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DOES SUSTAINABILITY RATING REALLY MATTER?

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ABSTRAK

Asia Sustainability Reporting Rating (ASRRAT) memacu adopsi praktik keberlanjutan. Studi komparatif kinerja ekonomi perusahaan dengan dan tanpa rating keberlanjutan masih terbatas. Melalui lensa teori legitimasi, studi ini mengevaluasi kinerja keuangan anggota ASRRAT dan non-anggota. Populasi merupakan perusahaan yang terdaftar di BEI periode 2020-2022. Data keuangan diperoleh dari database Bloomberg. Dengan menggunakan purposive sampling, diperoleh 527 data observasi (122 untuk anggota ASRRAT) yang diuji menggunakan independent sample t-test. Hasil menunjukkan bahwa keanggotaan ASRRAT memengaruhi beberapa metrik keuangan, meskipun dampak terhadap kinerja keseluruhan tidak konsisten. Hal ini menimbulkan pertanyaan kritis mengenai efektivitas ASRRAT dalam mendorong praktik keberlanjutan yang substantif, bukan sekadar mencapai tujuan reputasi. Implikasi praktis penelitian ini mendorong fokus perusahaan pada aksi keberlanjutan terukur yang berdampak finansial, serta mendesak ASRRAT mengembangkan kriteria berbasis hasil yang berkorelasi dengan keuangan.

Kata Kunci: ASRRAT, kinerja perusahaan, keberlanjutan

ABSTRACT

The Asia Sustainability Reporting Rating (ASRRAT) aims to incentivize the adoption of sustainability practices. However, comparative studies on the economic performance of rated versus non-rated companies remain limited. Employing legitimacy theory, this study evaluates the financial performance of ASRRAT members and non-members. The population comprises companies listed on the IDX between 2020 and 2022. Financial data were sourced from the Bloomberg database. Utilizing purposive sampling, 527 firm-year observations were obtained (122 for ASRRAT members) and analyzed using an independent samples t-test. The findings indicate that ASRRAT membership has an influence on certain financial metrics, although its impact on overall financial performance is inconsistent. This raises critical questions regarding the efficacy of ASRRAT in fostering substantive sustainability practices beyond reputational objectives. The practical implications of this research suggest that companies should prioritize measurable sustainability actions with financial impact and that ASRRAT should develop outcome-based criteria correlated with financial performance. Sustainability plays a crucial role in balancing profitability, social well-being, and environmental conservation.

Keywords: ASRRAT, firm performance, sustainability

1. Introduction

Sustainability has become an increasingly critical global issue, with growing recognition that industries must pursue profit while also contributing positively to social welfare (people) and environmental protection (planet). As societal environmental awareness rises, there's a heightened emphasis on corporate responsibility, especially regarding sustainability. This is reflected in heightened environmental awareness among employees and increased sustainability awareness among citizens, both of which are associated with a firm's implementation of sustainability practices (Mansour et al., 2024; Cheng et al., 2023). A recent U.S. survey found that 1,000 consumers expressed willingness to purchase products with social and environmental benefits, underscoring sustainability's importance in shaping consumer behavior (Eltoum et al., 2022).

Despite this growing recognition, integrating sustainability into corporate strategies presents significant challenges, particularly for industries where environmental and social sustainability are prioritized over economic sustainability (Garbie, 2015). Ideally, a sustainable business model would effectively balance these three pillars (economic, social, and environmental), thereby creating long-term positive effects for both the company and society. Addressing sustainability issues holds the potential to mitigate environmental crises, reduce global inequalities, improve the lives of millions living in poverty, and even contribute to reversing the effects of climate change (Tarnovskaya, 2023). The increasing importance of sustainability in corporate strategies has led to the establishment of various initiatives that support and encourage companies to adopt more sustainability practices. For instance, the National Center for Sustainability Reporting (NCSR) launched the Sustainability Reporting Awards (SRA) in 2015, which later evolved into the Asia Sustainability Reporting Rating (ASRRAT) in 2018 (NCCR, 2024).

Environmental, social, and governance (ESG) scores are fundamental tools for assessing a company's *sustainability* and other ethical and social aspects. Due to this challenge, several *rating* agencies provide ESG grades and scores for companies, investors, and stakeholders (González-Pozo et al., 2024). ESG ratings have a greater impact on amplifying positive stock market responses to earnings announcements compared to negative ones (Li et al., 2025). Favorable ESG practices yield benefits when their visibility is enhanced for market participants through rating mechanisms (Economidou et al., 2023). There are several rating agencies, which are, MSCI KLD, MSCI IVA, and ASSET4 (Refinitiv). In contrast to the aforementioned sustainability rating agencies which focus globally, the NCCR employs ASRRAT to assess the quality of corporate sustainability reports. This initiative specifically promotes regional transparency and accountability by considering the unique sustainability context within Asia. The ASRRAT has become a key institutional initiative in fostering sustainability among businesses, providing an incentive for companies to integrate sustainability practices into their operations more seriously. The previous relevant study compared the extent of GRI standard disclosures in the sustainability reports of banks, examining the differences between companies that participate in ASRRAT and those that do not. The result showed that companies participating in ASRRAT have a higher commitment to GRI disclosures than non-participating ASRRAT companies (Ramadhani et al., 2023). Relevant prior research has examined the influence of the audit committee on sustainability reporting disclosure

among companies affiliated with the ASRRAT (Wulandari & Fitrianingsih, 2022). Companies participating in ASRRAT tend to focus on balancing economic and environmental performance (Hermanto, 2021).

