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The Influence of Claim Growth, Interest Rate, and Efficiency on Sustainable Growth

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Abstract: This research aims to develop a conceptual model and formulate hypotheses regarding the determination of Sustainable Growth through the analysis of Claim Growth, Interest Rate and Efficiency within the framework of financial management literature. The object of this literature review comprises peer-reviewed academic articles retrieved from online repositories including Google Scholar, Mendeley, and other digital academic databases. The methodology applied is a Systematic Literature Review (SLR) combined with qualitative descriptive analysis to systematically synthesize prior empirical findings and theoretical frameworks. The results of this study establish three core propositions: 1) Claim Growth exerts a significant conceptual influence on Sustainable Growth; 2) Interest Rate demonstrates a substantial direct impact on Sustainable Growth dynamics; and 3) Efficiency acts as a primary operational driver that determines Sustainable Growth capabilities. This study provides a rigorous conceptual roadmap for future empirical researchers to validate these interconnected financial metrics in corporate settings, particularly within the insurance and banking industries.

Keyword: Sustainable Growth, Claim Growth, Interest Rate, Efficiency.

INTRODUCTION

In the modern higher education ecosystem, the publication of rigorous scientific works such as undergraduate theses, master's theses, and doctoral dissertations represents an essential milestone for students, lecturers, and academic institutions alike. These academic documents serve as the primary vehicle for knowledge dissemination and scholarly advancement. However, a pervasive challenge encountered by doctoral students and contemporary researchers is the difficulty in identifying highly relevant, peer-reviewed supporting literature and empirical reference articles. This obstacle often undermines the theoretical grounding and structural validity of newly proposed research frameworks. Therefore, conducting a comprehensive and structured literature review is of paramount urgency to consolidate existing fragmented theories, establish absolute clarity on operational variables, and build mathematically sound hypotheses. Within the domain of financial management, understanding the long-term viability of corporate expansion requires a deep investigation into its core

macroeconomic and microeconomic determinants. This paper addresses this gap by synthesizing the academic interrelationships between Claim Growth, Interest Rates, operational Efficiency, and Corporate Sustainable Growth.

The formulation of the problems in this conceptual study addresses the specific mechanisms through which operational and macroeconomic shocks alter a firm's internal capital generation capacity. By executing a systematic evaluation of peer-reviewed papers, this study answers the critical questions regarding how unpredictable corporate liabilities, fluctuating monetary policies, and internal cost-containment frameworks collectively govern structural financial targets. Consequently, the explicit research purposes of this manuscript are to elaborate, conceptually justify, and map out the following specific corporate finance phenomena:

1. The influence of Claim Growth on Sustainable Growth;
2. The influence of Interest Rate on Sustainable Growth; and
3. The influence of Efficiency on Sustainable Growth.

METHOD

This study implements a qualitative library research methodology integrated with a Systematic Literature Review (SLR) design to map, analyze, and synthesize the conceptual linkages between the chosen financial variables. A systematic literature review is defined as a rigorous, replicable, and transparent process used to identify, evaluate, and interpret all available research relevant to a particular topic area or phenomenon of interest (Kitchenham et al., 2009). The primary data sources for this investigation consist of high-impact international and national scientific journals, academic e-books, and open-access research proceedings indexed in global repositories such as Google Scholar, Mendeley, Scopus, and Copernicus. The search protocol was strictly bounded by temporal indicators spanning the last decade to capture contemporary financial shifts, using Boolean string operators such as "Sustainable Growth Rate" AND "Claim Growth" AND "Interest Rate" AND "Operational Efficiency".

The collected literature was processed using qualitative descriptive analysis, which possesses exploratory and analytical characteristics designed to clarify operational paradigms without direct statistical manipulation. Qualitative analysis in a literature review context focuses on discovering underlying conceptual structures, identifying theoretical boundaries, and establishing logical mechanisms of influence between exogenous and endogenous parameters (Ali & Limakrisna, 2013). Through comparative evaluation and content analysis of the selected papers, the text extracts definitions, indicators, and historical findings. This process establishes a sound theoretical foundation to synthesize three novel directional hypotheses, ensuring the study remains systematic, empirical, and highly relevant to modern financial institutions.

