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# The Impact of Sustainable Finance on Non-Profit Organizations with a Hybrid Funding and Social Innovation Approach in West Java

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**Abstract**

*This study aims to analyze the impact of sustainable finance on non-profit organizations in West Java using a hybrid funding and social innovation approach. Sustainable finance, which involves the efficient and responsible management of resources, plays a crucial role in ensuring the operational sustainability of non-profit organizations. The hybrid funding approach, combining funds from various sources such as donations, social investments, and public sector financing, is expected to enhance the financial resilience of non-profits. Additionally, social innovation, as a key element in non-profit sustainability strategies, can strengthen the social impact generated. The research method employed is quantitative with a survey approach. Data were collected through questionnaires distributed to managers of non-profit organizations in West Java that utilize a hybrid funding model. Data analysis was conducted using linear regression to measure the influence of sustainable finance variables on the performance of non-profit organizations, considering the role of social innovation as a moderating variable. The results of the study are expected to provide insights into the effectiveness of hybrid funding in creating financial and social sustainability for non-profit organizations, as well as highlight the importance of social innovation in supporting the achievement of broader social goals. These findings are also expected to offer recommendations for non-profit organizations in West Java in designing more effective and innovative sustainable financial strategies.*

**Key words: Sustainable finance, Non-profit organizations, Hybrid funding, Social innovation.**



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## INTRODUCTION

Non-profit organizations play a vital role in society, particularly in providing various social services that support community welfare. Non-profit organizations, also known as not for profit institutions, aim to improve societal well-being rather than generate financial profit (Rahmatika & Fitriyah, 2021). However, one of the greatest challenges these organizations face is financial sustainability. Success in fulfilling their social mission heavily depends on the stability and continuity of the funds they manage. Therefore, sustainable financial management is crucial for non-profit organizations to operate effectively and deliver significant social impact. The transformation of the financial system has been considered a promising pathway to ensure a consistent flow of finance aligned with low-carbon and climate-resilient development. An essential first step in achieving this is the development of a sustainable finance roadmap (Setyowati, 2023).

Sustainable finance refers to the practice of resource management that not only focuses on financial aspects but also considers broader social and environmental impacts. Sustainable finance has emerged as an important concept at the convergence of finance and sustainable development goals (Musleh Al-Sartawi, Hussainey, & Razzaque, 2022). In the context of non-profit organizations, sustainable finance can involve various funding models that enable organizations to diversify their income streams beyond donations. One emerging approach in the financial management of non-profit organizations is hybrid funding, which combines funds from public, private, and community sectors to create a more stable and sustainable resource base. Hybrid funding represents a mix of different types of funds that can be tailored to the needs and situations of investors (Maheswari & P. Raghunadha, 2022).

Social innovation also plays a crucial role in the sustainability of non-profit organizations. Social innovation refers to the development and implementation of innovative concepts, methods, and techniques to address social and environmental challenges (Lasaksi, Andriani, & Rosita, 2023). It represents a new way of fostering social change to meet human needs more effectively, efficiently, and sustainably (Firdaus, 2024). Social innovation involves the creation of ideas, products, or services that not only provide solutions to social issues but also establish sustainable and profitable business models for the organization. Beyond the government and business sectors, social innovation involves civil society actors to create broader and more sustainable impacts (Arumsari, Sunyoto, Rahayu, & Winarno, 2025). Social innovation can become a key driver in creating a wider and more sustainable social impact, which in turn enhances donor and investor trust in the organization.


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In West Java, where many non-profit organizations focus on various social sectors such as education, health, and economic empowerment, it is crucial to explore how hybrid funding and social innovation approaches can be applied to enhance the sustainability of these organizations. However, despite the growing popularity of these concepts, there remains a limited body of research examining their impact on the performance of non-profit organizations in this region. This study aims to fill that gap by analyzing the impact of sustainable finance reflected through the implementation of hybrid funding and social innovation on the performance of non-profit organizations in West Java. Using a quantitative approach, this research is expected to provide empirical evidence on the effectiveness of sustainable finance models in enhancing the resilience and social impact of non-profit organizations, as well as offer recommendations for these organizations in formulating more efficient and innovative financial strategies.