However, while such studies have provided valuable insights into the impact of ASRRAT participation, a comprehensive analysis comparing the economic performance of ASRRAT participants and non-participants remains underexplored. Majority of the studies related to sustainability focus on the relationships between ESG performance and financial performance without considering whether the companies are members of a sustainability agency or not (Rojo-Suárez et al., 2024; Paranita et al., 2025; Chau et al., 2025; Raghavendra & Ting, 2023; El Khoury et al., 2023). Therefore, the limited research directly comparing the financial outcomes of companies actively participating in ASRRAT versus their non-participating counterparts warrants further investigation.

This study seeks to fill this gap by investigating whether there are significant differences in economic performance between ASRRAT participants and non-participants. Moreover, it aims to explore the challenges highlighted by Garbie (2015), specifically the concern that industries may be focusing more on environmental and social sustainability than on economic sustainability. The novelty of this study resides in its direct comparative analysis of the economic performance between companies participating in ASRRAT and non-participating companies within the Indonesian context, providing empirical evidence on the financial implications of active engagement in a regional sustainability reporting initiative specific to Indonesia. The urgency of this study arises from the escalating pressure on Indonesian businesses to adopt and disclose sustainable practices, coupled with the imperative for empirical evidence demonstrating the tangible economic benefits or drawbacks associated with active participation in established sustainability reporting frameworks like ASRRAT within Indonesia, thereby informing strategic decision-making for both Indonesian companies and policymakers. As sustainability reporting is known to improve corporate profitability perception and enhance market valuation (Hardiningsih et al., 2024), this research will contribute to a deeper understanding of how sustainability practices, as reflected in ASRRAT participation, influence the economic outcomes of firms and potentially inform the development of effective sustainability regulations.

2. Literature Review and Hypothesis Development

Legitimacy theory posits that a business's ability to operate and access resources depends on its alignment with societal values and expectations. Achieving legitimacy enhances a company's reputation and fosters trust and responsibility, benefiting both the company and society. As societal ideals evolve, companies must continuously adapt to maintain their legitimacy (Martens & Bui, 2023). Corporate disclosure, including sustainability reporting, is a response to external pressures such as economic, social, and political factors. It serves to legitimize the company's actions and is crucial in guiding organizations toward sustainable practices and circular economy models (Mousa et al., 2015; Ibáñez-Forés et al., 2022). In this context, sustainability performance, which refers to a company's actual actions and outcomes related to these environmental, social, and governance aspects, becomes a critical signal of alignment with these evolving societal norms. Beyond its potential to enhance financial performance and shareholder wealth, the

integration of ESG factors also facilitates corporations in achieving their sustainability objectives (Debnath & Chellasamy, 2024). Sustainability performance encompasses not only the outcomes or achievements related to sustainability but also how this performance is measured and communicated (reporting) (Warhurst, 2002). Sustainability reporting provides transparency by disclosing both financial and non-financial information about a company's operations, which impacts its reputation and performance. Effective reporting can enhance financial performance through innovation, operational efficiencies, risk management, and stakeholder engagement (Okon et al., 2021). Several previous studies have revealed that there is a significant relationship between ESG and financial performance (Aydoğmuş et al., 2022; Fu & Li, 2023).

However, some studies indicate that the relationship between financial performance and environmental and social changes can be negative or not statistically significant (Dobre et al., 2015). Economics/financial performance broadly refers to a company's ability to generate profits and manage its assets and liabilities effectively to maximize shareholder value and ensure long-term sustainability. It reflects the overall financial health and success of the organization, indicating how well it utilizes its resources to generate revenue and control costs. Key aspects include profitability (earning relative to revenue/assets/equity, e.g., ROA, ROE), liquidity (meeting short-term obligations, e.g., Current/Quick Ratio), solvency (meeting long-term obligations, e.g., Debt-to-Equity), efficiency (asset utilization for revenue, e.g., Asset Turnover), and market valuation (market perception of value, e.g., Tobin's Q, P/E Ratio) (Anithabose & Gnanaraj, 2022). These interconnected elements indicate a company's financial health and value creation.

The Sustainability Reporting Award (SRA) recognizes companies for their commitment to transparency and sustainable practices. It is often connected with firms' financial performance. According to (Wardhani & Hamidah, 2019), receiving the SRA leads to significant improvements in financial performance, as evidenced by measures such as Return on Assets (ROA) and Tobin's Q. This positive impact is further supported by findings that SRA-winning firms exhibit stronger positive relationships between earnings per share (EPS) and stock price, and between earnings per share change (EPSC) and stock returns, compared to non-winners. However, the value relevance of book value per share (BVPS) is lower for SRA firms (Sutopo et al., 2018).

