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The Interlink Between Capital Structure, Sales Growth, and Sustainable Growth Rate: Comparative Insights from IDX Growth and IDX Sharia Growth

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Abstract
The dynamics of capital structure (CS), sales growth (SG), and sustainable growth rate (SGR) play pivotal roles in corporate finance, impacting a company's valuation and strategic direction. This study investigates the factors influencing the SGR of companies listed in the IDX Growth 30 and IDX Sharia Growth indices, focusing on the roles of CS and SG. Using a quantitative approach, secondary data from the financial reports of these companies from 2022 to 2023 were analyzed through regression and comparative statistical methods. The findings reveal distinct influences on SGR for each index: within the IDX Growth 30, SG significantly impacts SGR positively, emphasizing the importance of revenue expansion and internal funding, while CS does not show a significant effect. In contrast, for IDX Sharia Growth firms, CS significantly influences SGR, highlighting the effective use of ethical financing sources, whereas SG does not. Despite these differences, there are no significant gaps in SGR between sharia-compliant and non-Sharia firms, indicating that both achieve comparable sustainable growth through their respective strategies. Only CSs are different between these two types of firms. These results suggest that tailored growth strategies are essential, with conventional firms focusing on sales and market expansion and sharia-compliant firms leveraging ethical financing and operational efficiencies. Future research should consider additional variables like ownership structure and macroeconomic factors to further understand their impact on SGR across different firm categories.

Keywords
Capital Structure, Sales Growth, Sustainable Growth Rate, IDX Growth, IDX Sharia Growth

INTRODUCTION

In the realm of corporate finance, the interconnections between capital structure (CS), sales growth (SG), and sustainable growth rate (SGR) are fundamental to understanding a company's valuation and strategic direction. These dynamics are critical as they influence a firm's ability to balance growth with financial stability, which is essential for long-term success (Makkonen et al., 2014). The CS determines the firm's optimal financing mix (Margaritis & Psillaki, 2007), which can affect its risk

and return profile. SG is indicative of market performance and revenue generation capabilities (Guenzi et al., 2016), while the SGR reflects the firm's ability to maintain growth without external equity financing, thereby providing insights into financial health and operational efficiency (Isnurhadi et al., 2022).

The significance of these variables becomes even more pronounced when comparing firms operating under different regulatory and ethical frameworks. Moreover, studies and capital market trends have highlighted the growing interest in many Sharia-based indices, such as IDX Sharia Growth and Indonesia Sharia Stock Index (Ferdius Mooy & Purwanto, 2024; Jihadi et al., 2021). The Indonesian stock market, with its IDX Growth and IDX Sharia Growth indices, presents a unique context for examining these dynamics. The IDX Growth index includes conventional firms that operate under traditional financial principles, whereas the IDX Sharia Growth index comprises firms that adhere to Sharia principles, emphasizing risk-sharing, ethical considerations, the prohibition of interest (riba), the avoidance of speculative activities (gharar), and the prohibition of investments in haram (forbidden) industries (Indonesia Stock Exchange, 2024). This dichotomy offers a fertile ground for exploring how differing financial philosophies impact corporate growth strategies.

The notion of achieving sustainable development over an extended period is every corporation's primary internal goal. One financial component influencing this sustainable growth is CS. A noteworthy study has indicated that financial leverage, associated with CS, exhibits an inverted U-shaped relationship with performance, as measured by the SGR. This finding suggests that increasing financial leverage enhances SGR up to a certain threshold, beyond which additional leverage results in a decline in SGR (Akhtar et al., 2022). Furthermore, CS is determined by various aspects, such as industry, financial stability, the ratio of dividend payments to accumulation rate, and prudent borrowing at high risk (Badokina et al., 2021), resulting in a complex managerial decision-making process of deciding CS. Therefore, as sharia-compliant firms have significantly lower levels of leverage and slower speed of CS adjustment, they may suffer from a financial gap in the supply side due to financial restrictions as compared to non-sharia firms (Alnori & Alqahtani, 2019).

SG is another critical factor in determining a company's SGR. When SG is managed to align with or remain below the SGR, it tends to create more value for shareholders compared to a scenario where SG exceeds the SGR. This is because growth that outpaced the company's sustainable capacity often necessitates additional external financing, which can dilute shareholder value and increase financial risk. Conversely, moderate SG that matches the firm's internally sustainable growth capabilities ensures that the company can fund its expansion through internally generated funds, thus preserving shareholder equity and minimizing financial strain (Vuković et al., 2022). Interestingly, a study found that there are differences between sharia-compliant and non-Sharia firms in terms of SG as a proxy of investment behavior. Sharia-compliant firms have significantly less SG than non-sharia firms, which is attributable to sharia-compliant firms' relatively limited access to capital given the tendency to keep leverage at a low level (Akguc & Al Rahahleh, 2021).

SGR is also an important metric in Sharia-compliant companies due to its significant relationship with share price performance (Ramli et al., 2022). However, the moderating effect of compliance with Sharia on financial performance and other metrics is still debatable (Kartikasari, 2023). To the extent of our knowledge, no study has compared the SGR of sharia-compliant and non-Sharia firms, even though there are differences in SGR determinants between these 2 types of firms. These insights suggest that conventional firms may prioritize revenue generation as a pathway to sustainable growth, leveraging operational performance to drive long-term stability. Sharia-compliant firms, adhering to principles that limit certain financing practices, appear to utilize their CS more strategically to achieve sustainable growth. The lack of significant differences in overall levels of CS, SG, and SGR between the two groups implies a convergence in broader financial strategies, despite the differing underlying principles.

