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THE ROLE OF PSYCHOLOGICAL CAPITAL IN MODERATING THE EFFECT OF BUDGETARY PARTICIPATION ON LOCAL GOVERNMENT PERFORMANCE

Abstract

This study aims to examine the effect of budgetary participation, organizational commitment, motivation, and budget transparency on local government performance, with psychological capital as a moderating variable. Budgetary participation refers to the involvement of local government employees in the budgeting process, while psychological capital reflects their optimism, resilience, and confidence in decision-making. This analysis was conducted in Central Java, Indonesia, from June to August 2024 using a quantitative approach. A structured survey was conducted by distributing questionnaires to respondents consisting of 250 employees in local work units involved in financial management, policy implementation, and service provision. After being selected based on their professional knowledge and direct involvement in the governance and budgeting process, 221 respondents were considered valid. Strict ethical guidelines were adhered to in order to protect participants and maintain the integrity of the research process. The results show that budget transparency and motivation significantly improve government performance. Thus, both are important in the governance process. Psychological capital strengthens the influence of budgetary participation, organizational commitment, and budget transparency on local government performance. Motivation has a direct and substantial contribution to local government performance without being moderated by employee psychological traits such as optimism and self-confidence. Employees' motivation drives their performance regardless of their psychological capital. This is in contrast to budgetary participation and organizational commitment, which require psychological support to enhance their effects. This study contributes to governance research in highlighting the psychological aspects of budgetary participation, organizational commitment, and transparency.

Keywords

budgetary participation, budget transparency, local government, performance

JEL Classification

H11, H72, H83, M12

INTRODUCTION

The quality of local government governance has often been a priority in public administration research. Governments are required not only to provide basic services but also to utilize resources efficiently and improve public welfare. However, these functions are increasingly facing challenges in decision-making, stakeholder engagement, and performance measurement (Das, 2023). This study examines the scientific issues underlying governance performance as viewed from the perspective of psychological capital and its relationship to budgetary participation, organizational commitment, motivation, and transparency (Ayunda et al., 2024). One of the greatest concerns for municipalities is how to ensure the effective involvement of stakeholders in budgeting. Budgetary participation allows citizens and respective stakeholders to become involved in financial planning and decision-making, resulting in enhanced trust and lower misallocation of resources (Gherghina et

al., 2023). Budget transparency is also a key component of governance, as it enables public scrutiny of fiscal actions, ensures accountability, and enhances trust between governments and citizens (Gabriel & Castillo, 2020).

The second fundamental domain in governance performance is organizational commitment, which reflects employees' affective attachment to their institution. Organizational commitment fosters a motivated and stable workforce that is critical to effective public service delivery (Rojikin et al., 2022). Similarly, motivation, especially intrinsic motivation, is a driver for employees to be productive. This motivation determines an individual's contribution to the goals and objectives of the institution. By facilitating psychological well-being, psychological capital supports the interrelated mechanisms of budgetary participation, organizational commitment, motivation, and budget transparency, thereby improving governance outcomes.

1. LITERATURE REVIEW

Budgetary participation refers to a process in which stakeholders, employees, or community members of an organization are involved in the decision-making, planning, and budget preparation stages (Ilmi & Utami, 2023). Budgetary participation provides an opportunity for the people whose lives are affected by budget decisions to determine priorities and spending of funds (Usman et al., 2024; Anggadini et al., 2021). Through participation and consultation, budgetary participation ensures trust, accountability, and transparency in local government, which are elements of good governance. Involvement in budgeting enhances local government performance by allocating more resources, facilitating improved decision-making, and promoting increased stakeholder participation (Zonatto et al., 2020). Cooperation between local governments and stakeholders in budgeting will bring about a mix of local views and data so that wiser and fairer financial choices can be made. In addition, budgetary participation increases the level of citizen trust in local government. With public participation in budget planning, the government is perceived as transparent and responsive, thereby fostering public trust and satisfaction. According to Gherghina et al. (2023), Tahar and Sofyani (2020) budgetary participation increases legitimacy, transparency, and accountability and thereby improves the effectiveness of local government performance. In addition, budgetary participation is also an efficient measure to improve the efficiency of the local governments (Taylor et al., 2025). Policymakers should give top priority to budgetary participation practices in order to improve governance and foster good relations with

communities.