The Asia Sustainability Reporting Rating (ASRRAT) represents a significant evolution from the prior Sustainability Reporting Awards (SRA), shifting towards a regional approach for evaluating sustainability reporting among Asian companies. Launched by the National Center for Corporate Reporting (NCCR) in 2018, ASRRAT transitioned from a competitive awards system to a comprehensive rating framework, categorizing participants into platinum, gold, silver, and bronze levels based on their reporting quality (NCCR, 2024). This strategic evolution reflects a broader vision: encouraging continuous improvement and recognizing diverse contributions to sustainability. ASRRAT emphasizes transparency and adherence to Global Reporting Initiative (GRI) guidelines, directly aligning with the Sustainable Development Goals (SDGs) and demonstrating how corporate sustainability efforts contribute to broader global objectives.

ASRRAT's roots trace back to 2005 with the launch of the Indonesia Sustainability Reporting Awards (ISRA), designed to promote sustainability reporting among Indonesian companies. The number of participants steadily grew over the years, highlighting increasing recognition of sustainable practices. By 2017, the initiative expanded its influence across Indonesia through the Sustainability Practitioner Conference (SPC). Now, ASRRAT, not only evaluates companies within Indonesia but also includes participants from across Asia, establishing itself as the region's first sustainability report rating system. This expanded scope further reinforces its alignment with the global SDG agenda.

Building upon this theoretical foundation and prior empirical evidence, we propose the following hypothesis companies participating in ASRRAT exhibit superior financial performance compared to non-participating companies.

3. Research Method

This study used quantitative methods, focusing on the financial information of publicly listed firms on the IDX during 2020-2022. The sample was obtained through purposive sampling with the following criteria: 1) firms providing complete information required for the study period, and 2) using rupiah as the currency. The total sample consists of 527 data observations. The data were collected from Bloomberg databases. Data analysis was conducted using an independent sample t-test, with group 1 coded for ASRRAT members, consisting of 122 data observations, and group 2 for non-ASRRAT members, consisting of 405 data observations.

Table 1. Sample Selection

Criteria	Non ASRRAT members	ASRRAT members	Total sample
Firms listed on the Indonesian Exchange during the period (2020-2022)	881x3= 2,517	42x3= 126	881x3= 2,643
Firms not providing complete information required for the study	(2,112)	(4)	(2,116)
Firms not using the rupiah as the currency	-	-	-
Sample each group (data observations)	405	122	527
Total sample (data observations)	527		

The ratio measurements are summarized in Table 2. The selected ratios, chosen for their relevance in evaluating corporate financial performance and sustainability, encompass profitability ratios (e.g., return on assets and return on equity), liquidity ratios (e.g., current ratio), and leverage ratios (e.g., debt-to-equity ratio). However, when assessing the performance of diverse companies within sustainability initiatives like ASRRAT, which includes entities with varying business models and strategic focuses, relying solely on singular profitability metrics such as Return on Assets (ROA) and Return on Equity (ROE) proves insufficient for a comprehensive evaluation. While ROA and ROE offer crucial

insights into asset efficiency and shareholder returns, their scope is limited in capturing the broader nuances of profitability. As detailed by the array of financial ratios presented in Table 2, a richer spectrum of profitability metrics exists, including Gross Profit Margin, Operating Profit Margin, Net Profit Margin, Return on Capital Employed (ROCE), and Return on Invested Capital (ROIC). Each of these ratios provides a distinct perspective on a company's ability to generate profits at various operational and investment levels. Similarly, the analysis extends beyond single measures for liquidity and leverage, with Table 2 outlining the specific ratios examined within these categories, offering a more holistic view of the company's financial standing. These ratios were chosen to provide insights into the financial health and operational efficiency of the firms, as well as their ability to meet sustainability standards as highlighted by ASRRAT.

Table 2. Variables Measurement

No	Variables	Abbreviation	Measurement
	Liquidity		
1.	Current Ratio	CR	Current Assets / Current Liabilities
2.	Quick Ratio	QR	(Cash and Near Cash + Short Term Investments + Account Receivables)/ Current Liabilities
3.	Cash Ratio	CCR	(Cash and Near Cash Items + Marketable Securities & Other Short Term Investment)/ Current Liabilities
	Solvency		
4.	Debt to Asset Ratio	DAR	(Total Debt / Total Assets)*100
5.	Debt to Equity Ratio	DER	(Short and Long Term Debt/Shareholder Equity) *100
6.	Time Interest Earned Ratio	TIER	EBIT / Interest Expense
7.	Debt to Capital Ratio	DCR	(Total Debt / (Total Debt + Total Capital)) * 100
	Profitability		
8.	Gross Profit Margin	GPM	(Net Sales - COGS)* 100 / Net Sales
9.	Operating Profit Margin	OPM	Operating Income (Losses) / Total Revenue*100
10.	Net Profit Margin	NPM	(Net Income / Revenue) * 100
11.	Return on Asset	ROA	(Trailing 12M Net Income / Average Total Assets) * 100
12.	Return on Equity	ROE	(Trailing 12M Net Income / Average of Current and Prior Period (Common Equity + Preferred Equity)) * 100
13.	Return on Sales	ROS	(EBIT / Revenue) * 100
14.	Return on Capital Employed	ROCE	Earning Before Interest and Tax / Working Capital
15.	Return on Invested Capital	ROIC	100 x (110 x Net operating profit after tax / (average invested capital))

