Reassessing Theoretical Foundations of Financial Sustainability Across Organizational Contexts: A Critical Literature Review

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DOI: https://doi.org/10.51244/IJRSI.2026.1309000194

Received: 29 September 2026; Accepted: 04 October 2026; Published: 17 October 2026

ABSTRACT

Research on financial sustainability spans corporate firms, banks, microfinance institutions, non-profit organizations, public-sector entities and system-level arrangements, yet its theoretical foundations remain fragmented and weakly specified. This critical interpretive review examines how theory is used, how financial sustainability is defined and operationalized, and why empirical findings conflict. A targeted Web of Science search covering 1998 to August 2026 yielded 1,342 records; database filters retained 360 English-language articles in economics, management, business, and business finance. Because the search deliberately combined financial-sustainability terms with theory- and framework-related terms, the corpus is treated as theory-oriented literature rather than a census of the entire field. Descriptive mapping was undertaken across all 360 records, while a theoretically pivotal core set was examined in depth. Fifty-seven studies explicitly named a theory in their titles, abstracts, or author keywords. Financial sustainability was operationalized through at least seven incompatible families of proxies, and evidence regarding ESG, governance, and financing alternated between trade-offs and complementarities. The review reconceptualizes corporate financial sustainability as a multidimensional continuity and proposes a Resource-Governance-Legitimacy framework in which resource capacity, governance orientation, and legitimacy conditions serve as distinct explanatory mechanisms. Institutional ownership, managerial horizon, and the Islamic-finance context are treated as boundary conditions. The framework provides a theory-driven agenda for assessing financial durability in emerging markets while avoiding reliance on a single accounting ratio.

Keywords: Financial sustainability; corporate financial sustainability; construct validity; governance; ESG; institutional ownership

INTRODUCTION

Financial sustainability broadly concerns an organization's capacity to maintain viable operations and meet financial obligations over time. In corporate settings, corporate financial sustainability (CFS) refers more specifically to a firm's capacity to sustain returns, remain solvent, and preserve financing capacity without recurrent external rescue. The term also appears in research on microfinance, non-profit organizations, public-sector entities and system-level arrangements, although continuity in these settings depends on different mechanisms. The corporate strand has recently expanded across finance, governance and sustainability accounting. Of the Web of Science records examined in this review, 199 were published between 2024 and 2026, and recent corporate studies link CFS to ESG disclosure (Hossain et al., 2025), managerial climate awareness (Hussain et al., 2026), board expertise (Aljammaz et al., 2025) and regional dialect diversity (Xie et al., 2026). Earlier reviews mapped part of this growth. Novitasari et al. (2024) synthesized 27 articles and observed that the field was concentrated on microfinance institutions and banks, whereas Crous et al. (2022) connected non-financial reporting to the financial performance and sustainability of companies. These reviews were largely descriptive and did not systematically examine whether the theories were appropriate for the

outcomes labeled "financial sustainability". A field that uses the same label for different outcomes risks accumulating findings that cannot be compared or cumulated (Snyder, 2019).

The central problem is that research on financial sustainability often borrows theories developed for other outcomes, such as firm value, agency cost, organizational legitimacy, or mission continuity, and applies them to a construct whose meaning remains unsettled. Studies measure CFS as return on assets (Maama, 2021), sustainable growth rate (Alshamayleh, 2025), operational self-sufficiency (Leite et al., 2019), distress scores (Okon et al., 2026) or composite efficiency indices (Shi et al., 2025), while others treat financial sustainability as an antecedent rather than an outcome (Aljammaz et al., 2025; Li et al., 2022). This definitional pluralism, combined with post hoc interpretation, may help explain why the same relationship is reported as positive, negative, or non-linear across contexts.

Accordingly, this review addresses four research questions (RQs):

RQ1. Which named theories are visible in the theory-oriented financial-sustainability literature, and how well are they matched to the constructs and mechanisms examined?

RQ2. How consistently is financial sustainability defined and operationalized, and what does this imply for theory testing?

RQ3. Why do findings on ESG, governance and financing drivers conflict, and which theoretical assumptions may account for the contradictions?

RQ4. What reconceptualization could provide a firmer foundation for corporate financial sustainability, particularly in emerging and Islamic-finance markets?

The objectives are to map the theory-oriented literature across organizational contexts, critically synthesize its conceptual and methodological weaknesses, and develop a corporate-focused framework. The paper proceeds with the background literature, methodology, findings, discussion and proposed framework, and conclusion.

LITERATURE REVIEW

Contested Meanings of Financial Sustainability

Financial sustainability first acquired analytical prominence in hybrid organizations, where it was framed as one half of a dual mission alongside social purpose. Doherty et al. (2014) identified this duality as the defining characteristic of social enterprises, and Wry and Zhao (2018) showed that the tension between outreach and financial sustainability in 2,037 microfinance organizations depends on culture, institutions, and management quality. The corporate literature inherited the term but not its dual-mission logic. In listed-firm studies, CFS is typically treated as a desirable financial end state shaped by governance, disclosure, or innovation (Bagh et al., 2024; Hossain et al., 2025; Jordão & de Almeida, 2017). Parallel strands examine local governments (Arunachalam et al., 2017; Cuadrado-Ballesteros & Bisogno, 2022), universities (Mamat et al., 2021) and state-owned enterprises (Adebayo & Ackers, 2024), each attaching its own performance logic to the same label.