Organizational commitment refers to the affective bond, commitment, and loyalty of employees toward the organization (Zeyn & Nuraeni, 2023). Organizational commitment is the level of quantitative identification of a person with the values, mission, and goals of an organization and willingness to commit to what is expected to be done (Anggadini et al., 2021; Jatmiko et al., 2020). In local government, organizational commitment is essential to building governance and delivering services. Committed employees typically have high work engagement, tasks, and productivity. However, affective commitment gives individuals a sense of self-confidence that is aligned with organizational goals and motivates employees to contribute positively to achieving governance goals. According to Rojikin et al. (2022) and Bhatti et al. (2022), organizational commitment is a motivation to realize good governance and quality public services, so that public satisfaction with government performance is created. Organizational commitment is the key to realizing good regional governance (Akase et al., 2021). Through commitment and a sense of responsibility, employee capacity can be developed to produce better performance, improve service quality, and maintain good public relations.

Motivation is an intrinsic drive or external stimulus that makes people do, achieve, and complete things efficiently. Motivation is one of the main determinants of performance, behavior, and organizational performance (Rumbi et al., 2021). There are two types of motivation: intrinsic and extrinsic. Intrinsic motivation is motivation that comes

from within and works based on interest, goals, or the need to learn or obtain something. Extrinsic motivation is motivation that comes from outside, such as through rewards, praise, or the threat of punishment (Srijani & Aisyah, 2023). Motivation is an inherent aspect of improving performance in local government, which is as fundamental as the organization's goals. Dedicated workers will be able to demonstrate creativity and resilience as the most valuable resources in solving problems that exist in local government. Intrinsic drivers, such as mission and goal alignment, encourage employees to go beyond their designated roles and contribute to governance goals. According to Das (2023), endogenous motivation, such as motivation for public service, significantly improves performance at the individual and organizational levels. Greener (2019) places a strong focus on intrinsic motivation because it will enable local governments to adopt a performance management system on the basis that empowered, respected, and motivated employees will be ready to deliver good results. Likewise, motivation will give local governments a culture of teamwork and innovation. The government is always trying to reduce complicated finances and bureaucracy and take innovative steps. With the development of intrinsic and extrinsic motivation, employees are motivated to work their best, solve problems, and provide high-quality public services through local government.

Budget transparency is the disclosure of information and decision-making processes related to finances in government. Budget transparency opens access for stakeholders, such as the public, staff members, and members of parliament, to understand the administration and use of public finances (Thahir et al., 2024). Budget transparency is one of the key principles of good governance, as it fosters accountability, prevents corruption, and upholds public trust in the government (Hasibuan & Khomsiyah, 2020). Public access, transparent priorities in the budget, and compliance with ethical and legal standards of financial management are the strongest attributes of budget transparency. Budget transparency greatly influences the performance of local governments in terms of responsibility, efficiency, and legitimacy. Through the disclosure of financial data to the public, the public can monitor and hold local governments

accountable for their actions so that public funds will be used effectively and responsibly (Gabriel & Castillo, 2020). Transparency in financial reporting helps improve public accountability because it gives the public the opportunity to form an opinion regarding government performance. Budget transparency creates a culture of openness and accountability, thereby improving the efficiency and credibility of local government as a whole. Overall, budget transparency is an essential element of effective local governance (Borja-Vasquez et al., 2024)

Psychological capital (PsyCap) is a positive psychological strength operationally defined in four high-level core factors: self-efficacy, hope, optimism, and resilience. Self-efficacy is the belief in being able to perform an activity and succeed in doing so in the context of difficulty (Hasanuddin et al., 2022; Lestari et al., 2021). Hope is the ability to set goals and think about how to achieve them in the context of adversity. Optimism is a positive expectation for good things in the future and the present. Meanwhile, resilience is surviving and bouncing back during difficult times. Psychological capital fills the gap in the relationship between budget participation, organizational commitment, motivation, open budgeting, and municipal government performance (Ayunda et al., 2024). PsyCap encourages employees and stakeholders to look forward to further governance practices and address public administration issues.

PsyCap is supra-additive to participatory budgeting because it occurs through the act of inspiring stakeholders to participate in the financial decision-making process (Lestari et al., 2021; Amirullah & Ansari, 2021). Confident and positive-minded employees will certainly attend participatory budgeting, create innovative ideas, and offer teamwork. This implies efficient use of resources and effective government performance. PsyCap ensures trust, accountability, and transparency in budgeting (Ayunda et al., 2024). Positive and resilient stakeholders will ensure a transparent and accountable budgeting process for government officials, indicating cooperation and a culture of trust adopted in achieving good governance. Empirical evidence shows that there is an important contribution of psychological capital to the develop-

ment of organizational performance (Ayunda et al., 2024). Nirwana (2021) mentions PsyCap as an intermediary function toward better public sector performance through increased satisfaction and commitment at work. Psychological capital is an asset of public administration because it is able to maximize the variables of governance performance. By building self-efficacy, hope, optimism, and resilience, psychological capital enables employees and stakeholders to rise stronger from adversity, perform exceptionally as a team, and elevate public sector performance to a higher level.