No	Variables	Abbreviation	Measurement
16.	Earning Per Share	EPS	Net Income Available for Common Shareholders Divided by the Basic Weighted Average Shares Outstanding
	Efficiency		
17.	Total Asset Turnover	TAT	Trailing 12M Net Sales / ((Current Total Assets + Total Assets - Prior Year Period) / 2)
18.	Fixed Asset Turnover	FAT	Trailing 12M Net Sales / Average Net Fixed Assets
19.	Cash Conversion Cycle	CCC	Inventory Turnover Days + Accounts Receivable Turnover Days - Accounts Payable Turnover Days
20.	Working Capital Turnover Ratio	WCTR	Trailing 12 Month Sales / ((Most Recent Modified Working Capital + Last Period Modified Working Capital) / 2)
21.	Inventory Turnover Ratio	ITR	Trailing 12 Month Cost of Goods Sold or Trailing 12 Month Cost of Materials / Average Inventory
22.	Accounts Receivable Turnover	ATR	Trailing 12-Month Sales / Average Account Receivable
23.	Accounts Payable Turnover	APT	Ending Inventory + Cost of Goods Sold - Beginning Inventory) / Average Accounts Payable
24.	Days Payable Outstanding	DPO	Period Days / Accounts Payable Turnover
25.	Days Sales Outstanding	DSO	Number of Days in the Period / Accounts Receivable Turnover
	Market Valuation		
26.	Firm Size	FS	Total Asset
27.	Tobin's Q Ratio	TQR	(Market Cap + Total Liabilities + Preferred Equity + Minority Interest) / Total Assets
28.	Price Earnings Ratio	PER	Last Price/Basic Earning Per Share
29.	Price to Book Ratio	PBR	Last Price / Book Value Per Share

The mathematical formulation for the independent samples t-test commences with the articulation of the null and alternative hypotheses concerning the population means of the two independent groups under investigation. The null hypothesis (H0) posits the absence of a statistically significant difference between the population mean of the financial metric for ASRRAT member companies (μASRRAT) and the population mean of the financial metric for non-ASRRAT member companies (μNon−ASRRAT), formally stated as:

H0: μASRRAT= μNon−ASRRAT

H1:μASRRAT≠μNon−ASRRAT

Conversely, the alternative hypothesis (H1) asserts the existence of a statistically significant difference between these two population means, expressed as: Given that the direction of the potential difference is not specified a priori, this constitutes a two-tailed test. The decision regarding the rejection of the null hypothesis hinges on the evaluation of the corresponding p-value. The p-value represents the probability of observing a test statistic as extreme as, or more extreme than, the obtained value, assuming the null hypothesis is true. The decision rule for rejecting the null hypothesis is as follows:
Reject H_0 if p-value$\leq\alpha$, where α represents the pre-determined significance level.
The notation for *p*-values often employs asterisks to denote varying levels of statistical significance:

$p<0.01***$ indicates a result significant at the 1% level.

$p<0.05**$ indicates a result significant at the 5% level.

$p<0.10*$ indicates a result significant at the 10% level.

4. Results and Discussion

The subsequent section presents the descriptive statistics of the key variables employed in this study, providing an initial overview of their central tendencies and dispersion within the sample. The mean values reveal the average levels observed for each metric over the study period. For instance, TQR exhibits a mean of 1.48, suggesting an average market valuation modestly above the book value of assets for the sampled firms. Profitability ratios, such as ROA and ROE, display mean values of 7.21% and 13.73%, respectively, indicating the average profitability levels achieved by the firms.

The wide ranges observed between the minimum and maximum values for several variables, particularly PER, EPS, and FS, highlight substantial heterogeneity within the sample. Similarly, the standard deviation values, which quantify the dispersion around the mean, are notably large for variables like EPS and FS, further underscoring the variability in firm characteristics and financial performance within the dataset. The median values, representing the midpoint of the data distribution, often differ from the means, suggesting potential skewness in the distribution of certain variables. For example, the median PER (6.31) is considerably lower than the mean (91.10), indicating a positive skew, where a few very high values pull the average upwards. Overall, this descriptive analysis provides a foundational understanding of the central tendencies and the extent of variation present in the key variables that will be further explored in subsequent inferential analyses.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Median	Std. Dev.
TQR	527	0.00	14.41	1.48	1.04	1.45
PER	527	-59.97	2,560.00	91.10	6.31	411.95
PBR	527	0.00	6.73	1.06	0.77	1.24
DAR	527	0.00	83.58	22.25	21.13	16.82
DER	527	0.00	1,233.83	59.09	39.36	82.10
TIER	527	-4.26	237.26	10.92	3.09	29.76
DCR	527	0.00	92.50	28.98	28.24	20.59

