



Rethinking Corporate Decision-Making for Corporate Financial Sustainability: A Critical Literature Review and Future Research Agenda

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DOI: <https://doi.org/10.68050/JAMS.2026.722>

Received: 25 September 2026; Accepted: 01 October 2026; Published: 08 October 2026

ABSTRACT

Corporate financial sustainability (CFS) has become a defining performance criterion for firms amid volatile capital markets and stakeholder scrutiny, yet the literature linking corporate decision-making to CFS remains fragmented across disciplinary silos. This review evaluates how investment, financing, dividend, risk management, and resource allocation decisions shape financial sustainability and identifies assumptions and limitations that constrain the field. Following a critical review protocol, 152 records were retrieved from the Web of Science using a Boolean string that combined corporate/managerial/financial decision terms with financial sustainability, resilience, and stability outcome terms, and was restricted to English-language articles (2004–2026) in Economics, Business, Finance, and Management. Of these, 110 records with complete metadata were retained for synthesis. The corpus clusters around five decision domains: analytical/quantitative diagnostics, behavioural/cognitive influences, governance and ownership, digital/AI-enabled decision support, and institutional/crisis-context decision-making, but is marked by definitional inconsistency, cross-sectional/single-country design reliance, sparse theory, and an integrity concern illustrated by one retracted study. The review is bound by its search string, database, and language restrictions; it calls for re-conceptualizing CFS as a multi-level, decision-contingent construct. Managers and boards should treat sustainability-oriented decision-making as an integrated portfolio problem, with ownership and governance quality as boundary conditions. The review offers an integrative framework that links five decision domains to CFS through literacy, transparency, and intellectual-capital mechanisms, moderated by ownership, governance, and digital capability, and provides a grounded agenda for future research.

Keywords: corporate financial sustainability; corporate decision-making; behavioral finance; corporate governance; critical literature review

INTRODUCTION

Financial sustainability has migrated from the margins of corporate finance to its analytical center. Rising capital costs, climate-related default risk, digital disruption of decision-support systems, and post-pandemic volatility in cash flows have forced firms, regulators, and researchers to ask not merely whether a firm is profitable in a given period, but whether its underlying decision architecture is capable of sustaining solvency, liquidity, and value creation over the long run (Klumpes, 2025; Vainieri et al., 2024). This shift is visible across sectors as different as public healthcare (Klumpes, 2025), municipal finance (Erastov et al., 2025; Sinervo et al., 2024), banking (Farooq et al., 2026; Saadaoui & Hamza, 2020), and small and medium-sized enterprises (Fasano et al., 2025; Kostyrko et al., 2025), each of which frames “financial sustainability” in terms suited to its own institutional logic rather than a shared construct.

The literature that has accumulated around this theme is, at first glance, encouraging in its breadth. Studies span capital structure and cost-of-capital decisions (Keister, 2004; Mokhova & Zinecker, 2019; Obadire et al., 2023; Rao et al., 2025), dividend and payout decisions (Farooq et al., 2025; Roy & Maji, 2025), risk-management and bankruptcy-prediction decisions (Altman, 2018; Dube et al., 2023; Gholaminezhad et al., 2025; Mohammed, 2016), behavioural and cognitive dimensions of managerial and household decision-



making (Bouzguenda, 2018; Klapper & Lusardi, 2020; Sedliacikova et al., 2021), governance and board-level decision-making (Cho et al., 2025; Daadaa & Daadaa, 2025; Sghaier, 2025), and, increasingly, artificial-intelligence-enabled decision support (Kim et al., 2026; Lin et al., 2026; Liu et al., 2026). Yet this breadth conceals a deeper problem. The field has grown largely through parallel, discipline-specific streams - corporate finance, behavioral economics, public administration, management information systems - that rarely cite one another and that operationalize “financial sustainability” in mutually incompatible ways: as a solvency ratio, a going-concern probability, a value-added residual, a resilience index, or a qualitative governance attribute. What is missing is a critical synthesis that interrogates *how* the decisions firms make, rather than the outcomes they report, accumulate, interact, and sometimes contradict one another in shaping sustainability trajectories.

Three problems motivate this review.

- a. First, a definitional problem: financial sustainability is used interchangeably with financial stability, financial health, financial resilience, and financial viability across the corpus, with few studies stating which construct they operationalize and why (Akhmetova et al., 2020; Jamil & Rasheed, 2024).
- b. Second, a theoretical problem: explicit theoretical grounding is the exception rather than the rule; where theory is invoked, agency-, resource-based-, and behavioral-finance perspectives dominate, while institutional, stakeholder, and Islamic-finance lenses remain comparatively marginal despite their evident relevance to governance- and context-sensitive decisions (Najib et al., 2025; Ndebele et al., 2023).
- c. Third, a methodological problem: the evidence base leans heavily on cross-sectional, single-country, survey- or secondary-data designs that struggle to establish the temporal and causal ordering that a “sustainability” claim logically requires (Farooq et al., 2025; Sinnewe & Nicholson, 2023).

Accordingly, this critical literature review addresses four questions:

- a. To what extent do studies of corporate decision-making converge on a coherent conceptualization of financial sustainability?
- b. Which theoretical frameworks dominate the field, and what perspectives are conspicuously under-represented?
- c. What patterns, contradictions, and methodological weaknesses characterize the empirical evidence linking investment, financing, dividend, risk-management, and resource-allocation decisions to sustainability outcomes?
- d. How might these critiques be synthesized into an integrative framework and a research agenda capable of advancing the field beyond descriptive accumulation?

