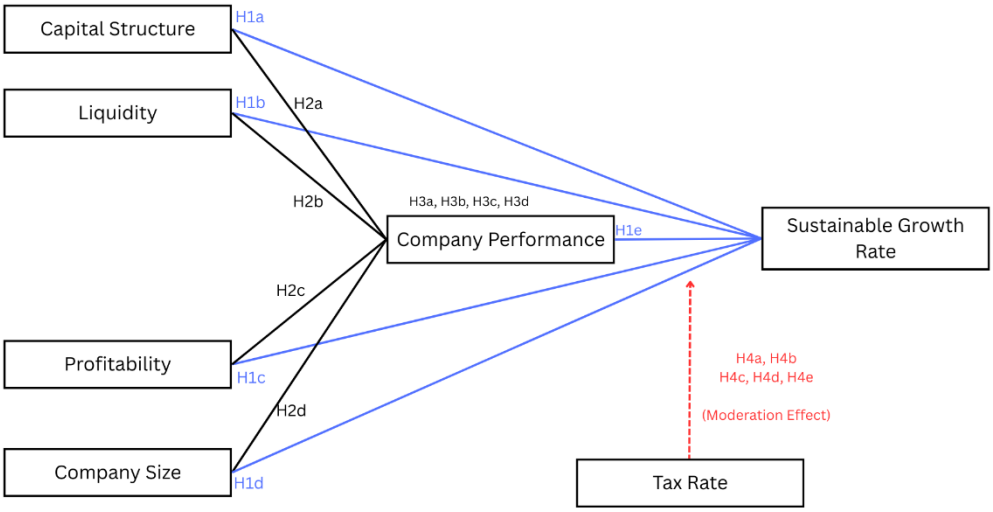

Figure 1. Research Framework

This research, in the framework of Figure 1, illustrates the relationship between financial determinants, including capital structure, liquidity, profitability, and company size, and the Sustainable Growth Rate (SGR) through three main pathways. First, the direct effect pathway, where each financial determinant is assumed to contribute directly to SGR. Second, the indirect effect pathway, with Tobin's Q (TQ) serving as a mediating variable representing company performance; in this pathway, financial determinants influence TQ, which in turn affects SGR. Third, the moderation pathway, where the Effective Tax Rate (ETR) acts as a moderator that can strengthen or weaken the effects of both financial determinants and TQ on SGR. By integrating aspects of company performance and the regulatory tax context, this framework provides a more

comprehensive understanding of the dynamic influence of financial factors on a company's sustainable growth.

RESEARCH METHODS

This study employed a quantitative approach with an explanatory research design to test hypotheses regarding the relationships between financial determinants, company performance, tax rates, and sustainable growth rate (SGR). The primary analysis technique was Structural Equation Modeling (SEM) using the Partial Least Squares (PLS-SEM) approach, which is suitable for examining complex models that include both mediating and moderating effects. The population consisted of all companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. The purposive sampling method was applied with strict criteria: (1) companies consistently listed on the IDX throughout the study period, (2) complete financial reports available for the entire period, (3) no recorded losses during the observation years, (4) not undergoing delisting or suspension, and (5) complete data for all research variables.

The data collection relied entirely on secondary data obtained from multiple credible sources: annual financial reports from the official IDX website, databases such as Bloomberg, Thomson Reuters, and the Indonesian Capital Market Directory (ICMD), as well as official company websites for supplementary information. To provide a general overview of the dataset, descriptive statistics were calculated, including minimum, maximum, mean, and standard deviation values. Prior to hypothesis testing, classical assumption tests were conducted to ensure the model satisfied the Best Linear Unbiased Estimator (BLUE) requirements, covering normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

The SEM-PLS analysis followed a structured process. The measurement model (outer model) was first evaluated through convergent validity (loading factor, Average Variance Extracted), discriminant validity (Fornell-Larcker criterion, cross-loadings), and reliability tests (Cronbach's Alpha, Composite Reliability). Next, the structural model (inner model) assessment included the R-square coefficient, Q-square predictive relevance, path coefficients with significance testing, and effect size (f^2) analysis. Mediation effects were examined using Baron & Kenny's approach, the Sobel test, and bootstrapping for indirect effects. Moderation effects were tested through the product-indicator approach, two-stage approach, and orthogonalizing approach. Furthermore, a Multi-Group Analysis (MGA) was performed to assess differences in effects between groups categorized by tax rate levels.

By combining rigorous sampling criteria, robust statistical techniques, and comprehensive validity and reliability assessments, this research design ensures a methodologically sound evaluation of the interplay between financial determinants, company performance, taxation, and sustainable growth in the post-pandemic economic landscape. The empirical models in this research could be formulated as follows:

Model 1: Direct Influence of Financial Determinants on Sustainable Growth

$$SGR = \alpha + \beta_1 DER + \beta_2 CR + \beta_3 ROA + \beta_4 SIZE + \varepsilon$$

Model 2: Mediating Effect of Company Performance

$$TQ = \alpha + \beta_5 DER + \beta_6 CR + \beta_7 ROA + \beta_8 SIZE + \varepsilon$$

$$SGR = \alpha + \beta_9 DER + \beta_{10} CR + \beta_{11} ROA + \beta_{12} SIZE + \beta_{13} TQ + \varepsilon$$

Model 3: Moderating Effect of Tax Rate

$$SGR = \alpha + \beta_{14} DER + \beta_{15} CR + \beta_{16} ROA + \beta_{17} SIZE + \beta_{18} ETR + \beta_{19}(DER \times ETR) + \beta_{20}(CR \times ETR) + \beta_{21}(ROA \times ETR) + \beta_{22}(SIZE \times ETR) + \varepsilon$$

Model 4: Combination of Mediating and Moderating Effects

$$TQ = \alpha + \beta_{23} DER + \beta_{24} CR + \beta_{25} ROA + \beta_{26} SIZE + \beta_{27} ETR + \beta_{28}(DER \times ETR) + \beta_{29}(CR \times ETR) + \beta_{30}(ROA \times ETR) + \beta_{31}(SIZE \times ETR) + \varepsilon$$

$$SGR = \alpha + \beta_{32}DER + \beta_{33}CR + \beta_{34}ROA + \beta_{35}SIZE + \beta_{36}TQ + \beta_{37}ETR + \beta_{38}(DER \times ETR) + \beta_{39}(CR \times ETR) + \beta_{40}(ROA \times ETR) + \beta_{41}(SIZE \times ETR) + \beta_{42}(TQ \times ETR) + \varepsilon$$

Where :
SGR : Sustainable Growth Rate
DER : Debt to Equity Ratio
CR : Current Ratio
ROA : Return on Assets
SIZE : Ln (Total Assets)
TQ : Tobin's Q
ETR : Effective Tax Rate
α : Constant
β : Regression coefficient
ε : Error term

RESULTS

Based on Table 1, the average Sustainable Growth Rate (SGR) of sample companies during the research period was 9.7% with a standard deviation of 8.6%. The minimum SGR value was -12.4%, and the maximum value was 48.7%. The variation in SGR values indicated differences in sustainable growth capacity among companies in the sample. For independent variables, the average Debt to Equity Ratio (DER) of sample companies was 1.247 times, indicating that, on average, companies had liabilities 1.247 times their equity. The average Current Ratio (CR) of companies was 2.136 times, indicating the ability of companies to meet their short-term obligations with their current assets. The average Return on Assets (ROA) was 8.7%, showing management efficiency in using assets to generate profit. Company size (SIZE), measured by the natural logarithm of total assets, had an average of 15.873 with a standard deviation of 1.754.

Table 1. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SGR	672	-0.124	0.487	0.097	0.086
DER	672	0.104	3.846	1.247	0.673
CR	672	0.682	4.935	2.136	0.894
ROA	672	0.012	0.352	0.087	0.068
SIZE	672	11.842	20.635	15.873	1.754
TQ	672	0.645	3.987	1.564	0.682
ETR	672	0.137	0.329	0.219	0.037

For the mediating variable, the average Tobin's Q value was 1.564, indicating that, in general, the market value of sample companies was higher than the book value of their assets (value > 1). Meanwhile, for the moderating variable, the average Effective Tax Rate (ETR) of companies was 21.9%, showing the effective tax burden borne by companies relative to their profit before tax.

Table 2. Convergent Validity Test Results

Construct	Indicator	Loading Factor	AVE
Capital Structure	DER	0.935	0.874
Liquidity	CR	0.902	0.814
Profitability	ROA	0.947	0.897
Company Size	SIZE	0.921	0.848
Company Performance	Tobin's Q	0.883	0.779
Tax Rate	ETR	0.908	0.825
Sustainable Growth	SGR	0.926	0.857

The convergent validity test results in Table 2 showed that all indicators had loading factors above 0.7 and Average Variance Extracted (AVE) values for all constructs above

0.5. This indicated that the indicators used in the research were valid in measuring the intended constructs.

Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)

Construct	1	2	3	4	5	6	7
Capital Structure	**0.935**						
Liquidity	-0.482	**0.902**					
Profitability	-0.163	0.235	**0.947**				
Company Size	0.276	-0.129	0.186	**0.921**			
Company Performance	-0.208	0.275	0.548	0.143	**0.883**		
Tax Rate	0.095	-0.083	-0.147	0.102	-0.094	**0.908**	
Sustainable Growth	-0.135	0.192	0.573	0.211	0.492	-0.182	**0.926**

Based on Table 3, the results indicate strong construct validity and distinctiveness among the study variables. Each construct shows high loading on its own dimension (ranging from 0.883 to 0.947) and low cross-loadings with other constructs, suggesting clear separation between capital structure, liquidity, profitability, company size, company performance, tax rate, and sustainable growth. This confirms that the measurement model reliably captures the intended concepts and that the constructs are empirically distinct.

Table 4. Reliability Test Results

Construct	Cronbach's Alpha	Composite Reliability
Capital Structure	0.857	0.933
Liquidity	0.792	0.898
Profitability	0.887	0.945
Company Size	0.827	0.918
Company Performance	0.762	0.875
Tax Rate	0.803	0.904
Sustainable Growth	0.836	0.923

The reliability test results in Table 4 showed that all constructs had Cronbach's Alpha values above 0.7 and Composite Reliability above 0.8. This indicated that the measurement instruments used in this research had good internal consistency and were reliable.

Table 5. R-Square Value

Endogenous Variable	R-Square	R-Square Adjusted
Company Performance (TQ)	0.382	0.371
Sustainable Growth (SGR)	0.479	0.463

Based on Table 5, the R-Square value for the company performance variable (Tobin's Q) was 0.382, which meant that the variability of company performance could be explained by financial determinants (capital structure, liquidity, profitability, and company size) by 38.2%, while the rest (61.8%) was explained by other variables outside the model. For the Sustainable Growth Variable (SGR), the R-Square value of 0.479 indicated that 47.9% of the variability in sustainable growth could be explained by financial determinants and company performance, while the rest (52.1%) was explained by other variables outside the model. According to Chin's (1998) criteria, an R-Square value > 0.33 falls into the moderate category, so this research model had relatively good predictive power.

Based on Table 6, the results indicate that profitability ($\beta = 0.417$, $p < 0.001$), liquidity ($\beta = 0.086$, $p < 0.05$), and company size ($\beta = 0.154$, $p < 0.001$) significantly positively influence sustainable growth rate (SGR), while capital structure ($\beta = -0.075$, $p = 0.053$) has no significant effect. For market performance (Tobin's Q), capital structure ($\beta = -0.129$, $p < 0.01$), liquidity ($\beta = 0.147$, $p < 0.01$), and profitability ($\beta = 0.498$, $p < 0.001$) are significant predictors, whereas company size ($\beta = 0.072$, $p = 0.059$) is not.

Additionally, Tobin's Q positively affects SGR (β = 0.192, p < 0.001), highlighting its mediating role in the relationship between financial factors and sustainable growth.

Table 6. Direct Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H1a	Capital Structure → SGR	-0.075	1.937	0.053	Rejected
H1b	Liquidity → SGR	0.086	2.163	0.031**	Accepted
H1c	Profitability → SGR	0.417	9.328	0.000***	Accepted
H1d	Company Size → SGR	0.154	3.751	0.000***	Accepted
H1 e	TQ → SGR	0.192	3.972	0.000***	Accepted
H2 a	Capital Structure → TQ	-0.129	2.681	0.008***	Accepted
H2 b	Liquidity → TQ	0.147	3.075	0.002***	Accepted
H2 c	Profitability → TQ	0.498	10.536	0.000***	Accepted
H2 d	Company Size → TQ	0.072	1.894	0.059	Rejected

Note: ** significant at 0.05 level; *** significant at 0.01 level

Table 7. Mediation Effect Testing Results

Hypothesis	Path	Indirect Effect	t-Statistics	p-Values	Conclusion
H3a	Capital Structure → TQ → SGR	-0.025	2.124	0.034**	Accepted
H3b	Liquidity → TQ → SGR	0.028	2.341	0.020**	Accepted
H3c	Profitability → TQ → SGR	0.096	3.815	0.000***	Accepted
H3d	Company Size → TQ → SGR	0.014	1.679	0.094	Rejected

Note: ** significant at 0.05 level; *** significant at 0.01 level

Based on Table 7, the mediation analysis shows that Tobin's Q significantly mediates the effects of capital structure (indirect effect = -0.025, p < 0.05), liquidity (indirect effect = 0.028, p < 0.05), and profitability (indirect effect = 0.096, p < 0.001) on Sustainable Growth Rate (SGR). However, the mediating effect of Tobin's Q for company size (indirect effect = 0.014, p = 0.094) is not significant.

The results in Table 8 indicate that tax rate (ETR) significantly moderates the effects of capital structure (DER × ETR, β = 0.112, p < 0.05) and profitability (ROA × ETR, β = -0.154, p < 0.001) on sustainable growth rate (SGR), as well as the effect of Tobin's Q (TQ × ETR, β = -0.103, p < 0.05). However, the moderating effects of ETR on liquidity (CR × ETR, β = -0.089, p = 0.061) and company size (SIZE × ETR, β = 0.065, p = 0.125) are not significant, suggesting that tax rate influences growth primarily through debt, profitability, and market performance channels.

Table 8. Moderation Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H4a	DER × ETR → SGR	0.112	2.457	0.014**	Accepted
H4b	CR × ETR → SGR	-0.089	1.874	0.061	Rejected
H4c	ROA × ETR → SGR	-0.154	3.275	0.001***	Accepted
H4d	SIZE × ETR → SGR	0.065	1.536	0.125	Rejected
H4e	TQ × ETR → SGR	-0.103	2.218	0.027**	Accepted

Note: ** significant at 0.05 level; *** significant at 0.01 level

DISCUSSION

Profitability has the strongest positive impact on sustainable growth (β = 0.417, p < 0.001), highlighting its key role in generating internal funds, reducing external financing needs, and signaling efficiency to stakeholders. Company size also positively affects growth (β = 0.154, p < 0.001), reflecting economies of scale through market power, better

capital access, and operational efficiency, with the coefficient indicating a meaningful practical effect.

Liquidity has a positive but modest effect on sustainable growth ($\beta = 0.086$, $p < 0.05$), showing that effective working capital management supports but does not drive growth. Adequate liquidity offers flexibility and responsiveness to opportunities, while excessive cash may signal inefficiency. This balance reflects the precautionary and efficiency motives for liquidity, enabling firms to meet obligations, maintain supplier relations, and invest in growth without constraints.

Capital structure shows no significant direct effect on sustainable growth ($\beta = -0.075$, $p = 0.053$), indicating that its influence operates mainly through indirect mechanisms rather than direct pathways. While the negative coefficient aligns with pecking order theory, conservative leverage levels in the sample (average DER of 1.247) and varied strategic uses of debt may dilute direct impacts. The near-significance level suggests potential effects mediated or moderated by other factors, highlighting the importance of examining interaction mechanisms. This finding aligns with recent research showing profitability as the dominant driver of sustainable growth ($\beta = 0.417$) in emerging markets (Erawati et al., 2025), particularly post-pandemic, when operationally efficient companies exhibited stronger resilience and growth capacity (Vuković et al., 2022). It also supports evidence that emerging market firms tend to maintain conservative leverage to avoid financial distress costs (Prakash et al., 2023), a trend reinforced in the post-COVID era as companies prioritize financial flexibility over leverage optimization (DeAngelo et al., 2020).

Company performance (Tobin's Q) mediates the link between financial determinants and sustainable growth, translating internal financial strategies into market-recognized value. For profitability, a strong mediation effect (indirect effect = 0.096, $p < 0.001$) shows a dual growth pathway: reinvestment from retained earnings and higher market valuation enabling external financing, explaining its dominant direct and mediated impacts.

The results show that capital structure negatively mediates growth through company performance (–0.025, $p < 0.05$), indicating that high leverage can lower market valuation (Tobin's Q) and constrain long-term growth by signaling financial risk and limiting managerial flexibility. In contrast, liquidity positively mediates growth via performance (0.028, $p < 0.05$), demonstrating that effective working capital management enhances market perceptions of operational efficiency and strategic flexibility, signaling sustainable performance and lower financial distress risk.

The results indicate that company size does not significantly mediate growth through performance (0.014, $p=0.094$), suggesting that while size provides operational advantages, market perceptions value effective scale utilization over size alone, consistent with "size discount" effects and highlighting the influence of information asymmetries in emerging markets (Lim & Mali, 2023; Rahman et al., 2024). Meanwhile, the positive moderation of tax rate on the capital structure–growth relationship ($\beta = 0.112$, $p < 0.05$) supports trade-off theory, showing that higher taxes can mitigate leverage's growth constraints through tax shield benefits, emphasizing the need for firms in high-tax environments to align debt strategies with tax planning while maintaining financial flexibility.

The results show that high tax rates significantly constrain the growth benefits of profitability ($\beta = -0.154$, $p < 0.001$) by reducing reinvestment capacity, particularly affecting highly profitable firms, while non-significant moderation for company size and liquidity indicates that tax mainly influences debt and profitability decisions rather than scale or working capital strategies. Additionally, the negative interaction between performance and tax rate ($\beta = -0.103$, $p < 0.05$) suggests that strong market performance translates less effectively into growth in high-tax environments, highlighting the importance of tax policies that support reinvestment and sustainable growth for productive companies (Do et al., 2023).

The interaction between mediating and moderating effects highlights that firms should adopt integrated, context-sensitive, and dynamic financial strategies, considering both performance and tax environments to optimize growth. Theoretically, this study extends sustainable growth theory by showing that incorporating performance mediation (Tobin's Q) and tax rate moderation provides a more comprehensive and realistic framework for understanding corporate growth dynamics.

CONCLUSION

Based on the findings, sustainable growth in companies listed on the Indonesia Stock Exchange is primarily driven by liquidity, profitability, and company size, with profitability being the strongest determinant. Capital structure showed no direct significant effect, indicating that debt alone does not guarantee long-term growth. Company performance mediates the effects of financial factors on sustainable growth, with full mediation for capital structure and partial mediation for liquidity and profitability, while company size's effect is not significantly mediated, suggesting that operational scale does not automatically translate into performance gains.

Tax rate moderates these relationships in nuanced ways: higher taxes reduce the growth benefits of profitability and partially offset the negative effects of capital structure, whereas liquidity and company size remain largely unaffected. The combined mediation and moderation analysis further shows that the positive impact of company performance on sustainable growth weakens under higher tax burdens, emphasizing the importance of strategic tax planning.

This study contributes to understanding sustainable growth in emerging markets by highlighting the interplay between financial metrics, market-based performance, and regulatory contexts. A limitation is the focus on select financial and market variables, potentially overlooking organizational, institutional, or behavioral factors. Practically, managers should focus on operational efficiency, profitability management, and alignment with tax environments, while policymakers should design tax policies that consider firm heterogeneity to avoid restricting growth for highly productive companies. Future research could expand the model by including corporate governance, innovation, or macroeconomic variables and test these relationships across different emerging market settings to enhance generalizability.

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KORESPONDENSI ARTIKEL

JUDUL ARTIKEL: Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"

PENULIS ; 1. Elia Rossa (Penulis Korespondensi) - Universitas Bhayangkara Jakarta Raya

2. Adler Haymans Manurung - Universitas Bhayangkara Jakarta Raya

3. Dr. Nera Marinda Machdar - Universitas Bhayangkara Jakarta Raya

4. Dr. Tutty Nuryati - Universitas Bhayangkara Jakarta Raya

NAMA JURNAL ; Jurnal Ilmiah Akuntansi Kesatuan (JIAKES)

LINK JURNAL ; https://jurnal.ibik.ac.id/index.php/jiakes/about

ALUR KORESPONDENSI PUBLIKASI ARTIKEL ILMIAH

FASE 1: PERSIAPAN DAN PENGIRIMAN AWAL

1.1 SURAT PENGANTAR PENGIRIMAN NASKAH

Kepada: Editor-in-Chief Jurnal Ilmiah Akuntansi Kesatuan
Dari: Dr. Elia Rossa
Perihal: Pengiriman Naskah - "Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"
Tanggal: Jum, 30 Mei 2025. 10.00

Yth. Editor Jurnal JIAKES,

Dengan hormat,

Bersama ini kami mengajukan naskah penelitian dengan judul **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** untuk dipertimbangkan publikasinya di Jurnal Ilmiah Akuntansi Kesatuan.