Variable	N	Minimum	Maximum	Mean	Median	Std. Dev.
CR	527	0.00	4.88	1.24	1.19	1.00
QR	527	0.00	4.17	0.75	0.61	0.84
CCR	527	0.00	3.88	0.53	0.34	0.69
GPM	527	0.00	84.03	27.59	24.15	17.92
OPM	527	-40.39	83.80	16.12	12.51	14.14
NPM	527	-90.94	58.91	10.40	7.90	11.60
ROA	527	-9.60	71.69	7.21	4.54	9.27
ROE	527	-20.16	140.20	13.73	9.50	17.58
ROS	527	-40.39	68.70	14.55	11.54	12.89
ROCE	527	-14.19	121.86	1.32	0.36	8.23
ROIC	527	-5.06	110.52	10.64	7.51	12.90
EPS	527	-2,2489.7	738,472.00	15,745.04	1,020.00	73,860.32
TAT	527	0.04	1.32	0.35	0.31	0.31
FAT	527	0.12	29.60	3.23	1.08	5.21
CCC	527	-277.64	1,507.67	120.76	33.12	292.27
WCTR	527	0.00	131.54	7.34	4.83	11.02
ITR	527	0.00	55.29	6.83	3.48	10.47
ATR	527	0.00	34.52	7.75	6.96	6.85
APT	527	0.00	69.03	8.64	4.53	13.60
DPO	527	0.00	527.78	60.13	35.89	91.40
DSO	527	0.00	280.20	45.77	33.82	53.03
FS*	527	228.00	2,347,283.00	70,534.10	7,620.00	224,800.00

*FS: in billion

The following table presents the comparative analysis of financial ratios between ASRRAT members (Group 1) and non-ASRRAT members (Group 2). The results indicate significant differences in several key financial indicators, suggesting varied performance outcomes between the two groups. These ratios were selected to provide a comprehensive understanding of how sustainability practices, as recognized by ASRRAT, correlate with the financial metrics and operational efficiency of the firms. The detailed findings are summarized in Table 4.

Table 4 presents the performance differences between Group 1 (ASRRAT members) and Group 2 (non-ASRRAT members) across a range of financial ratios. For market valuation, Group 2 shows a higher TQR (1.628) compared to Group 1 (0.986), indicating a more favorable market perception, with the difference being statistically significant (p-value < 0.05). Group 2 also has a higher PER (45.229 vs 29.579), although the difference is not statistically significant (p-value = 0.441), suggesting no clear difference in earnings valuation between the groups. The PBR reveals a statistically significant difference with Group 2 having a higher value (2.509 vs 1.178), pointing to better market valuation relative to book value for non-ASRRAT members.

Table 4. Independent Sample T-test

Ratio	Mean Group 1 (n= 122)	Mean Group 2 (n= 405)	Variance	p-value
TQR	0.986	1.628	Heterogen	0.000***
PER	29.579	45.229	Homogen	0.441
PBR	1.178	2.509	Heterogen	0.000***
DAR	26.789	20.886	Homogen	0.001***
DER	94.465	48.308	Heterogen	0.000***
TIER	21.460	44.598	Heterogen	0.005***
DCR	38.469	26.123	Homogen	0.000***
CR	1.490	2.421	Heterogen	0.000***
QR	0.936	1.400	Heterogen	0.000***
CCR	0.678	0.854	Heterogen	0.054*
GPM	24.378	28.558	Homogen	0.024**
OPM	19.986	14.953	Heterogen	0.004***
NPM	11.032	10.210	Heterogen	0.583
ROA	4.501	8.203	Heterogen	0.000***
ROE	9.683	14.949	Heterogen	0.001***
ROS	13.227	14.953	Homogen	0.195
ROCE	3.037	0.804	Heterogen	0.131
ROIC	6.793	11.794	Heterogen	0.000***
EPS	1461.709	207.975	Heterogen	0.029**
TAT	0.425	1.100	Heterogen	0.000***
FAT	2.846	8.705	Heterogen	0.000***
CCC	104.316	107.700	Heterogen	0.892
WCTR	5.965	7.753	Homogen	0.116
ITR	7.487	17.249	Heterogen	0.001***
ATR	10.395	15.593	Heterogen	0.011**
APT	9.456	20.053	Homogen	0.065*
DPO	61.980	51.664	Heterogen	0.230
DSO	52.698	37.460	Heterogen	0.950
FS	2.5204	1.5858	Heterogen	0.000***

Description: Group 1: ASRRAT Members. Group 2: ASRRAT Nonmembers

Regarding profitability, Group 2 shows superior performance in several key ratios. TIER for Group 2 (44.598 vs 21.460) suggests a stronger ability to cover interest expenses, and the difference is statistically significant (p-value = 0.005). GPM is higher for Group 2 (28.558% vs 24.378%), indicating greater profitability and operational efficiency, with this difference being statistically significant (p-value = 0.024). However, OPM is higher for Group 1 (19.986% vs 14.953%), indicating better operational profitability for ASRRAT members, and this difference is statistically significant (p-value = 0.004). NPM does not show a significant difference (p-value = 0.583), as Group 1 has a slightly higher average (11.032% vs 10.210%).