This positioning distinguishes the present contribution from adjacent systematic and hybrid reviews already in the corpus. Rashid et al. (2025), for example, conduct a hybrid systematic review of capital structure and corporate sustainability, and Gulati et al. (2026) systematically review sustainable digital finance; both are valuable but domain-bound, examining a single decision variable (capital structure) or a single enabling technology (digital finance) rather than the interaction of decision domains this review addresses. The present review’s contribution is accordingly not to add a further domain-specific synthesis, but to interrogate the relationships, contradictions, and theoretical gaps *between* the domain-specific streams that the field has, to date, developed largely in isolation from one another.

A critical review, rather than a narrative or systematic review, is the appropriate method for this purpose because the central problem is not an absence of studies but an absence of critical interrogation of how existing studies fit, or fail to fit, together. The remainder of the article proceeds as follows: Section 2 details the review’s scope and methodology; Section 3 undertakes a conceptual and theoretical analysis of the field; Section 4 critically synthesizes the empirical evidence across five decision domains; Section 5 evaluates the corpus’s methodological character; Section 6 discusses the findings and proposes an integrative



reconceptualization; and Section 7 concludes with the review's contribution, limitations, and future research agenda.

METHODOLOGY

Search strategy

The review followed a critical-appraisal protocol applied to a corpus retrieved from the Web of Science (WoS) Core Collection on 20 September 2026. The topic-field search string combined two concept blocks with the Boolean operator AND: Block A captured corporate decision terminology: "*corporate decision*," "*managerial decision*," "*strategic decision*," "*financial decision*," "*investment decision*," "*financing decision*," "*capital structure decision*," "*dividend decision*," "*risk management decision*," and "*resource allocation*", and Block B captured financial sustainability outcome terminology: "*financial sustainability*," "*financial resilience*," "*financial viability*," "*financial stability*," "*financial health*," "*sustainable financial performance*," and "*long-term financial performance*." The initial search returned 342 records.

Inclusion and exclusion criteria

The corpus was refined by publication year (1993–2026, with the review corpus concentrated in 2004–2026), document type (article or review article), Web of Science subject category (Economics, Business, Business Finance, or Management), and language (English), yielding 152 records after filtering. Of these, 110 records for which complete title, abstract, author, and bibliographic metadata were exported were retained for detailed critical appraisal and thematic synthesis; the remaining records were excluded at the data-extraction stage for incomplete metadata rather than substantive irrelevance, a limitation acknowledged in Section 7. The retained corpus spans 2004 to 2026, with a pronounced concentration (59%) in 2023–2026, indicating a rapidly maturing yet still consolidating field.

Critical appraisal approach

Each record was appraised for (a) the explicit or implicit definition of financial sustainability employed, (b) the theoretical framework(s) invoked, (c) the research design and unit of analysis, (d) the institutional/geographic context, and (e) methodological transparency regarding causal inference. This appraisal is comparable in spirit to the Critical Appraisal Skills Program (CASP) logic, evaluating relevance, rigor, and validity, adapted to the heterogeneous, cross-disciplinary character of the corpus rather than applying a single design-specific checklist. Corpus composition by method shows regression-based designs (including panel and logistic regression) in approximately one-third of studies, survey-based designs in a comparable share, qualitative or case-based designs in roughly one-fifth, and a growing minority (~10%) employing machine-learning, neural-network, or data-envelopment techniques. Geographically, China, the United Kingdom, India, continental Europe, Pakistan, Ukraine, and Malaysia are the most frequently represented contexts, with sub-Saharan Africa, Latin America, and Southeast Asia comparatively underrepresented relative to their economic weight; a pattern that is critically examined in Section 4.5.

Analytical approach

Records were coded inductively into five decision-domain themes: analytical/quantitative sustainability measurement, behavioral and cognitive decision-making, governance and ownership, digital/AI-enabled decision-making, and institutional/sectoral/crisis-context decision-making, which form the structure of Section 4. Coding proceeded in two passes: an initial open coding of each abstract against the five corporate-decision categories embedded in the search string itself (investment, financing/capital-structure, dividend, risk-management, and resource-allocation decisions), followed by a second pass in which studies were re-grouped according to their dominant unit and mode of analysis (quantitative-diagnostic, behavioral-individual, governance-structural, technology-mediated, or institutional-contextual), the five themes reported in Section 4. Where a study spanned more than one theme (for example, a governance study also invoking behavioral bias, or a digital-transformation study set in a crisis context), it was assigned to the theme corresponding to its



primary theoretical claim and cross-referenced in the discussion of the secondary theme, consistent with standard practice in thematic synthesis of heterogeneous, cross-disciplinary corpora. This inductive, cross-disciplinary synthesis, rather than a discipline-bound literature review, is itself a distinguishing feature of the present contribution.

CONCEPTUAL AND THEORETICAL ANALYSIS

The construct problem

Before any theoretical framework can be meaningfully applied, the object of explanation must be stable. It is not, in this corpus. “Financial sustainability” is treated as synonymous with solvency (Altman, 2018), liquidity adequacy (Chitta et al., 2023), value-added residuals (Aguilar & Gama, 2020; Peprah et al., 2025), resilience to shocks (Klapper & Lusardi, 2020; Lulaj & Minguez-Vera, 2024), and multi-dimensional composite health scores (Das et al., 2023; Stefko et al., 2019, often within the same sub-field and without cross-referencing. This is not a semantic quibble: a firm that is solvent but illiquid, or resilient in the short run but value-destroying over the long run, receives contradictory sustainability classifications depending on which operationalization is used. The corpus offers no dominant, agreed operational definition, which materially limits comparability of findings across studies purporting to explain the “same” outcome.