Hence, the objective of this study is to elucidate the complex relationships among CS, SG, and SGR, focusing on firms listed in the IDX Growth and IDX Sharia Growth indices from 2022 to 2023. By employing a quantitative methodology that leverages secondary data from annual reports, this research aims to uncover whether these relationships differ significantly between conventional and Sharia-compliant firms. Through regression analysis and comparative statistical assays between the two groups, the study seeks to determine the specific influences of CS and SG on SGR within these distinct groups.

This study is structured as follows: The second section presents a comprehensive literature review and hypothesis development, establishing a theoretical foundation for the research. The third section outlines the quantitative research methodology, including the data collection process, variable

measurements, and statistical techniques employed. The fourth section discusses the results of the regression and comparative analyses, providing empirical insights into the relationships between the variables. Finally, the fifth section provides the conclusion, limitations of the study, and suggestions for future research, summarizing the key findings and their implications for theory and practice.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Capital Structure

The concept of CS revolves around the optimal mix of debt and equity financing that a firm employs to fund its operations and growth (Orlova et al., 2020). Equity financing involves issuing shares, which does not require regular interest payments and reduces financial risk but may dilute ownership and control. Conversely, debt financing involves borrowing funds, which necessitates interest payments and repayment of the principal but allows owners to retain full control over the firm. The debt-to-equity ratio (D/E ratio) is a key metric that reflects the proportion of debt to equity in a firm's CS. A higher D/E ratio indicates greater leverage, which can amplify returns on equity during periods of robust growth but also heightens the risk of insolvency during downturns due to the obligation to service debt.

In relation to the SGR, the CS, and particularly the D/E ratio, plays a critical role. A balanced D/E ratio can facilitate a higher SGR by optimizing the cost of capital, as debt is generally cheaper than equity due to the tax advantages of interest payments. However, excessive reliance on debt can constrain SGR by increasing financial risk and potentially leading to liquidity issues (Kong et al., 2023). Therefore, firms must carefully manage their CS to maintain an optimal D/E ratio that supports sustainable growth while mitigating financial risks. The interplay between equity, debt, and SGR underscores the importance of strategic financial planning and risk management in achieving long-term corporate sustainability.

Moreover, modern theories of CS, such as the Pecking Order Theory and Trade-Off Theory, offer deeper insights into how firms balance debt and equity (Agyei et al., 2020). According to the Pecking Order Theory, firms prefer internal financing (retained earnings) over external debt and equity due to information asymmetry and associated costs. The Trade-Off Theory, on the other hand, posits that firms aim to balance the tax shield benefits of debt against the increased risk of financial distress. These theoretical perspectives further highlight the complexity of determining an optimal CS, which is not merely a function of cost but also involves strategic decisions regarding risk, flexibility, and long-term growth potential.

H1a: CS significantly influences SGR in IDX Growth 30 firms.

H1b: CS significantly influences SGR in IDX Sharia Growth firms.

Sales Growth

SG is a crucial indicator of a firm's market performance and revenue generation capability, reflecting the company's ability to increase sales over a specific period. It is a key driver of profitability and market share, providing the necessary funds for reinvestment and expansion. Achieving consistent SG is vital for sustaining competitive advantage and ensuring long-term viability. However, managing SG effectively requires a strategic approach that balances short-term gains with long-term sustainability, avoiding overexpansion that could strain resources and operational capacity (Edwards, 2021).

The relationship between SG and SGR is deeply interconnected. SG fuels SGR by generating the revenue needed to finance additional assets and operations internally. However, for SG to contribute positively to SGR, it must be managed within the firm's financial constraints. Rapid SG without adequate support from operational efficiency and capital management can lead to cash flow problems and increased reliance on external financing, potentially jeopardizing sustainability (Baños-Caballero et al., 2014). In the current era of financial management, stable and expanding businesses across a range of industries depend heavily on efficient cash management (Gunawan, 2023). Therefore, firms must align their SG strategies with their capacity to generate and manage resources effectively, ensuring that growth is sustainable and contributes to long-term financial health and stability.

To achieve a sustainable SG trajectory, firms must also consider market conditions, competitive pressures, and consumer demand trends. Diversification of product offerings, investment in marketing, and improvements in operational efficiency can support consistent SG while minimizing volatility. Additionally, firms operating in highly competitive markets may need to innovate continually to

maintain SG. For Sharia-compliant firms, adhering to Islamic finance principles may influence growth strategies, such as avoiding interest-bearing debt, which could necessitate more creative approaches to generating and sustaining SG. Hence, both conventional and Sharia-compliant firms must carefully balance growth ambitions with the resources and infrastructure necessary to support sustainable operations over the long term.

H2a: SG significantly influences SGR in IDX Growth 30 firms.

H2b: SG significantly influences SGR in IDX Sharia Growth firms.

Sustainable Growth Rate

The SGR is a vital metric in corporate finance that represents the maximum rate at which a company can grow its sales, earnings, and dividends without having to increase its equity base or take on additional debt. SGR is considered one of the most useful financial instruments, particularly for managers who are tasked with determining whether to maintain, expand, or decline (Rahim, 2017). SGR is determined by the company's return on equity (ROE) and the retention ratio (the proportion of net income retained in the business rather than paid out as dividends). Essentially, SGR encapsulates the equilibrium point where a firm can expand using its internally generated funds, thereby maintaining financial stability and avoiding the risks associated with over-leverage or equity dilution.