This study aims to examine the effect of budget participation, organizational commitment, motivation, and budget transparency on local government performance, with psychological capital as a moderating variable. The hypotheses proposed are as follows:

H_1 : Budgetary participation has an effect on local government performance.

H_2 : Organizational commitment has an effect on local government performance.

H_3 : Motivation has an effect on local government performance.

H_4 : Budget transparency has an effect on local government performance.

H_5 : Psychological capital strengthens the effect of budgetary participation on local government performance.

H_6 : Psychological capital strengthens the effect of organizational commitment on local government performance.

H_7 : Psychological capital strengthens the effect of motivation on local government performance.

H_8 : Psychological capital strengthens the effect of budgetary transparency on local government performance.

2. METHOD

Using a quantitative approach, this study examines the effects of budgetary participation, organizational commitment, motivation, and budget transparency on local government performance, with psychological capital as a moderating variable (Figure 1). This study was conducted in Central Java, Indonesia, from June to August 2024. The sample consisted of 221 respondents of regional work unit employees in Central Java, Indonesia. Respondents were selected based on their knowledge and direct involvement in the governance and budgeting process. A total of 250 questionnaires were distributed directly by a professional

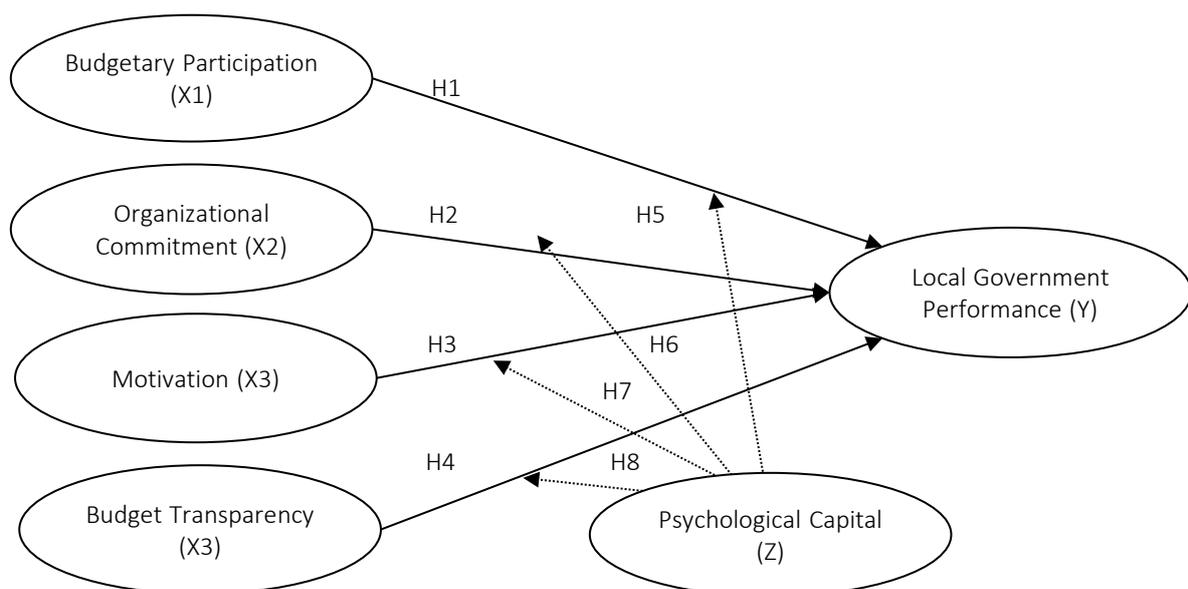


Figure 1. Research model

surveyor service agency. Of all the questionnaires distributed, 221 questionnaires were returned in complete condition, resulting in a response rate of > 85%. This high response rate ensures that the sample is representative and allows for robust data analysis.

This study was conducted in strict adherence to ethical guidelines to protect participants and maintain the integrity of the study. Respondents received appropriate information regarding the purpose, procedures, and roles of the study prior to participation. All participants provided informed consent, thereby ensuring that they participated in the survey voluntarily with full knowledge of their rights. Confidentiality and anonymity were strictly maintained, with no personal information recorded or communicated. Participants had the freedom to withdraw at any time without any consequences, emphasizing autonomy of choice. By incorporating ethical considerations into every step of the research process, this study upheld academic integrity and protected the rights of participants.