Dominant theoretical lenses

Where theory is named explicitly, three families recur. *Agency theory* (Jensen & Meckling, 1976) underlies studies of governance, ownership, and payout decisions, framing dividend policy, board composition, and executive compensation as mechanisms to control the divergence between managerial and shareholder interests (Cho et al., 2025; Fasano et al., 2025; Farooq et al., 2025). *Behavioral finance and prospect-theoretic reasoning* (Kahneman & Tversky, 1979) inform studies of cognitive bias, overconfidence, and herding in financial decision-making (Arora & Kaur, 2024; Bouzguenda, 2018; La Rocca et al., 2020; Sharma, 2025). *Resource-based and dynamic-capabilities perspectives* (Barney, 1991; Teece et al., 1997) appear more sparsely, typically in studies of intellectual capital and innovation capability as drivers of sustainable performance (Farooq et al., 2026; Musman et al., 2025). Beyond these three families, explicit theoretical grounding is scarce: fewer than one in ten of the appraised studies name a theory at all, with the majority proceeding directly from a stated research gap to an econometric specification without articulating why the hypothesized relationships should hold.

Theoretical silences

Three absences stand out. First, *stakeholder theory* (Freeman, 1984), despite its evident relevance to a construct as normatively loaded as “sustainability,” is rarely invoked outside the ESG-adjacent literature (Ni et al., 2024; Vandana & Cerchione, 2026), leaving the corpus’s dominant framing shareholder-centric even when sustainability outcomes plainly implicate broader stakeholders (employees, communities, regulators). Second, *institutional theory* (DiMaggio & Powell, 1983), which would predict convergence in financial decision practices under coercive, mimetic, or normative pressures, is almost entirely absent from studies documenting striking cross-country similarities in capital-structure and risk-management behavior (Keister, 2004; Obadire et al., 2023), a theoretical opportunity left unexploited. Third, an explicit *Islamic finance or Shari‘ah-governance* perspective is confined to a small number of studies (Najib et al., 2025; Saadaoui & Hamza, 2020), despite the corpus’s inclusion of dual-banking and Islamic-financing contexts in which conventional agency and pecking order logics may not transfer cleanly. *Upper-echelons theory* (Hambrick & Mason, 1984), which would connect managerial characteristics directly to the strategic decisions under review, is likewise under-used relative to its apparent fit with studies of CEO power, myopia, and compensation (Levesque et al., 2014; Sghaier, 2025).

Toward an integrative framework

Table 1 maps the dominant theoretical frameworks against their core assumptions, illustrative applications in

the corpus, and the critical limitation of each when applied to CFS in isolation. Because no single theory captures the multi-level, multi-decision nature of financial sustainability, Section 6 proposes an integrative framework (Figure 1) that treats corporate financial sustainability as the joint product of five interacting decision domains, operating through cognitive, informational, and capital-based mechanisms, and bounded by ownership, governance, and technological moderators.

Table 1. *Dominant Theoretical Frameworks in the Reviewed Corpus*

Theoretical framework	Core assumption	Illustrative application in corpus	Critical limitation for explaining CFS
Agency theory (Jensen & Meckling, 1976)	Managers and owners have divergent interests; monitoring and incentive alignment reduce agency costs	Board gender diversity and cash holdings (Daadaa & Daadaa, 2025); CEO power and risk-taking (Sghaier, 2025); dividend policy as a disciplining device (Farooq et al., 2025)	Assumes rational, self-interested actors; struggles to explain cognitively biased decisions documented elsewhere in the same corpus
Behavioral finance/prospect theory (Kahneman & Tversky, 1979)	Decisions deviate systematically from expected-utility rationality under risk and framing	Herding in stock-option exercise (Arora & Kaur, 2024); overconfidence and debt maturity (La Rocca et al., 2020); financial-literacy gaps (Klapper & Lusardi, 2020)	Rich at the individual level but rarely linked upward to firm-level sustainability outcomes
Resource-based view / dynamic capabilities (Barney, 1991; Teece et al., 1997)	Sustained advantage derives from valuable, inimitable resources and capacity to reconfigure them	Intellectual capital and cash-holding strategy (Farooq et al., 2026); SME intellectual capital performance (Musman et al., 2025)	Under-specifies the financial decision mechanisms (financing, payout, risk) through which resources translate into sustainability
Stakeholder theory (Freeman, 1984)	Firm value depends on managing relationships with a broad set of stakeholders, not shareholders alone	ESG performance and valuation (Ni et al., 2024); sustainability-linked supply-chain finance (Vandana & Cerchione, 2026)	Applied almost exclusively within ESG sub-literature; rarely integrated with capital-structure or risk-management decision studies
Institutional theory (DiMaggio & Powell, 1983)	Organizations converge on similar practices under coercive, mimetic, and normative pressures	Implicit in cross-country capital-structure convergence (Keister, 2004) but rarely named explicitly	Almost entirely unexploited despite strong descriptive fit with observed cross-context patterns
Upper echelons theory (Hambrick & Mason, 1984)	Strategic choices reflect the characteristics, cognition, and experience of top managers	CEO myopia and short-termism (Levesque et al., 2014); executive compensation and bankruptcy risk (Cho et al., 2025)	Rarely tested with direct managerial-characteristic data; often inferred post hoc from outcomes