In terms of return on assets, Group 2 significantly outperforms Group 1 with ROA of 8.203% compared to 4.501% (p-value = 0.000). Similarly, the ROE is higher for Group 2

(14.949% vs 9.683%), reflecting better returns on equity, and this difference is statistically significant (p-value = 0.001). ROIC is also significantly higher for Group 2 (11.794% vs 6.793%), indicating that non-ASRRAT members generate higher returns from their investments (p-value = 0.000). ROS for Group 1 is 13.227% and for Group 2 is 14.953%, but the difference is not statistically significant (p-value = 0.195). ROCE for Group 1 is 3.037% and for Group 2 is 0.804%, and this difference is not statistically significant (p-value = 0.131).

In terms of efficiency, Group 2 shows superior performance in asset utilization. TAT (1.100 vs 0.425) and FAT (8.705 vs 2.846) are significantly higher for Group 2, reflecting better efficiency in generating revenue from assets (p-value < 0.05). ITR (17.249 vs 7.487) and ATR (15.593 vs 10.395) also suggest that non-ASRRAT members are more effective in managing inventory and receivables, with both differences being statistically significant (p-value = 0.001 for ITR, 0.011 for ATR). However, there is no significant difference in DPO (61.980 vs 51.664, p-value = 0.230) and DSO (52.698 vs 37.460, p-value = 0.950), suggesting similar payment and collection practices between the groups.

CCC for Group 1 is 104.316 and for Group 2 is 107.700, and there is no statistically significant difference (p-value = 0.892). WCTR for Group 1 is 5.965 and for Group 2 is 7.753, and there is no statistically significant difference (p-value = 0.116). PT for Group 2 is higher (20.053 vs 9.456), and this difference is statistically significant at the 10% level (p-value = 0.065). Finally, in terms of firm size (FS), Group 1 is significantly larger on average (2.5204 vs 1.5858), suggesting that ASRRAT members tend to be larger than non-ASRRAT members (p-value = 0.000).

Overall, the results indicate that non-ASRRAT members generally outperform ASRRAT members in terms of liquidity, market valuation, and several key profitability and asset utilization efficiency measures. However, ASRRAT members demonstrate strength in OPM. ASRRAT members are larger in size and rely more heavily on debt, which may impact their financial leverage ratios. While ASRRAT membership appears to align with positive market perceptions in some aspects, it does not consistently translate into superior financial performance across all metrics, and in many areas, non-ASRRAT members demonstrate stronger performance.

Numerous studies have indicated that the implementation of sustainability practices significantly increases financial performance across various key metrics (Velte, 2017; Naeem & Çankaya, 2022; Rahi et al., 2022; Siwiec & Karkowska, 2024). The study results show a significant difference with ASRRAT member companies demonstrating higher values across various financial metrics compared to non-ASRRAT members. Particularly in profitability measures such as GPM and OPM. These metrics highlight the financial advantages associated with a commitment to sustainability practices. Shareholders, investors, creditors, governments, and other stakeholders expect firms to prioritize sustainability, and when they do, the market often rewards them (Aydoğmuş et al., 2022).

DAR and DCR ratios are higher for ASRRAT member companies, indicating a greater reliance on debt compared to equity or capital. This finding contrasts with those of Asimakopoulos et al. (2023), who observed that companies with ESG ratings tend to reduce their leverage (debt-to-asset or debt-to-capital ratios) to lower levels. However, it is important to note that non-ASRRAT companies may also hold ESG ratings, though

ASRRAT membership actively encourages companies to more thoroughly evaluate and integrate sustainability factors into their strategies. Additionally, ASRRAT member companies are generally larger than non-ASRRAT companies, which may be due to the tendency of larger firms to disclose more sustainability-related information in their reports or communications (Made et al., 2020). While non-ASRRAT companies may also commit to sustainability, ASRRAT provides a stronger impetus for structured and documented sustainability evaluation and management. ASRRAT, as an ESG rating institution, provides a concise evaluation that enables investors to incorporate environmental, social, and governance factors into their decisions, thereby guiding the ESG movement and shaping its objectives (Engert. 2024).