Three conceptions coexist without reconciliation. The first is a profitability conception, in which CFS equals persistent returns, measured by return on assets, net interest margin, or return on invested capital (Maama, 2021; Yildiz et al., 2026). The second is a continuity conception, in which CFS is defined as the avoidance of distress and the capacity to absorb shocks, measured by Altman-type scores or resilience indicators (Altman, 1968; Okon et al., 2026; SanJuan-Paz et al., 2026). The third is a self-financing growth conception, anchored in Higgins's (1977) sustainable growth rate, in which CFS equals the growth a firm can finance without altering its financial policy (Alshamayleh, 2025; Kunaifi et al., 2026). These conceptions carry different time horizons and different theoretical implications. A profitability conception favors shareholder-centered theories, whereas a continuity conception favors reasoning about risk, resilience, and resource dependence. Imhanzenobe (2020) illustrated the consequence: among Nigerian manufacturers, predictors that explained

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

financial distress did not consistently explain long-term returns or sustainable growth. The absence of an agreed-upon conception therefore precedes and likely contributes to the theoretical fragmentation examined below.

Theoretical Landscape

The theories explicitly invoked in the retrieved literature arise mainly from three traditions: the economics of contracting and financing, the strategic management of resources, and the sociology of organizations. A smaller fourth tradition draws on Islamic economics and maqasid al-Shariah. Table 1 maps each theory's core assumption, its predicted route to financial sustainability, its frequency in titles, abstracts or author keywords within the 360-record theory-oriented corpus, and its principal limitation for explaining corporate financial sustainability.

Table 1 Theories Explicitly Named in the Theory-Oriented Financial Sustainability Corpus

Theory	**Core assumption**	**Predicted route to CFS**	**Studies naming it (n)**	**Critical limitation for CFS**
Institutional theory and institutional logics (DiMaggio & Powell, 1983)	Organizations conform to regulative, normative and cognitive pressures	Conformity secures legitimacy, resources and survival	17	Explains adoption of practices, not their financial payoff
Stakeholder theory (Freeman, 1984)	Firm value depends on balancing multiple stakeholder claims	Stakeholder trust lowers risk and cost of capital	12	Assumes convergence of social and financial goals; rarely falsified
Agency theory (Jensen & Meckling, 1976)	Self-interested managers diverge from owners; monitoring reduces costs	Governance curbs opportunism and protects long-term returns	11	Treats CFS as residual shareholder value; ignores managerial motivation
Resource-based view and dynamic capabilities (Barney, 1991)	Valuable, rare, inimitable resources yield sustained advantage	Intangibles and innovation generate durable returns	10	Tautological unless resources are measured independently of outcomes
Resource dependence theory (Pfeffer & Salancik, 1978)	Organizations manage dependence on external resource holders	Boards and networks secure critical funding	7	Emphasizes access to resources, not their efficient use
Legitimacy theory (Suchman, 1995)	Survival requires congruence with societal norms	Disclosure maintains the license to operate	6	Symbolic disclosure may raise legitimacy without improving finances
Capital structure theories: trade-off and pecking order (Kraus & Litzenberger, 1973; Myers & Majluf, 1984)	Financing balances tax shields against distress costs, or follows an information-driven hierarchy	Prudent leverage and internal funds preserve solvency	3	Value-maximizing objective differs from continuity objective
Maqasid al-Shariah and maslahah perspectives	Economic activity serves the objectives of Islamic law, including protection of wealth	Ethical, risk-sharing finance supports balanced, durable performance	3	Largely normative; few operational measures

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

Signaling theory (Spence, 1973)	Informed insiders send costly signals to outsiders	Credible disclosure lowers information asymmetry	3	Signal credibility is assumed, not tested
Upper echelons theory (Hambrick & Mason, 1984)	Executive characteristics shape strategic choices	Managerial cognition and horizon affect long-term investment	2	Relies on demographic proxies for cognition
Stewardship theory (Davis et al., 1997)	Managers can be intrinsically motivated stewards	Trust-based governance supports long-horizon decisions	0	Absent despite relevance to long-term orientation

Note. Counts are non-exclusive and derive from explicit mentions in titles, abstracts and author keywords. Because theory- and framework-related terms formed part of the search strategy, the counts describe the retrieved theory-oriented corpus and should not be interpreted as prevalence estimates for the entire financial-sustainability field.

Three observations emerge. First, the most frequently named theories were generally designed to explain adoption, conformity, or control rather than long-term financial continuity. Institutional theory, for example, explains why organizations adopt ESG reporting but does not by itself establish whether such adoption strengthens solvency. Second, capital-structure theories that address financing capacity appear in only three studies via explicit title, abstract, or keyword mentions, even though leverage recurs throughout the corpus. SanJuan-Paz et al. (2026) argued that conventional value-maximization assumptions should be extended towards financial resilience. Third, several studies combine theories without specifying rival mechanisms. Aljammaz et al. (2025), for example, interpreted one set of results using stakeholder, signaling, agency, and resource dependence theories simultaneously. Multiple theories can be complementary, but a theoretically informative study should state which mechanism each theory explains and what evidence could disconfirm it.