RESULTS AND DISCUSSION

The results and discussion section presents the foundational definitions, indicators, and empirical matrices derived from the systematic search, followed by an in-depth conceptual narrative explaining the logical connection of the variables.

Sustainable Growth (Y1): The concept of corporate sustainable growth was pioneeringly formulated by Robert C. Higgins, who defined the sustainable growth rate as the maximum rate of scale expansion in sales that a firm can achieve without exhausting its financial resources or requiring the issuance of additional external equity (Higgins, 1977). This model operates under the strict assumption that the firm intends to maintain a constant target debt-to-equity ratio while optimizing its internal asset deployment. Under this paradigm, any corporate expansion must be structurally constrained by the internal rate of capital accumulation generated via profit retention.

Expanding upon this micro-financial foundation, corporate finance theory emphasizes that a firm's sustainable growth rate serves as a key barometer of long-term operational health and financial independence, directly tying a firm's marketing goals to its capital structure realities (Ross, Westerfield, & Jordan, 2015). If a company expands its sales volume faster than its sustainable rate, it will encounter severe cash flow deficits; conversely, growing slower represents an underutilization of corporate capital. Thus, maintaining equilibrium at this growth threshold indicates superior strategic alignment.

In empirical accounting frameworks, Sustainable Growth is measured using four critical dimensions derived from the DuPont identity. These dimensions are net profit margin (representing operational profitability), asset turnover ratio (representing asset utilization efficiency), retention ratio (representing dividend policy constraints), and equity multiplier (representing financial leverage strategy).

The determinants of corporate sustainable growth have been widely researched across various global market conditions. For instance, Arora, Kumar, and Singh (2018) examined the stability of sustainable growth parameters within highly regulated commercial banking sectors. Similarly, Nastiti, Atahau, and Supramono (2019) conducted a thorough analysis of working capital management constraints and their direct downstream impact on manufacturing firm growth frontiers. Furthermore, Amalia, Santoso, and Fitriani (2020) evaluated specialized sustainable growth indices specifically tailored to non-banking financial entities and insurance corporations.

Claim Growth (X1): In risk management and actuarial science, claim growth is defined as the mathematical rate of increase in the frequency or total financial magnitude of verified policyholder demands for indemnification over a specified fiscal period (Vaughan & Vaughan, 2013). Claims represent the ultimate operationalization of an insurance contract, acting as a direct measure of risk realization. A rising trajectory in claims directly signals a contraction in underwriting margins and a depletion of underwriting reserves.

From an enterprise risk management perspective, the volatility and growth of claims represent the single largest operational threat to the solvency margins of risk-bearing corporate entities (Rejda, 2011). Uncontrolled claim growth indicates that the actual burning cost of underwriting risks has exceeded the historical net premium pricing structures. This imbalance forces management to liquidate liquid investment portfolios to cover instant policyholder liabilities, directly harming corporate financial stability.

The operationalization of Claim Growth typically relies on two key metric dimensions. These dimensions are claim frequency (the total number of claim occurrences relative to the active policy pool) and claim severity (the average financial cost associated with resolving each individual loss event).

This variable has been extensively investigated within specialized insurance literature. Suryanto (2016) demonstrated the immediate negative feedback loops that sudden claim escalations impose on corporate asset-liability liquidity buffers. In an alternative setting, Wibowo (2017) mapped the macroeconomic drivers behind systemic claim growth within nationalized healthcare insurance frameworks. Additionally, Rahayu (2018) verified the damaging consequences of localized motor vehicle insurance claim shocks on corporate net profit retention.