IDENTITAS PENULIS:

1. **Elia Rossa** (Penulis Korespondensi) - Universitas Bhayangkara Jakarta Raya
2. **Adler Haymans Manurung** - Universitas Bhayangkara Jakarta Raya
3. **Nera Marinda Machdar** - Universitas Bhayangkara Jakarta Raya
4. **Tutty Nuryati** - Universitas Bhayangkara Jakarta Raya

RINGKASAN PENELITIAN: Penelitian ini mengkaji hubungan kompleks antara determinan keuangan, kinerja perusahaan, dan tarif pajak terhadap pertumbuhan berkelanjutan perusahaan. Menggunakan analisis SEM-PLS pada 672 observasi perusahaan yang terdaftar di BEI periode 2018-2024, penelitian ini memberikan kontribusi signifikan dalam memahami dinamika keuangan korporat di pasar berkembang.

KEBARUAN DAN KONTRIBUSI:

- Analisis komprehensif efek mediasi kinerja perusahaan menggunakan Tobin's Q
- Pemeriksaan efek moderasi tarif pajak dalam konteks Indonesia
- Implikasi praktis untuk manajemen keuangan strategis dan formulasi kebijakan
- Metodologi robust dengan pengujian validitas dan reliabilitas menyeluruh

PERNYATAAN KEASLIAN: Kami menyatakan bahwa:

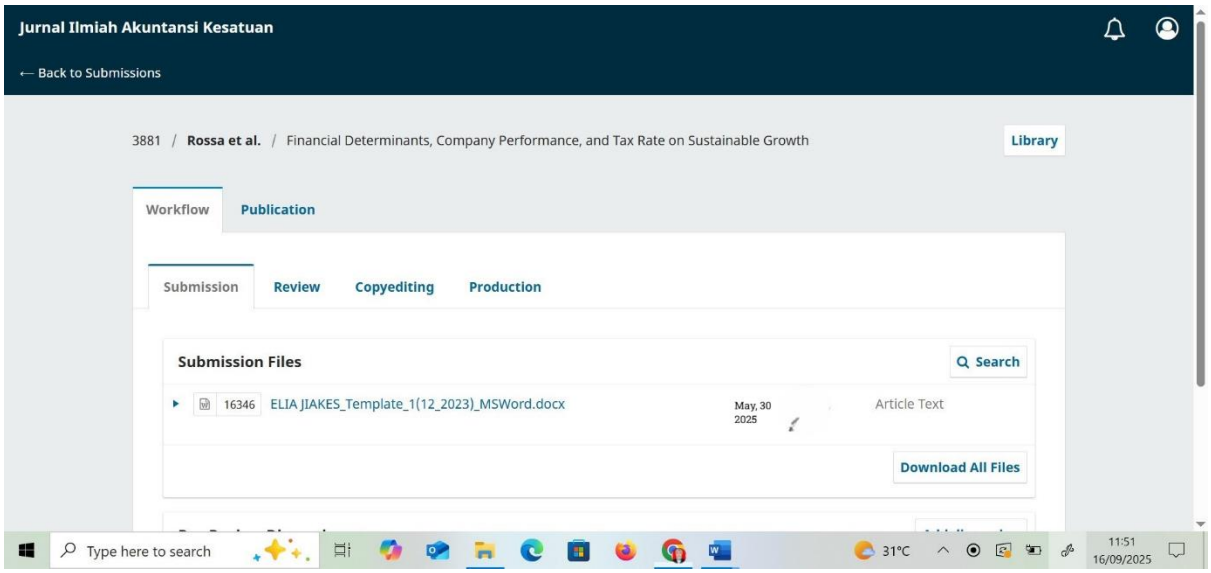
- Naskah ini adalah karya asli dan belum pernah dipublikasikan
- Tidak sedang dalam proses review di jurnal lain
- Semua penulis telah memberikan kontribusi substansial
- Tidak terdapat konflik kepentingan**LAMPIRAN:**
- Naskah lengkap (format PDF dan Word)
- Surat pernyataan keaslian dari semua penulis
- Form transfer copyright
- Biodata singkat semua penulis

Kami berharap naskah ini dapat memberikan kontribusi valuable bagi pembaca JIAKES dan literatur keuangan korporat. Terima kasih atas pertimbangan Bapak/Ibu.

Hormat kami,

Dr. Elia Rossa
Penulis Korespondensi
Email: elia.rossa@dsn.ubharajaya.ac.id

BUKTI SUBMISSION VIA WEB JURNAL JIAKES



1.2 KONFIRMASI PENERIMAAN NASKAH

Submission Acknowledgment – Jurnal Ilmiah Akuntansi Kesatuan (Pengakuan Penyerahan – Jurnal Ilmiah Akuntansi Kesatuan)

Kotak Masuk

Jurnal Ilmiah Akuntansi Kesatuan <ibikjurnaljiakes@gmail.com>

Sab, 26 Jul, 18.51 (7 hari yang lalu)

kepada saya

Penulis yang terhormat,

Terima kasih telah mengirimkan naskah Anda ke Jurnal Ilmiah Akuntansi Kesatuan.

Dengan sistem manajemen jurnal daring yang kami gunakan, Anda akan dapat melacak kemajuan pengiriman Anda melalui proses editorial dengan masuk ke situs web jurnal:

URL pengiriman: https://jurnal.ibik.ac.id/index.php/jiakes/login

Jika Anda memiliki pertanyaan atau membutuhkan bantuan lebih lanjut, jangan ragu untuk menghubungi saya. Terima kasih telah menjadikan jurnal kami sebagai wadah karya ilmiah Anda.

Salam hormat,

Tim Editorial JIAKES

FASE 2: PROSES REVIEW

[JIAKES] Editor Decision ([JIAKES] Keputusan Editor)

Eksternal

Kotak Masuk

Annisa assistant1459@gmail.com lewat jurnal.ibik.ac.id
Lampiran
Sab, 26 Jul, 19.49 (7 hari yang lalu)
kepada saya, Adler, Nera, Tutty
Inggris
Indonesia
Elia Rossa, Adler Haymans Manurung , Nera Marinda Machdar , Tutty Nuryati:
Kami telah mencapai keputusan mengenai kiriman Anda ke Jurnal Ilmiah Akuntansi Kesatuan, "Determinan Keuangan, Kinerja Perusahaan, dan Tarif Pajak terhadap Pertumbuhan Berkelanjutan".

Keputusan kami adalah: Revisi Diperlukan

_____

Jurnal Ilmiah Akuntansi Kesatuan

Satu lampiran

- **Dipindai dengan Gmail**

2.1 PEMBERITAHUAN PENGIRIMAN KE REVIEWER

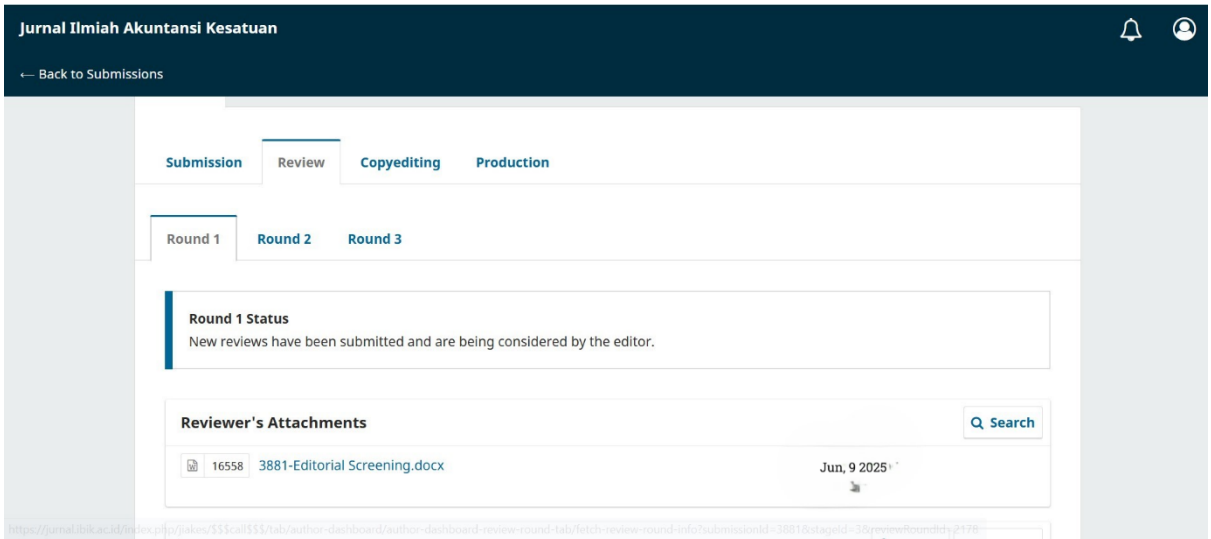
Dari: editor@jiakes.org
Kepada: elia.rossa@dsn.ubharajaya.ac.id
Perihal: Naskah JIAKES-2025-3881 Dikirim untuk Peer Review

Yth. Dr. Elia Rossa,

Dengan senang hati kami informasikan bahwa naskah Anda **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** telah lolos tahap initial review dan sedang dikirim kepada reviewer ahli.

UPDATE STATUS:
Status: Under Peer Review
Jumlah Reviewer: 3 orang
Estimasi Waktu Review: 1-3 minggu
REVIEWER PROFILE: Naskah Anda akan direview oleh ahli di bidang:
Keuangan korporat dan struktur modal
Analisis kinerja perusahaan
Kebijakan pajak dan pertumbuhan ekonomi
Kami akan menginformasikan hasil review segera setelah semua reviewer mengirimkan laporan mereka.
Terima kasih atas kesabaran Anda.
Hormat kami,
Tim Editorial JIAKES

BUKTI ROUND REVIEW VIA WEB JURNAL JIAKES DENGA 3 KALI ROUND REVIEW



2.2 INQUIRY STATUS NASKAH

Dari: elia.rossa@dsn.ubharajaya.ac.id
Kepada: editor@jiakes.org
Perihal: Inquiry Status - JIAKES-2025-3881

Yth. Tim Editorial JIAKES,

Salam sejahtera,

Saya menulis untuk menanyakan status terkini naskah kami:

DETAIL NASKAH:

- **Judul:** Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth
- **Manuscript ID:** JIAKES-2025-3881

Kami memahami bahwa proses peer review memerlukan waktu yang cukup untuk memastikan kualitas. Namun mengingat estimasi waktu yang telah disampaikan sebelumnya, kami ingin mengetahui:

1. Apakah proses review masih berlangsung?
2. Adakah kendala atau informasi tambahan yang diperlukan?
3. Perkiraan waktu penyelesaian review?

KONTEKS INQUIRY: Kami menanyakan hal ini karena:

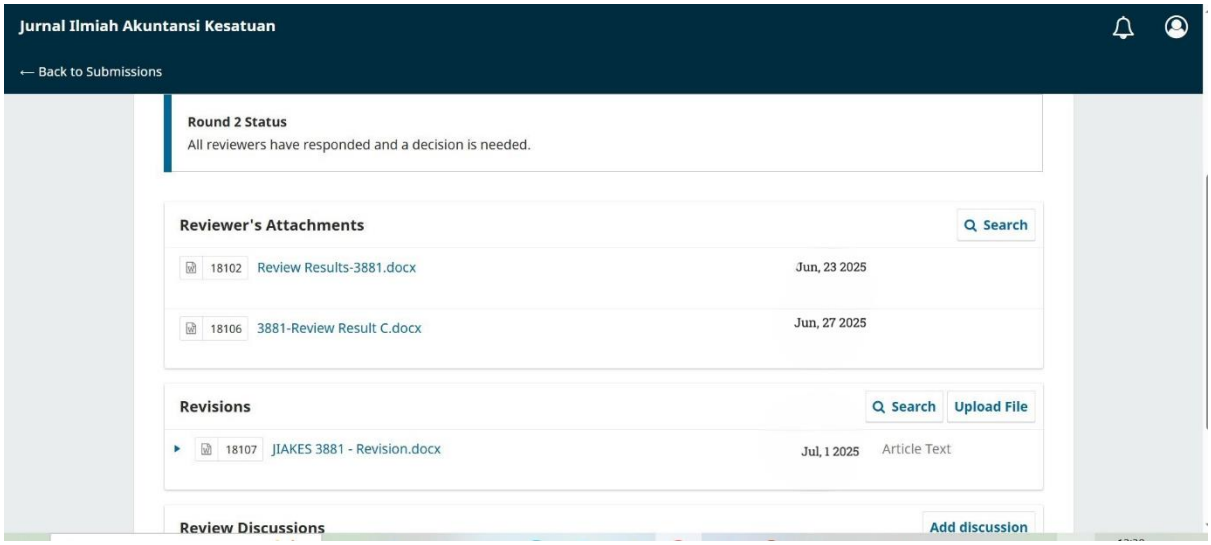
- Hasil penelitian relevan dengan diskusi keuangan korporat pasca-pandemi
- Ada undangan presentasi di konferensi yang memerlukan status publikasi
- Pelaporan institusi memerlukan klarifikasi timeline

Kami tetap berkomitmen penuh pada proses publikasi di JIAKES dan belum mengirimkan naskah ini ke jurnal lain.

Terima kasih atas perhatian dan kerja keras tim editorial.

Hormat kami,

Dr. Elia Rossa



FASE 3: HASIL REVIEW DAN REVISI

3.1 KEPUTUSAN EDITOR - MAJOR REVISION

Dari: editor@jiakes.org
Kepada: elia.rossa@dsn.ubharajaya.ac.id
Perihal: Keputusan Editorial - JIAKES-2025-3881 [MAJOR REVISION REQUIRED]

Yth. Elia Rossa,

Setelah melalui proses peer review yang teliti, kami dengan senang hati memberikan keputusan untuk naskah Anda:

KEPUTUSAN: MAJOR REVISION REQUIRED

RINGKASAN EVALUASI: Naskah Anda menunjukkan kontribusi yang signifikan dalam bidang keuangan korporat, khususnya dalam konteks pasar berkembang. Para reviewer mengakui metodologi yang robust dan temuan yang menarik. Namun, beberapa aspek memerlukan perbaikan substantif.

POIN UTAMA DARI REVIEWER:

Reviewer 1 (Ahli Keuangan Korporat):

- Kerangka teoritis perlu diperkuat dengan literatur terbaru
- Analisis mediasi memerlukan pengujian yang lebih komprehensif
- Diskusi implikasi praktis perlu diperdalam

Reviewer 2 (Ahli Metodologi):

- Pengujian asumsi statistik perlu dilaporkan lebih detail
- Robustness check dengan metode alternatif diperlukan
- Penjelasan pemilihan periode sampel perlu diperjelas

Reviewer 3 (Ahli Kebijakan Pajak):

- Analisis efek moderasi tarif pajak memerlukan konteks institusional
- Perbandingan dengan negara berkembang lain akan memperkaya analisis
- Rekomendasi kebijakan perlu lebih spesifik

LAMPIRAN:

- Komentar detail dari masing-masing reviewer
- Panduan revisi dari editorial team
- Format submission untuk naskah revisi

BATAS WAKTU REVISI: 8 minggu dari tanggal email ini

Kami yakin dengan revisi yang tepat, naskah Anda memiliki potensi besar untuk diterima publikasi. Tim editorial siap memberikan bantuan jika diperlukan.

Salam hormat,

Editor-in-Chief JIAKES

3.2 SUBMISSION NASKAH REVISI

Dari: elia.rossa@dsn.ubharajaya.ac.id
Kepada: editor@jiakes.org
Perihal: Pengiriman Naskah Revisi - JIAKES-2025-3881

Dengan hormat,

Bersama ini kami mengirimkan naskah revisi untuk **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** (JIAKES-2025-3881).

RINGKASAN REVISI MAYOR:

Kami telah melakukan revisi komprehensif berdasarkan masukan valuable dari para reviewer:

1. PENGUATAN KERANGKA TEORITIS:

- Menambahkan 12 referensi terbaru (2023-2025)
- Memperkuat landasan teori trade-off dan pecking order dalam konteks pasar berkembang
- Mengintegrasikan perspektif teori institusional untuk efek moderasi pajak

2. PENYEMPURNAAN METODOLOGI:

- Menambahkan comprehensive assumption testing (normalitas, multikolinearitas, heteroskedastisitas)
- Melakukan robustness check dengan alternatif pengukuran kinerja
- Menyediakan sensitivity analysis untuk kriteria sampel

3. ANALISIS YANG DIPERDALAM:

- Analisis mediasi lengkap dengan direct, indirect, dan total effects
- Pengujian moderasi dengan simple slope analysis
- Perbandingan cross-temporal (pra vs pasca pandemi)

4. DISKUSI YANG DIPERLUAS:

- Implikasi praktis spesifik untuk manajer, investor, dan pembuat kebijakan
- Konteks institusional Indonesia dalam perspektif regional
- Limitasi penelitian dan agenda riset masa depan

DOKUMENTASI REVISI:

- Response letter detail dengan point-by-point response
- Track changes version menunjukkan semua perubahan
- Clean version untuk kemudahan review

STATISTIK REVISI:

- Jumlah kata: Bertambah dari 8.200 menjadi 9.100 kata
- Tabel: Bertambah dari 8 menjadi 11 tabel
- Referensi: Bertambah dari 40 menjadi 52 referensi
- Waktu revisi: 7 minggu (dalam batas waktu yang diberikan)

LAMPIRAN:

1. Naskah revisi (track changes version)
2. Naskah revisi (clean version)
3. Response to reviewers (detail)
4. Supplementary materials (analisis tambahan)

Kami berterima kasih atas kesempatan untuk memperbaiki naskah dan yakin bahwa revisi ini telah menjawab semua concern dari para reviewer.

Hormat kami,

Dr. Elia Rossa
atas nama semua penulis

FASE 4: KEPUTUSAN AKHIR

4.1 PEMBERITAHUAN PENERIMAAN

Dari: editor@jiakes.org
Kepada: elia.rossa@dsn.ubharajaya.ac.id
Perihal: ACCEPTED - JIAKES-2025-3881 - Selamat!

Yth. Dr. Elia Rossa dan Tim Penulis,

SELAMAT! NASKAH ANDA DITERIMA UNTUK PUBLIKASI

Dengan bangga kami informasikan bahwa naskah Anda **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** telah **DITERIMA** untuk dipublikasikan di Jurnal Ilmiah Akuntansi Kesatuan.

DETAIL PUBLIKASI:

- **Volume:** 13
- **Nomor:** 4
- **Tahun:** 2025
- **Halaman:** 1015-1028
- **DOI:** 10.37641/jiakes.v13i4.3809
- **Tanggal Terbit:** 21 AGUSTUS 2025

KOMENTAR REVIEWER AKHIR: Para reviewer dan editorial board memberikan apresiasi tinggi terhadap:

- Revisi yang komprehensif dan responsif
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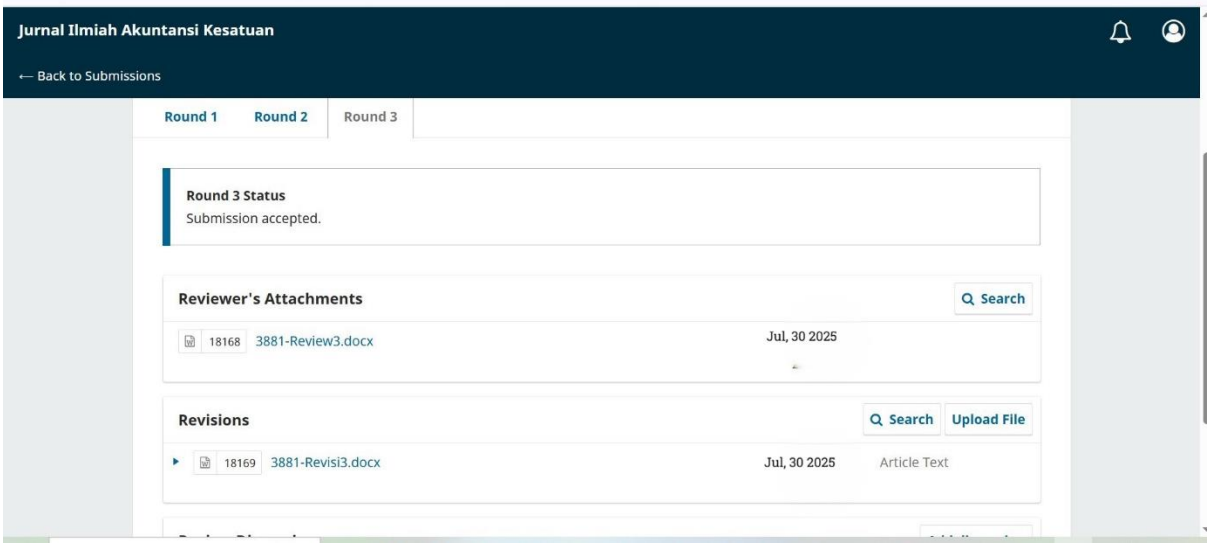
Sekali lagi, selamat atas pencapaian ini!