METHODOLOGY

Review Design and Scope

A critical interpretive literature review was adopted because the research questions are evaluative rather than aggregative. The purpose was to examine the adequacy of theories, constructs, and explanatory mechanisms rather than estimate a pooled effect (Snyder, 2019). The review combined a transparent database search with descriptive mapping of the retrieved corpus and in-depth interpretive analysis of theoretically pivotal studies. PRISMA 2020 was used to report record identification and database filtering (Page et al., 2021); the study is not presented as a systematic review of intervention effects or as a formal risk-of-bias assessment of every full article.

Search Strategy

The Web of Science Core Collection was searched in the Topic field (title, abstract, author keywords and Keywords Plus) on 25 September 2026. The publication coverage was restricted to January 1998 through August 2026. The search deliberately combined five financial-sustainability terms with theory- and framework-related terms to identify literature in which theoretical language might be evident. Consequently, the resulting corpus constitutes a theory-oriented subset of financial sustainability research and cannot be used to estimate how frequently theory appears across the field. It can, however, support the critical comparison of the theories, constructs, and mechanisms evident in the retrieved literature. The search string was:

("financial sustainability" OR "corporate financial sustainability" OR "firm financial sustainability" OR "financial sustainability of firms" OR "financial sustainability performance") AND (theor* OR framework* OR perspective* OR "theoretical foundation*" OR "theoretical perspective*" OR "theoretical framework*" OR "conceptual framework*" OR "agency theory" OR "resource-based view" OR "stakeholder theory" OR

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

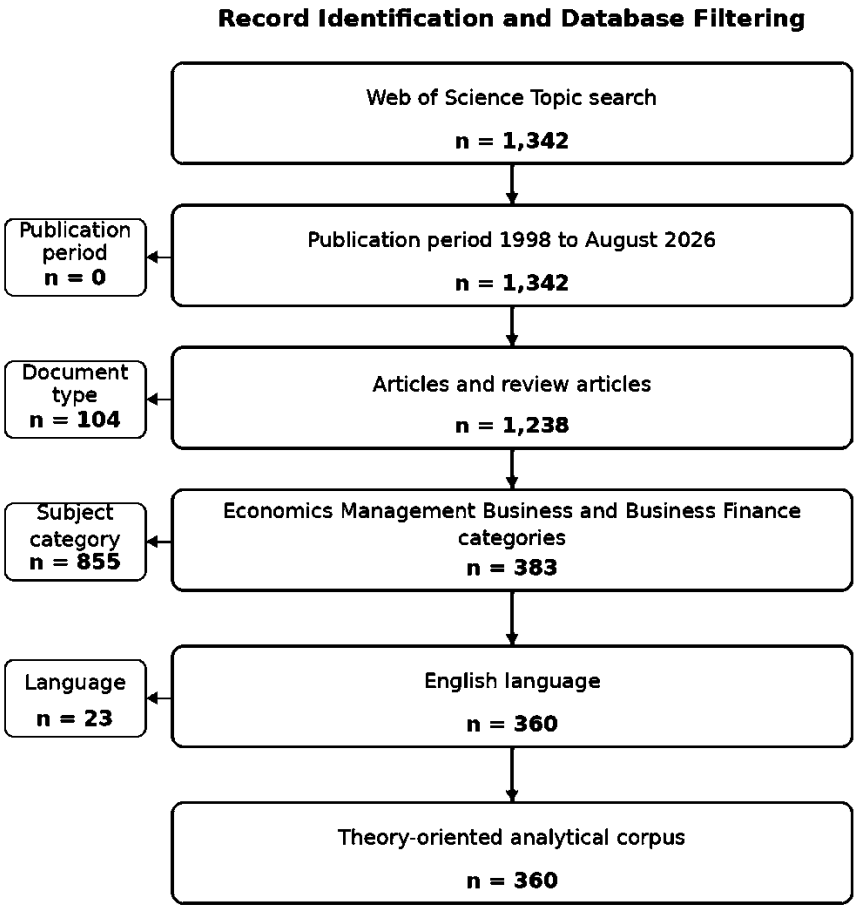
"institutional theory" OR "signaling theory" OR "legitimacy theory" OR "stewardship theory" OR "resource dependence theory" OR "pecking order theory" OR "trade-off theory")

Web of Science was selected for its curated coverage and consistent metadata, which supported descriptive coding. Reliance on one database and four subject categories was retained as a limitation rather than treated as comprehensive coverage.

Database Filtering and Corpus Boundaries

The initial search returned 1,342 records. The publication-period filter excluded no records. Restricting document types to articles and review articles retained 1,238 records. Limiting Web of Science categories to Economics, Management, Business, and Business Finance retained 383 records, and restricting the language to English produced an analytical corpus of 360 records. No relevance-based title, abstract, or full-text exclusions were reported after these database filters. The 360 records were retained to map how financial sustainability is used across listed and other corporate firms, banks, microfinance institutions, social enterprises, public-sector entities, and system-level arrangements. Accordingly, conclusions about corporate financial sustainability are based primarily on the corporate subset and are informed comparatively, rather than determined, by evidence from other organizational settings. Figure 1 reports record identification and database filtering.

