

Sustainability Disclosure Moderating Capital Structure, Sales Growth, and Asset Turnover on Profitability

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Abstract—This study aims to examine the effect of capital structure, sales growth, and asset turnover on profitability, as well as the moderating role of sustainability disclosure in manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. This research employs a quantitative approach using secondary data obtained from annual reports and sustainability reports. The sample consists of 49 manufacturing companies selected through purposive sampling, resulting in 147 firm-year observations. Data analysis was conducted using multiple linear regression and Moderated Regression Analysis (MRA) with SPSS software. The results show that capital structure, sales growth, and asset turnover have a positive effect on profitability. Furthermore, sustainability disclosure strengthens the positive effect of capital structure and asset turnover on profitability, indicating that higher transparency in sustainability reporting enhances the effectiveness of leverage and asset utilization in generating profits. However, sustainability disclosure does not moderate the relationship between sales growth and profitability. These findings indicate that effective financial management and efficient asset utilization are important determinants of profitability, while sustainability disclosure plays a strategic role in reinforcing certain financial relationships in manufacturing firms.

Keywords: Capital Structure; Sales Growth; Asset Turnover; Sustainability Disclosure; Profitability

1. INTRODUCTION

The manufacturing sector plays a strategic role in Indonesia's economic development by contributing significantly to gross domestic product, employment, and industrial value creation. Despite its importance, manufacturing companies have recently faced increasing challenges arising from global economic uncertainty, fluctuations in raw material prices, and tighter environmental regulations. This condition requires companies to strategically integrate financial and sustainability aspects to remain competitive in the green industry era (Santoso, 2023). These pressures require firms not only to pursue revenue growth but also to ensure sustainable profitability through effective financial and operational management (Sabakodi & Andreas, 2024). Profitability remains a critical indicator of corporate performance because it reflects management's ability to utilize available resources efficiently to generate earnings and sustain long-term business operations (Ghozali, 2021). From a financial management perspective, profitability is closely associated with internal financial policies and operational efficiency. Capital structure decisions determine the proportion of debt and equity used to finance corporate activities and directly influence financial risk and return. According to trade-off theory, an optimal capital structure enables firms to balance the benefits of debt financing with the costs of financial distress (Lestari & Adi, 2024). Sales growth reflects a firm's ability to expand market share and increase revenue, while asset turnover indicates how efficiently assets are utilized to generate sales. In manufacturing firms, which are generally capital-intensive, inefficient asset utilization may lead to idle capacity and increased depreciation costs, thereby reducing profitability (Prasetyo & Agustin, 2022). The relationship between sales generation, asset efficiency, and profitability can be explained through the DuPont analysis framework. DuPont analysis decomposes Return on Assets (ROA) into components reflecting operational efficiency and asset utilization, emphasizing that profitability is mathematically determined by how efficiently assets are turned into sales and how effectively those sales generate earnings. Within this framework, sales growth and asset turnover play a crucial role in shaping ROA, particularly in capital-intensive manufacturing firms where large asset bases must be optimally managed to avoid declining returns.

Empirical studies examining the determinants of profitability in manufacturing companies have produced inconsistent findings. Some studies, according to (Lestari & Adi, 2024) and (Sabakodi & Andreas, 2024) report that capital structure has a positive and significant effect on profitability, indicating that effective leverage management can enhance firm performance through tax advantages and increased operational capacity. These results are also consistent with the findings of (Rahmawati & Susanto, 2021) which show that optimal leverage can strengthen profitability in manufacturing companies in Indonesia. In contrast, other studies by (Anggraini et al., 2024) and (Oktaviani & Hidayat, 2024) find a negative or insignificant relationship, suggesting that excessive debt increases financial risk and interest burdens, ultimately reducing profitability. These mixed findings indicate that the impact of capital structure on profitability may depend on firm-specific characteristics and external economic conditions. Similar inconsistencies are observed in studies examining sales growth and asset turnover as drivers of profitability. Several studies show that sales growth positively affects profitability by increasing revenue and improving economies of scale (Wahyuniati & Adi, 2021). In addition, (Putri, 2021) found that sales growth plays an important role in improving profit margins in the basic industry subsector. Likewise, asset turnover has been found to significantly improve profitability by reflecting efficient asset utilization, particularly in manufacturing firms with high fixed asset investments (Prasetyo & Agustin, 2022). Research (Rahayu R., 2020) also shows that companies that are able to maximize the use of assets tend to earn higher profits.