TQR is significantly lower for companies participating in ASRRAT, likely due to the substantial costs associated with implementing sustainability initiatives. While these expenses may enhance long-term reputation, they can impact short-term profitability, thereby reducing the ratio of market value to assets. This result is mirrored across other financial performance metrics, including the time interest earned ratio, current ratio, quick ratio, ROA, ROE, ROI, earnings per share, total asset turnover, fixed asset turnover, inventory turnover, and accounts receivable turnover. These findings align with prior research indicating no consistent evidence that prioritizing ESG considerations leads to superior financial performance (Simoudis, 2023). This suggests that while ASRRAT membership may reinforce a company's commitment to sustainability, it does not necessarily equate to immediate financial gains, underscoring the complexity of balancing ESG investment with financial outcomes.

The difference in the PER between ASRRAT members and non-members does not reach statistical significance. This finding suggests that ASRRAT members have not yet demonstrated a substantial competitive advantage in terms of market value compared to non-members, with their average ratio even being lower than that of non-members. Generally, the P/E ratio increases as investor sentiment improves, based on expectations of high earnings, which are influenced by positive profit performance (Rahman & Shamsuddin, 2019). The P/E ratio is based on a company's earnings, but it does not always predict the sustainability of those earnings (Janudin et al., 2023). A company may be undervalued by the market despite having strong growth potential, especially if the market doubts the company's prospects. However, if the company successfully demonstrates a solid growth plan, its valuation could increase in the future.

This finding also raises an alternative possibility: the investor outlook on the financial performance of ASRRAT member companies may not yet reach an optimal level of confidence. This could reflect investor skepticism regarding the added value of integrating sustainability principles into company strategies, as opposed to focusing on more measurable and immediate short-term financial performance. Investors may still question whether a commitment to sustainability will truly yield positive long-term impacts or merely add costs that affect current profitability. Investors from countries with limited SDG progress tend to invest more in non-sustainable companies, while investors from more developed nations are more inclined to invest in sustainable companies (Zanten & Rein, 2023). The study of Roque (2024) set in the developed country of Portugal, shows that companies publishing non-financial information through ratings tend to attract more

investor interest. Given that this research was conducted in Indonesia, a developing country, this factor may contribute to the results obtained. Investors in Indonesia are generally still limited in their appreciation of sustainability, meaning that improvements in sustainability performance do not necessarily increase company value (Suryaputra et al., 2024; Ainy et al., 2024; Putri & Halimatusyadiah, 2024). Companies must understand the sustainability performance that aligns with stakeholder interests and proactively communicate it so that investors can appreciate these aspects.

Furthermore. the P/E ratio can be influenced by various macroeconomic factors, including interest rates (Freihat, 2019). Political conditions and government policies also play a significant role in determining company valuation in the market (Taubah et al., 2024). For instance, strict environmental regulations may increase operational costs for companies, particularly in the industrial and energy sectors, thus exerting downward pressure on the P/E ratio.

The NPM of companies participating in ASRRAT is higher than that of non-ASRRAT companies, although the difference is not significant. This finding suggests that focusing on sustainability may enhance efficiency and company reputation. However, this result might not be sufficient to generate a significant difference in profitability. The sustainability factor potentially brings long-term benefits, but its impact on profit margins may require time to manifest in financial performance.

This finding aligns with previous research documenting a positive, though not statistically significant, influence of sustainability reporting on NPM (Tonye, 2022). Other studies have indicated a close relationship between NPM and ESG performance (Priyanto & Suhandi, 2023), Ademi & Klungseth (2022) revealed that ESG ratings positively influence ROCE, while Pham et al, (2021) noted that higher sustainability growth and CSR disclosures contribute to improved ROCE. However, this study finds that although ROCE is higher among companies participating in ASRRAT compared to non-ASRRAT companies, the difference is not statistically significant. Ameer & Othman (2012) found that several sectors experienced higher average sales growth in companies employing sustainability practices compared to those that do not. Nevertheless, this study could not corroborate their findings.

Two ratios regarding cash, which are cash ratio and cash conversion, are interesting to be discussed in this study. The lower cash ratio of companies participating in ASRRAT may be caused by a focus on long-term sustainability investment, which reduces cash allowance. Meanwhile, non-members of ASRRAT tend to save more cash because they are not involved in similar investments. Even though, the difference is not significant. This is experienced in cash conversion, in which ASRRAT members tend to extend the cash cycle, enabled by sustainable investment. Companies with good ESG performance generally have easier access to the resources of external funding which could decrease the dependency on cash flow to fund investment. Consequently, this company may not need a very high cash reserve because they have payment options other than cash (Anri & Utama, 2024). Working capital and account payable turnover in both groups do not exacerbate the significant difference, though the ratio in ASRRAT members is likely smaller. This indicates that companies participating in ASRRAT are more selective in managing their working capital and accounts payable. The previous study has documented that companies

with higher ESG scores have the need for lower working capital and shorter cash conversion cycles (Barros et al., 2022).

Consequently, this company may not need a very high cash reserve because they have payment options other than cash (Anri & Utama, 2024). Working capital and accounts payable turnover in both groups do not exacerbate the significant difference. Though the ratio for ASRRAT members is likely smaller. This indicates that companies participating in ASRRAT are more selective in managing their working capital and accounts payable. Previous studies have documented that companies with higher ESG scores require lower working capital and have a shorter cash conversion cycle (Barros et al., 2022).