Figure 1 Flow of Record Identification and Database Filtering



Note. Exclusions at the database-filtering stages were publication period (n = 0), document type (n = 104), subject category (n = 855), and language (n = 23). The diagram does not imply that relevance-based full-text eligibility screening was conducted.

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

Coding and Critical Interpretive Synthesis

All 360 records were descriptively coded from titles, abstracts, author keywords, and available metadata to identify organizational setting, research design, explicit named theory, and operationalization of financial sustainability. This corpus-level coding should not be interpreted as a complete critical appraisal of every full article. A theoretically pivotal core set was examined in depth to assess construct clarity, theory-mechanism fit, design fit, treatment of causal threats and contextual boundaries. These five questions were informed by the Critical Appraisal Skills Program (2018), but were used as interpretive prompts rather than represented as a single validated CASP checklist across heterogeneous designs. The coding process supported a thematic synthesis organized around the four research questions, with contradictions between studies treated as analytical material rather than noise.

FINDINGS

Profile of the Reviewed Literature

The retrieved literature is recent, organisationally diverse and methodologically uneven. Of the 360 records, 199 (55.3%) were published between 2024 and 2026. This rapid increase provides the context for the review; the claim of theoretical fragmentation rests on the coding and synthesis reported below rather than on publication growth alone. Table 2 summarises the organizational settings and research designs.

Table 2 Profile of the Retrieved Theory-Oriented Literature by Setting and Research Design (N = 360)

Dimension	Category	n	%
Setting	Listed and other corporate firms	52	14.4
	Social enterprises and non-profits	50	13.9
	Public-sector entities	38	10.6
	Banks and other financial institutions	34	9.4
	Microfinance institutions	32	8.9
	Health and education institutions	25	6.9
	Small and medium-sized enterprises	8	2.2
	Other organisations	21	5.8
	System-level (pensions, public finance, health systems, infrastructure)	100	27.8
Research design	Archival econometric (panel, regression)	83	23.1
	Conceptual or theoretical	70	19.4
	Qualitative or case study	53	14.7
	Efficiency or computational (DEA, machine learning, multi-criteria)	49	13.6
	Systematic, bibliometric or narrative review	32	8.9
	Survey with structural equation modeling	30	8.3
	Descriptive or other	43	11.9

Note. Categories were assigned by dominant setting and design. Percentages may not sum to 100 because of rounding.

Corporate firms account for only 14.4% of the corpus, and small and medium-sized enterprises for 2.2%, whereas 27.8% of records address financial sustainability in systems such as pension schemes, public finances, health systems, or infrastructure. The label therefore spans units whose continuity depends on different mechanisms. Concepts including dual mission, trade-off, and mission drift originated largely in hybrid and non-profit settings and have subsequently informed corporate studies. This distribution requires corporate-specific claims to be distinguished from observations that apply across organizational contexts.

Explicit Theory Use and Post Hoc Interpretation (RQ1)

Within this theory-oriented corpus, 57 of the 360 records (15.8%) explicitly named a theory in the title,

abstract, or author keywords, and fewer clearly indicated that theory generated hypotheses. Because theory- and framework-related terms were part of the search strategy, 15.8% must not be interpreted as the prevalence of theory use across the entire financial-sustainability field. Instead, it shows that explicit named theories remained concentrated even within a corpus selected to capture theoretical language. Where theory appeared, it was sometimes invoked after the results were known. Al-Jabri (2026), for example, interpreted a negative association between reporting quality and leverage as supporting both agency theory and pecking-order theory despite their different mechanisms. Hossain et al. (2025) found that audit quality and board independence weakened the positive ESG-CFS relationship yet interpreted the result through stakeholder theory without stating a prior prediction that monitoring would dampen ESG benefits. The concern is not the use of several theories, but the absence of mechanism-specific and potentially competing predictions.

Theoretical concentration may also reflect data availability rather than conceptual superiority. In their review of 47 microfinance governance studies, Cardillo et al. (2026) showed that widely used databases capture agency constructs such as board size and CEO duality, while leaving relational and stakeholder governance less observable. A similar concern applies to research on listed firms, where commercial ESG scores and standard board variables shape the relationships that can be tested. This interpretation should be treated as a plausible explanation requiring further empirical examination.

Construct Ambiguity and Measurement Incomparability (RQ2)

CFS was operationalized through at least seven families of proxies, summarized in Table 3. Each family represents a different theoretical object.