The primary research instrument was a structured questionnaire (Appendix A). The questionnaire was designed to capture data on the independent variables, the dependent variable, and the moderating variable. Each variable was measured using seven questions serving as indicators for the respective constructs. The questionnaire items were developed based on existing literature and validated scales to ensure reliability and validity. The variables discussed are independent, dependent, and moderating.

The independent variables are budgetary participation (X1), organizational commitment (X2), motivation (X3), and budget transparency (X4). Budgetary participation refers to the extent to which employees are involved in the budgeting process. This variable measures the level of participation and contribution of employees in the formulation and implementation of budgets within the local government. Organizational commitment represents the psychological attachment and loyalty of employees to their organization. This variable measures the degree to which employees are committed to organizational goals and their willingness to exert effort on behalf of the organization. Motivation involves the intrinsic and extrinsic factors that drive employees to perform their tasks effectively. This

variable evaluates the various motivational factors that influence employees' performance in the local government. Budget transparency is the accessibility, clarity, and openness of financial information and decision-making processes in government or organizational budgeting.

The dependent variable is local government performance (Y). Local government performance refers to the effectiveness and efficiency of local government operations. This variable measures the overall performance of the local government in terms of service delivery, resource management, and achievement of organizational objectives.

The moderating variable is psychological capital (Z). Psychological capital represents a positive psychological state characterized by self-efficacy, optimism, hope, and resilience. This variable assesses the role of psychological capital in enhancing the relationship between the independent variables and the dependent variable.

The data collected from the questionnaires were analyzed using the partial least squares structural equation modeling (PLS-SEM) technique, specifically WarpPLS. This technique was chosen due to its ability to handle complex models with multiple variables and its suitability for exploratory research. WarpPLS was used to examine the direct effects of the independent variables on the dependent variable, as well as the moderating effect of psychological capital. The analytical steps include:

- 1) Data Screening. Identifying missing values, outliers, and response inconsistencies to determine the integrity of the dataset.
- 2) Measurement Model Validation. Conducting validity and reliability tests to check the adequacy of the construct.
- 3) Structural Model Testing. Conducting hypothesis testing to determine direct effects and moderation interactions with statistical significance criteria (p -value and path coefficient).
- 4) Interpretation and Reporting. Interpreting results based on governance theory and providing actionable recommendations for policy making.

3. RESULTS

Table 1 provides a brief summary of the validity and reliability tests conducted for several constructs (variables) of this study. These variables and their respective indicators have been quantified in terms of statistical measures such as Loading Factor, Average Variance Extracted (AVE), Cronbach's Alpha (CA), and Composite Reliability (CR). The budgetary participation (X1) construct has four indicators with loading factors ranging from 0.730 to 0.861. The convergent validity of AVE of 0.659 is classified as good because it is far above the minimum value of 0.5. The reliability of the construct is confirmed by Cronbach's Alpha value of 0.826 and a Composite Reliability value of 0.885, both of which exceed the acceptable value of 0.7. This means that the budget participation indicators measure the variables consistently. The organizational commitment (X2) construct has loading factors ranging from 0.787 to 0.894. The AVE value of 0.695 verifies the construct validity, while the reliability is indicated by the high Cronbach's Alpha value of 0.853 and the Composite Reliability value of 0.901. The motivation (X3) construct has a loading fac-

tor ranging from 0.761 to 0.855. The AVE value of 0.657 ensures the construct validity, while the reliability is proven through the Cronbach's Alpha value of 0.825 and the Composite Reliability value of 0.884. These results confirm that the motivation construct is valid and reliable. The budget transparency (X4) construct has a factor loading ranging from 0.766 to 0.849. The AVE value of 0.649 indicates excellent validity, while the Cronbach's Alpha value of 0.819 and the Composite Reliability value of 0.881 confirm its reliability. The indicators are quite satisfactory for measuring the budget transparency construct.