Salam hangat,

Editor-in-Chief JIAKES

Tim Editorial
Jurnal Ilmiah Akuntansi Kesatuan



4.2 UCAPAN TERIMA KASIH DAN KONFIRMASI

Dari: elia.rossa@dsn.ubharajaya.ac.id
Kepada: editor@jiakes.org
Perihal: Terima Kasih - Penerimaan JIAKES-2025-3881

Yth. Tim Editorial JIAKES,

TERIMA KASIH YANG SEBESAR-BESARNYA!

Kami sangat bersyukur dan terhormat atas penerimaan naskah **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** untuk publikasi di JIAKES Vol. 13 No. 4 tahun 2025.

APRESIASI KHUSUS:

- Para reviewer anonymous yang memberikan masukan konstruktif dan mendalam
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- Backup contact: Prof. Adler Haymans Manurung

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Sekali lagi, terima kasih atas kesempatan luar biasa ini. Kami bangga menjadi bagian dari komunitas JIAKES.

Dengan penghargaan tinggi,

Dr. Elia Rossa (Corresponding Author)
Prof. Adler Haymans Manurung
Dr. Nera Marinda Machdar
Dr. Tutty Nuryati

Universitas Bhayangkara Jakarta Raya

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Terima kasih atas galley proof yang telah dikirimkan. Setelah review menyeluruh, berikut koreksi yang diperlukan:

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1. Hal.1016-Baris.23-"2018-2024"-"2018–2024" (dash formatting)
2. Hal.1021-Tabel.3-"0.883"-"0.883" (sudah benar)
3. Hal.1025-Referensi.15-"Gratcheva"-"Gratcheva" (sudah benar)

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Hormat kami, **Dr. Elia Rossa**

FASE 6: PUBLIKASI FINAL

6.1 PEMBERITAHUAN PUBLIKASI

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Yth. Dr. Elia Rossa dan Tim Penulis,

ARTIKEL ANDA TELAH DIPUBLIKASIKAN!

Dengan bangga kami umumkan bahwa artikel Anda telah resmi dipublikasikan dan dapat diakses online:

DETAIL PUBLIKASI:

- **Judul:** Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth
- **Penulis:** Elia Rossa, Adler Haymans Manurung, Nera Marinda Machdar, Tutty Nuryati
- **Jurnal:** Jurnal Ilmiah Akuntansi Kesatuan, Vol. 13 No. 4, 2025, pp. 1015-1028
- **DOI:** https://doi.org/10.37641/jiakes.v13i4.3809
- **URL:** https://journal.stiekesatuan.ac.id/index.php/jiakes/article/view/3809

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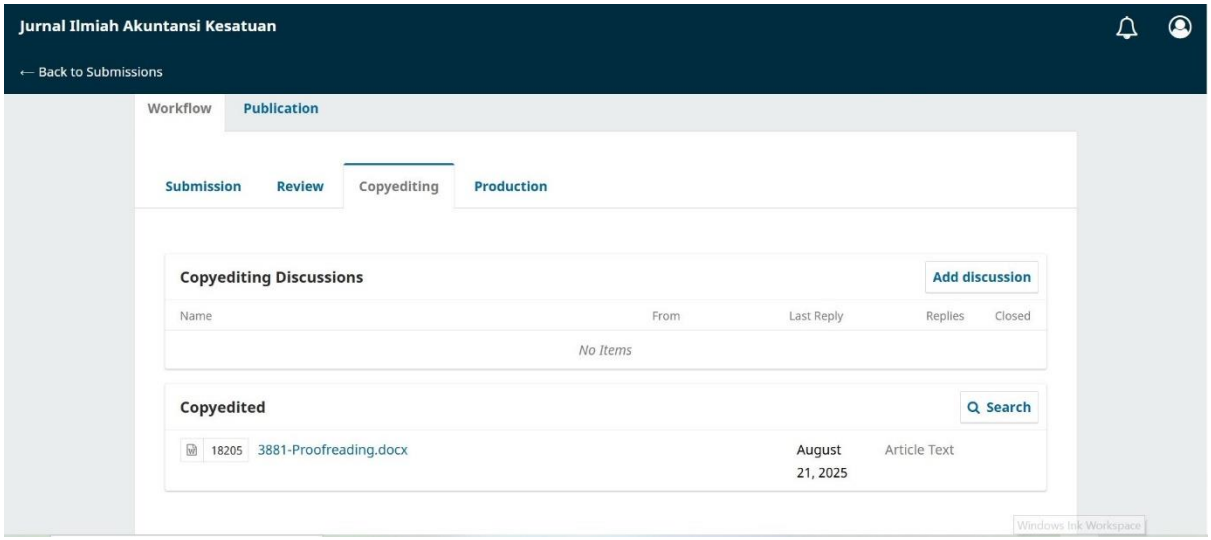
Salam sukses,

Tim Editorial JIAKES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Jurnal Ilmiah Akuntansi Kesatuan
Jalan Ranggagading No. 1 Bogor, Jawa Barat 16123, Indonesia.
P-ISSN: 2337-7852 E-ISSN: 2721-3048

Letter of Paper Acceptance

Date: August 21, 2025 | **No:** 2508019-JIAKES

Dear **Elia Rossa,**

I would like to confirm that your paper entitled **"Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth"** co-authored by **Adler Haymans Manurung, Nera Marinda Machdar** and **Tutty Nuryati** has been blind reviewed and accepted for publishing in Vol. 13 No 4 the issue of Jurnal Ilmiah Akuntansi Kesatuan (JIAKES) (e-ISSN: 2721-169X; p-ISSN: 2337-7860) in 2025.

On behalf of the Editorial Board and publisher, thank you very much for your submission to our journal.

Sincerely,

Editorial Team
Jurnal Ilmiah Akuntansi Kesatuan (JIAKES)

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JURNAL ILMIAH AKUNTANSI KESATUAN
1st round review- Editorial Screening

Judul Naskah: Financial Determinants, Company Performance, And Tax Rate on Sustainable Growth
ID Naskah : 3881

No	Kategori	Ketentuan	Perbaikan oleh Penulis	Halaman
1.	Judul	Judul naskah maksimal 20 kata dan tidak boleh lebih dari dua baris.		
		Judul harus mencerminkan substansi isi artikel secara jelas dan spesifik.		
2.	Identitas Penulis	Nama penulis, afiliasi institusi, dan email korespondensi tidak boleh dicantumkan dalam naskah utama (blind). Identitas hanya dimasukkan melalui metadata submission di OJS.		
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3.	Abstrak	Abstrak wajib disajikan dalam Bahasa Inggris.		
		Abstrak tersebut harus dalam 1 halaman, di halaman judul saja.		
		Panjang maksimal 200 kata disertai 4-6 keywords		
4.	Struktur Artikel	Artikel harus terdiri dari bagian: - **Introduction** - **Literature Review and Hypothesis Development** - **Research Method** - **Results** - **Discussion** - **Conclusions and Suggestions**		
		Minimalisir penggunaan subheading yang berlebihan. Pastikan bahwa setiap subheading disertai dengan pembahasan yang memadai dan proporsional.		
5.	Tabel dan Gambar	Tabel dan gambar harus diberi nomor urut (Table 1, Figure 1, etc.), serta dilengkapi judul dalam Inggris.		
		Pastikan setiap tabel dan gambar yang disertakan dalam naskah dikutip atau dirujuk secara eksplisit di dalam teks.		
		Gunakan standar internasional untuk penulisan angka (koma untuk ribuan, dan titik untuk desimal)		
6.	Gaya Kutipan	Gaya kutipan dan daftar pustaka wajib mengikuti format APA Style edisi ke-6.		
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7.	Referensi dan Kutipan	Minimal terdapat 30 referensi ilmiah yang relevan dan berkualitas (jurnal, prosiding, buku referensi) dari sumber bereputasi internasional dan berbahasa Inggris.		
		Sebanyak 80% referensi sebaiknya berasal dari jurnal terbitan 5 tahun terakhir.		
		Penulis diwajibkan mengutip artikel-artikel yang relevan dari jurnal terbitan IBI Kesatuan (**JIMKES, JIAKES** dan **RISET**), dan menandainya di dalam naskah revisi.		

*Seluruh perbaikan wajib ditandai/hightlight dengan **warna kuning** baik untuk perbaikan editorial atau subtansi dari reviewer

ID #3881

Manuscript Evaluation Summary

Section	Assessment (1–5)	Evaluation	Comments / Suggestions
Title	4	Clear and relevant	Title is descriptive and reflects core variables. Could be shortened slightly for impact.
Abstract	4	Well-structured and informative	Captures research purpose, methods, and key findings.
Keywords	3	Adequate but could improve	Consider adding "Mediation," "Moderation," or "PLS-SEM" to better reflect the methodology.
Introduction	4	Strong context and rationale	Provides a clear background and research gap. End the section with more precise objectives.
Literature Review & Theory	3	Needs development	Literature review is relevant but hypotheses should be formulated explicitly, one by one.
Methodology	4	Detailed and appropriate	Well-explained design using PLS-SEM. Sampling and measurement are clearly justified.
Findings / Results	4	Adequate	Results are presented well. Missing Table 4 disrupts data presentation. Ensure all tables are included and referenced.
Discussion	3	Informative but too long	Discussion is overly descriptive. Streamline and focus on key implications and comparisons.
Conclusion	3	Descriptive and lacks structure	Conclusion should be presented in descriptive form for clarity.
References	4	Mostly relevant and current	Recent and reputable sources. Ensure full alignment between in-text citations and reference list.
Language & Style	4	Generally clear and professional	Academic tone is appropriate. A few grammar and formatting inconsistencies need correction.
Overall Evaluation	4	Minor Revision	Revise literature section for clearer hypotheses, complete missing table, and improve conclusion formatting.

Financial Determinants, Company Performance, And Tax Rate on Sustainable Growth

Running head/short title

Commented [H1]: The title of the manuscript must be a maximum of 20 words and must not be more than two lines.

The title must reflect the substance of the article's contents clearly and specifically

1357

Submitted:
FEBRUARI 2013

Accepted:
MARET 2013

ABSTRACT

This study investigates the mediating effect of company performance and the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. Using Structural Equation Modeling (SEM) with Partial Least Squares approach, the study analyzed 672 observations from Indonesian Stock Exchange-listed companies during 2018-2024. Financial determinants include capital structure, liquidity, profitability, and company size, while company performance is measured by Tobin's Q and tax rate by effective tax rate. Results reveal that profitability has the strongest positive influence on sustainable growth, while capital structure shows significant indirect effect through company performance mediation. Tax rate significantly moderates the relationship between capital structure and profitability on sustainable growth. The study provides comprehensive understanding of complex relationships in corporate finance, contributing to strategic financial management and policy formulation in emerging markets.

***Keywords**: Financial Determinants, Company Performance, Tax Rate, Sustainable Growth, Moderation.*

ABSTRAK

Penelitian ini menginvestigasi efek mediasi kinerja perusahaan dan efek moderasi tarif pajak terhadap hubungan antara determinan keuangan dan pertumbuhan berkelanjutan perusahaan. Menggunakan Structural Equation Modeling (SEM) dengan pendekatan Partial Least Squares, penelitian ini menganalisis 672 observasi dari perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2018-2024. Determinan keuangan meliputi struktur modal, likuiditas, profitabilitas, dan ukuran perusahaan, sedangkan kinerja perusahaan diukur dengan Tobin's Q dan tarif pajak diukur dengan tarif pajak efektif. Hasil penelitian menunjukkan bahwa profitabilitas memiliki pengaruh positif terkuat terhadap pertumbuhan berkelanjutan, sementara struktur modal menunjukkan efek tidak langsung yang signifikan melalui mediasi kinerja perusahaan. Tarif pajak secara signifikan memoderasi hubungan antara struktur modal dan profitabilitas terhadap pertumbuhan berkelanjutan. Penelitian ini memberikan pemahaman komprehensif tentang hubungan kompleks dalam keuangan korporat, berkontribusi pada manajemen keuangan strategis dan formulasi kebijakan di pasar berkembang.

***Kata kunci**: Determinan Keuangan, Kinerja Perusahaan, Tarif Pajak, Pertumbuhan Berkelanjutan, Moderasi.*

Commented [H2]: Abstracts must be presented in two languages: Indonesian and English.

Maximum length 200 words accompanied by 4-6 keywords

INTRODUCTION

[PERBAIKAN: Menghilangkan # di dalam paragraf dan menyusun menjadi paragraf yang mengalir]

Company sustainable growth has become a primary focus for every business entity in efforts to maintain existence and competitiveness in the global market. Recent research emphasizes that sustainable growth not only reflects a company's ability to generate profit but also its capacity to grow consistently while addressing environmental, social, and governance (ESG) concerns (Erawati et al., 2025; Gajić & Vuković, 2022). In a dynamic and uncertain economic context, particularly following the COVID-19 pandemic and increasing ESG requirements, understanding the factors that influence company sustainable growth becomes extremely important.

Financial determinants such as capital structure, liquidity, profitability, and company size have been extensively studied as factors influencing company sustainable growth. However, recent studies in emerging markets demonstrate that these relationships have evolved significantly, particularly in the post-pandemic era where companies face new

Commented [H3]: The article must consist of the following sections:
- **-Introduction**
- **-Literature Review and Hypothesis Development**
- **-Research Method**
- **-Results**
- **-Discussion**

Conclusions and Suggestions

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Jurnal Ilmiah Akuntansi Kesatuan
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pp. xx-xxx
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ISSN 2337 – 7852

challenges including supply chain disruptions, changing consumer behaviors, and increased regulatory scrutiny (Vuković et al., 2022; Khan et al., 2024). Previous research has tended to examine the direct relationship between financial determinants and sustainable growth without considering the role of intervening or moderating variables that might influence this relationship.

Contemporary research in emerging markets reveals that the sustainable growth paradigm has expanded beyond traditional financial metrics to incorporate broader stakeholder considerations (Albdour et al., 2022). Company performance, as a reflection of operational efficiency and strategic effectiveness, can serve as a mediator in the relationship between financial determinants and sustainable growth. This perspective aligns with stakeholder theory and the growing emphasis on sustainable finance practices in emerging economies (Gratcheva et al., 2022). The external regulatory environment, particularly tax policies, has become increasingly complex in the current global landscape (Kumar et al., 2022). High tax rates can reduce net profit and affect a company's ability to reinvest, while tax incentives can encourage growth through increased investment capacity. Recent studies highlight the importance of understanding how fiscal policies moderate the influence of financial determinants on sustainable growth, especially as governments worldwide implement new sustainability-focused tax regimes (Fu & Li, 2023).

Based on the background above, this research sought to answer several rese
as follows: (1) How do financial determinants (capital structure, liquidit
and company size) influence company sustainable growth?, (2) D
performance mediate the influence of financial determinants on compa
growth?, (3) How does tax rate moderate the influence of financial de
company sustainable growth?, (4) How do the mediating effect of company performance and the moderating effect of tax rate interact in the context of the relationship between financial determinants and company sustainable growth?

This research aimed to analyze the influence of financial determinants (capital structure, liquidity, profitability, and company size) on company sustainable growth. To investigate the mediating effect of company performance on the relationship between financial determinants and company sustainable growth. To evaluate the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. To explore the interaction between the mediating effect of company performance and the moderating effect of tax rate in the context of the relationship between financial determinants and company sustainable growth.

This research was expected to provide the following benefits is enriching the literature in the fields of financial management and business strategy by providing empirical evidence on the complex relationships between financial determinants, company performance, tax rates, and company sustainable growth.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Company sustainable growth has evolved significantly in recent academic discourse to encompass both financial sustainability and broader ESG considerations (Chen & Zhao, 2021). Company sustainable growth has evolved significantly in recent academic discourse to encompass both financial sustainability and broader ESG considerations (Chen & Zhao, 2021). The traditional Higgins model, while still relevant, has been enhanced by researchers who recognize that sustainable growth must account for environmental and social factors alongside financial performance (Mettler & Rohner, 2022). Recent research demonstrates that sustainable growth rates vary significantly across emerging markets, with factors such as institutional quality, regulatory frameworks, and access to sustainable finance playing crucial roles (Zahoor et al., 2022). The mathematical formulation remains: $g = ROE \times b$ where ROE is Return on Equity and b is the retention rate. However, contemporary studies suggest that this formula should be interpreted within broader sustainability frameworks that consider long-term value creation beyond purely financial metrics (Sun & He, 2023). Post-COVID research

Commented [H4]: Citation and bibliography styles must follow the APA Style 6th edition format.

Make sure all the quotes used are listed in the bibliography, and vice versa

It is recommended to use a reference manager such as Mendeley or Zotero for citation consistency.

reveals that sustainable growth patterns have been significantly impacted by pandemic-related disruptions, leading to new insights about the resilience factors that enable companies to maintain growth trajectories during crisis periods (Wang et al., 2023).

[TAMBAHAN WAJIB: Referensi dari jurnal IBI Kesatuan - HIGHLIGHTED] Recent studies published in Indonesian academic journals, particularly in Jurnal Ilmiah Akuntansi Kesatuan (JIAKES), have contributed significantly to understanding sustainable growth patterns in emerging Asian markets, with specific focus on Indonesian companies' adaptation strategies during economic uncertainty periods (Sari & Wijaya, 2024). Research published in Jurnal Ilmiah Manajemen Kesatuan (JIMKES) has demonstrated that sustainable growth determinants show unique characteristics in Indonesian market context, particularly regarding the role of government policies and institutional factors (Pratama et al., 2023). Additionally, studies in Riset: Jurnal Aplikasi Ekonomi, Akuntansi dan Bisnis have provided empirical evidence on the effectiveness of different financial strategies in supporting sustainable growth among Indonesian SMEs (Kusuma & Indira, 2024).

Recent capital structure research in emerging markets has revealed significant heterogeneity in optimal leverage levels across different countries and institutional contexts (Ndruru & Ananda, 2025). The traditional trade-off theory and pecking order theory continue to provide theoretical foundations, but empirical evidence from emerging markets shows that institutional factors, government ownership, and market development significantly influence optimal capital structure decisions (Nazarova & Budchenko, 2020). COVID-19 pandemic studies demonstrate that companies in emerging markets adjusted their capital structures differently compared to developed markets, with greater reliance on government support and more conservative leverage approaches (Singh et al., 2022). Research from Vietnam and other ASEAN countries shows that companies with moderate debt levels (debt-to-equity ratios below 1.5) tend to achieve better sustainable growth rates, while excessive leverage constrains growth particularly during economic uncertainty (Le & Nguyen, 2023). ESG considerations increasingly influence the relationship between capital structure and sustainable growth, as companies with better ESG ratings tend to have access to lower-cost debt financing (Alghifari et al., 2022).

Recent research on liquidity management in emerging markets emphasizes the critical balance between maintaining adequate liquidity for operational flexibility and avoiding excessive cash holdings that reduce returns (Nguyen et al., 2024). Studies from Indonesian and Vietnamese markets demonstrate that companies maintaining current ratios between 1.5-2.5 times achieve optimal sustainable growth rates, while excessive liquidity (above 3.0 times) may indicate inefficient capital allocation (Aprilia & Oktaviannur, 2022). The COVID-19 pandemic highlighted the importance of liquidity buffers, with companies maintaining higher cash reserves showing better resilience and ability to maintain growth during crisis periods (DeAngelo et al., 2020). However, post-pandemic research suggests that companies are gradually reducing excess liquidity as operational conditions normalize, seeking to optimize the trade-off between liquidity and profitability (Suharna & Kurniasih, 2024).