CS directly influences SGR through its impact on a company's financial leverage and cost of capital. The mix of debt and equity financing determines the firm's leverage ratio, which affects its ROE. While debt financing can amplify ROE due to the tax deductibility of interest, excessive debt increases financial risk and interest obligations, potentially leading to financial distress. On the other hand, equity financing does not involve obligatory payments but can dilute ownership and control, affecting shareholder value. The optimal CS balances these factors, supporting SGR by maintaining a cost-effective and manageable level of leverage. An inappropriate CS can either constrain growth if too conservative or endanger the firm's financial health if overly aggressive (Romano et al., 2001).

To achieve a sustainable SG trajectory, firms must also consider market conditions, competitive pressures, and consumer demand trends. Diversification of product offerings, investment in marketing, and improvements in operational efficiency can support consistent SG while minimizing volatility. Additionally, firms operating in highly competitive markets may need to innovate continually to maintain SG. For Sharia-compliant firms, adhering to Islamic finance principles may influence growth strategies, such as avoiding interest-bearing debt, which could necessitate more creative approaches to generating and sustaining SG. Hence, both conventional and Sharia-compliant firms must carefully balance growth ambitions with the resources and infrastructure necessary to support sustainable operations over the long term.

H3a: There are differences in CS between IDX Growth 30 and IDX Sharia Growth firms.

H3b: There are differences in SG between IDX Growth 30 and IDX Sharia Growth firms.

H3c: There are differences in SGR between IDX Growth 30 and IDX Sharia Growth firms.

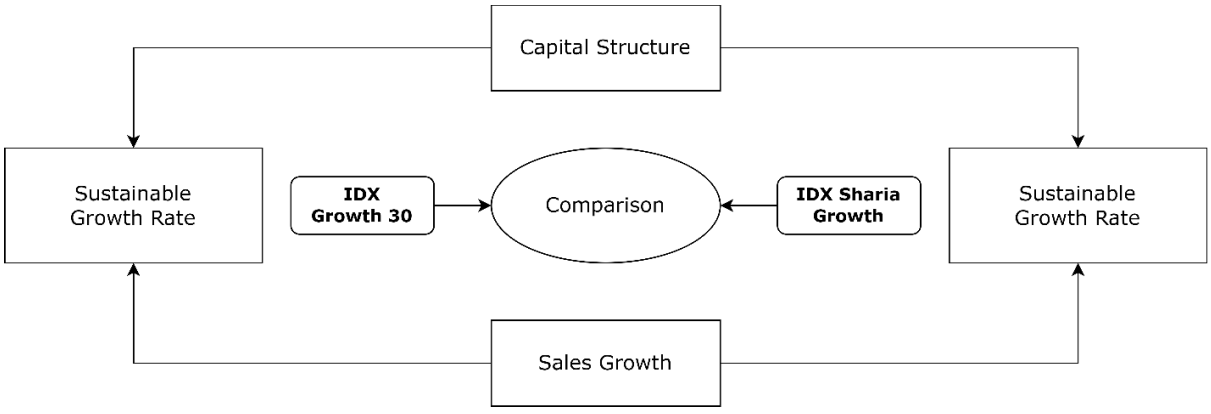


Figure 1. Research Framework

RESEARCH METHOD

This study utilizes secondary data sourced from the financial reports of companies listed on the IDX Growth and IDX Sharia Growth indices for the period from 2022 to 2023. Due to the limited number of available samples, only two inclusion criteria were applied: (1) firms that remained part of the index for the entire year (either throughout 2022, 2023, or both), and (2) firms that published their financial statements. The choice to include only firms consistently listed in the indices was made to ensure data reliability and minimize distortions caused by firms entering or exiting the indices. These indices were selected to provide a comparative analysis of conventional and Sharia-compliant firms, offering insights into how different financial frameworks influence the relationships between CS, SG, and SGR. The following formulas include key financial metrics essential for calculating the variables of interest.

$$Capital\ Structure = Debt\ to\ Equity\ Ratio = \frac{Total\ Liability}{Total\ Equity}$$

$$Sales\ Growth = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}}$$

$$Sustainable\ Growth\ Rate = Return\ on\ Equity\ x\ Retention\ Ratio$$

The choice of financial statements ensures data reliability and consistency, as these reports are audited and adhere to standard accounting practices. The proposed model aims to analyze the interrelationships between CS, SG, and SGR. The theoretical basis for this model is grounded in the corporate finance literature, which posits that a firm's CS and SG significantly impact its SGR. The regression analysis framework is adopted to empirically test the hypothesized relationships. Specifically, the model examines how CS and SG individually and jointly affect SGR within the two indices. Regression analysis is chosen because it allows for the examination of the relationships between multiple independent variables (CS and SG) and a dependent variable (SGR). This method is appropriate for understanding the magnitude and direction of these relationships and for identifying significant predictors of SGR.