Table 3 Operationalizations of Financial Sustainability and Their Theoretical Implications

Conception	Typical proxy	Illustrative studies	Theoretical implication
Profitability	Return on assets; net interest margin; return on invested capital	Maama (2021); Yildiz et al. (2026)	Conflates CFS with short-term performance
Self-financing growth	Sustainable growth rate	Alshamayleh (2025); Kunaifi et al. (2026)	Embeds a fixed financial policy assumption
Continuity and distress	Altman and Taffler Z-scores	Okon et al. (2026); Imhanzenobe (2020)	Captures survival, not value creation
Operational self-sufficiency	Revenue relative to operating and financing costs	Leite et al. (2019); Raza et al. (2026)	Sector-specific; hard to transfer to listed firms
Efficiency	Data envelopment analysis scores	Shi et al. (2025); Widiarto and Emrouznejad (2015)	Relative to a sample frontier, not an absolute standard
Resilience	Volatility absorption; liquidity and solvency buffers	SanJuan-Paz et al. (2026); Tutar et al. (2025)	Continuity-oriented; weakly linked to value theories
Perceptual	Managerial or employee ratings	Leung et al. (2026); Wong et al. (2025)	Vulnerable to common-method bias

This pluralism has three consequences. First, findings cannot be cumulated because a positive association with return on assets does not imply a positive association with distress resistance. Raza et al. (2026) demonstrated this point using a sample of 87 Indian microfinance institutions, where operational self-sufficiency was associated with broader but shallower outreach, whereas financial self-sufficiency was associated only with breadth. Second, the causal role of CFS is unstable. It is an outcome in most studies, but a predictor of leverage in Li et al. (2022) and of firm resilience in Aljammaz et al. (2025), without justification for the change in direction. Third, the choice of proxy silently selects the theory. A profitability proxy privileges shareholder-oriented agency reasoning, whereas a resilience proxy privileges continuity and resource dependence reasoning.

Trade-off or Complementarity? Contradictory Evidence on Sustainability Drivers (RQ3)

The most persistent contradiction concerns whether social and environmental commitments strengthen or erode CFS. In corporate settings, Hossain et al. (2025) reported that ESG disclosure enhances the financial sustainability of Chinese listed firms, whereas Kunaifi et al. (2026) found a negative direct relationship

between ESG disclosure and sustainable growth among Indonesian firms, which was mitigated only by working capital management. Neves et al. (2026) found that environmental expenditure raised return on equity but reduced EBITDA margin, while social expenditure reduced both return on assets and return on equity. Wang et al. (2026) reported that control transfers in Chinese state-owned enterprises improved financial sustainability while worsening non-financial sustainability.

The microfinance literature mirrors these contradictions. Ullah et al. (2019) concluded that financial sustainability was at odds with poverty alleviation, whereas Blanco-Oliver et al. (2023) found no evidence of mission drift and identified a U-shaped effect of loan size on both social and financial efficiency. Dalla Pellegrina et al. (2024) found that European institutions meeting social objectives also performed well financially, except when lending to the poorest. Ayayi and Wijesiri (2022) likewise questioned whether environmental performance imposes a trade-off.

These conflicting findings may be partly explained by three assumptions that are seldom examined directly. The first is the convergence assumption in stakeholder theory: that serving stakeholders ultimately produces financial benefits. Fischer et al. (2026) challenged this expectation by reporting better sustainability outcomes but weaker financial performance when managers prioritized secondary stakeholders. The second is the time-horizon assumption. Many studies use contemporaneous or one-year-lagged proxies even though legitimacy and reputation effects may accrue more slowly. The third is the context-independence assumption. Wry and Zhao (2018) showed that trade-offs varied with culture and institutional conditions. These mechanisms are plausible explanations for heterogeneous results, but the present review does not statistically adjudicate them against sampling variation or measurement differences.

Governance Mechanisms and Contextual Contingency (RQ3)

Governance research is dominated by agency reasoning, yet its evidence repeatedly departs from agency predictions. Ghardallou and Abaalkhail (2024) found a non-linear relationship between gender diversity and financial sustainability across 54,759 firms, with the relationship negative below thresholds of 39% female senior managers and 34% female owners, but positive above them. Bentaleb (2026) showed that gender diversity strengthened the effect of board independence on microfinance performance only in Arab subregions whose norms supported substantive female participation. Randøy et al. (2015) found that entrepreneur-CEOs, whom agency theory would treat as entrenched, produced more financially sustainable microfinance institutions with lower costs. This finding is more consistent with stewardship theory, which none of the reviewed studies invoked. Alshamayleh (2025) found that CEO power weakened the link between R&D investment and sustainable growth, which highlights managerial horizon as a missing governance variable.

Ownership structure is a conspicuous gap within the corporate subset. Although institutional investors are central to monitoring arguments (Shleifer & Vishny, 1986), none of the 52 records classified as listed or other corporate firms modeled institutional ownership as a determinant or moderator of CFS. Evidence on ownership was concentrated on state ownership and control transfers (Wang et al., 2026; Zheng et al., 2026). This corpus-specific gap is particularly relevant to concentrated-ownership markets such as Malaysia, where institutional and government-linked investors may influence monitoring horizons.