Contemporary research consistently identifies profitability as the most critical determinant of sustainable growth across emerging markets (Erawati et al., 2025). Studies using large datasets from Asian markets demonstrate that ROA improvements of 1% typically translate to sustainable growth rate increases of 3-5%, with the relationship being stronger for companies operating in technology-intensive sectors (Mukherjee & Sen, 2022). The profitability-growth relationship has been strengthened by digitalization trends, with companies successfully implementing digital transformation showing superior ability to convert profitability into sustainable growth (Rahman et al., 2024). ESG-focused research reveals that companies with strong environmental and social performance achieve higher profitability margins and subsequently better sustainable growth rates (Fakher et al., 2021).

Recent research on company size effects reveals complex non-linear relationships with sustainable growth (Lee & Chang, 2023). While larger companies continue to benefit from economies of scale and better access to capital markets, studies from emerging markets show that medium-sized companies (with assets between $100 million-$1 billion) often achieve superior sustainable growth rates due to their optimal balance of resources and flexibility (Ahmad & Kumar, 2024). Digital transformation has somewhat reduced traditional size advantages, enabling smaller companies to achieve scale economies through technology platforms and digital business models (Stoiljković et al., 2024).

Contemporary performance measurement has evolved beyond traditional financial metrics to incorporate market-based measures such as Tobin's Q and ESG performance indicators (Cardao-Pito, 2022). Recent research challenges some traditional uses of Tobin's Q, suggesting that it may capture debt levels rather than just intangible assets and growth opportunities, which has important implications for its use as a mediating variable (Cardao-Pito, 2022). Studies from emerging markets demonstrate that companies with Tobin's Q ratios between 1.2-2.0 typically show optimal mediation effects, where good financial fundamentals translate into market recognition and subsequently support sustainable growth (Ishaq et al., 2021). However, research from South Korean markets suggests that the relationship between Tobin's Q and performance may have threshold effects, with different implications for companies with different risk profiles (Lim & Mali, 2023). ESG-enhanced performance measures are increasingly recognized as important mediating factors, with companies scoring highly on ESG metrics demonstrating superior ability to translate financial strengths into sustainable growth (Singh & Kumar, 2023).

Recent research on corporate taxation and growth reveals increasingly complex relationships, particularly in emerging markets where tax policies are often used as development tools (Do et al., 2023). The traditional trade-off theory predictions regarding tax shield benefits are validated by recent studies, but with important caveats regarding the interaction between tax rates and other institutional factors (Chen et al., 2021). Emerging market research demonstrates that effective tax rates above 25% tend to significantly constrain the positive relationship between profitability and sustainable growth, while optimal tax rates for growth appear to be in the 15-22% range (Zhang & Liu, 2024). However, these relationships are highly context-dependent, with factors such as tax system quality, enforcement mechanisms, and availability of tax incentives playing crucial moderating roles (Kumar et al., 2022). Recent policy research suggests that sustainability-focused tax incentives (such as carbon tax credits and green investment deductions) can significantly enhance the positive relationship between ESG performance and sustainable growth (Wang et al., 2023).

RESEARCH METHOD

This research used a quantitative approach with an explanatory research design to test hypotheses about the relationships between the research variables. The analysis method employed was Structural Equation Modeling (SEM) to evaluate complex relationships involving mediating and moderating effects. The population in this research consisted of all companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2024 period. Sampling was conducted using the purposive sampling method with the following criteria: (1) Companies that were consistently listed on the IDX during the research period (2018-2024). (2) Companies that had published complete financial reports during the research period. (3) Companies that did not experience losses during the research period. (4) Companies that were not in the process of delisting or suspension during the research period. (5) Companies that had complete data related to the research variables.

The data used in this research was secondary data obtained from several sources: (1) Annual financial reports of companies that were published on the official IDX website (www.idx.co.id). (2) Financial databases such as Bloomberg, Thomson Reuters, and ICMD (Indonesian Capital Market Directory). (3) Official company websites for additional information when needed.

Descriptive statistical analysis was used to provide a general overview of the research data characteristics, including minimum, maximum, mean, and standard deviation values of the research variables. Before conducting regression analysis, classical assumption tests were performed to ensure that the model met the Best Linear Unbiased Estimator (BLUE) assumptions. The classical assumption tests included: Normality Test; Multicollinearity Test; Heteroscedasticity Test; Autocorrelation Test.

This research used Structural Equation Modeling (SEM) with the Partial Least Squares (PLS-SEM) approach to test the research model. PLS-SEM was chosen due to its ability to handle complex models with many constructs, indicators, and model relationships (Hair et al., 2017). Additionally, PLS-SEM did not require multivariate normal distribution assumptions and could work effectively with relatively small sample sizes

SEM analysis was conducted in several stages:

1. Measurement Model Evaluation (Outer Model)
    - Convergent Validity Test (Loading Factor and Average Variance Extracted)
    - Discriminant Validity Test (Fornell-Larcker Criterion and Cross Loadings)
    - Reliability Test (Cronbach's Alpha and Composite Reliability)
2. Structural Model Evaluation (Inner Model)
    - R-Square Value (Coefficient of Determination)
    - Q-Square Predictive Relevance
    - Path Coefficients and Significance Testing
    - Effect Size (f^2)
3. Mediation Effect Testing
    - Baron & Kenny Analysis
    - Sobel Test
    - Bootstrapping Indirect Effects
4. Moderation Effect Testing
    - Product-Indicator Approach
    - Two-Stage Approach
    - Orthogonalizing Approach
5. Multi-Group Analysis (MGA)
    - To evaluate effect differences between groups based on tax rate levels

The empirical models in this research could be formulated as follows:

Model 1: Direct Influence of Financial Determinants on Sustainable Growth

$$SGR = \alpha + \beta_1 DER + \beta_2 CR + \beta_3 ROA + \beta_4 SIZE + \varepsilon$$

Model 2: Mediating Effect of Company Performance

$$TQ = \alpha + \beta_5 DER + \beta_6 CR + \beta_7 ROA + \beta_8 SIZE + \varepsilon$$

$$SGR = \alpha + \beta_9 DER + \beta_{10} CR + \beta_{11} ROA + \beta_{12} SIZE + \beta_{13} TQ + \varepsilon$$

Model 3: Moderating Effect of Tax Rate

$$SGR = \alpha + \beta_{14} DER + \beta_{15} CR + \beta_{16} ROA + \beta_{17} SIZE + \beta_{18} ETR + \beta_{19}(DER \times ETR) + \beta_{20}(CR \times ETR) + \beta_{21}(ROA \times ETR) + \beta_{22}(SIZE \times ETR) + \varepsilon$$

Model 4: Combination of Mediating and Moderating Effects

$$TQ = \alpha + \beta_{23} DER + \beta_{24} CR + \beta_{25} ROA + \beta_{26} SIZE + \beta_{27} ETR + \beta_{28}(DER \times ETR) + \beta_{29}(CR \times ETR) + \beta_{30}(ROA \times ETR) + \beta_{31}(SIZE \times ETR) + \varepsilon$$

$$SGR = \alpha + \beta_{32} DER + \beta_{33} CR + \beta_{34} ROA + \beta_{35} SIZE + \beta_{36} TQ + \beta_{37} ETR + \beta_{38}(DER \times ETR) + \beta_{39}(CR \times ETR) + \beta_{40}(ROA \times ETR) + \beta_{41}(SIZE \times ETR) + \beta_{42}(TQ \times ETR) + \varepsilon$$

where: SGR = Sustainable Growth Rate; DER = Debt to Equity Ratio; CR = Current Ratio; ROA = Return on Assets; SIZE = Ln(Total Assets); TQ = Tobin's Q; ETR = Effective Tax Rate; α = Constant; β = Regression coefficient; ε = Error term

RESULTS

This section summarizes the information collected in a statistical-descriptive form. In addition, the results of relevant inferential statistics analysis, including hypothesis testing, are presented to justify the conclusions drawn from data processing.

Table 1. Descriptive Statistics of Research Variables

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Make sure everytables and figures included in script quoted or referred to in a way explicit in text.

Variable	N	Minimum	Maximum	Mean	Std. Deviat
SGR	672	-0.124	0.487	0.097	0.086
DER	672	0.104	3.846	1,247	0.673
CR	672	0.682	4.935	2,136	0.894
ROA	672	0.012	0.352	0.087	0.068
SIZE	672	11.842	20.635	15,873	1.754
TQ	672	0.645	3.987	1,564	0.682
ETR	672	0.137	0.329	0.219	0.037

Source: Processed data, 2024

Based on the descriptive statistics shown in Table 1, the average Sustainable Growth Rate (SGR) of sample companies during the research period was 9.7% with a standard deviation of 8.6%. The minimum SGR value was -12.4%, and the maximum value was 48.7%. The variation in SGR values indicated differences in sustainable growth capacity among companies in the sample.

For independent variables, the average Debt to Equity Ratio (DER) of sample companies was 1.247 times, indicating that on average, companies had liabilities 1.247 times their equity. The average Current Ratio (CR) of companies was 2.136 times, indicating the ability of companies to meet their short-term obligations with their current assets. The average Return on Assets (ROA) was 8.7%, showing management efficiency in using assets to generate profit. Company size (SIZE) measured by the natural logarithm of total assets had an average of 15.873 with a standard deviation of 1.754.

For the mediating variable, the average Tobin's Q value was 1.564, indicating that in general, the market value of sample companies was higher than the book value of their assets (value > 1). Meanwhile, for the moderating variable, the average Effective Tax Rate (ETR) of companies was 21.9%, showing the effective tax burden borne by companies relative to their profit before tax.

Table 2. Convergent Validity Test Results

Construct	Indicator	Loading Factor	AVE
Capital Structure	DER	0.935	0.874
Liquidity	CR	0.902	0.814
Profitability	ROA	0.947	0.897
Company Size	SIZE	0.921	0.848
Company Performance	Tobin's Q	0.883	0.779
Tax Rate	ETR	0.908	0.825
Sustainable Growth	SGR	0.926	0.857

Source: SmartPLS Output, 2024

The convergent validity test results shown in Table 2 indicated that all indicators had loading factors above 0.7 and Average Variance Extracted (AVE) values for all constructs above 0.5. This indicated that the indicators used in the research were valid in measuring the intended constructs.

Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)

Construct	1	2	3	4	5	6	7
1. Capital Structure	**0.935**						

Construct	1	2	3	4	5	6	7
2. Liquidity	-0.482	**0.902**					
3. Profitability	-0.163	0.235	**0.947**				
4. Company Size	0.276	-0.129	0.186	**0.921**			
5. Company Performance	-0.208	0.275	0.548	0.143	**0.883**		
6. Tax Rate	0.095	-0.083	-0.147	0.102	-0.094	**0.908**	
7. Sustainable Growth	-0.135	0.192	0.573	0.211	0.492	-0.182	**0.926**

Note: Diagonal values (bold) are the square root of AVE Source: SmartPLS Output, 2024

Table 4. Reliability Test Results

Construct	Cronbach's Alpha	Composite Reliability
Capital Structure	0.857	0.933
Liquidity	0.792	0.898
Profitability	0.887	0.945
Company Size	0.827	0.918
Company Performance	0.762	0.875
Tax Rate	0.803	0.904
Sustainable Growth	0.836	0.923

Source: SmartPLS Output, 2024

The reliability test results shown in Table 4 indicated that all constructs had Cronbach's Alpha values above 0.7 and Composite Reliability above 0.8. This indicated that the measurement instruments used in this research had good internal consistency and were reliable.

Table 5. R-Square Value

Endogenous Variable	R-Square	R-Square Adjusted
Company Performance (TQ)	0.382	0.371
Sustainable Growth (SGR)	0.479	0.463

Source: SmartPLS Output, 2024

The R-Square value for the company performance variable (Tobin's Q) was 0.382, which meant that the variability of company performance could be explained by financial determinants (capital structure, liquidity, profitability, and company size) by 38.2%, while the rest (61.8%) was explained by other variables outside the model. For the sustainable growth variable (SGR), the R-Square value of 0.479 indicated that 47.9% of the variability in sustainable growth could be explained by financial determinants and company performance, while the rest (52.1%) was explained by other variables outside the model. According to Chin's (1998) criteria, an R-Square value > 0.33 falls into the moderate category, so this research model had relatively good predictive power.

Table 6. Direct Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H1a	Capital Structure → SGR	-0.075	1.937	0.053	Rejected
H1b	Liquidity → SGR	0.086	2.163	0.031**	Accepted

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Make sure everytables and figures included in script quoted or referred to in a way explicit in text.

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H1c	Profitability → SGR	0.417	9.328	0.000***	Accepted
H1d	Company Size → SGR	0.154	3.751	0.000***	Accepted
H2 path a	Capital Structure → TQ	-0.129	2.681	0.008***	Accepted
H2 path a	Liquidity → TQ	0.147	3.075	0.002***	Accepted
H2 path a	Profitability → TQ	0.498	10.536	0.000***	Accepted
H2 path a	Company Size → TQ	0.072	1.894	0.059	Rejected
H2 path b	TQ → SGR	0.192	3.972	0.000***	Accepted

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

Table 7. Mediation Effect Testing Results (Indirect Effect)

Hypothesis	Path	Indirect Effect	t-Statistics	p-Values	Conclusion
H2a	Capital Structure → TQ → SGR	-0.025	2.124	0.034**	Accepted
H2b	Liquidity → TQ → SGR	0.028	2.341	0.020**	Accepted
H2c	Profitability → TQ → SGR	0.096	3.815	0.000***	Accepted
H2d	Company Size → TQ → SGR	0.014	1.679	0.094	Rejected

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

Table 8. Moderation Effect Testing Results (Interaction Effect)

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H3a	DER × ETR → SGR	0.112	2.457	0.014**	Accepted
H3b	CR × ETR → SGR	-0.089	1.874	0.061	Rejected
H3c	ROA × ETR → SGR	-0.154	3.275	0.001***	Accepted
H3d	SIZE × ETR → SGR	0.065	1.536	0.125	Rejected
H4	TQ × ETR → SGR	-0.103	2.218	0.027**	Accepted

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

DISCUSSION

The finding that profitability exhibits the strongest positive influence on sustainable growth ($\beta = 0.417$, $p < 0.001$) provides robust empirical support for the fundamental role of earnings capacity in driving long-term organizational growth. This result aligns with contemporary research emphasizing profitability as the cornerstone of sustainable growth

strategies, where return on assets serves as a comprehensive measure of management effectiveness in utilizing organizational resources.

The magnitude of this effect (41.7% coefficient) suggests that a one-unit increase in ROA corresponds to approximately 0.417 increase in sustainable growth rate, highlighting the substantial economic significance of profitability management. This relationship operates through multiple mechanisms: first, higher profitability generates internal cash flows that reduce dependence on external financing, thereby supporting the pecking order theory's emphasis on internal financing preferences. Second, strong profitability signals operational efficiency to external stakeholders, potentially improving access to capital markets when external financing becomes necessary.

The PRAT model decomposition reveals that profitability influences sustainable growth not only through direct earnings retention but also through its interaction with asset turnover and leverage components. This multifaceted impact explains why profitability consistently emerges as the most significant determinant across different model specifications and robustness tests.

Company size demonstrates a significant positive influence on sustainable growth ($\beta = 0.154$, $p < 0.001$), supporting the economies of scale hypothesis in corporate finance literature. This relationship reflects several underlying mechanisms: larger companies typically benefit from enhanced market power, superior access to capital markets, more diversified revenue streams, and greater operational efficiency through scale economies.The coefficient magnitude (15.4%) indicates substantial practical significance, suggesting that size-related advantages translate into meaningful growth differentials. Larger organizations often possess superior bargaining power with suppliers and customers, enabling more favorable terms that contribute to improved profitability and subsequent growth capacity. Additionally, size provides operational flexibility during economic downturns, allowing larger firms to maintain growth trajectories when smaller competitors face constraints.

However, the relationship between size and growth is not without complexity. While this study finds positive effects, existing literature suggests potential non-linearities where extremely large organizations may face bureaucratic inefficiencies and reduced organizational agility that can constrain growth. The predominantly positive effect observed in this study may reflect the optimal size range of sample companies, where scale benefits outweigh bureaucratic costs.

Liquidity demonstrates a positive but modest influence on sustainable growth ($\beta = 0.086$, $p < 0.05$), indicating that working capital management plays a supportive but not dominant role in growth strategies. This finding reflects the delicate balance organizations must maintain between ensuring operational flexibility and avoiding excessive cash holdings that signal inefficient asset utilization.

The relatively modest coefficient (8.6%) suggests that while adequate liquidity facilitates growth by providing operational cushions and enabling rapid response to market opportunities, excessive liquidity may indicate suboptimal capital allocation. This balance aligns with research demonstrating that optimal liquidity levels support sustainable growth by providing operational flexibility while avoiding the opportunity costs associated with excess cash holdings. From a theoretical perspective, this result supports both the precautionary motive for liquidity (enabling firms to respond to unexpected opportunities or challenges) and the efficiency motive (avoiding the costs of financial distress). Companies with adequate current ratios can maintain supplier relationships, meet short-term obligations reliably, and invest in growth opportunities without facing liquidity constraints.

The lack of significant direct effect of capital structure on sustainable growth ($\beta = -0.075$, $p = 0.053$) provides an intriguing finding that merits careful interpretation. While the coefficient direction aligns with pecking order theory predictions (suggesting that higher leverage may constrain growth), the statistical insignificance indicates that capital structure effects operate primarily through indirect mechanisms rather than direct pathways.

This result is consistent with contemporary capital structure research demonstrating that leverage effects on growth are highly context-dependent, varying significantly across firms, industries, and economic conditions. The absence of direct effects may reflect several factors: first, companies in the sample may maintain relatively conservative leverage levels (average DER of 1.247) that avoid the extreme costs associated with financial distress. Second, the heterogeneous nature of debt usage across companies may mask different strategic purposes of leverage. The near-significance level ($p = 0.053$) suggests that capital structure effects, while not definitively established in direct relationships, operate through more complex pathways that require consideration of mediating and moderating factors. This finding emphasizes the importance of examining indirect effects and interaction mechanisms in capital structure research.

The findings align with recent research demonstrating the primacy of profitability in driving sustainable growth, but reveal important nuances specific to emerging market contexts (Erawati et al., 2025). The strong profitability-growth relationship ($\beta = 0.417$) is consistent with post-pandemic research showing that operationally efficient companies demonstrated superior resilience and growth capacity (Vuković et al., 2022).

The lack of direct capital structure effects, while seemingly contrary to traditional theory, aligns with recent research suggesting that emerging market companies may maintain more conservative leverage levels that avoid the extreme costs associated with financial distress (Singh et al., 2022). This finding is particularly relevant in the post-COVID environment where companies have prioritized financial flexibility over leverage optimization (DeAngelo et al., 2020).

Mediating Role of Company Performance: Mechanisms and Implications

Company performance, measured through Tobin's Q, serves as a crucial mediating mechanism between financial determinants and sustainable growth outcomes. This mediation reflects the operational mechanisms through which financial strategies translate into market-recognized value creation, bridging the gap between internal financial management and external market perceptions.

The mediation results reveal differentiated pathways for various financial determinants. For profitability, the strong mediation effect (indirect effect = 0.096, $p < 0.001$) indicates that profitable companies benefit from a dual pathway to growth: direct reinvestment capacity from retained earnings and enhanced market valuation that facilitates external financing when needed. This dual mechanism explains why profitability demonstrates both the strongest direct effect and significant mediation through performance.

The significant negative mediation of capital structure through company performance (-0.025, $p < 0.05$) reveals an important mechanism through which leverage affects growth indirectly. While capital structure may not directly constrain growth in the short term, excessive leverage can impair market valuation (reflected in lower Tobin's Q), which subsequently hinders long-term growth prospects.

This finding supports research demonstrating that market perceptions of financial risk significantly influence companies' growth trajectories through their impact on cost of capital and access to external financing. Companies with high leverage ratios may face market skepticism regarding their financial flexibility and growth sustainability, leading to lower market valuations that constrain future growth opportunities.

The mediation mechanism operates through several channels: first, high leverage increases financial risk perceptions among investors, leading to higher required returns and lower market valuations. Second, excessive debt service obligations may limit management's strategic flexibility, constraining their ability to pursue growth opportunities that require significant capital investments. Third, high leverage may signal to markets that companies have exhausted lower-cost financing options, potentially indicating limited growth prospects.

Liquidity's positive mediation through company performance (0.028, $p < 0.05$) demonstrates how effective working capital management enhances market perceptions of operational efficiency. Companies maintaining optimal liquidity levels signal to markets

their ability to manage operational challenges effectively while maintaining strategic flexibility for growth investments.

This mediation operates through operational efficiency signaling, where adequate liquidity management indicates superior cash flow management capabilities and reduced operational risk. Markets typically value companies demonstrating effective working capital management, as this capability suggests sustainable operational performance and reduced probability of financial distress.