CRITICAL SYNTHESIS OF EMPIRICAL EVIDENCE

Analytical and Quantitative Models of Financial Sustainability

The oldest and most methodologically mature stream treats financial sustainability as a measurable, diagnosable state. The Altman Z-score family remains the field's most durable analytical tool half a century after its introduction, and continues to be applied, with mixed success, to new sectoral contexts such as cement manufacturing in Oman (Mohammed, 2016) and, in combination with data envelopment analysis and discriminant analysis, to electricity-sector bankruptcy prediction (Gholaminezhad et al., 2025). Altman's (2018) own retrospective is instructive here: even the model's originator acknowledges that Z-score-type models require periodic re-estimation and sector-specific calibration, a caveat frequently ignored by studies that apply the original coefficients uncritically to unrelated industries and eras. Parallel diagnostic traditions: economic value added (Aguiar & Gama, 2020; Peprah et al., 2025), time-series forecasting of financial indicators (Jencová et al., 2025), and composite financial-health scoring (Das et al., 2023; Stefko et al., 2019), each offer internally coherent but mutually incommensurable metrics of the same underlying construct, reinforcing the definitional problem identified in Section 3.

Capital-structure and cost-of-capital decisions constitute a second, more theory-adjacent cluster. Evidence on the structure–sustainability relationship is persistently mixed: Rao et al. (2025) report a significant capital-structure effect on firm performance in the energy sector, Obadire et al. (2023) document context-specific determinants of bank capital structure across Africa that diverge from developed-market predictions, and Rashid et al. (2025), synthesising the sub-field through a hybrid systematic review, conclude that the capital-structure–sustainability relationship is best understood as contingent rather than universal, a conclusion this review's own inductive synthesis corroborates. Keister's (2004) two-decade-old study of capital-structure transformation in China's emerging economy remains, notably, one of the few studies in the corpus to treat capital-structure decisions as institutionally embedded rather than purely optimization-driven, a framing subsequent studies have not systematically extended. Working-capital and cost-of-equity decisions (Chitta et al., 2023; Mokhova & Zinecker, 2019) complete this cluster, generally confirming that liquidity–profitability trade-offs are firm- and context-specific rather than governed by a single optimal rule.

A related sub-stream directs the analytical toolkit specifically toward resource allocation and intellectual capital decisions. Farooq et al. (2026) find that intellectual capital acts as a strategic pathway to financial stability in Pakistan's banking sector; Farooq et al. (2025), studying a different set of firms under the same surname, link intellectual capital to corporate cash-holding strategy; and Musman et al.'s (2025) bibliometric analysis of a decade of ASEAN SME research finds intellectual capital consistently associated with performance but rarely decomposed into the specific resource-allocation decisions (R&D spend, training investment, systems investment) that would make the construct actionable for managers. Cash-flow dynamics and volatility modeling (Lulaj & Minguez-Vera, 2024) and macro-prudential/macroeconomic interaction models (Kaur et al., 2019) extend the analytical tradition to the aggregate and cash-flow levels, generally reinforcing the conclusion that resilience is highly sensitive to modeling choices that are rarely harmonized across studies.

Critical evaluation. This stream's strength, methodological rigor and replicability, is also its principal limitation. Sustainability is treated as a snapshot financial-ratio outcome to be predicted, not as the product of an ongoing sequence of interacting decisions. Very few studies in this cluster model investment, financing, and payout decisions jointly; fewer still incorporate the behavioral or governance factors documented in Sections 4.2 and 4.3, leaving analytically sophisticated but conceptually thin explanations for why decisions produce the observed sustainability outcomes. A further, easily overlooked weakness is temporal: several widely applied diagnostic coefficients (most notably the Altman Z-score) were estimated on datasets decades old, yet continue to be transplanted into contemporary, sector- and country-specific settings (Gholaminezhad et al., 2025; Mohammed, 2016) without re-estimation, which risks systematically misclassifying firms operating under capital-market conditions the original model never observed.



Behavioral and Cognitive Dimensions of Financial Decision-Making

A substantial and rapidly growing stream relocates the locus of explanation from firm-level ratios to individual and managerial cognition. Financial literacy is the most consistently documented antecedent of sound financial decision-making, from Klapper and Lusardi's (2020) cross-national evidence linking literacy to resilience, to Cole et al.'s (2014) demonstration that education causally improves financial outcomes, to more recent, context-specific extensions covering online financial-education interventions (Clark et al., 2025), digital financial literacy and retirement anxiety in Japan (Amarsanaa et al., 2025), and mortgage-borrowing decisions shaped by literacy and inflation expectations (Ilan & Mugerman, 2025). A parallel line documents the affective and social dimensions of decision-making, emotional intelligence (Bouzguenda, 2018; Sharma, 2025), herding bias in employee stock-option exercise (Arora & Kaur, 2024), and managerial overconfidence's association with debt-maturity choices (La Rocca et al., 2020), collectively challenging the rational-actor assumption embedded in the analytical models reviewed in Section 4.1.

At the household and consumer level, this behavioral stream extends to vulnerability and exploitation: Cuadra et al. (2025) document the phenomenology of investment-scam victimization in the Philippines, Northwood and Rhine (2018) show that immigrant and native-born consumers make systematically different bank/nonbank service decisions, and Greenberg et al. (2023) demonstrate that behaviourally informed interventions can shift retirement-claiming intentions, evidence that decision architecture, not merely information provision, shapes sustainability-relevant choices. Sinnewe and Nicholson (2023) and Hernandez-Perez and Rambaud (2025) further link subjective financial literacy, self-control, and self-efficacy to financial well-being, suggesting psychological capacity is as consequential as objective knowledge.