However, other empirical evidence suggests that sales growth and asset turnover do not always lead to higher profitability when growth is accompanied by rising operational costs or inefficient asset use (Azizah & Wijaya, 2024). These divergent results indicate that financial and operational factors alone may not fully explain variations in profitability.

In recent years, sustainability disclosure has emerged as an important non-financial factor influencing corporate performance. Sustainability disclosure refers to the extent to which companies transparently report their environmental, social, and governance activities in accordance with recognized standards such as the Global Reporting Initiative. From a stakeholder theory perspective, transparent sustainability disclosure enhances stakeholder trust, reduces information asymmetry, and improves corporate reputation (Freeman, 1984; Wijayanti & Rachmawati, 2022). Legitimacy theory further suggests that sustainability reporting helps firms align their operations with societal norms and expectations, thereby securing social acceptance and long-term legitimacy (Suchman, 1995; Wijayanti & Rachmawati, 2022). Recent empirical studies by (Haryanto & Putri, 2023) and (Paramita & Wulandari, 2023) indicate that sustainability disclosure can influence financial performance either directly or indirectly. Several studies conducted within the last five years report that higher levels of sustainability disclosure are associated with improved financial performance, lower cost of capital, and better investor perception. Conversely, other studies find that sustainability disclosure does not have a significant effect on firm performance, particularly in emerging markets where sustainability practices are still developing and inconsistently implemented (Wangi & Aziz, 2024). This phenomenon is in line with the increasing attention of investors towards social and environmental responsibility (Syahrani T., 2023). These mixed findings suggest that sustainability disclosure may function more effectively as a moderating mechanism rather than as a direct determinant of profitability.

Despite the growing body of literature on profitability and sustainability disclosure, prior studies generally examine capital structure, sales growth, asset turnover, and sustainability disclosure separately or focus only on their direct effects (Anggraini et al., 2024) and (Azizah & Wijaya, 2024). Empirical research that integrates these financial variables with sustainability disclosure as a moderating variable remains limited, particularly in the context of Indonesian manufacturing companies during the post-pandemic period of 2022-2024. This period is crucial because firms are simultaneously recovering from economic disruption and adapting to increasing sustainability regulations. Therefore, this study aims to examine the effect of capital structure, sales growth, and asset turnover on profitability while analyzing the moderating role of sustainability disclosure. The urgency of this research lies in the need to understand how financial performance drivers interact with sustainability transparency in enhancing corporate profitability. The novelty of this study is the integration of sustainability disclosure as a moderating variable within a unified empirical framework applied to Indonesian manufacturing firms during a recent and economically significant period. The findings are expected to contribute theoretically by enriching the literature on profitability determinants and practically by providing insights for managers, investors, and regulators in formulating sustainable financial and operational strategies.

2. RESEARCH METHODS

2.1 Basic Research Framework

This study employs a quantitative approach with an associative research design to examine the effect of capital structure, sales growth, and asset turnover on profitability, as well as the moderating role of sustainability disclosure. A quantitative approach is used because it allows objective measurement and statistical testing of relationships among variables using numerical data (Kurniawan, 2023). The research focuses on manufacturing companies listed on the Indonesia Stock Exchange during the 2022-2024 period. Manufacturing firms are selected because they are capital-intensive and highly dependent on efficient financial management and asset utilization to improve profitability (Prasetyo & Agustin, 2022).