Psychological capital (Z) indicators are between 0.749 and 0.829. The reliability indicators, including Cronbach's Alpha (0.810) and Composite Reliability (0.876), as well as the AVE value of 0.638, confirm that the construct is reliable and strong in capturing the psychological constructs. Local government performance (Y) indicators with higher loading factors range from 0.829 to 0.917. The AVE value of 0.751 is relatively high, representing higher convergent validity. The validity is also very high, as indicated by Cronbach's Alpha (0.888) and Composite Reliability (0.923). These

Table 1. Validity and reliability

Variable	Indicator	Loading Factor	AVE	CA	CR
Budget participation (X ₁)	X1.1	0.816	0.659	0.826	0.885
	X1.2	0.834			
	X1.3	0.861			
	X1.4	0.730			
Organizational commitment (X ₂)	X2.1	0.787	0.695	0.853	0.901
	X2.2	0.822			
	X2.3	0.829			
	X2.4	0.894			
Motivation (X ₃)	X3.1	0.804	0.657	0.825	0.884
	X3.2	0.855			
	X3.3	0.820			
	X3.4	0.761			
Budget transparency (X ₄)	X4.1	0.830	0.649	0.819	0.881
	X4.2	0.766			
	X4.3	0.773			
	X4.4	0.849			
Psychological capital (Z)	Z.1	0.792	0.638	0.810	0.876
	Z.2	0.829			
	Z.3	0.824			
	Z.4	0.749			
Local government performance (Y)	Y.1	0.829	0.751	0.888	0.923
	Y.2	0.885			
	Y.3	0.917			
	Y.4	0.832			

are guarantees that the indicators are extremely effective in measuring the performance of local government. All the constructs are of high validity and reliability. The indicators for each variable always measure their corresponding constructs, as indicated by the high figures of AVE, Cronbach's Alpha, and Composite Reliability.

Table 2. Model fit

Item	Value	
Q ²	0.620	Q ² > 0.000
Average path coefficient (APC)	0.164	p-value < 0.001
Average R-squared (ARS)	0.452	p-value < 0.001
Average Adjusted R-squared (AARS)	0.432	p-value < 0.001
Average block VIF (AVIF)	4.205	acceptable if ≤ 5
Tenenhaus GoF	0.603	large ≥ 0.36

Table 2 informs the model fit indices of the study model, which include the most significant indicators to assess the general validity and reliability of the model. The value of Q² index, 0.620, is higher than the cut-off point of 0, and this signifies that the model is predictive relevant in nature. That is, the independent variables of the model explain the dependent variables clearly. APC value of 0.164 is also supplemented by the fact that there is a p-value of less than 0.001, which is an indicator of statistical significance. It means the associations between the variables in the model are statistically significant. The ARS value of 0.452 with a p-value

of less than 0.001 indicates that the independent variables account for 45.2% of the variance between the dependent variables. This is a moderate explanation. The value of AARS being 0.432, with a p-value of less than 0.001, is virtually the model variance explained, adjusted for the number of predictors considered. AVIF value of 4.205 is less than the cut-off of ≤ 5. This means that there is no problem of multicollinearity among variables in the model. GoF value of 0.603 is greater than the critical value of 0.36, indicating a large effect size. This is a sign of excellent model fit, in which the model is perfect in explaining the relations and dynamics of the study. Statistically, the measures verify that the model is valid, coherent, and handy in explaining relations among the variables of the study.

Table 3 and Figure 2 provide useful information regarding relationships between various variables under research, evaluating direct effects and interaction effects with psychological variables. Path coefficient for H₁ is -0.029, p-value = 0.335, and effect size is 0.016. Since the p-value is greater than the significance level, the hypothesis is rejected. Hence, budget participation does not exert any significant influence on local government performance. Next, path coefficient for H₂ is -0.008, the p-value is 0.450, and the effect size is 0.004. As the p-value is not significant, the hypothesis is re-