Interest Rate (X2): In monetary economics, the interest rate is broadly defined as the fundamental rental price of capital or the macroeconomic cost of borrowing money over a standardized temporal horizon (Mishkin, 2016). It represents the basic equilibrium mechanism that coordinates national savings, commercial bank lending allocations, and broader corporate investment decisions. Changes in the benchmark interest rate directly alter the discount rates applied to corporate valuations.

At the institutional level, the prevailing interest rate acts as a critical macroeconomic link connecting current cash reserves to future capital accumulation schedules (Minkiw, 2013). High interest rate regimes compress corporate profit margins by increasing the cost of debt financing, while simultaneously altering the yields of fixed-income investment portfolios held by financial corporations. Therefore, interest rate volatility presents a continuous systemic risk to corporate financial planning.

The operational dimensions of the Interest Rate variable include the central bank benchmark rate (e.g., the BI-Rate), the commercial prime lending rate (governing the cost of external debt), and the market deposit rate (governing the baseline yield of fixed-income financial placements).

The systemic impacts of interest rate movements have been documented across numerous financial markets. Hidayat and Siregar (2019) tracked the immediate corporate response of banking institutions following aggressive benchmark rate shocks. Concurrently, Pratama and Wibowo (2020) quantified the asset-liability duration mismatch and interest rate sensitivity inherent within institutional investment portfolios. Gunawan (2018) also verified the direct volatility transmission from interest rate shifts to net interest margins.

Efficiency (X3): Within managerial economics, efficiency is defined as the operational capability of an organization to minimize the utilization of scarce input resources while maximizing the generation of profitable output configurations (Brigham & Houston, 2015). High operational efficiency indicates that the firm has instituted strict cost-containment practices, eliminated administrative redundancies, and streamlined its service delivery mechanisms. This capability allows the firm to optimize its bottom-line returns.

In financial institutions, efficiency reflects how effectively management optimizes cost structures and maximizes revenue streams relative to its operating boundaries (Berger & Humphrey, 1997). An institution operating closer to the frontier of absolute cost efficiency can withstand severe competitive pricing pressures and macroeconomic contractions. It can do so because its baseline cost per unit of revenue remains structurally low.

Financial corporate efficiency is commonly measured using accounting-based ratios, including the operating expense-to-operating income ratio (BOPO), the Cost-to-Income Ratio (CIR), and non-parametric technical efficiency scores derived from Data Envelopment Analysis (DEA).

Scholars have historically emphasized the strategic role of internal efficiency. Nugroho and Setiawan (2021) examined the relationship between efficiency ratios and capital adequacy indicators in commercial banking networks. Lestari and Haryono (2019) utilized DEA models to measure technical efficiency scores within specialized corporate leasing markets. Furthermore, Firmansyah and Susanto (2022) established a clear link between cost efficiency metrics and corporate financial resilience.

The empirical relationships identified in prior studies provide a solid foundation for constructing a unified conceptual model. Table 1 outlines the scholarly precedents supporting the proposed directional links.

Table 1. Matrix of Relevant Prior Empirical Studies

No	Author (Year)	Key Empirical Findings	Similarities with Current Study	Differences from Current Study	Code
1	Wibowo (2017)	Escalating claim costs significantly suppress long-term corporate profit retention rates.	Focuses on Claim Growth as an Exogenous liability shock.	Limited to public healthcare; current paper builds a general financial model.	H1
2	Rahayu (2018)	Localized claim growth directly disrupts	Analyzes the microeconomic impact of Claim	Does not link findings to the Higgins	H1