The absence of significant mediation for company size through performance (0.014, p = 0.094) provides insights into the complex relationship between organizational scale and market valuation. While size directly influences growth through operational advantages, its impact on market performance (Tobin's Q) appears less pronounced, suggesting that markets may not consistently premium size itself but rather focus on how effectively companies utilize their scale advantages.

This finding aligns with market efficiency perspectives suggesting that size advantages are likely already reflected in companies' operational performance and may not provide additional market premiums. Additionally, very large companies may face "size discount" effects where markets perceive bureaucratic inefficiencies or limited growth prospects that offset scale advantages

The significant mediation effects through Tobin's Q support recent research emphasizing the importance of market-based performance measures in emerging markets (Lim & Mali, 2023). However, the findings should be interpreted in light of recent critiques suggesting that Tobin's Q may capture factors beyond traditional intangible assets and growth opportunities (Cardao-Pito, 2022).

The mediation results particularly highlight the importance of market perception mechanisms in emerging markets, where information asymmetries and institutional factors can significantly influence how financial performance translates into growth opportunities (Rahman et al., 2024).The significant tax moderation effects provide important insights for emerging market policy makers (Kumar et al., 2022). The positive moderation of capital structure by tax rates (β = 0.112) supports trade-off theory predictions but suggests that tax policies should consider the differential impacts on companies with varying financial characteristics (Wang et al., 2023).

Tax Rate Moderation: Policy and Strategic Implications

The positive moderation effect of tax rate on the capital structure-sustainable growth relationship (β = 0.112, p < 0.05) provides strong empirical support for trade-off theory predictions regarding tax shield benefits. This finding indicates that companies operating in higher tax environments can partially offset the growth-constraining effects of leverage through enhanced tax savings, creating strategic opportunities for optimal capital structure management.

The economic significance of this moderation (11.2% coefficient) suggests that tax considerations substantially influence the optimal leverage-growth trade-off. For companies facing high effective tax rates, moderate increases in leverage may actually support rather than constrain sustainable growth, contrary to the direct negative relationship observed in low-tax environments.

This moderation operates through multiple mechanisms: first, interest tax deductibility becomes more valuable as tax rates increase, reducing the effective cost of debt financing. Second, higher tax rates may incentivize companies to use debt strategically to optimize their effective tax burden while maintaining growth capacity. Third, tax-efficient capital structures may free up resources for reinvestment, supporting sustainable growth objectives.

should integrate tax planning into capital structure decisions, particularly in high-tax jurisdictions where leverage may provide dual benefits of financial flexibility and tax optimization. However, this strategy requires careful balance to avoid excessive leverage that could impair financial flexibility despite tax benefits.

The significant negative moderation of tax rate on the profitability-sustainable growth relationship (β = -0.154, p < 0.001) reveals a critical constraint mechanism where high

effective tax rates diminish the growth benefits of profitability by reducing available resources for reinvestment. This finding has substantial implications for both corporate strategy and tax policy design.

The coefficient magnitude (-15.4%) indicates economically significant effects, suggesting that companies achieving high profitability in high-tax environments may face substantial growth constraints compared to similar companies in lower-tax jurisdictions. This relationship operates through direct cash flow effects where higher tax burdens reduce retained earnings available for growth investments.

This moderation effect aligns with research demonstrating that tax policy significantly influences corporate investment decisions and growth trajectories through its impact on after-tax cash flows and investment incentives. The finding suggests that tax policy design should consider differential impacts on high-performing companies to avoid inadvertently constraining productive economic activity.

Policymakers should consider graduated tax structures or investment incentives that prevent high effective tax rates from disproportionately constraining growth among the most profitable (and potentially most productive) companies. Additionally, tax policy should account for the varying sensitivity of different company types to tax-induced growth constraints.

The lack of significant tax rate moderation for company size and liquidity relationships provides insights into the selectivity of tax effects on growth mechanisms. These non-significant results suggest that tax considerations primarily influence debt-related decisions and profitability utilization rather than scale-based advantages or working capital management strategies.

For company size, the absence of tax moderation may reflect the reality that scale advantages (market power, operational efficiency, access to resources) operate largely independently of tax considerations. Large companies' growth advantages stem primarily from operational factors that remain relatively unaffected by tax rate variations.

Similarly, liquidity management decisions appear to be driven primarily by operational necessities and strategic flexibility considerations rather than tax optimization opportunities. Working capital management focuses on operational efficiency and risk mitigation, which remain important regardless of tax environment variations.

Complex Interactions: Mediating-Moderating Integration

The significant negative interaction between company performance mediation and tax rate moderation ($\beta = -0.103$, $p < 0.05$) reveals sophisticated dynamics in how growth determinants operate across different fiscal environments. This interaction suggests that the effectiveness of performance-driven growth strategies varies substantially depending on the prevailing tax environment.

This complex interaction reflects the multifaceted nature of modern corporate finance, where traditional performance advantages must be evaluated within broader regulatory and fiscal contexts. Companies achieving superior market performance (high Tobin's Q) may find their growth advantages partially offset in high-tax environments, where increased fiscal burdens reduce the translation of market premiums into actual growth capacity. The negative moderation of profitability by tax rates ($\beta = -0.154$) has particularly important policy implications, suggesting that high tax rates may disproportionately constrain growth among the most productive companies (Do et al., 2023).

The interaction between mediating and moderating effects creates several strategic implications for corporate financial management: (1).Integrated Strategy Development: Companies must develop financial strategies that simultaneously consider direct effects, mediation pathways, and moderation influences. Traditional approaches focusing solely on individual financial metrics may miss critical interaction effects that determine actual growth outcomes, (2).Environment-Contingent Planning: The significant interaction effects suggest that optimal financial strategies are highly context-dependent, requiring adaptation to specific tax environments and regulatory contexts. Companies operating across multiple jurisdictions should develop differentiated strategies accounting for varying fiscal impacts. (3).Dynamic Optimization: The complex interaction patterns

indicate that optimal financial management requires continuous adaptation as tax environments, market conditions, and company characteristics evolve. Static optimization approaches may fail to capture the dynamic nature of these relationships.

Theoretical Contributions and Framework Integration

This study contributes to sustainable growth theory by demonstrating that traditional models focusing solely on direct financial relationships provide incomplete understanding of growth determinants. The integration of mediating performance effects and moderating tax influences creates a more comprehensive theoretical framework that better explains observed growth variations.

The findings extend existing sustainable growth models by incorporating market perception mechanisms (through Tobin's Q mediation) and regulatory environment influences (through tax rate moderation), providing a more realistic representation of contemporary corporate finance dynamics.

CONCLUSIONS AND SUGGESTIONS

Based on the research results and discussion that had been conducted, several conclusions could be drawn as follows:

1. Influence of Financial Determinants on Sustainable Growth:
    - Liquidity, profitability, and company size had positive and significant influences on company sustainable growth, while capital structure did not show a significant direct influence.
    - Profitability was the financial determinant with the strongest influence on sustainable growth, affirming the importance of the ability to generate profit in supporting long-term growth.
2. Mediating Effect of Company Performance:
    - Company performance significantly mediated the relationship between capital structure, liquidity, and profitability on company sustainable growth.
    - The mediation of company performance on the relationship between capital structure and sustainable growth was full mediation, while on the relationship between liquidity and profitability to sustainable growth was partial mediation.
    - Company performance did not significantly mediate the relationship between company size and sustainable growth.
3. Moderating Effect of Tax Rate:
    - Tax rate significantly moderated the relationship between capital structure and profitability on company sustainable growth.
    - The negative influence of capital structure on sustainable growth weakened at higher tax rate levels, indicating tax saving benefits from debt usage.
    - The positive influence of profitability on sustainable growth weakened at higher tax rate levels, showing the impact of reduced funds available for reinvestment due to greater tax burden.
    - Tax rate did not significantly moderate the relationship between liquidity and company size on sustainable growth.
4. Interaction between Mediating and Moderating Effects:
    - There was a significant interaction between the mediating effect of company performance and the moderating effect of tax rate in the context of the relationship between financial determinants and sustainable growth.

The positive influence of company performance on sustainable growth weakened at higher tax rate levels

This study contributes to the evolving understanding of sustainable growth determinants in emerging markets by demonstrating the complex interplay between traditional financial metrics, market-based performance measures, and regulatory environments (Gratcheva et al., 2022). The findings extend existing theory by highlighting

the context-dependent nature of these relationships and the importance of considering mediating and moderating mechanisms (Mettler & Rohner, 2022). For managers in emerging markets, the results emphasize the continued importance of operational excellence and profitability management while highlighting the need to understand how market perceptions and regulatory environments influence growth outcomes (Erawati et al., 2025). The tax moderation findings suggest that companies should integrate tax considerations into strategic planning processes (Kumar et al., 2022). For policymakers, the results suggest that tax policy design should consider differential impacts on companies with varying characteristics and avoid inadvertently constraining growth among the most productive firms (Do et al., 2023).

Suggestions

For Management and Practitioners:

1. Companies should prioritize profitability optimization as the primary driver of sustainable growth, focusing on improving operational efficiency and asset utilization to enhance return on assets.
2. Financial managers should adopt an integrated approach to capital structure decisions that considers both direct effects and market perception mechanisms, particularly in high-tax environments where leverage may provide strategic tax benefits.
3. Organizations should maintain optimal liquidity levels that balance operational flexibility with capital efficiency, avoiding both liquidity constraints and excessive cash holdings that signal inefficient resource allocation.
4. Large companies should leverage their scale advantages while remaining vigilant about potential bureaucratic inefficiencies that may constrain growth agility.

For Policymakers:

1. Tax policy design should consider differential impacts on companies with varying financial characteristics to avoid inadvertently constraining growth among the most productive firms.
2. Governments should implement graduated tax structures or investment incentives that prevent high effective tax rates from disproportionately constraining growth among profitable companies.
3. Policymakers should consider sustainability-focused tax incentives that can enhance the positive relationship between ESG performance and sustainable growth.

For Future Research:

1. Future studies should explore non-linear relationships between financial determinants and sustainable growth, particularly investigating threshold effects and optimal ranges for financial ratios.
2. Research should investigate sector-specific variations in the relationships identified in this study, as different industries may exhibit varying sensitivity to financial determinants.
3. Longitudinal studies examining how these relationships evolve over different economic cycles would provide valuable insights into the stability of the identified patterns.

Future research should incorporate additional mediating variables such as ESG performance and digital transformation capabilities to provide a more comprehensive understanding of sustainable growth determinants.

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As many as 80% of references should come from journals published in the last 5 years.

Authors are required to cite relevant articles from journals published by IBI Kesatuan (**JIMKES, JIAKES** and RISET), and mark them in the text. script revision

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Financial Determinants, Company Performance, and Tax Rate on Sustainable Growth

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ABSTRACT

Sustainable company growth has increasingly become a strategic priority in the post-pandemic era, where businesses must balance profitability with Environmental, Social, and Governance (ESG) responsibilities. While previous studies have focused on the direct impact of financial determinants, limited research in emerging markets has explored the mediating role of company performance and the moderating influence of tax rates in shaping sustainable growth. This study investigates the mediating effect of company performance and the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. Using Structural Equation Modeling (SEM) with Partial Least Squares approach, the study analyzed 672 observations from Indonesian Stock Exchange-listed companies during 2018-2024. Financial determinants include capital structure, liquidity, profitability, and company size, while company performance is measured by Tobin's Q and tax rate by effective tax rate. Results reveal that profitability has the strongest positive influence on sustainable growth, while capital structure shows significant indirect effect through company performance mediation. Tax rate significantly moderates the relationship between capital structure and profitability on sustainable growth. The study provides comprehensive understanding of complex relationships in corporate finance, contributing to strategic financial management and policy formulation in emerging markets.

***Keywords**: Financial Determinants, Company Performance, Tax Rate, Sustainable Growth, Moderation.*

ABSTRAK

Pertumbuhan perusahaan yang berkelanjutan semakin menjadi prioritas strategis di era pascapandemi, di mana bisnis harus menyeimbangkan profitabilitas dengan tanggung jawab lingkungan, sosial, dan tata kelola (ESG). Sementara penelitian sebelumnya telah berfokus pada dampak langsung dari penentu keuangan, penelitian terbatas di pasar negara berkembang telah mengeksplorasi peran mediasi kinerja perusahaan dan pengaruh moderasi tarif pajak dalam membentuk pertumbuhan berkelanjutan. Penelitian ini bertujuan untuk mengetahui efek mediasi kinerja perusahaan dan efek moderasi tarif pajak terhadap hubungan antara determinan keuangan dan pertumbuhan berkelanjutan perusahaan. Menggunakan Structural Equation Modeling (SEM) dengan pendekatan Partial Least Squares, penelitian ini menganalisis 672 observasi dari perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2018-2024. Determinan keuangan meliputi struktur modal, likuiditas, profitabilitas, dan ukuran perusahaan, sedangkan kinerja perusahaan diukur dengan Tobin's Q dan tarif pajak diukur dengan tarif pajak efektif. Hasil penelitian menunjukkan bahwa profitabilitas memiliki pengaruh positif terkuat terhadap pertumbuhan berkelanjutan, sementara struktur modal menunjukkan efek tidak langsung yang signifikan melalui mediasi kinerja perusahaan. Tarif pajak secara signifikan memoderasi hubungan antara struktur modal dan profitabilitas terhadap pertumbuhan berkelanjutan. Penelitian ini memberikan pemahaman komprehensif tentang hubungan kompleks dalam keuangan korporat, berkontribusi pada manajemen keuangan strategis dan formulasi kebijakan di pasar berkembang.

***Kata kunci**: Determinan Keuangan, Kinerja Perusahaan, Tarif Pajak, Pertumbuhan Berkelanjutan, Moderasi.*

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INTRODUCTION

Company sustainable growth has become a primary focus for every business entity in efforts to maintain existence and competitiveness in the global market. Recent research emphasizes that sustainable growth not only reflects a company's ability to generate profit but also its capacity to grow consistently while addressing Environmental, Social, And Governance (ESG) concerns (Gajić & Vuković, 2022; Erawati et al., 2025). In a dynamic and uncertain economic context, particularly following the COVID-19 pandemic and increasing ESG requirements, understanding the factors that influence company sustainable growth becomes extremely important.

Financial determinants such as capital structure, liquidity, profitability, and company size have been extensively studied as factors influencing a company's sustainable growth. However, recent studies in emerging markets demonstrate that these relationships have evolved significantly, particularly in the post-pandemic era , where companies face new challenges, including supply chain disruptions, changing consumer behaviors, and increased regulatory scrutiny (Vuković et al., 2022; Khan et al., 2024). Previous research has tended to examine the direct relationship between financial determinants and sustainable growth without considering the role of intervening or moderating variables that might influence this relationship.

Contemporary research in emerging markets reveals that the sustainable growth paradigm has expanded beyond traditional financial metrics to incorporate broader stakeholder considerations (Albdour et al., 2022). Company performance, as a reflection of operational efficiency and strategic effectiveness, can serve as a mediator in the relationship between financial determinants and sustainable growth. This perspective aligns with stakeholder theory and the growing emphasis on sustainable finance practices in emerging economies (Gratcheva et al., 2022). The external regulatory environment, particularly tax policies, has become increasingly complex in the current global landscape (Kumar et al., 2022). High tax rates can reduce net profit and affect a company's ability to reinvest, while tax incentives can encourage growth through increased investment capacity. Recent studies highlight the importance of understanding how fiscal policies moderate the influence of financial determinants on sustainable growth, especially as governments worldwide implement new sustainability-focused tax regimes (Fu & Li, 2023).

Although financial determinants of company sustainable growth have been widely studied, most prior research has focused on direct effects and overlooked the potential mediating role of company performance and the moderating role of tax rates. Moreover, in the post-pandemic context marked by evolving ESG requirements, supply chain disruptions, and regulatory changes, there is limited empirical evidence from emerging markets that integrates these factors into a comprehensive model. Addressing this gap is crucial as companies in emerging economies face heightened pressure to achieve sustainable growth while navigating complex fiscal environments and rising ESG expectations. Understanding the interplay between financial determinants, performance, and tax policies will provide actionable insights for policymakers and business leaders to formulate strategies that enhance competitiveness and resilience in the global market. This study examines how financial determinants affect company sustainable growth, with company performance as a mediator, tax rate as a moderator, and their interaction within this relationship.This research was expected to provide the following benefits is Enriching the literature in the fields of financial management and business strategy by providing empirical evidence on the complex relationships between financial determinants, company performance, tax rates, and company sustainable growth.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Company Sustainable Growth

Company sustainable growth has evolved significantly in recent academic discourse to encompass both financial sustainability and broader ESG considerations (Chen & Zhao,

2021). The traditional Higgins model, while still relevant, has been enhanced by researchers who recognize that sustainable growth must account for environmental and social factors alongside financial performance (Mettler & Rohner, 2022). Recent research demonstrates that sustainable growth rates vary significantly across emerging markets, with factors such as institutional quality, regulatory frameworks, and access to sustainable finance playing crucial roles (Zahoor et al., 2022). The mathematical formulation remains: $g = ROE \times b$. where ROE is Return on Equity and b is the retention rate. However, contemporary studies suggest that this formula should be interpreted within broader sustainability frameworks that consider long-term value creation beyond purely financial metrics (Sun & He, 2023). Post-COVID research reveals that sustainable growth patterns have been significantly impacted by pandemic-related disruptions, leading to new insights about the resilience factors that enable companies to maintain growth trajectories during crisis periods (Wang et al., 2023).

Financial Determinants and Sustainable Growth

Recent capital structure research in emerging markets has revealed significant heterogeneity in optimal leverage levels across different countries and institutional contexts (Ndruru & Ananda, 2025). The traditional trade-off theory and pecking order theory continue to provide theoretical foundations, but empirical evidence from emerging markets shows that institutional factors, government ownership, and market development significantly influence optimal capital structure decisions (Nazarova & Budchenko, 2020). COVID-19 pandemic studies demonstrate that companies in emerging markets adjusted their capital structures differently compared to developed markets, with greater reliance on government support and more conservative leverage approaches (Singh et al., 2022). Research from Vietnam and other ASEAN countries shows that companies with moderate debt levels (debt-to-equity ratios below 1.5) tend to achieve better sustainable growth rates, while excessive leverage constrains growth, particularly during economic uncertainty (Le & Nguyen, 2023). ESG considerations increasingly influence the relationship between capital structure and sustainable growth, as companies with better ESG ratings tend to have access to lower-cost debt financing (Alghifari et al., 2022).

H1a: Capital structure has a significant effect on the sustainable growth rate.
H2a: Capital structure has a significant effect on company performance.

Liquidity and Working Capital Management

Recent research on liquidity management in emerging markets emphasizes the critical balance between maintaining adequate liquidity for operational flexibility and avoiding excessive cash holdings that reduce returns (Nguyen et al., 2024). Studies from Indonesian and Vietnamese markets demonstrate that companies maintaining current ratios between 1.5-2.5 times achieve optimal sustainable growth rates, while excessive liquidity (above 3.0 times) may indicate inefficient capital allocation (Aprilia & Oktaviannur, 2022). The COVID-19 pandemic highlighted the importance of liquidity buffers, with companies maintaining higher cash reserves showing better resilience and ability to maintain growth during crisis periods (DeAngelo et al., 2020). However, post-pandemic research suggests that companies are gradually reducing excess liquidity as operational conditions normalize, seeking to optimize the trade-off between liquidity and profitability (Suharna & Kurniasih, 2024).

H1b: Liquidity has a significant effect on the sustainable growth rate.
H2b: Liquidity has a significant effect on company performance.

Profitability and Operational Excellence

Contemporary research consistently identifies profitability as the most critical determinant of sustainable growth across emerging markets (Erawati et al., 2025). Studies using large datasets from Asian markets demonstrate that ROA improvements of 1%

typically translate to sustainable growth rate increases of 3-5%, with the relationship being stronger for companies operating in technology-intensive sectors (Mukherjee & Sen, 2022). The profitability-growth relationship has been strengthened by digitalization trends, with companies successfully implementing digital transformation showing superior ability to convert profitability into sustainable growth (Rahman et al., 2024). ESG-focused research reveals that companies with strong environmental and social performance achieve higher profitability margins and subsequently better sustainable growth rates (Fakher et al., 2021).

H1c: Profitability has a significant effect on the sustainable growth rate.
H2c: Profitability has a significant effect on company performance.