Household-level evidence reinforces the same pattern outside the firm boundary. Mayorova et al. (2025) model the determinants of household financial behavior and its influence on financial decision-making, while consumer-behavior reviews such as Kumar and Ranjani's (2025) systematic application of the Theory–Context–Methods and Antecedents–Decisions–Outcomes frameworks attempt, more explicitly than most firm-level studies, to impose theoretical order on a fragmented behavioral literature, an effort this review's own Section 3 diagnosis suggests the firm-level sustainability literature urgently needs to emulate.

Critical evaluation. This stream's contribution, demonstrating that decisions deviate systematically from rational-actor benchmarks, is well evidenced at the individual level but is rarely connected upward to firm-level financial sustainability outcomes. Studies of managerial overconfidence or herding typically stop at the decision or firm-performance stage without tracing the longer-run sustainability consequence; conversely, the firm-level sustainability studies in Section 4.1 rarely incorporate the behavioral mechanisms documented here. This vertical disconnect between individual cognition and firm-level sustainability is one of the corpus's clearest unresolved gaps, and it is compounded by a measurement asymmetry: behavioral constructs (literacy, self-efficacy, overconfidence) are typically measured with validated psychometric instruments, whereas the sustainability outcomes they are ultimately meant to explain are measured, as Section 3 showed, with inconsistent and rarely validated financial-ratio proxies, making any eventual integration of the two streams methodologically non-trivial.

Governance, Ownership, and Board-Level Decision-Making

A third cluster situates financial decision-making within governance structures. Board gender diversity is associated with more conservative cash-holding behavior and greater financial stability (Daadaa & Daadaa, 2025); CEO power is shown to elevate the risk profile of acquisition decisions in insurance firms (Sghaier, 2025); and executive compensation structure, interacted with educational background, predicts bankruptcy risk in Chinese firms (Cho et al., 2025). Levesque et al.'s (2014) dynamic modeling of CEO myopia offers a theoretically ambitious, if empirically under-tested, account of how short-termist incentive structures erode long-run sustainability, a mechanism many subsequent empirical studies invoke informally without directly measuring. Dividend policy research similarly frames payout decisions as governance signals: Roy and Maji (2025) document how COVID-19 disrupted Indian firms' dividend policies, while Farooq et al. (2025) connect financial-reporting quality, corporate social responsibility, and dividend decisions as jointly determined gove-



finance outcomes. At the financing-access margin, Fasano et al. (2025) show that financial constraints and agency concerns jointly explain SMEs' recourse to crowdfunding, extending agency-theoretic logic beyond the large-firm context in which it was originally developed. Ndebele et al. (2023) add a macro-prudential governance dimension, showing that globally systemically important banks' capital-holding behavior reflects a pro-public orientation not fully captured by shareholder-value logics alone.

Critical evaluation. This cluster most consistently invokes agency theory, yet even here application is often mechanical: governance variables (board gender composition, CEO tenure, ownership concentration) are entered as controls or moderators in reduced-form regressions rather than embedded in a structural account of *how* governance shapes the sequence of investment, financing, and payout decisions jointly. Moreover, ownership type, a variable of first-order theoretical importance given the stakeholder heterogeneity institutional owners introduce, is addressed only tangentially across the corpus, despite its plausible role as a moderator of the decision–sustainability relationship (see Table 2, Gap 3). A further inconsistency concerns the direction of the governance–risk relationship itself: whereas Daadaa and Daadaa (2025) associate diverse boards with more conservative, stability-oriented cash policy, Sghaier (2025) finds that concentrated CEO power is associated with elevated acquisition risk, yet neither study, nor the cluster more broadly, tests whether these governance attributes interact, for instance, whether board diversity moderates the CEO-power–risk relationship rather than operating as an independent, additive effect. Treating governance attributes as a bundle of separately estimated main effects, rather than as an interacting configuration, likely understates both the protective and the risk-amplifying potential of governance reform.

Digitalization, Artificial Intelligence, and Technological Disruption

The newest and fastest-growing cluster examines how digital transformation and artificial intelligence reshape financial decision-making itself. Lin et al. (2026) find that AI adoption improves firm investment efficiency by mitigating information asymmetry in capital-allocation decisions; Kim et al. (2026) examine generative AI's role in strategic decision-making for public research-and-development review processes, documenting a “maturity–expectation gap” between what generative tools promise and what institutional decision processes can currently absorb; and Liu et al. (2026) show that digital institutional reform reduces financial distress by improving the informational environment surrounding financing decisions in China. Complementary studies link digital transformation to reduced stock-price crash risk via improved financing and operational efficiency (Liang et al., 2025), examine cybersecurity risk as a novel source of “corporate maturity mismatch” between digital exposure and risk-management capacity (Wang et al., 2026), and apply machine learning to financial bubble detection in emerging equity markets (Srishty & Navas, 2025) and to comparative fare-evasion risk modeling (Barabino & Ventura, 2026). Abhishek et al. (2026) and Gulati et al. (2026) situate these firm-level developments within a broader “Finance 5.0” and digital-accounting transformation narrative, arguing that decision-support infrastructure itself is becoming a determinant of, rather than merely a tool for, financial sustainability.