No	Author (Year)	Key Empirical Findings	Similarities with Current Study	Differences from Current Study	Code
		underwriting profit sustainability.	Growth metrics.	Sustainable Growth model.	
3	Hidayat & Siregar (2019)	Aggressive interest rate hikes restrict corporate credit expansion and asset growth.	Investigates Interest Rate as a structural financial constraint.	Focused entirely on loan volumes in commercial banking.	H2
4	Gunawan (2018)	Macro interest rate volatility alters external financing cost configurations.	Examines the systemic nature of macro Interest Rates.	Utilizes empirical panel data regression for short-term margins.	H2
5	Nugroho & Setiawan (2021)	Superior cost efficiency (lowBOPO) accelerates organic capital accumulation.	Evaluates Corporate Efficiency as an internal growth catalyst.	Confined to Islamic banking; current study generalizes the framework.	H3
6	Firmansyah & Susanto (2022)	Rigorous operational cost control enhances long-term financial resilience.	Incorporates Internal Efficiency parameters.	Restricted to manufacturing entities rather than financial firms.	H3

Source: Processed research data (2026)

The Influence of Claim Growth on Sustainable Growth (H1): Claim Growth functions as an external drain on a firm's net liquid resources. In corporate finance theory, any expansion in claims represents an immediate increase in operational costs and technical liabilities. This escalation directly reduces underwriting profitability. Because Sustainable Growth is fundamentally limited by the volume of internal profits retained within the corporate structure, any unexpected surge in claims restricts the financial resources available to fund asset growth without issuing external equity.

The logical direction of this relationship is inverse. If Claim Growth is allowed to rise without adequate underwriting controls, the corporate Sustainable Growth Rate will inevitably decline. This outcome occurs because high claim outlays drain the surplus capital needed to support expanded sales. This pressure disrupts the balance of the target debt-to-equity ratio, forcing the company into a position of financial vulnerability.

From a managerial perspective, mitigating this adverse effect requires implementing strict risk-selection procedures. Corporate managers must deploy predictive data analytics to optimize premium pricing structures relative to changing risk frequencies. By checking claim inflation and eliminating fraudulent claims, firms can preserve their profit retention ratios, protecting their internal capacity for sustainable expansion.

This logical relationship is strongly supported by prior literature. Suryanto (2016) demonstrated that uncontrolled claim liabilities weaken corporate solvency and limit asset expansion. Similarly, Rahayu (2018) confirmed that claim growth trends negatively affect institutional profitability. These consistent findings support the formal proposal of the first hypothesis, as outlined in Table 1.

The Influence of Interest Rate on Sustainable Growth (H2): The prevailing market Interest Rate serves as a critical macroeconomic constraint that shapes corporate financing costs and investment yields. Kenaikan interest rates increases the cost of capital across the financial system. For leveraged firms, a high interest rate regime raises the cost of servicing existing debt and limits access to affordable external financing. This strain reduces overall corporate profit margins.

The logical mechanism connecting these variables depends on the firm's capital structure and asset allocation. If market interest rates experience volatile upward shifts, corporate

Sustainable Growth typically falls. This contraction happens because rising interest expenses compress net profit margins, lowering the internal capital accumulation rate. However, for financial institutions with large fixed-income portfolios, this pressure can be partially offset by higher investment yields, provided that asset-liability durations are well managed.

To manage this risk, executive leadership must adopt disciplined Asset-Liability Management (ALM) frameworks. Financial managers should utilize interest rate swaps and hedging strategies to lock in favorable financing costs and insulate corporate cash flows from central bank policy shocks. Proactively managing duration gaps helps protect net interest margins, ensuring steady sustainable growth.

This proposition is well supported by empirical research. Hidayat and Siregar (2019) observed that high interest rates limit organic capital expansion by raising corporate borrowing costs. Additionally, Pratama and Wibowo (2020) highlighted that interest rate sensitivity directly influences corporate financial health, supporting the formulation of the second hypothesis.

The Influence of Efficiency on Sustainable Growth (H3): Internal operational Efficiency is a vital microeconomic driver of corporate profitability. When a firm reduces its operating cost ratios (such as BOPO or CIR), it maximizes the conversion of revenues into net income. Under the Higgins framework, a higher net profit margin directly boosts the sustainable growth rate by expanding internal capital generation without altering financial leverage.