Underrepresented Theoretical Perspectives

Three perspectives are underrepresented. The first is stewardship theory. The second is the broader resilience perspective: although 41 records mentioned resilience, SanJuan-Paz et al. (2026) was unusual in developing it as an alternative to conventional value-maximization reasoning. The third is Islamic economics. Twenty records (5.6%) concerned Islamic finance or Islamic social finance, and three engaged conceptually with Maqasid al-Shariah or maslahah. Firdaus (2021) developed a maslahah-based performance-measurement system; Tarip (2024) argued that Islamic enterprise objectives extend beyond financial sustainability to encompass all five maqasid; and Siti-Nabiha and Siti-Nazariah (2022) showed how religious values preserved social logic within an Islamic microfinance institution. Empirical studies of Islamic banks, such as Muneer et al. (2025), nevertheless continued to rely mainly on conventional profitability proxies. Whether maqasid

orientation offers a distinct route to corporate financial sustainability therefore remains insufficiently tested in the included literature on listed firms.

Methodological Critique

Archival econometric designs account for almost a quarter of the corpus. Sixteen records (4.4%) were coded from the available material as reporting instruments, dynamic-panel estimators or quasi-experimental approaches to causal threats. Notable examples include Dalla Pellegrina et al. (2024), Neves et al. (2026) and Xie et al. (2026). This count is a conservative descriptive indicator rather than a full-text risk-of-bias judgment. The in-depth synthesis nevertheless identified frequent causal language based on fixed-effects or pooled estimates. Survey studies also commonly relied on single-respondent, cross-sectional data, including studies of 522 Chinese SMEs (Leung et al., 2026), 300 Hong Kong employees (Wong et al., 2025) and 85 Malaysian social enterprises (Samsuddin et al., 2025). When predictors and financial sustainability outcomes are self-reported by the same respondent, common method bias remains a concern.

The reliance on single-country samples introduces systematic bias because institutional features are held constant and cannot be theorized. Chinese A-share firms dominate recent corporate studies (Bagh et al., 2024; Hussain et al., 2026; Qing et al., 2026). Computational approaches, including network data envelopment analysis with random forests (Shi et al., 2025) and neural networks (Dube et al., 2023), improve prediction but rarely test theory. Shi et al. (2025) used explainability techniques to open the model, but the resulting variable importance was not linked to a theoretical mechanism. Longitudinal mixed-methods designs, multi-level models and cross-country comparisons of institutional moderators remain underused.

DISCUSSION

Towards a Reconceptualization of CFS Theory

Taken together, the findings suggest that the theoretical weakness of financial-sustainability research is structural rather than incidental. Regarding RQ1, explicitly named theories were concentrated in 57 records within the theory-oriented corpus and were not always connected to mechanism-specific predictions. Regarding RQ2, the same label was applied to profitability, sustainable growth, distress avoidance, self-sufficiency, efficiency, resilience, and perceptual outcomes. Regarding RQ3, conflicting estimates concerning ESG, governance, and financing may reflect differences in constructs, time horizons, and institutional contexts, as well as ordinary sampling variation. These problems reinforce one another: construct ambiguity permits post hoc interpretation, while post hoc interpretation makes apparently contradictory findings difficult to reconcile.

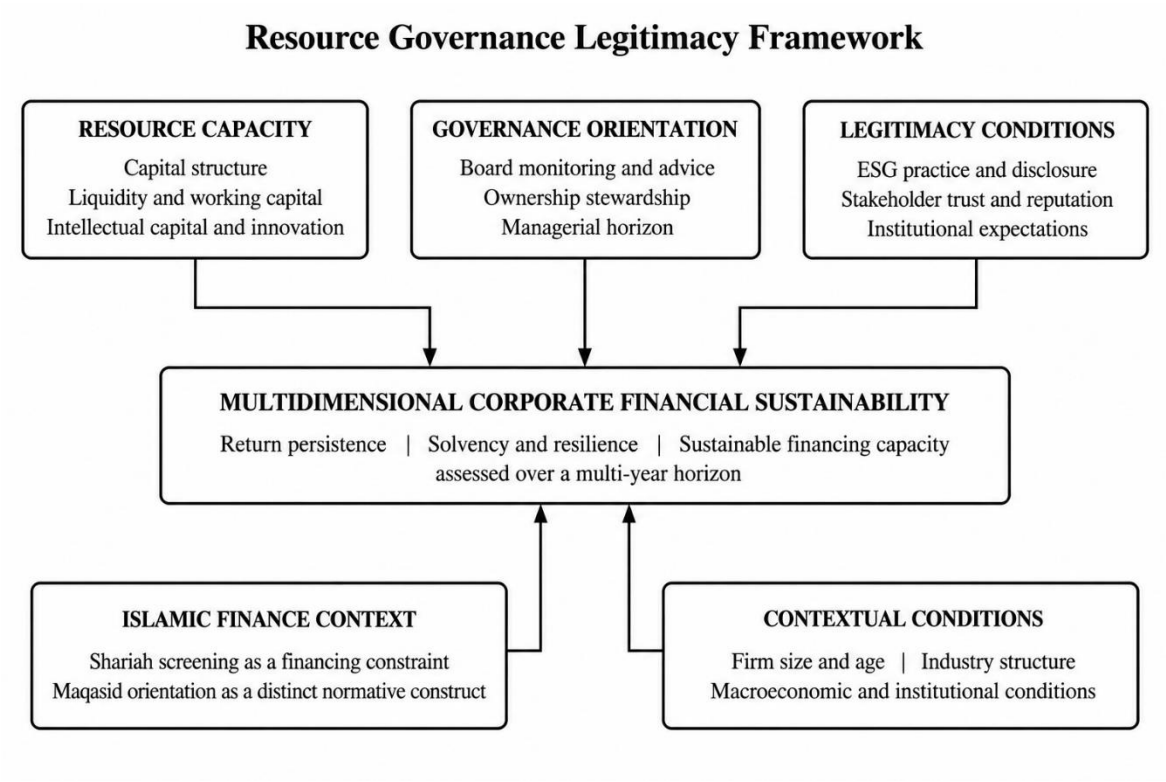
In response to RQ4, this review reconceptualizes corporate financial sustainability as multidimensional continuity: a firm's capacity to sustain returns, remain solvent, and preserve financing capacity across a multi-year horizon. These dimensions should initially be reported separately because they may move in different directions, and combining them without validation may conceal trade-offs. The Resource-Governance-Legitimacy framework, developed in the next section, organizes the mechanisms that may produce this continuity while distinguishing the Islamic-finance context from a maqasid-oriented corporate purpose.