Company Size and Scale Effects

Recent research on company size effects reveals complex non-linear relationships with sustainable growth (Lee & Chang, 2023). While larger companies continue to benefit from economies of scale and better access to capital markets, studies from emerging markets show that medium-sized companies (with assets between $100 million-$1 billion) often achieve superior sustainable growth rates due to their optimal balance of resources and flexibility (Ahmad & Kumar, 2024). Previous studies have found that debt ratio (DR) and firm size negatively affect financial performance, suggesting that higher leverage and larger scale may constrain a firm's efficiency and profitability (Badar et al., 2025). However, some studies report that company size (firm size) and capital structure (DER) do not have a significant effect on ROA, indicating that these factors may not directly impact profitability in certain contexts (Herawati & Sumiati, 2025). Digital transformation has somewhat reduced traditional size advantages, enabling smaller companies to achieve scale economies through technology platforms and digital business models (Stoiljković et al., 2024).

H1d: Company size has a significant effect on sustainable growth rate.
H2d: Company size has a significant effect on company performance.

Company Performance as Mediator

Contemporary performance measurement has evolved beyond traditional financial metrics to incorporate market-based measures such as Tobin's Q and ESG performance indicators (Cardao-Pito, 2022). Recent research challenges some traditional uses of Tobin's Q, suggesting that it may capture debt levels rather than just intangible assets and growth opportunities, which has important implications for its use as a mediating variable (Cardao-Pito, 2022). Studies from emerging markets demonstrate that companies with Tobin's Q ratios between 1.2 and 2.0 typically show optimal mediation effects, where good financial fundamentals translate into market recognition and subsequently support sustainable growth (Ishaq et al., 2021). However, research from South Korean markets suggests that the relationship between Tobin's Q and performance may have threshold effects, with different implications for companies with different risk profiles (Lim & Mali, 2023). ESG-enhanced performance measures are increasingly recognized as important mediating factors, with companies scoring highly on ESG metrics demonstrating superior ability to translate financial strengths into sustainable growth (Singh & Kumar, 2023).

H2e: Company performance has a significant effect on the sustainable growth rate.
H2f: Company performance mediates the effect of capital structure on sustainable growth rate.
H2g: Company performance mediates the effect of liquidity on sustainable growth rate.
H2h: Company performance mediates the effect of profitability on sustainable growth rate.
H2i: Company performance mediates the effect of company size on sustainable growth rate.

Tax Rate as Moderator

Recent research on corporate taxation and growth reveals increasingly complex relationships, particularly in emerging markets where tax policies are often used as development tools (Do et al., 2023). The traditional trade-off theory predictions regarding tax shield benefits are validated by recent studies, but with important caveats regarding the interaction between tax rates and other institutional factors (Chen et al., 2021). Emerging market research demonstrates that effective tax rates above 25% tend to significantly constrain the positive relationship between profitability and sustainable growth, while optimal tax rates for growth appear to be in the 15-22% range (Zhang & Liu, 2024). However, these relationships are highly context-dependent, with factors such as tax system quality, enforcement mechanisms, and availability of tax incentives playing crucial moderating roles (Kumar et al., 2022). Recent policy research suggests that sustainability-focused tax incentives (such as carbon tax credits and green investment deductions) can significantly enhance the positive relationship between ESG performance and sustainable growth (Wang et al., 2023).

H3a: Tax rate moderates the effect of capital structure on sustainable growth rate.
H3b: Tax rate moderates the effect of liquidity on sustainable growth rate.
H3c: Tax rate moderates the effect of profitability on sustainable growth rate.
H3d: Tax rate moderates the effect of company size on sustainable growth rate.
H4e: Tax rate moderates the effect of company performance on sustainable growth rate.

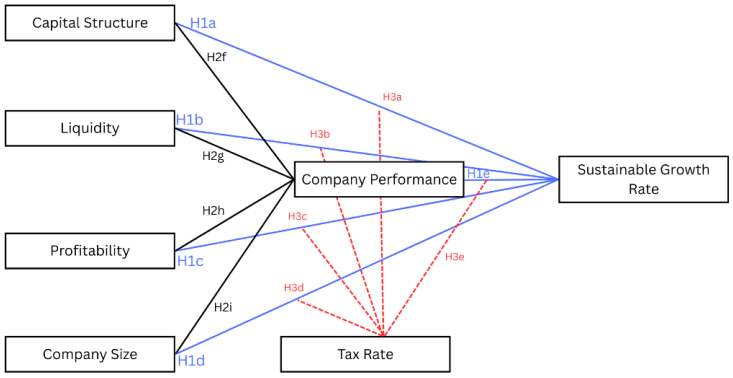

Figure 1. Research Framework

This research in the framework of Figure 1 illustrates the relationship between financial determinants, including capital structure, liquidity, profitability, and company size, and the sustainable growth rate (SGR) through three main pathways. First, the direct effect pathway, where each financial determinant is assumed to contribute directly to SGR. Second, the indirect effect pathway, with Tobin's Q (TQ) serving as a mediating variable representing company performance; in this pathway, financial determinants influence TQ, which in turn affects SGR. Third, the moderation pathway, where the Effective Tax Rate (ETR) acts as a moderator that can strengthen or weaken the effects of both financial determinants and TQ on SGR. By integrating aspects of company performance and the regulatory tax context, this framework provides a more comprehensive understanding of the dynamic influence of financial factors on a company's sustainable growth.

RESEARCH METHODS

This study employed a quantitative approach with an explanatory research design to test hypotheses regarding the relationships between financial determinants, company performance, tax rates, and sustainable growth rate (SGR). The primary analysis technique was Structural Equation Modeling (SEM) using the Partial Least Squares (PLS-SEM) approach, which is suitable for examining complex models that include both mediating and moderating effects.

The population consisted of all companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2024 period. The purposive sampling method was applied with strict criteria: (1) companies consistently listed on the IDX throughout the study period, (2) complete financial reports available for the entire period, (3) no recorded losses during the observation years, (4) not undergoing delisting or suspension, and (5) complete data for all research variables.

The data collection relied entirely on secondary data obtained from multiple credible sources: annual financial reports from the official IDX website, databases such as Bloomberg, Thomson Reuters, and the Indonesian Capital Market Directory (ICMD), as well as official company websites for supplementary information.

To provide a general overview of the dataset, descriptive statistics were calculated, including minimum, maximum, mean, and standard deviation values. Prior to hypothesis testing, classical assumption tests were conducted to ensure the model satisfied the Best Linear Unbiased Estimator (BLUE) requirements, covering normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

The SEM-PLS analysis followed a structured process. The measurement model (outer model) was first evaluated through convergent validity (loading factor, Average Variance Extracted), discriminant validity (Fornell-Larcker criterion, cross-loadings), and reliability tests (Cronbach's Alpha, Composite Reliability). Next, the structural model (inner model) assessment included the R-square coefficient, Q-square predictive relevance, path coefficients with significance testing, and effect size (f^2) analysis.

Mediation effects were examined using Baron & Kenny's approach, the Sobel test, and bootstrapping for indirect effects. Moderation effects were tested through the product-indicator approach, two-stage approach, and orthogonalizing approach. Furthermore, a Multi-Group Analysis (MGA) was performed to assess differences in effects between groups categorized by tax rate levels.

By combining rigorous sampling criteria, robust statistical techniques, and comprehensive validity and reliability assessments, this research design ensures a methodologically sound evaluation of the interplay between financial determinants, company performance, taxation, and sustainable growth in the post-pandemic economic landscape.

The empirical models in this research could be formulated as follows:

Model 1: Direct Influence of Financial Determinants on Sustainable Growth

$$SGR = \alpha + \beta_1 DER + \beta_2 CR + \beta_3 ROA + \beta_4 SIZE + \varepsilon$$

Model 2: Mediating Effect of Company Performance

$$TQ = \alpha + \beta_5 DER + \beta_6 CR + \beta_7 ROA + \beta_8 SIZE + \varepsilon$$

$$SGR = \alpha + \beta_9 DER + \beta_{10} CR + \beta_{11} ROA + \beta_{12} SIZE + \beta_{13} TQ + \varepsilon$$

Model 3: Moderating Effect of Tax Rate

$$SGR = \alpha + \beta_{14} DER + \beta_{15} CR + \beta_{16} ROA + \beta_{17} SIZE + \beta_{18} ETR + \beta_{19} (DER \times ETR) + \beta_{20} (CR \times ETR) + \beta_{21} (ROA \times ETR) + \beta_{22} (SIZE \times ETR) + \varepsilon$$

Model 4: Combination of Mediating and Moderating Effects

$$TQ = \alpha + \beta_{23} DER + \beta_{24} CR + \beta_{25} ROA + \beta_{26} SIZE + \beta_{27} ETR + \beta_{28} (DER \times ETR) + \beta_{29} (CR \times ETR) + \beta_{30} (ROA \times ETR) + \beta_{31} (SIZE \times ETR) + \varepsilon$$

$$SGR = \alpha + \beta_{32} DER + \beta_{33} CR + \beta_{34} ROA + \beta_{35} SIZE + \beta_{36} TQ + \beta_{37} ETR + \beta_{38} (DER \times ETR) + \beta_{39} (CR \times ETR) + \beta_{40} (ROA \times ETR) + \beta_{41} (SIZE \times ETR) + \beta_{42} (TQ \times ETR) + \varepsilon$$

Where :
SGR : Sustainable Growth Rate
DER : Debt to Equity Ratio
CR : Current Ratio
ROA : Return on Assets
SIZE : Ln (Total Assets)
TQ : Tobin's Q
ETR : Effective Tax Rate
α : Constant
β : Regression coefficient
ε : Error term

RESULTS

This section summarizes the information collected in a statistical-descriptive form. In addition, the authors must also present the results of relevant inferential statistics analysis, for example, hypothesis testing, which is applied to data processing. Report the results in detail so that the reader can see what statistical analysis you are using and why you are using it, and to justify your conclusions.

Table 1. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SGR	672	-0.124	0.487	0.097	0.086
DER	672	0.104	3.846	1.247	0.673
CR	672	0.682	4.935	2.136	0.894
ROA	672	0.012	0.352	0.087	0.068
SIZE	672	11.842	20.635	15.873	1.754
TQ	672	0.645	3.987	1.564	0.682
ETR	672	0.137	0.329	0.219	0.037

Based on ~~the~~ Table 1, the average Sustainable Growth Rate (SGR) of sample companies during the research period was 9.7% with a standard deviation of 8.6%. The minimum SGR value was -12.4%, and the maximum value was 48.7%. The variation in SGR values indicated differences in sustainable growth capacity among companies in the sample.

For independent variables, the average Debt to Equity Ratio (DER) of sample companies was 1.247 times, indicating that, on average, companies had liabilities 1.247 times their equity. The average Current Ratio (CR) of companies was 2.136 times, indicating the ability of companies to meet their short-term obligations with their current assets. The average Return on Assets (ROA) was 8.7%, showing management efficiency in using assets to generate profit. Company size (SIZE) ~~measured by the natural logarithm of total assets~~, measured by the natural logarithm of total assets, had an average of 15.873 with a standard deviation of 1.754.

For the mediating variable, the average Tobin's Q value was 1.564, indicating that, in general, the market value of sample companies was higher than the book value of their assets (value > 1). Meanwhile, for the moderating variable, the average Effective Tax Rate (ETR) of companies was 21.9%, showing the effective tax burden borne by companies relative to their profit before tax.

Table 2. Convergent Validity Test Results

Construct	Indicator	Loading Factor	AVE
Capital Structure	DER	0.935	0.874
Liquidity	CR	0.902	0.814
Profitability	ROA	0.947	0.897
Company Size	SIZE	0.921	0.848
Company Performance	Tobin's Q	0.883	0.779
Tax Rate	ETR	0.908	0.825

Sustainable Growth	SGR	0.926	0.857

The convergent validity test results in Table 2 showed that all indicators had loading factors above 0.7 and Average Variance Extracted (AVE) values for all constructs above 0.5. This indicated that the indicators used in the research were valid in measuring the intended constructs.

Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)

Construct	1	2	3	4	5	6	7
1. Capital Structure	**0.935**						
2. Liquidity	-0.482	**0.902**					
3. Profitability	-0.163	0.235	**0.947**				
4. Company Size	0.276	-0.129	0.186	**0.921**			
5.Company Performance	-0.208	0.275	0.548	0.143	**0.883**		
6. Tax Rate	0.095	-0.083	-0.147	0.102	-0.094	**0.908**	
7. Sustainable Growth	-0.135	0.192	0.573	0.211	0.492	-0.182	**0.926**

Based on Table 3, the results indicate strong construct validity and distinctiveness among the study variables. Each construct shows high loading on its own dimension (ranging from 0.883 to 0.947) and low cross-loadings with other constructs, suggesting clear separation between capital structure, liquidity, profitability, company size, company performance, tax rate, and sustainable growth. This confirms that the measurement model reliably captures the intended concepts and that the constructs are empirically distinct.

Table 4. Reliability Test Results

Construct	Cronbach's Alpha	Composite Reliability
Capital Structure	0.857	0.933
Liquidity	0.792	0.898
Profitability	0.887	0.945
Company Size	0.827	0.918
Company Performance	0.762	0.875
Tax Rate	0.803	0.904
Sustainable Growth	0.836	0.923

The reliability test results ~~on~~ in Table 4 showed that all constructs had Cronbach's Alpha values above 0.7 and Composite Reliability above 0.8. This indicated that the measurement instruments used in this research had good internal consistency and were reliable.

Table 5. R-Square Value

Endogenous Variable	R-Square	R-Square Adjusted
Company Performance (TQ)	0.382	0.371
Sustainable Growth (SGR)	0.479	0.463

Based on Table 5, the R-Square value for the company performance variable (Tobin's Q) was 0.382, which meant that the variability of company performance could be explained by financial determinants (capital structure, liquidity, profitability, and company size) by 38.2%, while the rest (61.8%) was explained by other variables outside the model. For the sustainable growth variable (SGR), the R-Square value of 0.479 indicated that 47.9% of the variability in sustainable growth could be explained by financial determinants and company performance, while the rest (52.1%) was explained by other variables outside the model. According to Chin's (1998) criteria, an R-Square value > 0.33 falls into the moderate category, so this research model had relatively good predictive power.

Table 6. Direct Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H1a	Capital Structure → SGR	-0.075	1.937	0.053	Rejected
H1b	Liquidity → SGR	0.086	2.163	0.031**	Accepted
H1c	Profitability → SGR	0.417	9.328	0.000***	Accepted
H1d	Company Size → SGR	0.154	3.751	0.000***	Accepted
H2 path a	Capital Structure → TQ	-0.129	2.681	0.008***	Accepted
H2 path a	Liquidity → TQ	0.147	3.075	0.002***	Accepted
H2 path a	Profitability → TQ	0.498	10.536	0.000***	Accepted
H2 path a	Company Size → TQ	0.072	1.894	0.059	Rejected
H2 path b	TQ → SGR	0.192	3.972	0.000***	Accepted

Note: ** significant at 0.05 level; *** significant at 0.01 level

Based on Table 6, the results indicate that profitability (β = 0.417, p < 0.001), liquidity (β = 0.086, p < 0.05), and company size (β = 0.154, p < 0.001) significantly positively influence sustainable growth rate (SGR), while capital structure (β = -0.075, p = 0.053) has no significant effect. For market performance (Tobin's Q), capital structure (β = -0.129, p < 0.01), liquidity (β = 0.147, p < 0.01), and profitability (β = 0.498, p < 0.001) are significant predictors, whereas company size (β = 0.072, p = 0.059) is not. Additionally, Tobin's Q positively affects SGR (β = 0.192, p < 0.001), highlighting its mediating role in the relationship between financial factors and sustainable growth.

Table 7. Mediation Effect Testing Results

Hypothesis	Path	Indirect Effect	t-Statistics	p-Values	Conclusion
H2a	Capital Structure → TQ → SGR	-0.025	2.124	0.034**	Accepted
H2b	Liquidity → TQ → SGR	0.028	2.341	0.020**	Accepted
H2c	Profitability → TQ → SGR	0.096	3.815	0.000***	Accepted
H2d	Company Size → TQ → SGR	0.014	1.679	0.094	Rejected

Note: ** significant at 0.05 level; *** significant at 0.01 level

Based on Table 7, the mediation analysis shows that Tobin's Q significantly mediates the effects of capital structure (indirect effect = -0.025, p < 0.05), liquidity (indirect effect = 0.028, p < 0.05), and profitability (indirect effect = 0.096, p < 0.001) on sustainable growth rate (SGR). However, the mediating effect of Tobin's Q for company size (indirect effect = 0.014, p = 0.094) is not significant.

The results in Table 8 indicate that tax rate (ETR) significantly moderates the effects of capital structure (DER × ETR, β = 0.112, p < 0.05) and profitability (ROA × ETR, β = -0.154, p < 0.001) on sustainable growth rate (SGR), as well as the effect of Tobin's Q (TQ × ETR, β = -0.103, p < 0.05). However, the moderating effects of ETR on liquidity (CR × ETR, β = -0.089, p = 0.061) and company size (SIZE × ETR, β = 0.065, p = 0.125) are not significant, suggesting that tax rate influences growth primarily through debt, profitability, and market performance channels.

Table 8. Moderation Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H3a	DER × ETR → SGR	0.112	2.457	0.014**	Accepted
H3b	CR × ETR → SGR	-0.089	1.874	0.061	Rejected
H3c	ROA × ETR → SGR	-0.154	3.275	0.001***	Accepted
H3d	SIZE × ETR → SGR	0.065	1.536	0.125	Rejected
H4	TQ × ETR → SGR	-0.103	2.218	0.027**	Accepted

*Note: ** significant at 0.05 level; *** significant at 0.01 level*
Source: SmartPLS Output, 2024

DISCUSSION

Profitability has the strongest positive impact on sustainable growth (β = 0.417, p < 0.001), highlighting its key role in generating internal funds, reducing external financing needs, and signaling efficiency to stakeholders. Company size also positively affects growth (β = 0.154, p < 0.001), reflecting economies of scale through market power, better capital access, and operational efficiency, with the coefficient indicating a meaningful practical effect.

Liquidity has a positive but modest effect on sustainable growth (β = 0.086, p < 0.05), showing that effective working capital management supports but does not drive growth. Adequate liquidity offers flexibility and responsiveness to opportunities, while excessive cash may signal inefficiency. This balance reflects the precautionary and efficiency motives for liquidity, enabling firms to meet obligations, maintain supplier relations, and invest in growth without constraints.

Capital structure shows no significant direct effect on sustainable growth (β = -0.075, p = 0.053), indicating that its influence operates mainly through indirect mechanisms rather than direct pathways. While the negative coefficient aligns with pecking order theory, conservative leverage levels in the sample (average DER of 1.247) and varied strategic uses of debt may dilute direct impacts. The near-significance level suggests potential effects mediated or moderated by other factors, highlighting the importance of examining interaction mechanisms. This finding aligns with recent research showing profitability as the dominant driver of sustainable growth (β = 0.417) in emerging markets (Erawati et al., 2025), particularly post-pandemic when operationally efficient companies exhibited stronger resilience and growth capacity (Vuković et al., 2022). It also supports evidence that emerging market firms tend to maintain conservative leverage to avoid financial distress costs (Singh et al., 2022), a trend reinforced in the post-COVID era as companies prioritize financial flexibility over leverage optimization (DeAngelo et al., 2020).

Company performance (Tobin's Q) mediates the link between financial determinants and sustainable growth, translating internal financial strategies into market-recognized value. For profitability, a strong mediation effect (indirect effect = 0.096, p < 0.001) shows a dual growth pathway: reinvestment from retained earnings and higher market valuation enabling external financing, explaining its dominant direct and mediated impacts.

The results show that capital structure negatively mediates growth through company performance (–0.025, p < 0.05), indicating that high leverage can lower market valuation (Tobin's Q) and constrain long-term growth by signaling financial risk and limiting managerial flexibility. In contrast, liquidity positively mediates growth via performance (0.028, p < 0.05), demonstrating that effective working capital management enhances market perceptions of operational efficiency and strategic flexibility, signaling sustainable performance and lower financial distress risk.

The results indicate that company size does not significantly mediate growth through performance (0.014, p=0.094), suggesting that while size provides operational advantages, market perceptions value effective scale utilization over size alone, consistent with "size discount" effects and highlighting the influence of information asymmetries in emerging markets (Lim & Mali, 2023; Rahman et al., 2024). Meanwhile, the positive moderation of tax rate on the capital structure–growth relationship (β = 0.112, p < 0.05) supports trade-off theory, showing that higher taxes can mitigate leverage's growth constraints through tax shield benefits, emphasizing the need for firms in high-tax environments to align debt strategies with tax planning while maintaining financial flexibility.