Critical evaluation. This literature is conceptually exciting but empirically premature. Most studies rely on short post-adoption windows, proxy AI/digitalization exposure using disclosure-based text measures of uncertain validity, and, with the partial exception of Kim et al. (2026), rarely theorize why algorithmic decision support should outperform, complement, or distort the human judgment documented in Section 4.2. The cybersecurity-risk findings of Wang et al. (2026) are particularly notable for identifying a genuinely new sustainability threat vector (digital exposure outpacing risk-management maturity) that existing frameworks, including this review's own Table 1, do not yet formally incorporate, an acknowledged boundary of current theorizing rather than a settled finding. It is also notable that this cluster is almost entirely disconnected from the behavioral stream reviewed in Section 4.2: studies of AI-assisted investment efficiency (Lin et al., 2026) do not engage with the extensive evidence on managerial overconfidence and cognitive bias that would predict *how* managers actually respond to algorithmic recommendations, whether by deferring to them, discounting them, or selectively invoking them to justify decisions already made on other grounds. Until these two streams are brought into direct empirical contact, claims that digitalization straightforwardly “improves” decision quality remain only partially tested.



Institutional, Sectoral, and Crisis-Context Decision-Making

A final cluster situates decision-making within specific institutional and crisis contexts. Public-sector and quasi-public studies examine cost-allocation decisions for medical malpractice claims in Italy (Vainieri et al., 2024), the financial sustainability of the UK's public health sector under demand pressure (Klumpes, 2025), participatory and traditional municipal budgeting (Ramlall & Grobbelaar, 2024; Sinervo et al., 2024), and school-district fiscal-stress accountability (Thompson, 2019), collectively suggesting that “financial sustainability” in public and quasi-public contexts is as much a political-accountability construct as a financial one. Crisis and conflict contexts are represented by a cluster of Ukrainian studies documenting territorial-community finance under wartime disruption (Erastov et al., 2025; Hnydiuk et al., 2024) and auditing challenges under martial law (Oneshko et al., 2024), alongside pandemic-era studies of transportation-sector value-at-risk modeling in Thailand (Likitracharoen & Suwannamalik, 2024) and Magnificent-Seven equity managerial effectiveness (Peprah et al., 2025).

A parallel institutional cluster addresses sustainability-linked finance instruments directly: Vandana and Cerchione (2026) model sustainability-linked trade credit and inventory strategies in supply chains; Ni et al. (2024) link ESG performance to corporate valuation in China; Garcia-Gómez et al. (2026) show that climate vulnerability elevates firms' default risk, moderated by country-level corruption; and Fuster-Navarro et al. (2025) trace the regulatory history of sustainable finance in Europe. Islamic and dual-banking contexts (Najib et al., 2025; Saadaoui & Hamza, 2020) and the effects of economic policy uncertainty on bank competition and stability (Desalegn et al., 2023) round out this cluster, illustrating that financial sustainability decisions cannot be fully understood independently of the regulatory and monetary regime in which they occur.

Critical evaluation. This cluster is the corpus's most geographically and institutionally diverse, yet it is also where a notable research-integrity concern surfaces: one retracted study on Chinese outbound investment appears in the indexed literature search results (Chen et al., 2024), underscoring that even Web of Science-indexed, apparently peer-reviewed sources require active retraction screening rather than uncritical inclusion, a quality-control step too rarely reported in secondary reviews and a limitation this review addresses directly by excluding the retracted study from all substantive claims above. More broadly, the geographic concentration in China, Ukraine, and continental Europe, against thin representation from Latin America and Southeast Asia (outside Malaysia and the Philippines), limits the external validity of any claim to a general theory of institutional decision-making and sustainability. A subtler pattern within this cluster deserves note: crisis-context studies (COVID-19, wartime disruption, economic-policy uncertainty) overwhelmingly treat the crisis as an exogenous shock whose *financial* consequences are then measured, rather than as a context that potentially *changes the decision-making process itself*, for instance, by compressing decision timelines, concentrating authority, or altering managers' risk tolerance in ways that outlast the crisis period. Likitracharoen and Suwannamalik's (2024) value-at-risk modeling of Thailand's transportation sector during COVID-19, for example, documents the financial consequences of the pandemic in granular detail but, in common with most of this cluster, does not examine whether the underlying risk-management *decision process* was itself altered by the crisis in ways that persisted into the recovery period, a distinction between outcome-shock and process-shock that the corpus does not yet systematically draw.

METHODOLOGICAL CRITIQUE

Four methodological weaknesses recur across the appraised corpus and warrant explicit treatment.

Cross-sectional dominance and causal overreach

The majority of quantitative studies in Sections 4.1, 4.3, and 4.5 rely on single-period or short-panel cross-sectional data, yet frequently use causal language (“drives,” “improves,” “reduces”) that the design cannot support. Liu et al. (2026) and Liang et al. (2025) are commendable exceptions that exploit policy-pilot and staggered-adoption designs to approximate quasi-experimental identification; most of the corpus does not follow this standard.



Single-country and single-sector generalization

Sixty-eight of the appraised studies are set in a single country, and a comparable share are set in a single industry (most commonly banking, electricity, transportation, or education). Findings from China's business-environment pilot (Liu et al., 2026) or Pakistan's banking sector (Farooq et al., 2026) are frequently discussed in introductions and conclusions as though generalizable, without the comparative evidence to support that inferential leap.

Measurement inconsistency

As Section 3 established, financial sustainability is operationalized through at least five incommensurable metrics (solvency ratios, EVA, composite health scores, resilience indices, and qualitative governance ratings). This inconsistency is compounded by inconsistent operationalization of the independent decision variables themselves; "risk management decisions," for instance, range from formal value-at-risk modeling (Likitracharoen & Suwannamalik, 2024) to qualitative project-feasibility risk processes (Moorhead et al., 2022), undermining any attempt at meta-analytic synthesis.