The population of this study consists of all manufacturing companies listed on the Indonesia Stock Exchange during the observation period. The sampling technique used is purposive sampling, which allows researchers to select samples based on specific criteria relevant to the research objectives (Kurniawan, 2023). The criteria include companies that consistently published annual reports and sustainability reports, provided complete financial data, and did not experience losses during the study period. Based on these criteria, 49 manufacturing companies were selected, resulting in 147 firm-year observations. The research framework analyzes the influence of capital structure (X1), sales growth (X2), and asset turnover (X3) on profitability (Y), with sustainability disclosure (Z) acting as a moderating variable.

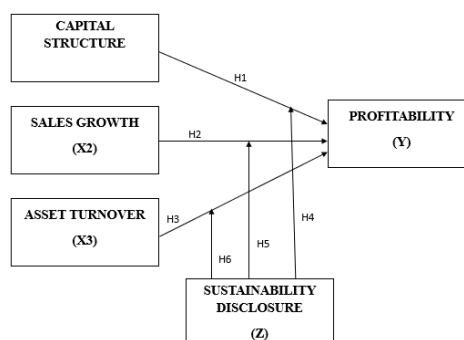


Figure 1. Conceptual Framework

2.2 Data Collection and Instrumentation

This study uses secondary data obtained from annual reports and sustainability reports published by manufacturing companies on the official Indonesia Stock Exchange website. Secondary data are widely used in financial and sustainability research because they are audited, standardized, and comparable across firms and periods (Ghozali, 2021). Profitability is measured using Return on Assets (ROA), which reflects a company’s ability to generate net income from its total assets (Ramadhan & Fitriani, 2023). Capital structure is measured using the Debt to Asset Ratio (DAR), indicating the proportion of assets financed by debt and reflecting a firm’s leverage position (Lestari & Adi, 2024). Sales growth is measured by the percentage change in sales compared to the previous year, representing the company’s growth performance (Nugroho & Handayani, 2023). Asset turnover is measured using Total Asset Turnover (TATO), which reflects the efficiency of asset utilization in generating sales (Prasetyo & Agustin, 2022). Sustainability disclosure is measured using a Sustainability Disclosure Index based on Global Reporting Initiative indicators, which is commonly used to assess the extent of sustainability reporting practices (Haryanto & Putri, 2023).

2.3 Data Analysis Method

Data analysis was conducted using SPSS software. The analysis began with descriptive statistical analysis to describe the characteristics of the research variables. Prior to hypothesis testing, classical assumption tests were conducted to ensure the feasibility of regression analysis, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests (Ghozali, 2021). Hypothesis testing was carried out using multiple linear regression analysis to examine the effect of capital structure, sales growth, and asset turnover on profitability. Furthermore, Moderated Regression Analysis (MRA) was employed to test the moderating role of sustainability disclosure by incorporating interaction terms between the independent variables and the moderating variable (Ghozali, 2021). Prior to constructing the interaction terms in the Moderated Regression Analysis, the independent variables and the moderating variable were mean-centered. Mean-centering is a standard procedure in moderation analysis to reduce potential multicollinearity between interaction terms and their constituent variables. This approach improves the stability of regression coefficients and facilitates a clearer interpretation of the moderating effects in the regression model. The partial effect of each variable was examined using the t-test, while the coefficient of determination (R^2) was used to measure the explanatory power of the regression model. All hypothesis tests were conducted at a 5% significance level.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 (X_1 \times Z) + \beta_6 (X_2 \times Z) + \beta_7 (X_3 \times Z) + \varepsilon \tag{1}$$

3. RESULTS AND DISCUSSION

3.1 Result

3.1.1 Descriptive Statistics

Descriptive statistical analysis was conducted to provide an overview of the research variables used in this study, including capital structure, sales growth, asset turnover, sustainability disclosure, and profitability. The descriptive statistics results are presented in Table 1.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1 SM	147	,1500	1,4400	,669291	,2380630
X2 PP	147	-,5300	3,5800	,330740	,8407617
X3 PA	147	,0400	3,2868	1,113045	,7217177
Z1 SD	147	,6600	1,0000	,830335	,0842010
Y1 PROFITABILITAS	147	,0000	,3100	,093429	,0731073
Valid N (listwise)	147				

Source: Data processed by the authors, 2025

Based on Table 1, the number of observations (N) is 147 firm-year data. Profitability (ROA) has a mean value of 0.093, with a minimum value of 0.000 and a maximum value of 0.310, indicating variation in firms’ ability to generate profits from total assets. Capital structure shows a mean value of 0.669, suggesting that manufacturing companies rely significantly on debt financing. Sales growth has a mean of 0.331, while asset turnover records an average of 1.113, indicating relatively efficient asset utilization. Sustainability disclosure has a high mean value of 0.830, indicating that most companies have disclosed sustainability information extensively.