The regression model was specified as follows:

$$SGR_i = \beta_0 + \beta_1 CS_i + \beta_2 SG_i + \epsilon$$

In addition to regression analysis, a comparative approach is employed to analyze differences between conventional and Sharia-compliant firms. An independent t-test is utilized to assess whether there are statistically significant differences in the relationships between CS, SG, and SGR across the two indices. This test allows for an exploration of whether the distinct regulatory frameworks governing Sharia-compliant firms result in different financial behaviors compared to conventional firms. The assumptions underlying the t-test, such as normality and equal variances, will be checked prior to analysis. In cases where these assumptions are violated, appropriate non-parametric tests will be considered. To ensure the validity of the regression model, diagnostic tests will be conducted to verify key assumptions, including linearity, independence of residuals, homoscedasticity, and normality. In the event of any violations of these assumptions, data transformations (e.g., logarithmic transformations) or the application of robust standard errors will be employed to address the issues.

All statistical analyses were conducted using the Statistical Package for Social Sciences (SPSS) version 25. The choice of SPSS is due to its user-friendly interface, robust capabilities for regression analysis, and wide acceptance in social sciences research. SPSS also facilitates the execution of diagnostic tests and data transformation, making it suitable for this study's analytical needs. Due to the limited sample size, this study acknowledges the potential impact on statistical power and the generalizability of the findings. While the inclusion criteria ensure the consistency and reliability of the data, the small number of observations may limit the ability to detect smaller effects. Furthermore, the focus on firms that remained in the indices for the entire year may introduce survivorship bias, as weaker firms that exited the indices are not represented. These limitations will be considered when interpreting the results, and the findings should be viewed as indicative rather than definitive.

In Figure 2, a normality test is conducted using a probability plot to evaluate the distribution of residuals in both regression models. The data points appear closely aligned to the reference line, with no discernible patterns of deviation. This distribution suggests that the residuals conform to a normal distribution, satisfying the normality assumption critical to linear regression. The adherence of the points to the line indicates that the likelihood of significant skewness or kurtosis in the data is

minimal, thus enhancing the reliability of the regression estimates. By confirming normality, the validity of the statistical inferences drawn from the regression models is strengthened, as it ensures that the parameter estimates, and significance tests adhere to the underlying assumptions of ordinary least squares (OLS) regression.

In terms of heteroscedasticity, Figure 3 presents a scatterplot to assess whether the variance of the residuals is constant across all levels of the independent variables, a key assumption for accurate model predictions and unbiased standard errors. The scatterplot shows that the residuals are evenly distributed around the horizontal axis, with no apparent pattern or clustering, indicating that heteroscedasticity is not present. This uniform dispersion on both the positive and negative sides of the plot suggests that the residuals have constant variance, thus fulfilling the homoscedasticity assumption. Homoscedasticity is essential for maintaining the efficiency of the regression estimators and ensuring that the confidence intervals and p-values are properly estimated. The acceptance of both normality and homoscedasticity assumptions indicates the robustness of the regression models used in the analysis and reinforces the credibility of the findings presented.

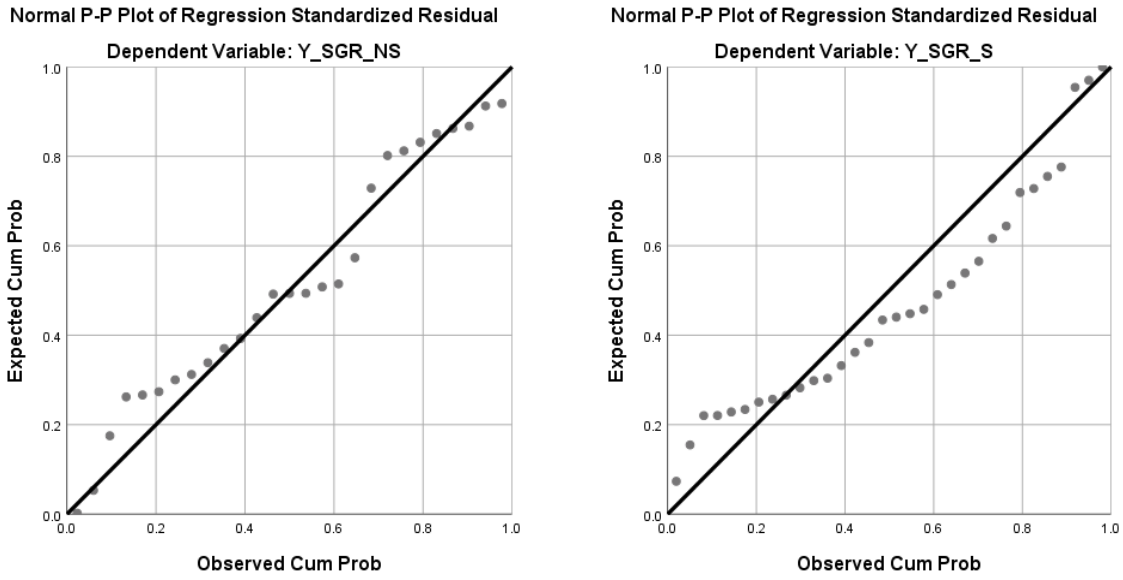
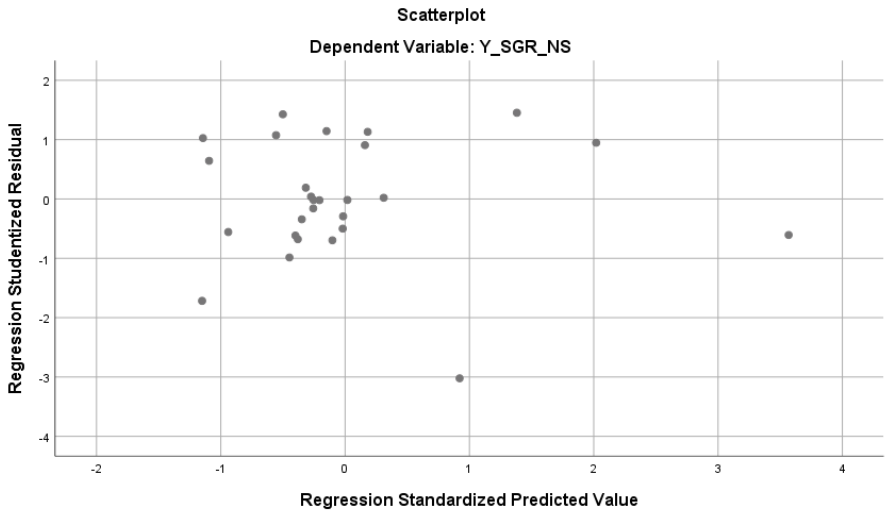