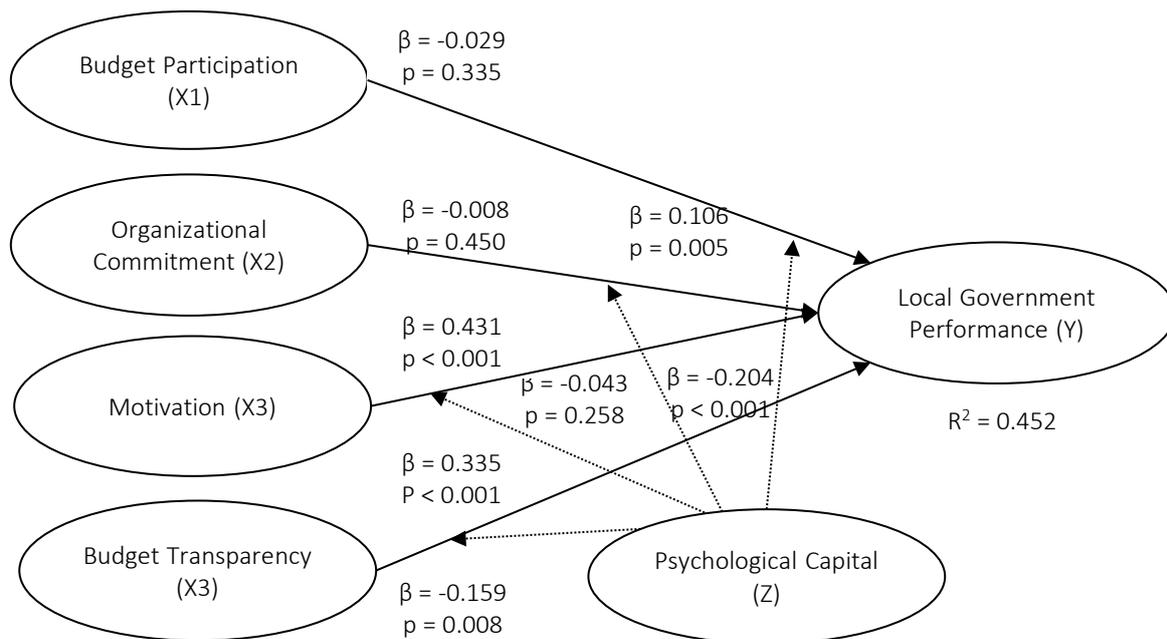


Figure 2. Output model

Table 3. Hypotheses testing

Hypothesis	Path Coefficient	p-value	Effect Size	Conclusion
H_1 : Budget participation → Local government performance	-0.029	0.335	0.016	Rejected
H_2 : Organizational Commitment → Local government performance	-0.008	0.450	0.004	Rejected
H_3 : Motivation → Local government performance	0.431	< 0.001	0.318	Accepted
H_4 : Budget transparency → Local government performance	0.335	< 0.001	0.246	Accepted
H_5 : Budget participation*Psychological capital → Local government performance	0.106	0.005	0.057	Accepted
H_6 : Organizational Commitment*Psychological capital → Local government performance	0.204	< 0.001	0.093	Accepted
H_7 : Motivation*Psychological capital → Local government performance	0.043	0.258	0.020	Rejected
H_8 : Budget transparency*Psychological capital → Local government performance	0.159	0.008	0.079	Accepted

jected. Organizational commitment does not have any significant effect on local government performance. Next, path coefficient for H_3 is 0.431, p -value is < 0.001, and effect size is 0.318. The hypothesis is accepted and indicates that motivation has a strong, positive, and statistically significant effect on local government performance. Path coefficient for H_4 is 0.335 with a p -value of < 0.001 and an effect size of 0.246. The hypothesis is accepted, i.e., budget transparency has a positive and significant effect on the performance of local government.

Path coefficient for H_5 is 0.106, p -value 0.005, and effect size 0.057. The hypothesis suggests that there are psychological determinants that can enhance the effect of budget participation on local government performance. Next, path coefficient for H_6 is 0.204, p -value < 0.001, and effect size 0.093. The hypothesis is supported, showing that psychological factors have a significant impact on increasing the effect of organizational commitment on local government performance. Next, path coefficient for H_7 = 0.043, p = 0.258, and effect size = 0.020. Because the p -value is not significant, the hypothesis is rejected. Psychological factors fail to strongly moderate motivation effects on local government performance. Finally, path coefficient for H_8 = 0.159, p -value = 0.008, and effect size = 0.079. The hypothesis is accepted, so psychological capital variables mediate the relationship between budget openness and local government performance positively.

4. DISCUSSION

This study shows that budgetary participation does not directly improve local government performance. Although budgetary participation is

expected to enhance transparency, accountability, and inclusiveness, its actual impact depends on stakeholder engagement, effective communication, and inclusive decision-making processes. The results of this study are in line with Gherghina et al. (2023) and Rivito and Mulyani (2019) who argued that citizen empowerment and strong participatory mechanisms are essential for budgetary participation to be effective. Similarly, Taylor et al. (2025), Gatto and Sadik-Zada (2022) emphasize that its success depends on equitable access and proper implementation. The findings of this study reinforce their perspectives that highlight that employee involvement in budgeting does not necessarily improve performance unless underlying structural deficiencies, such as exclusionary practices and weak accountability, are addressed.