3.1.2 Normality Test

The normality test was conducted to determine whether the residuals of the regression model are normally distributed, which is a fundamental requirement for parametric statistical analysis. A normally distributed residual indicates that the regression estimates are unbiased and reliable. The normality test in this study was performed using the Kolmogorov–Smirnov method, and the results are presented in Table 2.

Table 2. Normality Test

		Unstandardized Residual
N		147
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,04748344
Most Extreme Differences	Absolute	,056
	Positive	,056
	Negative	-,047
Test Statistic		,056
Asymp. Sig. (2-tailed) ^c		,200 ^d
Monte Carlo Sig. (2-tailed) ^c	Sig.	,311
	99% Confidence Interval Lower Bound	,299
	Upper Bound	,322

Source: Data processed by the authors, 2025

Based on Table 2, the Kolmogorov–Smirnov test shows an Asymp. Sig. (2-tailed) value of 0.200, which is greater than the significance level of 0.05. This result indicates that the residuals follow a normal distribution. Therefore, the normality assumption is fulfilled, and the data are suitable for further regression analysis

3.1.3 Multicollinearity Test

The multicollinearity test was conducted to examine whether there is a high correlation among the independent variables in the regression model. Multicollinearity can cause instability in regression coefficients and reduce the accuracy of statistical inference. In this study, multicollinearity was tested using tolerance and Variance Inflation Factor (VIF) values. The test results are presented in Table 3.

Table 3. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-,135	,041		-3,335	,001		
	X1 SM	,132	,017	,429	7,648	,000	,946	1,058
	X2 PP	,033	,005	,377	6,336	,000	,838	1,194
	X3 PA	,026	,006	,257	4,404	,000	,871	1,148
	Z1 SD	,121	,048	,140	2,550	,012	,988	1,012

Source: Data processed by the authors, 2025

Based on Table 3, all independent variables have tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values lower than 10. These results indicate that there is no multicollinearity among the independent variables. Thus, each variable can independently explain variations in profitability, and the regression model meets the multicollinearity assumption

3.1.4 Heteroscedasticity Test

The heteroscedasticity test was performed to examine whether the regression model exhibits unequal variance of residuals. The test was conducted using the Glejser method, and the results are shown in Table 4.

Table 4. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients			
		B	Std. Error	Beta	t	Sig.	
1	(Constant)	,027	,025		1,071	,286	
	X1 SM	,017	,011		,135	1,600	,112
	X2 PP	,005	,003		,130	1,448	,150
	X3 PA	-,007	,004		-,157	-1,792	,075
	Z1 SD	,005	,029		,015	,186	,853

Source: Data processed by the authors, 2025

Based on Table 4, the significance values for capital structure, sales growth, asset turnover, and sustainability disclosure are all greater than 0.05. This indicates that heteroscedasticity is not present in the regression model. Therefore, the assumption of homoscedasticity is satisfied

3.1.5 Autocorrelation Test

The autocorrelation test was conducted to determine whether there is a correlation between residuals across observations. The test results are presented in Table 5.

Table 5. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,760 ^a	,578	,566	,0481476	2,043

Source: Data processed by the authors, 2025

Based on Table 5, the Durbin–Watson value is 2.043. This value falls within the acceptable range, indicating that there is no autocorrelation in the regression model. Therefore, the regression model satisfies the autocorrelation assumption and is suitable for further analysis

3.1.6 Moderated Regression Analysis (MRA)

Moderated Regression Analysis was conducted to examine the role of sustainability disclosure as a moderating variable in the relationship between capital structure, sales growth, asset turnover, and profitability. The MRA results are presented in Table 6.