Figure 2. Normality Test of IDX Growth 30 and IDX Sharia Growth Regression Models



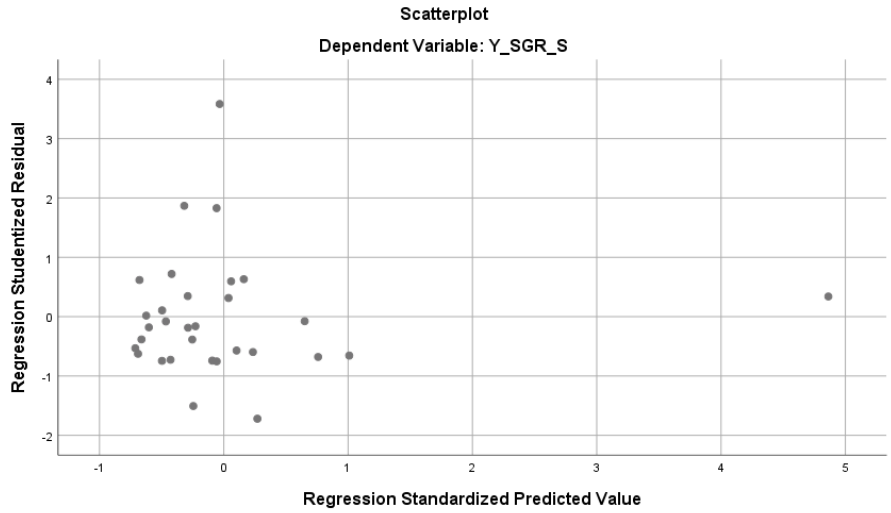


Figure 3. Heteroscedasticity Test of IDX Growth 30 and IDX Sharia Growth Regression Models

The multicollinearity test for the regression models provides key diagnostic measures—tolerance and Variance Inflation Factor (VIF)—to assess the potential for multicollinearity among the independent variables. The tolerance value of 0.971 exceeds the commonly accepted threshold of 0.10, while the corresponding VIF value of 1.030 is well below the cutoff value of 10. These results suggest that there is no severe multicollinearity present in the model, meaning that the independent variables are not excessively correlated with each other. The absence of multicollinearity is essential for ensuring the stability and reliability of the coefficient estimates, as it confirms that the variables independently contribute to explaining the variation in the dependent variable without inflating standard errors or leading to distorted significance levels. This reinforces the confidence in the regression results and ensures that the conclusions drawn from the model are valid.

Similarly, the tolerance value for the second regression model is recorded at 0.992, comfortably above the 0.10 threshold, and the VIF value is calculated at 1.008, again well below the critical value of 10. These results corroborate the absence of multicollinearity in the second model, further validating the independence of the variables. In both regression models, the low VIF values and high tolerance values indicate that multicollinearity is not a concern, and the independent variables can be interpreted confidently without fear of misleading coefficient estimates or instability in the model. By confirming the lack of multicollinearity, the multicollinearity tests lend support to the overall robustness of the regression analysis, allowing for more accurate and reliable interpretation of the relationships among the variables in question.

RESULTS AND DISCUSSION

The descriptive statistics in Table 1 provide an overview of CS, SG, and SGR for firms listed in the IDX Growth 30 and IDX Sharia Growth indices. Analyzing these figures reveals interesting insights into the financial characteristics of the two groups.

The mean CS for IDX Growth 30 firms (2.07) is considerably lower than that for IDX Sharia Growth firms (7.00). This indicates that IDX Sharia Growth firms rely more on debt compared to their conventional counterparts. However, the CS for IDX Sharia Growth firms show significant variability, with a standard deviation of 33.49, suggesting wide dispersion in their leverage levels. In contrast, IDX Growth 30 firms exhibit more consistent CS, with a lower standard deviation of 1.76. This disparity may stem from the distinct financial structures of Sharia-compliant firms, which avoid interest-bearing debt, leading to more variable financing methods.

SG also shows differences between the two groups. The mean SG for IDX Growth 30 firms is 0.18, while for IDX Sharia Growth firms, it is higher at 0.30, indicating faster SG among Sharia-compliant firms. However, the standard deviation for SG is higher for IDX Sharia Growth firms (0.62) compared to IDX Growth 30 firms (0.43), reflecting more variability in growth rates within Sharia-compliant firms.