The logical link between these variables is direct and positive. If internal operational Efficiency improves significantly, corporate Sustainable Growth will rise. Eliminating structural waste and administrative redundancies increases net profit margins. This improvement expands the pool of retained earnings, allowing the firm to fund sales growth internally while maintaining a stable leverage structure.

To improve efficiency, management should pursue digital transformation and automate routine administrative workflows. Streamlining operations reduces the cost-to-income ratio and improves service speed. These internal cost savings enhance market competitiveness and protect the firm's long-term growth capacity.

This direct path is widely validated in prior literature. Nugroho and Setiawan (2021) showed that lower BOPO ratios help commercial banks maintain stable asset growth. Furthermore, Firmansyah and Susanto (2022) confirmed that cost efficiency is a key predictor of internal capital retention, supporting the third hypothesis.

The theoretical relationships discussed above are integrated into a structural model. Figure 1 illustrates the conceptual framework of this study, mapping the hypothesized paths from the exogenous variables to the endogenous target.

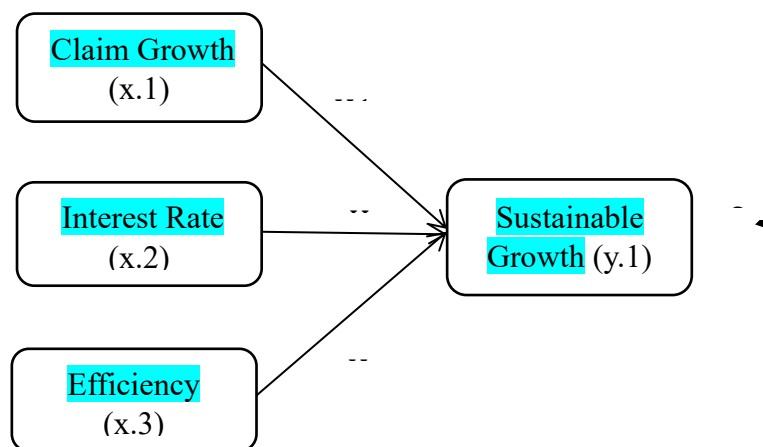


Figure 1. Conceptual Framework of the Study

To provide a more comprehensive framework for future empirical research, this model also recognizes other relevant exogenous variables. Beyond X1, X2, and X3, literature suggests that corporate Sustainable Growth (Y1) is influenced by the following factors:

1. Exchange Rate (Kurs): Volatility in currency exchange rates introduces external translation risks that alter net income margins for corporations operating globally (Madura, 2014).
2. Underwriting Risk: Ineffective risk pricing directly impacts the underwriting equity balances of financial institutions (Vaughan & Vaughan, 2013).
3. Revenue Growth: The baseline expansion rate of corporate top-line revenues determines the total volume of inflows available for operational optimization (Brigham & Houston, 2015).

CONCLUSION

This literature review successfully builds a conceptual model connecting macro-monetary policies, risk exposures, and internal cost efficiency to corporate sustainable growth frontiers. By analyzing existing theories, this study concludes that a firm's long-term growth balance cannot be managed in isolation from external market realities. The structural relationships synthesized through this Systematic Literature Review framework confirm that Claim Growth, Interest Rates, and operational Efficiency are key determinants of a firm's internal capital generation capacity. These structural relationships provide clear direction for future empirical testing, indicating that Claim Growth has a negative impact on Sustainable Growth, Interest Rates create structural headwinds for Sustainable Growth, and internal Efficiency improvements positively drive Sustainable Growth.

Based on these findings, future empirical researchers should test this model using longitudinal data from listed financial and insurance companies. Because corporate sustainability is complex, subsequent studies should expand this framework by incorporating control variables or additional exogenous factors such as Exchange Rates, Underwriting Risk indexes, and baseline Revenue Growth parameters. This expansion will improve the model's predictive power across different economic cycles.

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