Underused designs

Longitudinal panel designs spanning multiple decision cycles, multi-level models that simultaneously capture individual/managerial cognition (Section 4.2) and firm-level outcomes (Section 4.1), and qualitative thick-description studies of decision *processes* (rather than decision *outcomes*) remain rare. Manolopoulos et al.'s (2024) process-based study of strategic decision-making in social enterprises is a notable exception whose methodological approach, tracing decision *dimensions* over time rather than treating decisions as instantaneous binary choices, is under-imitated elsewhere in the corpus.

Table 2. *Research Gaps Identified Through Critical Synthesis*

Gap	Illustrative evidence	Proposed future research direction
1. Definitional fragmentation of "financial sustainability"	Solvency (Altman, 2018), EVA (Aguiar & Gama, 2020), resilience (Klapper & Lusardi, 2020), and composite health scores (Das et al., 2023) used interchangeably	Develop and validate a multi-dimensional, context-adaptable CFS construct with established convergent and discriminant validity
2. Vertical disconnect between individual cognition and firm-level outcomes	Rich individual-level bias evidence (Arora & Kaur, 2024; La Rocca et al., 2020) rarely linked to firm sustainability trajectories	Multi-level studies linking managerial/board cognitive traits to firm-level financing, investment, and payout decisions and their sustainability consequences
3. Under-theorized role of institutional and ownership heterogeneity	Ownership addressed only as a control variable across most governance studies (Section 4.3)	Examine institutional, family, state, and foreign ownership as moderators of the decision-sustainability relationship, rather than as controls
4. Premature theorizing of AI/digital decision support	Short post-adoption windows and disclosure-based proxies (Section 4.4)	Longitudinal, mechanism-based studies of how algorithmic decision support interacts with (rather than replaces) human judgment in sustainability-relevant decisions
5. Weak integration of joint decision-making	Investment, financing, dividend, and risk decisions studied largely in isolation across the corpus	Structural or simultaneous-equation models treating the five decision domains as jointly determined rather than independently estimated
6. Geographic and integrity-screening gaps	Thin representation of Latin America/Southeast Asia; one	Broaden contextual coverage and adopt explicit retraction-screening

	retracted study surfaced in the indexed corpus (Chen et al., 2024)	protocols in future secondary reviews of this literature
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DISCUSSION

The critical synthesis above converges on a single diagnosis: corporate financial sustainability has been studied extensively but not yet studied *as a system*. Each of the five decision domains reviewed in Section 4 has produced internally rigorous but externally disconnected evidence, and each dominant theoretical lens identified in Section 3 illuminates one facet of the phenomenon while leaving others in shadow. Addressing the review's four guiding questions in turn: (1) the field has *not* converged on a coherent CFS construct, and this fragmentation is a primary obstacle to cumulative knowledge, not a benign terminological variation; (2) agency theory, behavioural finance, and, more marginally, the resource-based view dominate, while stakeholder, institutional, upper-echelons, and Islamic-finance perspectives remain under-exploited relative to their evident theoretical fit; (3) the empirical evidence is characterised by cross-sectional causal overreach, single-country/single-sector generalisation, inconsistent measurement, and a documented integrity concern that future reviews must screen for explicitly; and (4) these critiques can be synthesised into the integrative framework proposed below.

Figure 1 depicts a proposed multi-level framework in which corporate financial sustainability is modeled as the joint outcome of five interacting decision domains: investment, financing/capital structure, dividend, risk management, and resource allocation, rather than as any single decision considered in isolation. These decision domains operate on sustainability, partly directly and partly through three mediating mechanisms that recur across Sections 4.1–4.4: financial literacy and managerial cognition (Section 4.2), information transparency and disclosure quality (implicit in Sections 4.1 and 4.5), and intellectual capital utilization (Section 4.1). The strength of this decision–sustainability relationship is proposed to be moderated by three boundary conditions that the critical synthesis identified as under-theorized rather than absent: institutional ownership (Gap 3, Table 2), corporate governance quality, including board diversity (Section 4.3), and digital/AI capability (Section 4.4). Firm size, firm age, industry sector, and leverage/country institutional context are retained as controls consistent with near-universal practice across the appraised corpus.