The SGR further differentiates the two groups, with the mean SGR for IDX Growth 30 firms significantly higher at 0.81 compared to 0.31 for IDX Sharia Growth firms. Despite their faster SG, Sharia-compliant firms have a lower SGR, possibly due to higher leverage and less efficient internal resource management. The greater variability in SGR among Sharia-compliant firms (standard deviation of 1.27) suggests challenges in maintaining sustainable growth, with notable outliers skewing performance.

Table 1. Descriptive Statistics of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
X1_CS_IDXG30	27	0.1643	6.0229	2.0700	1.7608
X2_SG_IDXG30	27	-0.3289	1.6904	0.1799	0.4254
Y_SGR_IDXG30	27	-0.0720	0.2289	0.8072	0.0753
X1_CS_IDXSG	32	0.1288	190.3070	7.0001	33.4866
X2_SG_IDXSG	32	-0.1692	3.0052	0.2988	0.6208
Y_SGR_IDXSG	32	-0.0497	7.2711	0.3133	1.2732

Table 2. Regression & Multicollinearity Test of IDX Growth 30 Model

Model		Unstandardized	Coefficients	Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	0.064	0.020		3.251	0.003		
	X1_CS_IDXG30	-0.002	0.007	-0.036	-0.222	0.826	0.971	1.030
	X2_SG_IDXG30	0.111	0.028	0.630	3.941	0.001	0.971	1.030
Dependent Variable: Y_SGR_IDXG30								

Table 3. Regression & Multicollinearity Test of IDX Sharia Growth Model

Model		Unstandardized	Coefficients	Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
2	(Constant)	0.042	0.017		2.459	0.020		
	X1_CS_IDXSG	0.038	0.000	0.999	82980	0.000	0.992	1.008
	X2_SG_IDXSG	0.018	0.025	0.009	0.718	0.478	0.992	1.008
Dependent Variable: Y_SGR_IDXSG								

The regression equations obtained from Tables 2 and 3 are listed as follows:

Model 1 (IDX Growth 30): SGR = 0.064 – 0.002CS + 0.111SG + e

Model 2 (IDX Sharia Growth): SGR = 0.042 + 0.038CS + 0.018SG + e

From Table 2, the multiple regression analysis demonstrates that for firms in the IDX Growth 30, SG exerts a statistically significant positive influence on SGR, with $p < 0.05$, indicating a strong correlation between these variables. Each point of SG increases the SGR by 0.111. However, the results suggest that CS does not exhibit a significant impact on SGR, as indicated by $p > 0.05$, even though they have a weak negative relationship indicated by a coefficient of -0.002. The findings are further substantiated by Table 4, where it is revealed that SG and CS, when analyzed jointly, significantly influence SGR ($p = 0.002$). This suggests that while SG independently drives SGR, the interaction between SG and CS cannot be ignored in explaining growth patterns.

The significant effect of SG on SGR can be attributed to its direct role in expanding revenues. Increased sales volumes generate higher internal funds, such as retained earnings, which firms can reinvest into operations and assets, thereby promoting a sustainable growth trajectory. This

relationship underscores the importance of sales-driven growth, as it typically reflects a robust market demand for the firm's products or services. Consequently, higher sales provide the dual benefits of improved profitability and enhanced resource utilization, which further aligns with the concept of sustainable growth rate (Edwards, 2021). The notion of internally funded growth (Gartner et al., 2012) is also reinforced, highlighting the firm's ability to scale without resorting to external financing, thus minimizing financial risks.

In contrast, the lack of significant influence of CS on SGR could be indicative of several firm-level and strategic factors. Many IDX Growth 30 firms might have already optimized their leverage ratios, thus rendering additional alterations in CS ineffective in driving further growth. Additionally, firms might adopt conservative financial strategies, avoiding excessive debt accumulation due to the inherent risks of financial distress (Baños-Caballero et al., 2014). Instead, they might favor organic growth through reinvestment of profits, mitigating the need for costly equity financing. Carpenter & Petersen (2002) suggest that the issuance of new equity might not always be desirable for growth-focused firms due to the associated costs, which can dilute ownership and diminish the benefits to SGR. As a result, firms may prioritize non-financial strategies, such as operational efficiencies and innovation, over structural financial adjustments.

Firm-specific characteristics, such as industry type, also play a crucial role in determining the effectiveness of SG versus CS in driving sustainable growth. Firms in sectors like technology or consumer goods, which are prominent in IDX Growth 30, might benefit more directly from SG, as it often correlates with market expansion and product demand. In such industries, CS adjustments may not provide the same growth leverage as sales-driven strategies. Furthermore, management practices and strategic priorities greatly influence growth outcomes. Firms that emphasize reinvesting profits into innovative projects and expansion strategies rather than leveraging financial restructuring are likely to observe a stronger relationship between SG and SGR. Additionally, macroeconomic conditions such as periods of economic stability may facilitate growth through organic sales rather than adjustments in CS, as firms find it easier to capitalize on favorable market conditions.

Empirical evidence frequently supports the argument that internal growth metrics like SG have a more immediate and direct impact on SGR compared to CS adjustments, which tend to produce more complex, longer-term outcomes (Ahmeti et al., 2024). For example, Nugroho (2020) observed that, despite a negative relationship between SG and SGR in some cases, SG still significantly influenced SGR. This nuance suggests that the dynamics of growth may vary depending on firm-specific strategies and market conditions. For IDX Growth 30 firms, focusing on SG appears to be a more viable strategy for enhancing sustainable growth, as it fosters revenue expansion, minimizes the risks associated with financial distress, and aligns with their growth objectives of operational and market expansion rather than financial restructuring.