The results contradict the common assumption that organizational commitment directly improves local government performance. This means that commitment alone is not a significant predictor. Instead, its effectiveness depends on strong leadership, well-structured organizational practices, and alignment between individual and institutional goals. Without these supporting factors, commitment will fail to translate into real improvements in governance. This finding aligns with the results of Mulvaney and Heaser (2023), which suggest that job satisfaction and commitment can be strengthened by frequent assessments and board support, ultimately improving performance. Likewise, Rojikin et al. (2022) and Barbera et al. (2025) argue that commitment will be able to drive good governance if paired with professionalism and high service quality. To maximize the benefits of commitment, local governments

should strengthen the leadership framework, ensure goal alignment, and foster a supportive work environment.

Unlike budgetary participation and organizational commitment, which require psychological reinforcement to enhance their impact, motivation independently drives productivity, responsibility, and creativity, making it a critical factor in governance effectiveness. This study confirms that motivation has a strong and direct effect on local government performance. This finding aligns with the results of Das (2023) that intrinsic motivation, such as working for the common good, enhances employee performance, especially in uncertain environments. Similarly, Andersen et al. (2020) and Greener (2019) show that public service motivation improves organizational performance when employees perceive their work as meaningful and aligned with institutional values. This study reinforces this perspective by demonstrating that motivation is not merely a short-term driver, but a crucial factor in achieving governance success.

Transparent budgeting procedures can enhance accountability, foster trust between citizens and the government, ensure better oversight, reduce fiscal mismanagement, and increase responsiveness. The results of this study confirm that budget transparency significantly improves local government performance. This finding is in line with Gabriel and Castillo (2020), who found that transparency in decision-making, procurement, and financial disclosure strengthens governance performance and public trust. However, Haustein et al. (2021) highlight the main challenge where citizens demand transparency but often have difficulty interpreting complex financial data. This suggests that clarity and accessibility in budget reporting are essential. Vicente et al. (2013) further support this argument by showing that transparency limits fiscal opportunism and increases government effectiveness.

The results of this study confirm that psychological capital moderates the relationship between budgetary participation and performance. This strengthens the idea that psychological empowerment of stakeholders increases their engagement and trust in governance. This finding aligns with the results of Yuan and Fan (2021), which indicate that the per-

ception of fairness in the participatory process enhances citizens' perceptions of government performance. Likewise, Taylor et al. (2025) also show that fair and equitable budgetary participation improves social inclusion and governance quality. However, this study extends their findings by showing that psychological determinants play a significant role in ensuring that participatory budgeting results in measurable governance improvements. Gherghina et al. (2023) support this perspective as city governments that prioritize psychological aspects in budgetary participation can achieve greater transparency, accountability, and efficiency.

Psychological trust in leadership plays a significant role in fostering organizational commitment among local government employees, which directly affects governance effectiveness. Employees who perceive their leaders as encouraging, reliable, and supportive can develop a strong emotional attachment to their institutions, thereby improving local government performance (Dong & Kübler, 2021). This confirms that trust in leadership is not only a relational factor but also a key driver of governance success. This finding is in line with Chigeda et al. (2022) and Bhatti et al. (2022), who found that organizational commitment is shaped by work-life balance and emotional intelligence support, especially in resource-constrained organizations. Their research reinforces the idea that psychological well-being and a supportive work environment support employee commitment, leading to higher engagement and stronger governance performance.

The results of this study confirm that psychological capital does not significantly mediate the effect of motivation on local government performance. This finding supports the argument that motivation functions as an independent driver of performance and is not affected by external psychological reinforcement. Intrinsic motivation, which is rooted in mastery, purpose, and autonomy, serves as a sustainable stimulant for individual and organizational effectiveness (Deci & Ryan, 2000). Employees with strong intrinsic motivation proactively engage in tasks, innovate, and remain committed to institutional goals, regardless of psychological conditions in the workplace (Greener, 2019; Troncone et al., 2025). The results of this study indicate that motivation remains a major and in-

dependent predictor of local government performance that operates effectively without psychological reinforcement.

When citizens perceive their government as responsive and transparent, they are more likely to engage in governance processes and support public policy initiatives, thereby strengthening accountability and trust in leadership. This study confirms that psychological capital plays a significant role in enhancing the influence of budget

transparency on local government performance. This finding is in line with Liu et al. (2020), who discovered that government responsiveness and transparency significantly increase public satisfaction, encourage greater stakeholder empowerment, and increase active citizen participation in decision-making. Furthermore, Gaventa and McGee (2025) argue that combining psychological trust with budget transparency practices can strengthen governance performance and ensure effective public oversight and resource allocation.