## METHODOLOGY

This study employs a quantitative approach using a survey method to analyze the impact of sustainable finance on the performance of non-profit organizations in West Java. Data collection was conducted through the distribution of questionnaires developed based on indicators relevant to sustainable finance, hybrid funding, social innovation, and non-profit organizational performance. The respondents of this study are managers of non-profit organizations that implement hybrid funding models across various social sectors in West Java. The collected data were then analyzed using multiple linear regression analysis to measure the impact of sustainable finance on organizational performance, taking into account the moderating role of social innovation.

This study also conducted validity and reliability tests on the instruments to ensure that the data obtained were valid and reliable. Therefore, the results of this research are expected to provide a clear picture of the factors influencing the sustainability of non-profit organizations in West Java and offer practical recommendations regarding the application of sustainable funding models and effective social innovation.

## RESEARCH AND RESULTS

The following are the results of the regression analysis conducted to examine the impact of sustainable finance on non-profit organizations using a hybrid funding and social innovation approach in West Java:


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**Table 1. Summary Model**

| Summary Model | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .915[a] | .837 | .826 | .603 |
| a. Predictors: (Constant), Inovasi_Sosial, Hybrid_Funding, Sustainable Finance | | | | |

Based on the output results in the table above, it is known that R Square is 0.837. This shows that the performance of the institution is influenced by social innovation, hybrid funding and sustainable finance by 83.7% and the rest is influenced by other factors.

**Table 2. Anova**

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 85.793 | 3 | 28.598 | 78.741 | .000[b] |
| | Residual | 16.707 | 46 | .363 | | |
| | Total | 102.500 | 49 | | | |
| a. Dependent Variable: Institutional Performance | | | | | | |
| b.Predictors: (Constant), Inovasi_Sosial, Hybrid_Funding, Sustainable Finance | | | | | | |

Based on the output results in the table above, the significance value obtained is 0.000. This shows that 0.000 <0.05, meaning that social innovation, hybrid funding and sustainable finance have a significant effect on institutional performance.

**Table 3. Coefficients**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .138 | .242 | | .571 | .571 |
| | Sustainable Finance | .284 | .123 | .292 | 2.311 | .025 |



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| | | | | | | |
|---|---|---|---|---|---|---|
| | Hybrid_Funding | .247 | .110 | .223 | 2.255 | .029 |
| | Social_Innovation | .460 | .097 | .479 | 4.719 | .000 |
| a. Dependent Variable: Institutional Performance | | | | | | |

Based on the output results in the table above, the significance values for each variable are 0.025, 0.029, and 0.000. This indicates that 0.025, 0.029, and 0.000 are less than 0.05, meaning that sustainable finance has a significant effect on organizational performance, hybrid funding has a significant effect on organizational performance, and social innovation also has a significant effect on organizational performance.

**DISCUSSION**

The analysis results show that organizational performance is influenced by social innovation, hybrid funding, and sustainable finance by 83.7%, with the remaining percentage influenced by other factors. The analysis also indicates that social innovation, hybrid funding, and sustainable finance have a significant impact on organizational performance. Specifically, sustainable finance demonstrates a significant positive impact on the performance of non-profit organizations. Sustainable finance, reflected through the efficient and responsible management of funds, including diversified and well-managed funding, enables organizations to maintain stable resources to carry out their social missions. Sustainable finance is described as finance that integrates non-financial factors into financial decision-making (Ziolo, Bak, & Cheba, 2021). Organizations capable of sustainably managing their funds tend to have a greater capacity to implement long-term impactful programs, which in turn enhances their operational performance and sustainability. High environmental performance fosters highly sustainable financial performance (Feng, Akram, Hieu, & Tien, 2022).

This is consistent with the concept of sustainable finance, which not only addresses short-term financial needs but also emphasizes long-term strategies to ensure the continuity and effectiveness of programs. It is important to adopt an objective stance towards the incentives, costs, and benefits associated with sustainable finance (Starks, 2023). Non-profit organizations that implement sustainable finance principles can minimize dependency on unstable funding sources, such as fluctuating donations, and create sustainability within their social programs. Previous research has indicated that they must play a key role in promoting sustainable finance through capacity development, establishing regulatory frameworks, encouraging green loans and products, and incorporating climate change considerations into their monetary and financial


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policy mandates (Durrani & Volz, 2020).