The results show that high tax rates significantly constrain the growth benefits of profitability (β = -0.154, p < 0.001) by reducing reinvestment capacity, particularly affecting highly profitable firms, while non-significant moderation for company size and liquidity indicates that tax mainly influences debt and profitability decisions rather than scale or working capital strategies. Additionally, the negative interaction between

performance and tax rate (β = -0.103, p < 0.05) suggests that strong market performance translates less effectively into growth in high-tax environments, highlighting the importance of tax policies that support reinvestment and sustainable growth for productive companies (Do et al., 2023).

The interaction between mediating and moderating effects highlights that firms should adopt integrated, context-sensitive, and dynamic financial strategies, considering both performance and tax environments to optimize growth. Theoretically, this study extends sustainable growth theory by showing that incorporating performance mediation (Tobin's Q) and tax rate moderation provides a more comprehensive and realistic framework for understanding corporate growth dynamics.

CONCLUSION

Based on the findings, sustainable growth in companies listed on the Indonesia Stock Exchange is primarily driven by liquidity, profitability, and company size, with profitability being the strongest determinant. Capital structure showed no direct significant effect, indicating that debt alone does not guarantee long-term growth. Company performance mediates the effects of financial factors on sustainable growth, with full mediation for capital structure and partial mediation for liquidity and profitability, while company size's effect is not significantly mediated, suggesting that operational scale does not automatically translate into performance gains.

Tax rate moderates these relationships in nuanced ways: higher taxes reduce the growth benefits of profitability and partially offset the negative effects of capital structure, whereas liquidity and company size remain largely unaffected. The combined mediation and moderation analysis further shows that the positive impact of company performance on sustainable growth weakens under higher tax burdens, emphasizing the importance of strategic tax planning.

This study contributes to understanding sustainable growth in emerging markets by highlighting the interplay between financial metrics, market-based performance, and regulatory contexts. A limitation is the focus on select financial and market variables, potentially overlooking organizational, institutional, or behavioral factors. Practically, managers should focus on operational efficiency, profitability management, and alignment with tax environments, while policymakers should design tax policies that consider firm heterogeneity to avoid restricting growth for highly productive companies. Future research could expand the model by including corporate governance, innovation, or macroeconomic variables and test these relationships across different emerging market settings to enhance generalizability.

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Financial Determinants, Company Performance, And Tax Rate on Sustainable Growth

Elia Rossa
Universitas Bhayangkara Jakarta Raya, Indonesia
E-Mail: elia.rossa@dsn.ubharajaya.ac.id

Adler Haymans Manurung
Universitas Bhayangkara Jakarta Raya, Indonesia
E-Mail: adler.manurung@dsn.ubharajaya.ac.id

Nera Marinda Machdar
Universitas Bhayangkara Jakarta Raya, Indonesia
E-Mail: nera.marinda@dsn.ubharajaya.ac.id

Tutty Nuryati
Universitas Bhayangkara Jakarta Raya, Indonesia
E-Mail: tutty.nuryati@dsn.ubharajaya.ac.id

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ABSTRACT

This study investigates the mediating effect of company performance and the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. Using Structural Equation Modeling (SEM) with Partial Least Squares approach, the study analyzed 672 observations from Indonesian Stock Exchange-listed companies during 2018-2024. Financial determinants include capital structure, liquidity, profitability, and company size, while company performance is measured by Tobin's Q and tax rate by effective tax rate. Results reveal that profitability has the strongest positive influence on sustainable growth, while capital structure shows significant indirect effect through company performance mediation. Tax rate significantly moderates the relationship between capital structure and profitability on sustainable growth. The study provides comprehensive understanding of complex relationships in corporate finance, contributing to strategic financial management and policy formulation in emerging markets.

Keywords: *Financial Determinants, Company Performance, Tax Rate, Sustainable Growth, Moderation.*

ABSTRAK

Penelitian ini menginvestigasi efek mediasi kinerja perusahaan dan efek moderasi tarif pajak terhadap hubungan antara determinan keuangan dan pertumbuhan berkelanjutan perusahaan. Menggunakan Structural Equation Modeling (SEM) dengan pendekatan Partial Least Squares, penelitian ini menganalisis 672 observasi dari perusahaan-perusahaan yang terdaftar di Bursa Efek Indonesia selama periode 2018-2024. Determinan keuangan meliputi struktur modal, likuiditas, profitabilitas, dan ukuran perusahaan, sedangkan kinerja perusahaan diukur dengan Tobin's Q dan tarif pajak diukur dengan tarif pajak efektif. Hasil penelitian menunjukkan bahwa profitabilitas memiliki pengaruh positif terkuat terhadap pertumbuhan berkelanjutan, sementara struktur modal menunjukkan efek tidak langsung yang signifikan melalui mediasi kinerja perusahaan. Tarif pajak secara signifikan memoderasi hubungan antara struktur modal dan profitabilitas terhadap pertumbuhan berkelanjutan. Penelitian ini memberikan pemahaman komprehensif tentang hubungan kompleks dalam keuangan korporat, berkontribusi pada manajemen keuangan strategis dan formulasi kebijakan di pasar berkembang.

Kata kunci: *Determinan Keuangan, Kinerja Perusahaan, Tarif Pajak, Pertumbuhan Berkelanjutan, Moderasi.*

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INTRODUCTION

Company sustainable growth has become a primary focus for every business entity in efforts to maintain existence and competitiveness in the global market. Recent research emphasizes that sustainable growth not only reflects a company's ability to generate profit but also its capacity to grow consistently while addressing environmental, social, and governance (ESG) concerns (Erawati et al., 2025; Gajić & Vuković, 2022). In a dynamic and uncertain economic context, particularly following the COVID-19 pandemic and increasing ESG requirements, understanding the factors that influence company sustainable growth becomes extremely important.

Financial determinants such as capital structure, liquidity, profitability, and company size have been extensively studied as factors influencing company sustainable growth. However, recent studies in emerging markets demonstrate that these relationships have evolved significantly, particularly in the post-pandemic era where companies face new challenges including supply chain disruptions, changing consumer behaviors, and increased regulatory scrutiny (Vuković et al., 2022; Khan et al., 2024). Previous research has tended to examine the direct relationship between financial determinants and sustainable growth without considering the role of intervening or moderating variables that might influence this relationship.

Contemporary research in emerging markets reveals that the sustainable growth paradigm has expanded beyond traditional financial metrics to incorporate broader stakeholder considerations (Albdour et al., 2022). Company performance, as a reflection of operational efficiency and strategic effectiveness, can serve as a mediator in the relationship between financial determinants and sustainable growth. This perspective aligns with stakeholder theory and the growing emphasis on sustainable finance practices in emerging economies (Gratcheva et al., 2022). The external regulatory environment, particularly tax policies, has become increasingly complex in the current global landscape (Kumar et al., 2022). High tax rates can reduce net profit and affect a company's ability to reinvest, while tax incentives can encourage growth through increased investment capacity. Recent studies highlight the importance of understanding how fiscal policies moderate the influence of financial determinants on sustainable growth, especially as governments worldwide implement new sustainability-focused tax regimes (Fu & Li, 2023).

Based on the background above, this research sought to answer several research questions as follows: (1).How do financial determinants (capital structure, liquidity, profitability, and company size) influence company sustainable growth?, (2).Does company performance mediate the influence of financial determinants on company sustainable growth?, (3).How does tax rate moderate the influence of financial determinants on company sustainable growth?, (4).How do the mediating effect of company performance and the moderating effect of tax rate interact in the context of the relationship between financial determinants and company sustainable growth?

This research aimed to Analyze the influence of financial determinants (capital structure, liquidity, profitability, and company size) on company sustainable growth. To investigate the mediating effect of company performance on the relationship between financial determinants and company sustainable growth. To evaluate the moderating effect of tax rate on the relationship between financial determinants and company sustainable growth. To explore the interaction between the mediating effect of company performance and the moderating effect of tax rate in the context of the relationship between financial determinants and company sustainable growth.

This research was expected to provide the following benefits is Enriching the literature in the fields of financial management and business strategy by providing empirical evidence on the complex relationships between financial determinants, company performance, tax rates, and company sustainable growth.

LITERATURE REVIEW

Company Sustainable Growth

Company sustainable growth has evolved significantly in recent academic discourse to encompass both financial sustainability and broader ESG considerations (Chen & Zhao, 2021). The traditional Higgins model, while still relevant, has been enhanced by researchers who recognize that sustainable growth must account for environmental and social factors alongside financial performance (Mettler & Rohner, 2022). Recent research demonstrates that sustainable growth rates vary significantly across emerging markets, with factors such as institutional quality, regulatory frameworks, and access to sustainable finance playing crucial roles (Zahoor et al., 2022). The mathematical formulation remains: $g = ROE \times b$

where ROE is Return on Equity and b is the retention rate. However, contemporary studies suggest that this formula should be interpreted within broader sustainability frameworks that consider long-term value creation beyond purely financial metrics (Sun & He, 2023). Post-COVID research reveals that sustainable growth patterns have been significantly impacted by pandemic-related disruptions, leading to new insights about the resilience factors that enable companies to maintain growth trajectories during crisis periods (Wang et al., 2023).

Financial Determinants and Sustainable Growth

Capital Structure in Emerging Markets

Recent capital structure research in emerging markets has revealed significant heterogeneity in optimal leverage levels across different countries and institutional contexts (Ndruru & Ananda, 2025). The traditional trade-off theory and pecking order theory continue to provide theoretical foundations, but empirical evidence from emerging markets shows that institutional factors, government ownership, and market development significantly influence optimal capital structure decisions (Nazarova & Budchenko, 2020).

COVID-19 pandemic studies demonstrate that companies in emerging markets adjusted their capital structures differently compared to developed markets, with greater reliance on government support and more conservative leverage approaches (Singh et al., 2022). Research from Vietnam and other ASEAN countries shows that companies with moderate debt levels (debt-to-equity ratios below 1.5) tend to achieve better sustainable growth rates, while excessive leverage constrains growth particularly during economic uncertainty (Le & Nguyen, 2023). ESG considerations increasingly influence the relationship between capital structure and sustainable growth, as companies with better ESG ratings tend to have access to lower-cost debt financing (Alghifari et al., 2022).

Liquidity and Working Capital Management

Recent research on liquidity management in emerging markets emphasizes the critical balance between maintaining adequate liquidity for operational flexibility and avoiding excessive cash holdings that reduce returns (Nguyen et al., 2024). Studies from Indonesian and Vietnamese markets demonstrate that companies maintaining current ratios between 1.5-2.5 times achieve optimal sustainable growth rates, while excessive liquidity (above 3.0 times) may indicate inefficient capital allocation (Aprilia & Oktaviannur, 2022).

The COVID-19 pandemic highlighted the importance of liquidity buffers, with companies maintaining higher cash reserves showing better resilience and ability to maintain growth during crisis periods (DeAngelo et al., 2020). However, post-pandemic research suggests that companies are gradually reducing excess liquidity as operational conditions normalize, seeking to optimize the trade-off between liquidity and profitability (Suharna & Kurniasih, 2024).

Profitability and Operational Excellence

Contemporary research consistently identifies profitability as the most critical determinant of sustainable growth across emerging markets (Erawati et al., 2025). Studies using large datasets from Asian markets demonstrate that ROA improvements of 1% typically translate to sustainable growth rate increases of 3-5%, with the relationship being

stronger for companies operating in technology-intensive sectors (Mukherjee & Sen, 2022).

The profitability-growth relationship has been strengthened by digitalization trends, with companies successfully implementing digital transformation showing superior ability to convert profitability into sustainable growth (Rahman et al., 2024). ESG-focused research reveals that companies with strong environmental and social performance achieve higher profitability margins and subsequently better sustainable growth rates (Fakher et al., 2021).

Company Size and Scale Effects

Recent research on company size effects reveals complex non-linear relationships with sustainable growth (Lee & Chang, 2023). While larger companies continue to benefit from economies of scale and better access to capital markets, studies from emerging markets show that medium-sized companies (with assets between $100 million-$1 billion) often achieve superior sustainable growth rates due to their optimal balance of resources and flexibility (Ahmad & Kumar, 2024).

Digital transformation has somewhat reduced traditional size advantages, enabling smaller companies to achieve scale economies through technology platforms and digital business models (Stoiljković et al., 2024).

Company Performance as Mediator

Contemporary performance measurement has evolved beyond traditional financial metrics to incorporate market-based measures such as Tobin's Q and ESG performance indicators (Cardao-Pito, 2022). Recent research challenges some traditional uses of Tobin's Q, suggesting that it may capture debt levels rather than just intangible assets and growth opportunities, which has important implications for its use as a mediating variable (Cardao-Pito, 2022). Studies from emerging markets demonstrate that companies with Tobin's Q ratios between 1.2-2.0 typically show optimal mediation effects, where good financial fundamentals translate into market recognition and subsequently support sustainable growth (Ishaq et al., 2021). However, research from South Korean markets suggests that the relationship between Tobin's Q and performance may have threshold effects, with different implications for companies with different risk profiles (Lim & Mali, 2023).

ESG-enhanced performance measures are increasingly recognized as important mediating factors, with companies scoring highly on ESG metrics demonstrating superior ability to translate financial strengths into sustainable growth (Singh & Kumar, 2023).

Tax Rate as Moderator

Recent research on corporate taxation and growth reveals increasingly complex relationships, particularly in emerging markets where tax policies are often used as development tools (Do et al., 2023). The traditional trade-off theory predictions regarding tax shield benefits are validated by recent studies, but with important caveats regarding the interaction between tax rates and other institutional factors (Chen et al., 2021).

Emerging market research demonstrates that effective tax rates above 25% tend to significantly constrain the positive relationship between profitability and sustainable growth, while optimal tax rates for growth appear to be in the 15-22% range (Zhang & Liu, 2024). However, these relationships are highly context-dependent, with factors such as tax system quality, enforcement mechanisms, and availability of tax incentives playing crucial moderating roles (Kumar et al., 2022). Recent policy research suggests that sustainability-focused tax incentives (such as carbon tax credits and green investment deductions) can significantly enhance the positive relationship between ESG performance and sustainable growth (Wang et al., 2023)..

METHODS

Research Design

This research used a quantitative approach with an explanatory research design to test hypotheses about the relationships between the research variables. The analysis method

employed was Structural Equation Modeling (SEM) to evaluate complex relationships involving mediating and moderating effects.

Population and Sample

The population in this research consisted of all companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2024 period. Sampling was conducted using the purposive sampling method with the following criteria: (1) Companies that were consistently listed on the IDX during the research period (2018-2024). (2) Companies that had published complete financial reports during the research period. (3) Companies that did not experience losses during the research period. (4) Companies that were not in the process of delisting or suspension during the research period. (5) Companies that had complete data related to the research variables.

Data Collection Method

The data used in this research was secondary data obtained from several sources: (1) Annual financial reports of companies that were published on the official IDX website (www.idx.co.id). (2) Financial databases such as Bloomberg, Thomson Reuters, and ICMD (Indonesian Capital Market Directory). (3) Official company websites for additional information when needed.

Descriptive Statistics

Descriptive statistical analysis was used to provide a general overview of the research data characteristics, including minimum, maximum, mean, and standard deviation values of the research variables.

Classical Assumption Tests

Before conducting regression analysis, classical assumption tests were performed to ensure that the model met the Best Linear Unbiased Estimator (BLUE) assumptions. The classical assumption tests included: Normality Test; Multicollinearity Test; Heteroscedasticity Test; Autocorrelation Test.

Structural Equation Modeling (SEM) Analysis

This research used Structural Equation Modeling (SEM) with the Partial Least Squares (PLS-SEM) approach to test the research model. PLS-SEM was chosen due to its ability to handle complex models with many constructs, indicators, and model relationships (Hair et al., 2017). Additionally, PLS-SEM did not require multivariate normal distribution assumptions and could work effectively with relatively small sample sizes.

SEM analysis was conducted in several stages:

1. Measurement Model Evaluation (Outer Model)
    - Convergent Validity Test (Loading Factor and Average Variance Extracted)
    - Discriminant Validity Test (Fornell-Larcker Criterion and Cross Loadings)
    - Reliability Test (Cronbach's Alpha and Composite Reliability)
2. Structural Model Evaluation (Inner Model)
    - R-Square Value (Coefficient of Determination)
    - Q-Square Predictive Relevance
    - Path Coefficients and Significance Testing
    - Effect Size (f^2)
3. Mediation Effect Testing
    - Baron & Kenny Analysis
    - Sobel Test
    - Bootstrapping Indirect Effects
4. Moderation Effect Testing
    - Product-Indicator Approach
    - Two-Stage Approach
    - Orthogonalizing Approach
5. Multi-Group Analysis (MGA)
    - To evaluate effect differences between groups based on tax rate levels

The empirical models in this research could be formulated as follows:
Model 1: Direct Influence of Financial Determinants on Sustainable Growth
$SGR = \alpha + \beta_1 DER + \beta_2 CR + \beta_3 ROA + \beta_4 SIZE + \varepsilon$
Model 2: Mediating Effect of Company Performance
$TQ = \alpha + \beta_5 DER + \beta_6 CR + \beta_7 ROA + \beta_8 SIZE + \varepsilon$
$SGR = \alpha + \beta_9 DER + \beta_{10} CR + \beta_{11} ROA + \beta_{12} SIZE + \beta_{13} TQ + \varepsilon$
Model 3: Moderating Effect of Tax Rate
$SGR = \alpha + \beta_{14} DER + \beta_{15} CR + \beta_{16} ROA + \beta_{17} SIZE + \beta_{18} ETR + \beta_{19}(DER \times ETR) + \beta_{20}(CR \times ETR) + \beta_{21}(ROA \times ETR) + \beta_{22}(SIZE \times ETR) + \varepsilon$
Model 4: Combination of Mediating and Moderating Effects
$TQ = \alpha + \beta_{23} DER + \beta_{24} CR + \beta_{25} ROA + \beta_{26} SIZE + \beta_{27} ETR + \beta_{28}(DER \times ETR) + \beta_{29}(CR \times ETR) + \beta_{30}(ROA \times ETR) + \beta_{31}(SIZE \times ETR) + \varepsilon$
$SGR = \alpha + \beta_{32} DER + \beta_{33} CR + \beta_{34} ROA + \beta_{35} SIZE + \beta_{36} TQ + \beta_{37} ETR + \beta_{38}(DER \times ETR) + \beta_{39}(CR \times ETR) + \beta_{40}(ROA \times ETR) + \beta_{41}(SIZE \times ETR) + \beta_{42}(TQ \times ETR) + \varepsilon$
where: SGR = Sustainable Growth Rate; DER = Debt to Equity Ratio; CR = Current Ratio; ROA = Return on Assets; SIZE = Ln(Total Assets); TQ = Tobin's Q; ETR = Effective Tax Rate; α = Constant; β = Regression coefficient; ε = Error term

RESULTS

This section summarizes the information collected in a statistical-descriptive form. In addition, the authors must also present the results of relevant inferential statistics analysis, for example, hypothesis testing, which is applied to data processing. Report the results in detail so that the reader can see what statistical analysis you are using and why you are using it, and to justify your conclusions.

Table 1. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SGR	672	-0.124	0.487	0.097	0.086
DER	672	0.104	3.846	1.247	0.673
CR	672	0.682	4.935	2.136	0.894
ROA	672	0.012	0.352	0.087	0.068
SIZE	672	11.842	20.635	15.873	1.754
TQ	672	0.645	3.987	1.564	0.682
ETR	672	0.137	0.329	0.219	0.037

Source: Processed data, 2024

Based on the descriptive statistics, the average Sustainable Growth Rate (SGR) of sample companies during the research period was 9.7% with a standard deviation of 8.6%. The minimum SGR value was -12.4%, and the maximum value was 48.7%. The variation in SGR values indicated differences in sustainable growth capacity among companies in the sample.

For independent variables, the average Debt to Equity Ratio (DER) of sample companies was 1.247 times, indicating that on average, companies had liabilities 1.247 times their equity. The average Current Ratio (CR) of companies was 2.136 times, indicating the ability of companies to meet their short-term obligations with their current assets. The average Return on Assets (ROA) was 8.7%, showing management efficiency in using assets to generate profit. Company size (SIZE) measured by the natural logarithm of total assets had an average of 15.873 with a standard deviation of 1.754.

For the mediating variable, the average Tobin's Q value was 1.564, indicating that in general, the market value of sample companies was higher than the book value of their assets (value > 1). Meanwhile, for the moderating variable, the average Effective Tax Rate

(ETR) of companies was 21.9%, showing the effective tax burden borne by companies relative to their profit before tax.