Proposed Resource Governance Legitimacy Framework

The RGL framework assigns theories to three explanatory layers. The resource-capacity layer explains how the financing structure, liquidity, working capital management, and knowledge-based assets create buffers and productive capacity. The governance-orientation layer explains how boards, owners, and managers direct those resources and choose between short- and long-horizon outcomes. The legitimacy-conditions layer explains how ESG practices, disclosure, reputation, and institutional expectations affect stakeholder support and access to resources. Islamic-finance conditions cut across these layers, but Shariah-compliant status and maqasid orientation are not equivalent. Shariah screening constrains specific activities and financial ratios, such as interest-bearing debt relative to total assets, whereas a maqasid orientation focuses on the purposes and values that guide corporate conduct (Securities Commission Malaysia, n.d.; Firdaus, 2021; Tarip, 2024).

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

Figure 2 Resource Governance Legitimacy Framework for Corporate Financial Sustainability



Note. The framework identifies families of mechanisms and boundary conditions rather than specifying one fully mediated empirical model. Shariah-compliant status is treated as an institutional financing condition; maqasid orientation requires separate conceptualization and measurement.

Table 4 Components and Measurement Boundaries of the RGL Framework

Layer or construct	**Explanatory role**	**Indicative measures**	**Theoretical anchors**	**Measurement boundary**
Multidimensional CFS	Outcome comprising continuity across returns, solvency and financing capacity	Return persistence; distress or solvency indicators; liquidity buffers; internally supportable growth	Financial resilience; capital-structure and resource perspectives	Report dimensions separately before validating any formative composite; use sector-adjusted measures
Resource capacity	Creates financial buffers and productive capacity	Debt maturity; unused debt capacity; cash holdings; cash-conversion cycle; R&D or intellectual-capital measures	Trade-off and pecking-order theories; resource-based view; dynamic capabilities	Do not reuse the same leverage, liquidity or profitability ratios in both predictors and the CFS outcome
Governance orientation	Directs resources and determines monitoring and decision horizons	Board expertise and independence; ownership types; engagement; textual measures of managerial myopia	Agency; stewardship; resource dependence; upper echelons	Test rival mechanisms; demographic variables are imperfect proxies for motivation and cognition

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

Legitimacy conditions	Influences stakeholder support, reputation and access to resources	ESG components; controversies; reputation; analyst or media sentiment	Stakeholder; legitimacy; institutional theory	Distinguish substantive performance from symbolic disclosure and allow longer time lags
Islamic-finance context	Constrains financing choices and may shape corporate purpose	Official Shariah status and screening ratios; separately validated maqasid measures	Institutional theory; maqasid al-Shariah; maslahah	Binary Shariah status is not a proxy for maqasid orientation
Contextual conditions	Define boundaries within which mechanisms operate	Firm size and age; industry; ownership concentration; macroeconomic and institutional conditions	Contingency and institutional perspectives	Model theoretically relevant conditions as moderators rather than treating all of them as routine controls

The framework supports five propositions (Ps).

P1: Stronger resource capacity should improve the dimensions of CFS, but leverage may have non-linear effects because debt initially supports investment while excessive debt reduces financial flexibility.

P2: Governance orientation should affect CFS through the time horizon and quality of resource allocation; agency and stewardship theories therefore offer rival predictions about concentrated managerial power.

P3: ESG practices should influence CFS partly through stakeholder legitimacy and reputation, with effects depending on whether the measures capture substantive performance or disclosure, and on whether the observation period is sufficiently long.

P4: Institutional ownership and managerial myopia should operate as governance contingencies rather than universal direct predictors.

P5: Shariah-compliant status may alter financing constraints, while maqasid orientation may shape broader corporate purpose; their effects should be tested separately.