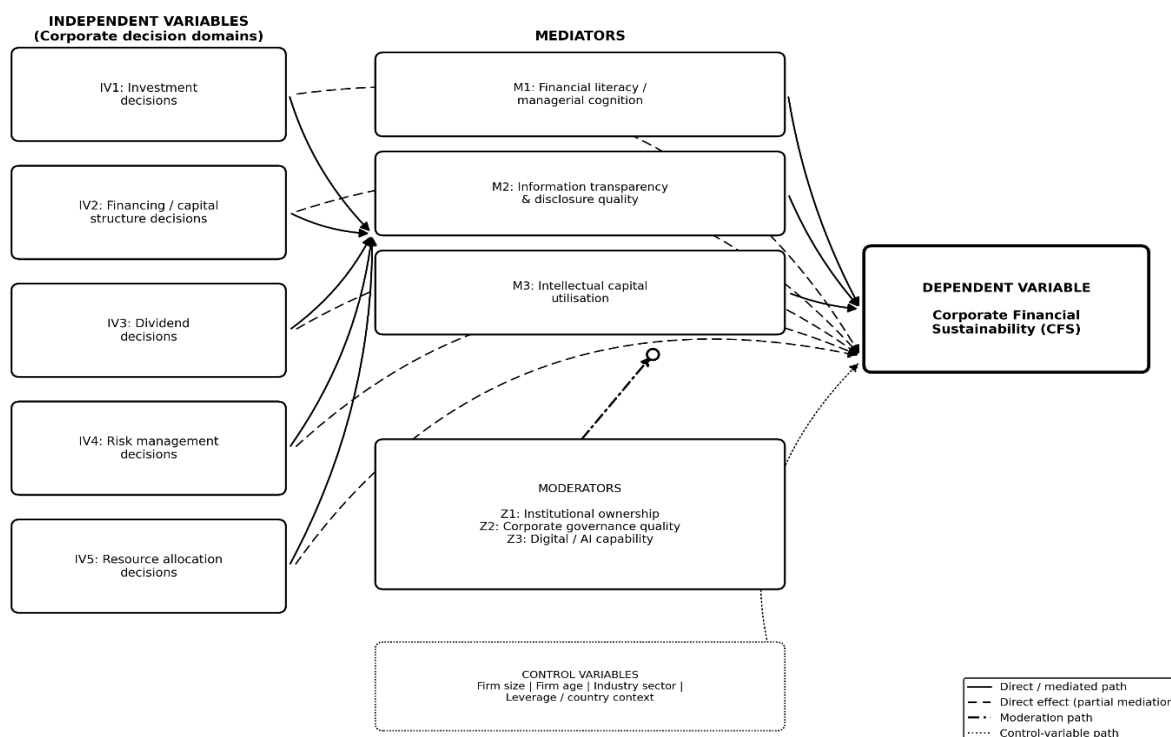


Figure 1. Proposed Integrative Framework Linking Corporate Decision-Making to Corporate Financial Sustainability



Theoretically, this framework does not replace agency theory, behavioral finance, or the resource-based view; it reconceptualizes their relationship by positioning agency-theoretic governance variables as moderators of decision effectiveness, behavioral-finance mechanisms as mediating cognitive pathways, and resource-based intellectual-capital arguments as an additional mediating mechanism operating alongside transparency and literacy. This reconceptualization also creates space, not currently occupied by any single study in the corpus, for institutional theory (Section 3) to explain why decision practices converge across otherwise dissimilar contexts, China's business-environment reform (Liu et al., 2026), Ukraine's wartime municipal finance (Erastov et al., 2025), and Pakistan's banking-sector intellectual-capital strategies (Farooq et al., 2026), even as upper-echelons and stakeholder perspectives explain the residual variation that institutional convergence alone cannot.

Practically, the framework implies that governance reforms (Section 4.3), financial-education interventions (Section 4.2), and digital-decision-support investments (Section 4.4) are unlikely to improve sustainability outcomes in isolation; their effectiveness is contingent on the ownership structure and governance quality within which they are embedded, a contingency the current, largely single-domain literature is not designed to detect. For boards and senior managers, the practical implication is that a sustainability "diagnosis" based on a single ratio or index (Section 4.1) should be treated as a symptom rather than a cause: the more consequential managerial task is auditing the underlying decision portfolio, how investment, financing, dividend, risk, and resource-allocation choices interact, and asking whether governance and ownership structures are configured to support coherent, rather than contradictory, choices across that portfolio. For policymakers and regulators, particularly in the public-sector and crisis contexts reviewed in Section 4.5, the framework suggests that financial-sustainability mandates imposed on public bodies (school districts, municipalities, public health systems) without corresponding attention to the decision-making capacity and governance structures within which those bodies operate are unlikely to succeed regardless of how rigorously the target ratio itself is specified.

CONCLUSION

This review has critically synthesized 110 Web of Science-indexed studies linking corporate decision-making to financial sustainability, organized around five decision domains: analytical/quantitative sustainability measurement, behavioral and cognitive decision-making, governance and ownership, digital and AI-enabled decision support, and institutional/sectoral/crisis-context decision-making. Its central contribution is diagnostic and integrative rather than purely descriptive: it demonstrates that the field's apparent breadth masks a persistent definitional, theoretical, and methodological fragmentation, and it proposes an integrative multi-level framework, linking five decision domains to CFS through financial-literacy, transparency, and intellectual-capital mechanisms, moderated by ownership, governance, and digital capability, as a structure within which future studies can be more cumulatively situated.

Several limitations qualify these conclusions. The review is bounded by a single-database (Web of Science) search restricted to English-language journal articles and reviews, meaning relevant Scopus-indexed, non-English, or grey-literature evidence is not represented; of the 152 records identified after filtering, 110 with complete exportable metadata were retained, introducing a modest data-availability selection effect; and, as with any critical review, the thematic synthesis and theoretical mapping reflect an interpretive judgment that other reviewers applying the same corpus might organize differently.

Five specific, gap-derived directions for future research follow directly from the critiques raised. First, scholars should develop and psychometrically validate a multidimensional CFS construct that reconciles the solvency-, resilience-, and value-based operationalizations documented in Section 3, rather than proposing yet another single-metric proxy. Second, multi-level empirical designs are needed that directly connect individual and managerial cognitive traits (Section 4.2) to firm-level financing, investment, and payout decisions and their downstream sustainability consequences, thereby closing the vertical disconnect identified in Gap 2 (Table 2). Third, ownership heterogeneity, particularly institutional ownership, should be modeled explicitly as a moderator of the decision-sustainability relationship rather than included as a control variable, extending the governance literature reviewed in Section 4.3. Fourth, longitudinal and mechanism-based studies of AI- and



digitally enabled decision support are required to move the literature reviewed in Section 4.4 beyond short post-adoption snapshots toward a genuine understanding of human–algorithm interaction in sustainability-relevant decisions. Fifth, future systematic and critical reviews of this literature should adopt explicit retraction-screening protocols and broaden geographic sourcing beyond the China–Europe–South Asia concentration observed in the present corpus, so that the field’s evidentiary base, and its claims to generalisability, keep pace with its evident theoretical and practical importance.

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