Moreover, these findings highlight the broader strategic implications for firms seeking to optimize their growth trajectories. Sustainable growth is not merely a function of financial adjustments but a reflection of comprehensive business strategies that integrate operational efficiencies, market responsiveness, and risk management. The emphasis on SG over CS in driving SGR underscores the importance of adaptive and innovation-led growth models, particularly in dynamic sectors. Therefore, firms need to continually reassess their growth strategies in light of evolving market conditions and ensure that their focus on SG is complemented by prudent financial management to sustain long-term success.

Table 4. ANOVA Test of IDX Growth 30 and IDX Sharia Growth Regression Models

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.060	2	0.030	8.174	0.002
	Residual	0.088	24	0.004		
	Total	0.147	26			
Dependent Variable: Y_SGR_IDXG30						
Predictors: (Constant), X1_CS_IDXG30, X2_SG_IDXG30						
2	Regression	50.042	2	25.021	3465.382	0.000
	Residual	0.209	29	0.007		
	Total	50.251	31			
Dependent Variable: Y_SGR_IDXSG						
Predictors: (Constant), X1_CS_IDXSG, X2_SG_IDXSG						

From Table 3, the multiple regression of the model indicated that in IDX Sharia Growth firms, CS significantly influences SGR in a positive manner (p = 0,000). Each point of CS increases the SGR by 0.038. Meanwhile, SG does not influence SGR (p > 0,05), even though it was suggested that they have a positive relationship, as indicated by the coefficient of 0.018. In Table 4, it is also highlighted that SG and CS simultaneously influence SGR (p = 0,000). Firstly, the positive influence of CS on SGR in IDX Sharia Growth firms suggests that these companies might be effectively utilizing their financial leverage to fuel sustainable growth. In the context of Sharia-compliant firms, CS often involves equity financing and profit-sharing mechanisms rather than conventional interest-based debt (Sakti et al., 2017). This form of financing can provide a stable and ethical source of funds for growth, aligning with sharia principles while enabling firms to invest in long-term projects, innovation, and expansion (Orlova et al., 2020). The stability and predictability of equity financing might contribute to a more sustainable growth rate, as it reduces the risk of financial distress associated with debt (Kong et al., 2023).

On the other hand, the lack of significant influence of SG on SGR in these firms might be due to several factors. Sharia-compliant firms may prioritize ethical considerations, sustainability, and long-term stability over aggressive sales expansion. As a result, their growth strategies might not solely rely on increasing sales but rather on improving operational efficiency, optimizing resource use, and adhering to ethical standards. This approach can lead to a sustainable growth model that is less dependent on fluctuating sales figures and more on steady financial management and strategic planning. Moreover, the combined significant influence of SG and CS on SGR, as highlighted in Table 4, indicates that while individually SG might not show a strong impact, its interplay with CS can contribute to sustainable growth. This synergy suggests that a balanced approach, where firms not only focus on their CS but also maintain steady SG, can enhance their overall growth sustainability (Agyei et al., 2020). The combined effect might reflect a comprehensive strategy where CS provides the necessary financial foundation, and SG drives operational performance, together leading to a more robust and sustainable growth trajectory.

The evidence from Jakarta Islamic Index-listed companies found that CS significantly influences the SGR through enhanced profitability (Mubarak & Haryono, 2023). The findings suggest that for IDX Sharia Growth firms, an effective CS is crucial for SG, potentially due to the ethical and stable nature of sharia-compliant financing. SG alone might not be as impactful, possibly due to the firms' emphasis on long-term stability and ethical considerations. However, the combined influence of SG and CS underscores the importance of a balanced approach to achieving sustainable growth. This comprehensive strategy, integrating both financial management and operational performance, can provide a solid foundation for long-term success.

Table 5. Model Summary of IDX Growth 30 and IDX Sharia Growth Regression Models

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.637	0.405	0.356	0.0604265
2	0.998	0.996	0.996	0.0849718

Table 5 presents the R-squared values for both regression models, offering insights into the proportion of variance in the dependent variable that can be explained by the independent variables. The R-squared value for Model 1 is relatively low (35.6%), indicating that only a small portion of the variation in the dependent variable, SGR, is explained by the independent variables, such as CS and SG. This suggests that additional factors influencing SGR are not captured by the model. In contrast, Model 2 exhibits a stronger R-squared value (99.6%), meaning that the independent variables in this model better account for the variation in SGR, especially within Sharia-compliant firms.

According to Pham et al. (2020), several factors other than CS, such as ownership structure, initial earnings, and dividend policy, may have a greater impact on a firm's SGR. The exclusion of these variables could explain the remaining 64.4% of the variance in SGR not accounted for in Model 1. This highlights the need for a more comprehensive approach when assessing SGR, particularly in firms that are not Sharia-compliant.

The variability in the R-squared values between the two models may also stem from differences in the operational and financial environments of Sharia-compliant and non-Sharia firms. Non-Sharia firms face fewer restrictions, allowing for a broader range of operational and managerial strategies that may introduce greater variability in their financial performance, thereby reducing the explanatory power of CS and SG in Model 1. In contrast, Sharia-compliant firms, which must adhere to specific financial principles such as avoiding interest-bearing debt and engaging in ethical business practices, tend to exhibit more consistent financial behaviors. This consistency could explain the stronger R-squared value in Model 2, as the independent variables are better aligned with the financial practices

of Sharia-compliant firms.