Table 6. Moderated Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,338	,137		2,471	,015
	X1 SM	-,358	,176	-1,166	-2,029	,044
	X2 PP	,086	,045	,994	1,918	,057
	X3 PA	-,124	,066	-1,224	-1,873	,063
	Z1 SD	-,438	,161	-,504	-2,717	,007
	X1Z	,575	,210	1,684	2,745	,007
	X2Z	-,068	,055	-,654	-1,239	,218
	X3Z	,180	,080	1,507	2,238	,027

Source: Data processed by the authors, 2025

Based on Table 6, the interaction between capital structure and sustainability disclosure (X1Z) has a positive and significant coefficient of 0.575 with a significance value of 0.007. This indicates that sustainability disclosure strengthens the effect of capital structure on profitability. The interaction between sales growth and sustainability disclosure (X2Z) shows a significance value of 0.218, indicating that sustainability disclosure does not moderate the relationship between sales growth and profitability. Meanwhile, the interaction between asset turnover and sustainability disclosure (X3Z) has a positive coefficient of 0.180 with a significance value of 0.027, indicating that sustainability disclosure strengthens the effect of asset turnover on profitability. These results confirm that sustainability disclosure partially acts as a moderating variable

3.1.7 Partial Test (t-Test)

The t-test was conducted to examine the partial effect of each variable in the moderated regression model. The results of the t-test are presented in Table 7.

Table 7. Partial Test (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-,037	,013		-2,788	,006
	X1 SM	,136	,017	,443	7,786	,000
	X2 PP	,032	,005	,367	6,060	,000
	X3 PA	,026	,006	,260	4,377	,000

Source: Data processed by the authors, 2025

Based on Table 7, the partial t-test results show that X1 (SM), X2 (PP), and X3 (PA) each have a positive and significant effect on profitability, as indicated by their significance values of 0.000, which are below the 0.05 level. The positive coefficients suggest that increases in SM, PP, and PA lead to higher profitability, holding other variables constant. Therefore, all hypotheses related to the direct effects of these variables on profitability are supported.

3.1.8 Coefficient of Determination (R²)

The coefficient of determination was used to measure the explanatory power of the moderated regression model. The results are presented in Table 8.

Table 8. Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,786 ^a	,618	,598	,0463260

Source: Data processed by the authors, 2025

Based on Table 8, the adjusted R^2 value is 0.598, indicating that 59.8% of the variation in profitability can be explained by the variables included in the moderated model. This value is higher than the adjusted R^2 of the model without moderation (0.550), indicating that the inclusion of sustainability disclosure improves the explanatory power of the regression model.

3.2 Discussion

This study examines the effect of capital structure, sales growth, and asset turnover on profitability, as well as the moderating role of sustainability disclosure in manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The discussion focuses on the partial effects of each independent variable and the moderating variable in relation to the proposed hypotheses (H1–H6) and is supported by previous research findings.

3.2.1 Effect of Capital Structure on Profitability (H1)

The results of the partial t-test indicate that capital structure has a positive and significant effect on profitability. This finding supports H1, which states that capital structure influences profitability. An optimal level of debt enables companies to finance operational activities and investments effectively, thereby improving their ability to generate profits. This result is consistent with previous studies by (Lestari & Adi, 2024) and (Sabakodi & Andreas, 2024) which found that capital structure has a significant positive effect on profitability. Therefore, appropriate debt management can enhance profitability in manufacturing companies.

3.2.2 Effect of Sales Growth on Profitability (H2)

The results of the moderated regression analysis show that sales growth has a positive but statistically insignificant direct effect on profitability ($p = 0.057$). This finding indicates that when sustainability disclosure and interaction terms are included in the model, the direct explanatory power of sales growth on profitability decreases. This condition commonly occurs in Moderated Regression Analysis, where interaction terms may absorb part of the explanatory power of the main variables. Therefore, although sales growth contributes positively to profitability in the baseline model, its direct effect becomes statistically insignificant in the presence of sustainability disclosure as a moderating variable. This finding aligns with prior research conducted by (Wahyuniati & Adi, 2021) and (Nugroho & Handayani, 2023), which demonstrated that sales growth positively affects profitability. Higher sales growth reflects successful market expansion and improved revenue generation.