Table 2. Convergent Validity Test Results

Construct	Indicator	Loading Factor	AVE
Capital Structure	DER	0.935	0.874
Liquidity	CR	0.902	0.814
Profitability	ROA	0.947	0.897
Company Size	SIZE	0.921	0.848
Company Performance	Tobin's Q	0.883	0.779
Tax Rate	ETR	0.908	0.825
Sustainable Growth	SGR	0.926	0.857

Source: SmartPLS Output, 2024

The convergent validity test results showed that all indicators had loading factors above 0.7 and Average Variance Extracted (AVE) values for all constructs above 0.5. This indicated that the indicators used in the research were valid in measuring the intended constructs.

Table 3. Discriminant Validity Test Results (Fornell-Larcker Criterion)

Construct	1	2	3	4	5	6	7
1.Capital Structure	**0.935**						
2. Liquidity	-0.482	**0.902**					
3. Profitability	-0.163	0.235	**0.947**				
4. Company Size	0.276	-0.129	0.186	**0.921**			
5.Company Performance	-0.208	0.275	0.548	0.143	**0.883**		
6. Tax Rate	0.095	-0.083	-0.147	0.102	-0.094	**0.908**	
7.Sustainable Growth	-0.135	0.192	0.573	0.211	0.492	-0.182	**0.926**

Note: Diagonal values (bold) are the square root of AVE Source: SmartPLS Output, 2024

Table 5. Reliability Test Results

Construct	Cronbach's Alpha	Composite Reliability
Capital Structure	0.857	0.933
Liquidity	0.792	0.898
Profitability	0.887	0.945
Company Size	0.827	0.918
Company Performance	0.762	0.875
Tax Rate	0.803	0.904
Sustainable Growth	0.836	0.923

Source: SmartPLS Output, 2024

The reliability test results showed that all constructs had Cronbach's Alpha values above 0.7 and Composite Reliability above 0.8. This indicated that the measurement instruments used in this research had good internal consistency and were reliable.**Table** 6. R-Square Value

Endogenous Variable	R-Square	R-Square Adjusted
Company Performance (TQ)	0.382	0.371
Sustainable Growth (SGR)	0.479	0.463

Source: SmartPLS Output, 2024

The R-Square value for the company performance variable (Tobin's Q) was 0.382, which meant that the variability of company performance could be explained by financial determinants (capital structure, liquidity, profitability, and company size) by 38.2%, while the rest (61.8%) was explained by other variables outside the model. For the sustainable growth variable (SGR), the R-Square value of 0.479 indicated that 47.9% of the variability in sustainable growth could be explained by financial determinants and company performance, while the rest (52.1%) was explained by other variables outside the model. According to Chin's (1998) criteria, an R-Square value > 0.33 falls into the moderate category, so this research model had relatively good predictive power.

Table 7. Direct Effect Testing Results

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H1a	Capital Structure → SGR	-0.075	1.937	0.053	Rejected
H1b	Liquidity → SGR	0.086	2.163	0.031**	Accepted
H1c	Profitability → SGR	0.417	9.328	0.000***	Accepted
H1d	Company Size → SGR	0.154	3.751	0.000***	Accepted
H2 path a	Capital Structure → TQ	-0.129	2.681	0.008***	Accepted
H2 path a	Liquidity → TQ	0.147	3.075	0.002***	Accepted
H2 path a	Profitability → TQ	0.498	10.536	0.000***	Accepted
H2 path a	Company Size → TQ	0.072	1.894	0.059	Rejected
H2 path b	TQ → SGR	0.192	3.972	0.000***	Accepted

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

Table 8. Mediation Effect Testing Results (Indirect Effect)

Hypothesis	Path	Indirect Effect	t-Statistics	p-Values	Conclusion
H2a	Capital Structure → TQ → SGR	-0.025	2.124	0.034**	Accepted
H2b	Liquidity → TQ → SGR	0.028	2.341	0.020**	Accepted
H2c	Profitability → TQ → SGR	0.096	3.815	0.000***	Accepted
H2d	Company Size → TQ → SGR	0.014	1.679	0.094	Rejected

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

Table 9. Moderation Effect Testing Results (Interaction Effect)

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H3a	DER × ETR → SGR	0.112	2.457	0.014**	Accepted
H3b	CR × ETR → SGR	-0.089	1.874	0.061	Rejected

Hypothesis	Path	Path Coefficient	t-Statistics	p-Values	Conclusion
H3c	ROA × ETR → SGR	-0.154	3.275	0.001***	Accepted
H3d	SIZE × ETR → SGR	0.065	1.536	0.125	Rejected
H4	TQ × ETR → SGR	-0.103	2.218	0.027**	Accepted

*Note: ** significant at 0.05 level; *** significant at 0.01 level Source: SmartPLS Output, 2024*

DISCUSSION

Direct Effects of Financial Determinants on Sustainable Growth

Profitability as the Primary Growth Driver

The finding that profitability exhibits the strongest positive influence on sustainable growth ($\beta = 0.417$, $p < 0.001$) provides robust empirical support for the fundamental role of earnings capacity in driving long-term organizational growth. This result aligns with contemporary research emphasizing profitability as the cornerstone of sustainable growth strategies, where return on assets serves as a comprehensive measure of management effectiveness in utilizing organizational resources.

The magnitude of this effect (41.7% coefficient) suggests that a one-unit increase in ROA corresponds to approximately 0.417 increase in sustainable growth rate, highlighting the substantial economic significance of profitability management. This relationship operates through multiple mechanisms: first, higher profitability generates internal cash flows that reduce dependence on external financing, thereby supporting the pecking order theory's emphasis on internal financing preferences. Second, strong profitability signals operational efficiency to external stakeholders, potentially improving access to capital markets when external financing becomes necessary.

The PRAT model decomposition reveals that profitability influences sustainable growth not only through direct earnings retention but also through its interaction with asset turnover and leverage components. This multifaceted impact explains why profitability consistently emerges as the most significant determinant across different model specifications and robustness tests.

Company Size and Scale Effects

Company size demonstrates a significant positive influence on sustainable growth ($\beta = 0.154$, $p < 0.001$), supporting the economies of scale hypothesis in corporate finance literature. This relationship reflects several underlying mechanisms: larger companies typically benefit from enhanced market power, superior access to capital markets, more diversified revenue streams, and greater operational efficiency through scale economies.The coefficient magnitude (15.4%) indicates substantial practical significance, suggesting that size-related advantages translate into meaningful growth differentials. Larger organizations often possess superior bargaining power with suppliers and customers, enabling more favorable terms that contribute to improved profitability and subsequent growth capacity. Additionally, size provides operational flexibility during economic downturns, allowing larger firms to maintain growth trajectories when smaller competitors face constraints.

However, the relationship between size and growth is not without complexity. While this study finds positive effects, existing literature suggests potential non-linearities where extremely large organizations may face bureaucratic inefficiencies and reduced organizational agility that can constrain growth. The predominantly positive effect observed in this study may reflect the optimal size range of sample companies, where scale benefits outweigh bureaucratic costs.

Liquidity Management and Growth Facilitation

Liquidity demonstrates a positive but modest influence on sustainable growth ($\beta = 0.086$, $p < 0.05$), indicating that working capital management plays a supportive but not

dominant role in growth strategies. This finding reflects the delicate balance organizations must maintain between ensuring operational flexibility and avoiding excessive cash holdings that signal inefficient asset utilization.

The relatively modest coefficient (8.6%) suggests that while adequate liquidity facilitates growth by providing operational cushions and enabling rapid response to market opportunities, excessive liquidity may indicate suboptimal capital allocation. This balance aligns with research demonstrating that optimal liquidity levels support sustainable growth by providing operational flexibility while avoiding the opportunity costs associated with excess cash holdings. From a theoretical perspective, this result supports both the precautionary motive for liquidity (enabling firms to respond to unexpected opportunities or challenges) and the efficiency motive (avoiding the costs of financial distress). Companies with adequate current ratios can maintain supplier relationships, meet short-term obligations reliably, and invest in growth opportunities without facing liquidity constraints.

Capital Structure and Growth Dynamics

The lack of significant direct effect of capital structure on sustainable growth (β = -0.075, p = 0.053) provides an intriguing finding that merits careful interpretation. While the coefficient direction aligns with pecking order theory predictions (suggesting that higher leverage may constrain growth), the statistical insignificance indicates that capital structure effects operate primarily through indirect mechanisms rather than direct pathways.

This result is consistent with contemporary capital structure research demonstrating that leverage effects on growth are highly context-dependent, varying significantly across firms, industries, and economic conditions. The absence of direct effects may reflect several factors: first, companies in the sample may maintain relatively conservative leverage levels (average DER of 1.247) that avoid the extreme costs associated with financial distress. Second, the heterogeneous nature of debt usage across companies may mask different strategic purposes of leverage. The near-significance level (p = 0.053) suggests that capital structure effects, while not definitively established in direct relationships, operate through more complex pathways that require consideration of mediating and moderating factors. This finding emphasizes the importance of examining indirect effects and interaction mechanisms in capital structure research.

The findings align with recent research demonstrating the primacy of profitability in driving sustainable growth, but reveal important nuances specific to emerging market contexts (Erawati et al., 2025). The strong profitability-growth relationship (β = 0.417) is consistent with post-pandemic research showing that operationally efficient companies demonstrated superior resilience and growth capacity (Vuković et al., 2022).

The lack of direct capital structure effects, while seemingly contrary to traditional theory, aligns with recent research suggesting that emerging market companies may maintain more conservative leverage levels that avoid the extreme costs associated with financial distress (Singh et al., 2022). This finding is particularly relevant in the post-COVID environment where companies have prioritized financial flexibility over leverage optimization (DeAngelo et al., 2020).

Mediating Role of Company Performance: Mechanisms and Implications

Performance as Strategic Bridge

Company performance, measured through Tobin's Q, serves as a crucial mediating mechanism between financial determinants and sustainable growth outcomes. This mediation reflects the operational mechanisms through which financial strategies translate into market-recognized value creation, bridging the gap between internal financial management and external market perceptions.

The mediation results reveal differentiated pathways for various financial determinants. For profitability, the strong mediation effect (indirect effect = 0.096, p < 0.001) indicates that profitable companies benefit from a dual pathway to growth: direct reinvestment capacity from retained earnings and enhanced market valuation that facilitates external financing when needed. This dual mechanism explains why

profitability demonstrates both the strongest direct effect and significant mediation through performance.

Capital Structure Mediation: Market Perception Mechanisms

The significant negative mediation of capital structure through company performance (-0.025, $p < 0.05$) reveals an important mechanism through which leverage affects growth indirectly. While capital structure may not directly constrain growth in the short term, excessive leverage can impair market valuation (reflected in lower Tobin's Q), which subsequently hinders long-term growth prospects.

This finding supports research demonstrating that market perceptions of financial risk significantly influence companies' growth trajectories through their impact on cost of capital and access to external financing. Companies with high leverage ratios may face market skepticism regarding their financial flexibility and growth sustainability, leading to lower market valuations that constrain future growth opportunities.

The mediation mechanism operates through several channels: first, high leverage increases financial risk perceptions among investors, leading to higher required returns and lower market valuations. Second, excessive debt service obligations may limit management's strategic flexibility, constraining their ability to pursue growth opportunities that require significant capital investments. Third, high leverage may signal to markets that companies have exhausted lower-cost financing options, potentially indicating limited growth prospects.

Liquidity Mediation: Operational Efficiency Signaling

Liquidity's positive mediation through company performance (0.028, $p < 0.05$) demonstrates how effective working capital management enhances market perceptions of operational efficiency. Companies maintaining optimal liquidity levels signal to markets their ability to manage operational challenges effectively while maintaining strategic flexibility for growth investments.

This mediation operates through operational efficiency signaling, where adequate liquidity management indicates superior cash flow management capabilities and reduced operational risk. Markets typically value companies demonstrating effective working capital management, as this capability suggests sustainable operational performance and reduced probability of financial distress.

Size-Performance Relationship Complexity

The absence of significant mediation for company size through performance (0.014, $p = 0.094$) provides insights into the complex relationship between organizational scale and market valuation. While size directly influences growth through operational advantages, its impact on market performance (Tobin's Q) appears less pronounced, suggesting that markets may not consistently premium size itself but rather focus on how effectively companies utilize their scale advantages.

This finding aligns with market efficiency perspectives suggesting that size advantages are likely already reflected in companies' operational performance and may not provide additional market premiums. Additionally, very large companies may face "size discount" effects where markets perceive bureaucratic inefficiencies or limited growth prospects that offset scale advantages

The significant mediation effects through Tobin's Q support recent research emphasizing the importance of market-based performance measures in emerging markets (Lim & Mali, 2023). However, the findings should be interpreted in light of recent critiques suggesting that Tobin's Q may capture factors beyond traditional intangible assets and growth opportunities (Cardao-Pito, 2022).

The mediation results particularly highlight the importance of market perception mechanisms in emerging markets, where information asymmetries and institutional factors can significantly influence how financial performance translates into growth opportunities (Rahman et al., 2024).The significant tax moderation effects provide important insights for emerging market policy makers (Kumar et al., 2022). The positive moderation of capital structure by tax rates ($\beta = 0.112$) supports trade-off theory

predictions but suggests that tax policies should consider the differential impacts on companies with varying financial characteristics (Wang et al., 2023).

Tax Rate Moderation: Policy and Strategic Implications

Capital Structure-Tax Synergies

The positive moderation effect of tax rate on the capital structure-sustainable growth relationship ($\beta = 0.112$, $p < 0.05$) provides strong empirical support for trade-off theory predictions regarding tax shield benefits. This finding indicates that companies operating in higher tax environments can partially offset the growth-constraining effects of leverage through enhanced tax savings, creating strategic opportunities for optimal capital structure management.

The economic significance of this moderation (11.2% coefficient) suggests that tax considerations substantially influence the optimal leverage-growth trade-off. For companies facing high effective tax rates, moderate increases in leverage may actually support rather than constrain sustainable growth, contrary to the direct negative relationship observed in low-tax environments.

This moderation operates through multiple mechanisms: first, interest tax deductibility becomes more valuable as tax rates increase, reducing the effective cost of debt financing. Second, higher tax rates may incentivize companies to use debt strategically to optimize their effective tax burden while maintaining growth capacity. Third, tax-efficient capital structures may free up resources for reinvestment, supporting sustainable growth objectives.

Strategic Implications for Financial Management: Companies should integrate tax planning into capital structure decisions, particularly in high-tax jurisdictions where leverage may provide dual benefits of financial flexibility and tax optimization. However, this strategy requires careful balance to avoid excessive leverage that could impair financial flexibility despite tax benefits.

Profitability-Tax Trade-offs

The significant negative moderation of tax rate on the profitability-sustainable growth relationship ($\beta = -0.154$, $p < 0.001$) reveals a critical constraint mechanism where high effective tax rates diminish the growth benefits of profitability by reducing available resources for reinvestment. This finding has substantial implications for both corporate strategy and tax policy design.

The coefficient magnitude (-15.4%) indicates economically significant effects, suggesting that companies achieving high profitability in high-tax environments may face substantial growth constraints compared to similar companies in lower-tax jurisdictions. This relationship operates through direct cash flow effects where higher tax burdens reduce retained earnings available for growth investments.

This moderation effect aligns with research demonstrating that tax policy significantly influences corporate investment decisions and growth trajectories through its impact on after-tax cash flows and investment incentives. The finding suggests that tax policy design should consider differential impacts on high-performing companies to avoid inadvertently constraining productive economic activity.

Policymakers should consider graduated tax structures or investment incentives that prevent high effective tax rates from disproportionately constraining growth among the most profitable (and potentially most productive) companies. Additionally, tax policy should account for the varying sensitivity of different company types to tax-induced growth constraints.

Absence of Moderation for Size and Liquidity

The lack of significant tax rate moderation for company size and liquidity relationships provides insights into the selectivity of tax effects on growth mechanisms. These non-significant results suggest that tax considerations primarily influence debt-related decisions and profitability utilization rather than scale-based advantages or working capital management strategies.

For company size, the absence of tax moderation may reflect the reality that scale advantages (market power, operational efficiency, access to resources) operate largely independently of tax considerations. Large companies' growth advantages stem primarily from operational factors that remain relatively unaffected by tax rate variations.

Similarly, liquidity management decisions appear to be driven primarily by operational necessities and strategic flexibility considerations rather than tax optimization opportunities. Working capital management focuses on operational efficiency and risk mitigation, which remain important regardless of tax environment variations.

Complex Interactions: Mediating-Moderating Integration

Performance-Tax Interaction Dynamics

The significant negative interaction between company performance mediation and tax rate moderation ($\beta = -0.103$, $p < 0.05$) reveals sophisticated dynamics in how growth determinants operate across different fiscal environments. This interaction suggests that the effectiveness of performance-driven growth strategies varies substantially depending on the prevailing tax environment.

This complex interaction reflects the multifaceted nature of modern corporate finance, where traditional performance advantages must be evaluated within broader regulatory and fiscal contexts. Companies achieving superior market performance (high Tobin's Q) may find their growth advantages partially offset in high-tax environments, where increased fiscal burdens reduce the translation of market premiums into actual growth capacity. The negative moderation of profitability by tax rates ($\beta = -0.154$) has particularly important policy implications, suggesting that high tax rates may disproportionately constrain growth among the most productive companies (Do et al., 2023).

Strategic Implications of Interaction Effects

The interaction between mediating and moderating effects creates several strategic implications for corporate financial management: (1).Integrated Strategy Development: Companies must develop financial strategies that simultaneously consider direct effects, mediation pathways, and moderation influences. Traditional approaches focusing solely on individual financial metrics may miss critical interaction effects that determine actual growth outcomes, (2).Environment-Contingent Planning: The significant interaction effects suggest that optimal financial strategies are highly context-dependent, requiring adaptation to specific tax environments and regulatory contexts. Companies operating across multiple jurisdictions should develop differentiated strategies accounting for varying fiscal impacts. (3).Dynamic Optimization: The complex interaction patterns indicate that optimal financial management requires continuous adaptation as tax environments, market conditions, and company characteristics evolve. Static optimization approaches may fail to capture the dynamic nature of these relationships.

Theoretical Contributions and Framework Integration

Extended Sustainable Growth Theory

This study contributes to sustainable growth theory by demonstrating that traditional models focusing solely on direct financial relationships provide incomplete understanding of growth determinants. The integration of mediating performance effects and moderating tax influences creates a more comprehensive theoretical framework that better explains observed growth variations.

The findings extend existing sustainable growth models by incorporating market perception mechanisms (through Tobin's Q mediation) and regulatory environment influences (through tax rate moderation), providing a more realistic representation of contemporary corporate finance dynamics.

CONCLUSION

Based on the research results and discussion that had been conducted, several conclusions could be drawn as follows:

1. Influence of Financial Determinants on Sustainable Growth:

- Liquidity, profitability, and company size had positive and significant influences on company sustainable growth, while capital structure did not show a significant direct influence.
- Profitability was the financial determinant with the strongest influence on sustainable growth, affirming the importance of the ability to generate profit in supporting long-term growth.

2. Mediating Effect of Company Performance:
   - Company performance significantly mediated the relationship between capital structure, liquidity, and profitability on company sustainable growth.
   - The mediation of company performance on the relationship between capital structure and sustainable growth was full mediation, while on the relationship between liquidity and profitability to sustainable growth was partial mediation.
   - Company performance did not significantly mediate the relationship between company size and sustainable growth.
3. Moderating Effect of Tax Rate:
   - Tax rate significantly moderated the relationship between capital structure and profitability on company sustainable growth.
   - The negative influence of capital structure on sustainable growth weakened at higher tax rate levels, indicating tax saving benefits from debt usage.
   - The positive influence of profitability on sustainable growth weakened at higher tax rate levels, showing the impact of reduced funds available for reinvestment due to greater tax burden.
   - Tax rate did not significantly moderate the relationship between liquidity and company size on sustainable growth.
4. Interaction between Mediating and Moderating Effects:
   - There was a significant interaction between the mediating effect of company performance and the moderating effect of tax rate in the context of the relationship between financial determinants and sustainable growth.

The positive influence of company performance on sustainable growth weakened at higher tax rate levels

This study contributes to the evolving understanding of sustainable growth determinants in emerging markets by demonstrating the complex interplay between traditional financial metrics, market-based performance measures, and regulatory environments (Gratcheva et al., 2022). The findings extend existing theory by highlighting the context-dependent nature of these relationships and the importance of considering mediating and moderating mechanisms (Mettler & Rohner, 2022). For managers in emerging markets, the results emphasize the continued importance of operational excellence and profitability management while highlighting the need to understand how market perceptions and regulatory environments influence growth outcomes (Erawati et al., 2025). The tax moderation findings suggest that companies should integrate tax considerations into strategic planning processes (Kumar et al., 2022). For policymakers, the results suggest that tax policy design should consider differential impacts on companies with varying characteristics and avoid inadvertently constraining growth among the most productive firms (Do et al., 2023).

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