Table 6. Independent T-Test of IDX Growth 30 and IDX Sharia Growth Regression Models

		Levene's Test for Equality of Variances		T-Test for Equality of Means				
		F	Sig.	t	df	Sig.	Mean Difference	Std. Error Difference
CS	Equal Variances Assumed	4.139	0.047	2.229	56	0.030	0.9831	0.4410
	Equal Variances Not Assumed			2.214	53.018	0.031	0.9831	0.4440
SG	Equal Variances Assumed	1.179	0.282	-0.894	56	0.375	-0.1280	0.1432
	Equal Variances Not Assumed			-0.918	52.947	0.363	-0.1280	0.1395
SGR	Equal Variances Assumed	0.712	0.402	-0.354	56	0.725	-0.0081	0.0229
	Equal Variances Not Assumed			-0.360	55.401	0.720	-0.0081	0.0226

Table 6 concluded that IDX Sharia Growth firms have the same level of SG and SGR as IDX Growth 30 firms but a lower level of CS or D/E (p = 0,031). This is in line with previous findings that sharia-compliant firms have significantly lower levels of leverage and slower speed of CS adjustment; hence, compared to non-sharia enterprises, they could experience a financial gap on the supply side as a result of financial constraints (Alnori & Alqahtani, 2019). However, in this current study, there are no gaps between sharia-compliant and non-Sharia firms.

Sharia principles prohibit interest-based financing, leading these firms to rely more on equity and profit-sharing mechanisms. This conservative approach results in lower leverage levels and a more deliberate pace in adjusting their CS, contributing to financial stability and ethical compliance. Furthermore, despite these differences in CS, the current study finds no significant gaps in SG and SGR between Sharia-compliant and non-Sharia firms. This can be attributed to a balanced approach to growth and financial management in both types of firms. Sharia-compliant firms, although less leveraged, may still achieve comparable SG and SGR through efficient resource management, innovation, and strategic planning. Their focus on ethical practices and long-term stability can foster a sustainable business environment, mitigating the potential disadvantages of lower leverage.

The balanced approach involving both SG and CS is crucial in understanding these results. For IDX Sharia Growth firms, leveraging ethical and stable financing sources allows them to maintain steady growth without incurring the risks associated with high leverage. Their strategic emphasis on operational efficiency and sustainability helps them achieve growth targets despite financial constraints. On the other hand, IDX Growth 30 firms, which may utilize higher leverage, balance this with robust SG strategies to sustain their growth rates. This combination of financial management and operational performance creates a solid foundation for sustainable growth in both types of firms.

CONCLUSION

The analysis of IDX Growth 30 and IDX Sharia Growth firms reveals distinct factors influencing their SGRs. For IDX Growth 30 firms, SG significantly impacts SGR positively, highlighting the importance of revenue expansion and internal funding through retained earnings. In contrast, CS does not show a significant direct influence on SGR, suggesting these firms might already be near their optimal leverage levels and prefer to grow through internal means rather than external financing. On the other hand, for IDX Sharia Growth firms, CS significantly influences SGR, reflecting the effective use of ethical and stable financing sources such as equity financing and profit-sharing mechanisms. The lack of significant influence of SG on SGR in these firms indicates a focus on long-term stability, ethical considerations, and operational efficiency over aggressive sales expansion. The combined significant influence of SG and CS in both models underscore the necessity of a balanced approach for sustainable growth. Despite these different approaches, the study finds no significant gaps in SGR between sharia-compliant and non-sharia firms, and only their CSs are different, suggesting that both

types of firms can achieve comparable sustainable growth through their respective strategies.

In our regression model 1, a low coefficient of determination was observed, indicating that other variables should be explored to better understand the SGR of IDX Growth 30 firms. One of the main limitations of this research stems from the recent establishment of the IDX Sharia Growth Index in 2022. As a result, the observation periods are constrained, which limits the temporal scope of the study. This temporal limitation restricts the ability to observe longer-term trends and patterns that could have enriched the analysis. Additionally, while the methodology ensured the focus on companies with proven growth potential, it may have excluded firms in earlier stages of development or those undergoing temporary setbacks. This could have provided a broader perspective on the range of growth trajectories observed in IDX Growth 30 firms. The inclusion criteria in this study (that samples must stay as part of the indices for at least 1 year) were chosen to carefully select high-growing companies with good fundamentals. However, it also resulted in a small number of total samples.

For practitioners and policymakers, the findings suggest that growth strategies should be tailored to the specific characteristics and operational environments of firms. IDX Growth 30 firms should focus on enhancing sales and market expansion while maintaining a stable CS to maximize their sustainable growth potential. Conversely, IDX Sharia Growth firms should continue leveraging ethical financing mechanisms and improving operational efficiencies to sustain growth. Future research should explore additional variables, such as ownership structure, initial earnings, and dividend policies, to better understand their roles in influencing SGR across different firm categories. Moreover, the broader economic environment's impact on these relationships warrants further investigation, particularly how macroeconomic stability and industry-specific factors might affect the balance between SG and CS in achieving sustainable growth. Understanding these dynamics can help both sharia-compliant and non-Sharia firms to adopt more effective and sustainable growth strategies tailored to their unique financial and operational contexts.

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