The hybrid funding approach, which combines various funding sources, also proves to have a positive influence on the performance of non-profit organizations. Hybrid funding, also known as balanced funds, aims to balance equity and debt instruments, combining capital appreciation and income generation (Surya & Venkateswarlu, 2023). Organizations utilizing the hybrid funding model are able to access more resources from public, private, and community sectors. This diversification of funding sources enhances the flexibility of non-profits in planning and implementing their programs. The hybrid funding model enables non-profit organizations to access a broader range of resources and increase their flexibility and resilience. This funding diversity not only supports more effective planning and implementation of programs but also strengthens the alignment between financial strategies and mission-oriented goals (Sparviero, 2020).

Non-profit organizations using hybrid funding are better equipped to withstand economic uncertainties because they are not reliant on a single funding source. Many non-profits seek to raise funds from the community to support the execution of well-planned programs. Fundraising activities greatly assist the operations of non-profits (Khaulah & Sekartaji, 2022). Therefore, the hybrid funding model provides greater financial stability, which directly improves the organizations' ability to achieve their social objectives. These findings are consistent with previous studies showing that hybrid funding models improve organizational efficiency by optimizing the use of available resources.

Social innovation acts as a moderating factor in the relationship between sustainable finance, hybrid funding, and organizational performance. The analysis indicates that social innovation strengthens the positive relationship between sustainable finance and organizational performance. Furthermore, collaboration among various stakeholders such as government agencies, community groups, NGOs, and private companies is often a result of social innovation (Moridu et al., 2023). Organizations that develop and implement social innovations are capable of creating more effective solutions to the social issues they face. These innovations not only enhance the social impact produced but also enable organizations to adapt to changing needs and societal challenges. Social innovation offers sustainable solutions to existing social problems and is typically developed and implemented by diverse community groups using top-down or bottom-up approaches (Kumar, Gupta, & Karam, 2019). Previous studies have shown that social innovation movements develop and utilize information technology, foster collaboration among economic actors, and disseminate information via social media. At the government policy level,


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collaboration among organizations is strengthened through the development of collaborative institutional models (Ibrahim, 2022). As social innovation generates processes for creating effective solutions to prevailing problems, it is essential that communities and stakeholders actively participate in its implementation (Apriliani, Wibowo, Mulyana, & Adiansah, 2021).

The findings of this study also indicate that the three variables—sustainable finance, hybrid funding, and social innovation are interconnected and mutually reinforce each other in enhancing the performance of non-profit organizations. Sustainable finance provides a solid foundation for organizations to design and implement more effective programs, while hybrid funding offers greater flexibility in accessing the necessary resources. This is achieved by developing an assessment of the concepts, frameworks, and key standards currently featured in the sustainable finance industry (Migliorelli, 2021). On the other hand, social innovation enhances the effectiveness of resource utilization, ultimately leading to improved organizational performance. A distinctive feature of social innovation is its ability to combine collective interests and public interests (Caramizaru & Uihlein, 2020). Social innovation holds the potential for transformation; however, to achieve this, it must be scalable and capable of triggering changes within governance systems (Bokhari & Myeong, 2022; Castro-Arce & Vanclay, 2020).

## CONCLUSION AND RECOMMENDATIONS

Based on the research findings, it can be concluded that sustainable finance, hybrid funding, and social innovation have a significant positive impact on the performance of non-profit organizations in West Java. Sustainable finance and the hybrid funding model provide financial stability that enables organizations to implement social programs more effectively, while social innovation enhances the resulting social impact. Therefore, non-profit organizations in West Java should consider adopting these approaches in their operational management.

As a recommendation, non-profit organizations are advised to strengthen their capacity in managing sustainable finance, explore the potential of hybrid funding as a more stable source of funding, and develop social innovations that align with community needs. Further research with a larger sample size and additional variables could provide deeper insights into the factors affecting the sustainability of non-profit organizations in Indonesia.

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