3.2.3 Effect of Asset Turnover on Profitability (H3)

The moderated regression results indicate that asset turnover has a positive but statistically insignificant direct effect on profitability ($p = 0.063$). However, the interaction between asset turnover and sustainability disclosure shows a positive and significant effect on profitability. This finding suggests that asset turnover contributes significantly to profitability only when supported by a high level of sustainability disclosure. In other words, efficient asset utilization becomes more effective in improving profitability when firms actively disclose sustainability information, which enhances stakeholder confidence and strengthens the credibility of operational efficiency. This result is consistent with previous studies by (Prasetyo & Agustin, 2022), which found that higher asset turnover leads to improved profitability. Companies that are able to maximize asset usage tend to generate higher returns from their operations.

3.2.4 Moderating Effect of Sustainability Disclosure on the Relationship between Capital Structure and Profitability (H4)

The moderated regression analysis shows that sustainability disclosure strengthens the relationship between capital structure and profitability, supporting H4. This result indicates that companies with higher sustainability disclosure benefit more from leverage due to increased transparency and stakeholder trust.

This finding is consistent with studies by (Haryanto & Putri, 2023), which suggest that sustainability disclosure enhances corporate credibility and improves the effectiveness of financial decisions.

3.2.5 Moderating Effect of Sustainability Disclosure on the Relationship between Sales Growth and Profitability (H5)

The results indicate that sustainability disclosure does not moderate the relationship between sales growth and profitability. Therefore, H5 is not supported. This suggests that sales growth is primarily influenced by market demand and operational performance rather than sustainability reporting practices.

3.2.6 Moderating Effect of Sustainability Disclosure on the Relationship between Asset Turnover and Profitability (H6)

The analysis shows that sustainability disclosure strengthens the relationship between asset turnover and profitability, supporting H6. This result indicates that transparency in sustainability practices enhances the effectiveness of asset utilization in generating profits.

3.2.7 Additional Explanation of Model Influence

Although no additional hypothesis is proposed, the coefficient of determination indicates that the regression model with moderation has higher explanatory power compared to the model without moderation. The adjusted R-square value of 0.598 shows that 59.8% of the variation in profitability can be explained by capital structure, sales growth, asset turnover, sustainability disclosure, and their interaction effects, while the remaining 40.2% is influenced by other factors not examined in this study. Empirically, (Yuliani M., 2024) also proved that the clarity of sustainability reports can strengthen the relationship between financial factors and company profitability.

4. CONCLUSION

This study aims to examine the effect of capital structure, sales growth, and asset turnover on profitability, as well as the moderating role of sustainability disclosure in manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The results indicate that capital structure, sales growth, and asset turnover influence profitability, highlighting the importance of effective debt management, revenue growth, and efficient asset utilization in improving firm performance. Furthermore, the results of the Moderated Regression Analysis show that sustainability disclosure strengthens the relationship between capital structure and profitability as well as between asset turnover and profitability, while it does not moderate the relationship between sales growth and profitability. In the context of capital-intensive manufacturing firms, sustainability disclosure functions as a risk-reducing mechanism for investors and creditors by enhancing transparency and reducing information asymmetry. High leverage and intensive asset utilization are perceived as more responsible and sustainable when accompanied by comprehensive sustainability reporting, thereby increasing stakeholder trust and corporate credibility. As a result, companies with strong sustainability disclosure are better able to convert financial and operational efficiency into higher profitability. Despite its contributions, this study has several limitations. The research focuses solely on manufacturing companies and covers a relatively short observation period of three years, which may limit the generalizability of the findings. Future research is recommended to extend the observation period, include other industry sectors, and incorporate additional variables that may affect profitability, such as corporate governance, innovation, or market competition, to provide a more comprehensive understanding of profitability determinants.

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