The proposed outcome also requires measurement discipline. Capital structure should not be tested as an antecedent if the dependent index mechanically embeds the same leverage ratio; working-capital measures should not be repeated in both the predictor and liquidity components of the CFS; and asset turnover should not serve as a mediator when the outcome is calculated from overlapping profitability components. Future scale development should first establish content validity, report the CFS dimensions separately, assess whether a formative composite is theoretically justified, and test measurement invariance across industries and countries.

Theoretical Implications

The review makes four theoretical contributions. First, it questions the assumption that stakeholder and legitimacy theories necessarily predict a uniformly positive relationship between ESG and CFS. The included evidence suggests that effects may be conditional, indirect, and sensitive to measurement and time horizon. Second, it extends Cardillo et al.'s (2026) observation that available data shape theory choice from microfinance governance to the wider financial-sustainability literature. Theoretical diversification therefore requires better measures of relational governance, managerial horizon, and substantive ESG performance, not merely additional labels. Third, the corporate subset identifies institutional ownership as an underexamined contingency connecting monitoring to long-term continuity. Fourth, the framework treats maqasid al-Shariah

ISSN No. 2321-2705 | DOI: 10.51244/IJRSI |Volume XIII Issue IX September 2026

as a potential normative lens while separating it from regulatory Shariah-screening status. Protection of wealth (hifz al-mal) may support prudent continuity, but this proposition requires direct measurement rather than inference from a binary classification (Firdaus, 2021; Tarip, 2024).

Practical Implications

For managers, the findings caution against treating CFS as a single ratio. Strong current returns may coexist with weak liquidity buffers, limited financial flexibility or elevated distress risk. Boards should therefore monitor profitability persistence, solvency and financing capacity as related but distinct dimensions. For regulators and stock exchanges, including Bursa Malaysia and the Securities Commission Malaysia, the mixed evidence on ESG suggests that sustainability reporting requirements should distinguish disclosure from substantive performance and encourage disclosure of financial resilience. For institutional investors, the framework highlights a potential long-horizon monitoring role that should be tested rather than assumed. For Shariah advisory bodies, it distinguishes compliance with screening requirements from evidence that corporate decisions advance maqasid-oriented continuity and stakeholder welfare.

LIMITATIONS

This review has limitations. It relied on a single database and four Web of Science categories, potentially excluding relevant accounting, sustainability science, and Islamic finance research indexed elsewhere. The search deliberately included theory- and framework-related terms; the corpus therefore represents theory-oriented financial sustainability literature and cannot be used to estimate the extent of theory use across the field as a whole. Descriptive coding of the 360 records relied mainly on titles, abstracts, keywords and metadata, while in-depth interpretation focused on a core set. Because the exact size and selection of the core set, as well as the procedures used to ensure coding consistency, are not reported, the synthesis is not fully reproducible in its present form. The corpus also retained system-level and non-corporate settings to illuminate conceptual transfer, but corporate-specific conclusions are necessarily based on a smaller subset. Finally, English-language restrictions may under-represent research from regions where financial sustainability is studied in other languages. These limitations require the numerical findings and absence claims to be read as corpus-specific rather than universal.

CONCLUSION

This critical interpretive review reassessed the theoretical foundations of financial sustainability across organizational contexts, drawing on a theory-oriented corpus of 360 Web of Science records published from 1998 to August 2026. It found that explicitly named theories were concentrated, constructs carrying the same label were operationalized through incompatible proxies, and apparently conflicting findings on ESG, governance and financing were sensitive to differences in mechanism, measurement, time horizon and context. Within the 52-record corporate subset, institutional ownership was not modeled as a determinant or moderator of CFS. Stewardship, resilience and maqasid-oriented perspectives were also underrepresented. The review's principal contribution is a Resource-Governance-Legitimacy framework that reconceptualizes corporate financial sustainability as multidimensional continuity and assigns resource capacity, governance orientation and legitimacy conditions distinct explanatory roles. The framework is an agenda for mechanism-specific research rather than a fully specified empirical model.

Future research should pursue six directions:

1. Develop and validate a multidimensional CFS measurement model that reports return persistence, solvency, and financing capacity separately before assessing whether a formative composite is justified, and test measurement invariance across sectors and countries.
2. Search the broader financial-sustainability literature without theory-related eligibility terms, then compare studies with explicit theory, implicit theoretical reasoning, and no identifiable theoretical foundation.
3. Design studies that test rival mechanisms, such as agency versus stewardship predictions about managerial power and long-horizon investment, rather than interpreting one result as confirmation of several theories.

4. Test indirect ESG-CFS mechanisms through legitimacy and reputation using measures of substantive performance and longer lag structures.
5. Examine institutional ownership as a governance contingency in concentrated-ownership markets, distinguishing domestic, foreign and government-linked institutional investors.
6. Measure Shariah-compliant status and maqasid orientation separately, and adopt dynamic-panel, quasi-experimental, cross-country and mixed-method designs that can address causal and contextual heterogeneity.

Pursuing these directions would move CFS research from accumulating correlates towards building cumulative, falsifiable theory.

Ai Declaration

AI tools were used solely to assist in preparing selected figures and diagrams and to improve the manuscript's language and grammatical quality. The authors reviewed and verified all AI-assisted outputs and remain fully responsible for the manuscript's content, analysis, interpretation, and conclusions.

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