Both Days Payable Outstanding and Days Sales Outstanding of companies participating in ASRRAT are higher than those of non-ASRRAT members, though the difference is not statistically significant. This may be because ASRRAT companies focus more on sustainability practices, which could impact their cash flow cycles and payment terms. ASRRAT companies focusing on sustainability may engage in partnerships with environmentally or socially responsible suppliers, who may have more flexible payment terms as part of a collaborative approach. These suppliers might allow extended payment terms, leading to a higher DPO as ASRRAT companies manage cash flow to allocate resources toward sustainable practices. Companies committed to sustainability may offer longer payment periods to clients or customers, especially if they are smaller, mission-aligned businesses, to support their sustainability goals. This extended credit term raises DSO as payments are collected over a longer period.

The findings of this study, revealing a nuanced and often contrasting financial performance between ASRRAT members and their non-member counterparts, carry significant implications across theoretical, practical, and policy domains. While the intuitive expectation might be that embracing sustainability, as signified by ASRRAT membership, directly translates to superior financial outcomes, our analysis presents a more complex reality. Practically, these findings offer crucial insights for corporate managers. The outperformance of non-ASRRAT members in several key financial areas, particularly liquidity and overall profitability, necessitates a cautious approach to sustainability adoption. While the positive signals in GPM and OPM for ASRRAT members suggest potential operational advantages, companies considering ASRRAT membership must be acutely aware of the potential short-term financial trade-offs. The higher debt levels also demand careful financial management to avoid jeopardizing long-term stability. The lower market valuation metrics indicate a need for ASRRAT members to effectively communicate the long-term value-creation potential of their sustainability initiatives to investors, moving beyond mere reporting to demonstrating tangible financial benefits and risk mitigation. The larger size of ASRRAT members suggests that the resources required for robust sustainability reporting and implementation might be a barrier for smaller firms.

From a policy standpoint, these findings underscore the limitations of relying solely on voluntary reporting frameworks to incentivize corporate sustainability. While ASRRAT demonstrably encourages enhanced disclosure and may influence certain facets of profitability, it does not ensure universally superior financial performance. This suggests that policymakers in Indonesia and comparable developing economies should promote

sustainability through a multifaceted approach encompassing voluntary frameworks such as ASRRAT, complemented by more direct regulatory incentives or mandates for specific sustainability practices or disclosures. The lower market valuation of ASRRAT members, despite their commitment to sustainability, indicates that the Indonesian market may not yet fully appreciate or comprehend the long-term benefits of ESG, thereby necessitating policies that enhance investor awareness and understanding of sustainability risks and opportunities. Policies aimed at fostering a more developed and ESG-conscious investment landscape could serve to bridge the gap between sustainability initiatives and market valuation. The higher leverage observed in ASRRAT members may also warrant regulatory scrutiny to ensure that the pursuit of sustainability does not precipitate systemic financial risks. Ultimately, policymakers need to cultivate an environment wherein sustainability is not merely a cost of business but a driver of long-term value creation, supported by both market mechanisms and regulatory frameworks.

5. Conclusion. Implications, and Limitations

The observed differences in financial ratios between firms adhering to a structured sustainability rating framework and those that do not offer initial insights into the potential financial implications of such engagement. While firms not participating in these frameworks appear to exhibit stronger liquidity, overall profitability, and asset efficiency, a positive correlation emerges between adherence and specific profitability metrics like GPM, suggesting a potential link between a sustainability focus and certain aspects of operational profitability. However, the concurrent higher reliance on debt among participating firms warrants consideration regarding its potential impact on their long-term financial resilience. These initial findings highlight a complex relationship between financial performance and adherence to a sustainability rating framework. In this context, ASRRAT serves as one such structured framework, and further analysis will delve into its specific role and impact on the financial performance of participating firms.

The study implicates that the adoption of structured sustainability reporting frameworks like ASRRAT presents a complex interplay with immediate financial outcomes, suggesting that the benefits of enhanced stakeholder trust and operational efficiencies associated with sustainability may not always manifest as short-term financial gains and can potentially coincide with increased financial leverage. The firms considering ASRRAT membership should focus on managing the long-term costs of sustainability initiatives while leveraging the benefits of structured ESG evaluations. Furthermore, ASRRAT members might seek to balance their reliance on debt with a more sustainable capital structure to enhance their financial stability.

This study’s primary limitation is its focus on short-term financial indicators, potentially overlooking the comprehensive and long-term value creation from sustainability practices, such as enhanced reputation and reduced risks, not fully captured by immediate ratios. Future research should longitudinally examine ASRRAT members' evolving financial and non-financial performance using a broader set of ESG indicators (environmental, social, governance) to better understand the long-term value generated across various aspects of company performance (e.g., innovation, satisfaction, loyalty).

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