CONCLUSION

This study aims to investigate the impact of budgetary participation, organizational commitment, motivation, and budget transparency on local government performance, with psychological capital serving as a mediating variable. Psychological capital has been shown to have a significant role in moderating the effect of budgetary participation and budget transparency on local government performance. Psychological capital is relevant as a key moderator that enhances local government performance. However, motivation has a direct effect on local government performance regardless of psychological factors. Intrinsic motivation, in the form of autonomy, purpose, and mastery, is labeled as a key indicator of employee engagement and productivity and highlights the importance of aligning individual aspirations with organizational goals. Psychological factors may not have a material interactive role on motivation, but are important in terms of their supporting role in creating a supportive environment. Budget transparency, combined with psychological considerations, can enhance not only performance but also public trust, which is crucial for ensuring legitimacy and fostering stakeholder engagement. Similarly, psychological factors, such as emotional satisfaction and congruence with organizational values, provide significant benefits to organizational commitment, enabling employees to make more meaningful contributions to improving local government performance. Developing psychological trust, promoting fairness, building accountability, and empowering employees are necessary steps to create an environment that supports good governance.

Future research should examine the long-term implications of these dynamics and investigate cross-cultural differences to enhance their global applicability. This study provides policy insights that can inform performance improvement frameworks for local governments, enabling public institutions to be highly flexible, responsive, and accountable to community needs.

AUTHOR CONTRIBUTIONS

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Project administration: Warsito Kawedar.

Supervision: Warsito Kawedar.

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APPENDIX A

Dear Respondent,

This current study aims to explore the effect of budget participation, organizational commitment, motivation, and budget transparency on the performance of local governments and the position of psychological capital as a moderator. We are conducting a survey of experts involved in budget preparation to acquire accurate and beneficial results. Your feedback will help improve budget transparency and accountability.

This analysis follows the rigid ethical guidelines offered by the Committee on Publication Ethics (COPE) to maintain anonymity of participants. Your responses will be anonymous and confidential without disclosing your personal data. Participation is voluntary, and you can withdraw at any point with no effect.

The research instrument addresses questions on budget participation, organizational commitment, motivation, budget transparency, psychological capital, and performance of local governments. Every response is scored 1 to 7:

- 1 = Strongly Disagree;
- 2 = Disagree;
- 3 = Slightly Disagree;
- 4 = Agree;
- 5 = Slightly Agree;
- 6 = Agree;
- 7 = Strongly Agree.

Read each question carefully and place an answer that best reflects your experience and perception. Base your responses on your professional knowledge and budget procedure observations within your organization. If you feel uneasy answering any question, you can skip it or decline to participate.

Your feedback is greatly appreciated and will go a long way in strengthening governance and budgetary responsibility. We appreciate your time and input.

Best Regards, Warsito Kawedar.

Table A1. Questionnaire

General Information Section								
Question	Response Options							
1. How long have you been working in the public sector?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are you actively involved in the budget preparation process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Are you actively involved in the budget implementation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. How would you rate your knowledge of the budget preparation process?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Budgetary Participation								
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	I am involved in budget preparation in my department							
2	My opinions are taken into consideration during the budgeting process							
3	I have sufficient input into the budgeting process							
4	I feel that my participation in the budgeting process is appreciated							

Table A1 (cont.). Questionnaire

Organizational Commitment							
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6) (7)
1	I am proud to tell others that I am part of this organization						
2	I am willing to put in a great deal of effort beyond what is normally expected to help this organization succeed						
3	I feel a strong sense of belonging to my organization						
4	I am motivated to help my organization achieve its goals						
Motivation							
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6) (7)
1	I feel motivated to achieve my work goals						
2	My job provides me with a sense of accomplishment						
3	I feel that my efforts are valued by my organization						
4	My job makes good use of my skills and abilities						
Budgetary Transparency							
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6) (7)
1	Local government budget information can be accessed easily						
2	Local government budget information displayed is simple and easy to understand						
3	The public is actively involved by the local government in the budget process						
4	The local government regularly provides budget performance reports to the public						
Psychological Capital							
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6) (7)
1	I am confident that I can overcome challenges at work						
2	I am resilient in the face of setbacks						
3	I have a positive outlook on my work and career						
4	I am confident in my ability to adapt to changes at work						
Local Government Performance							
No.	Statement	(1)	(2)	(3)	(4)	(5)	(6) (7)
1	Our local government uses its budget effectively						
2	Our local government achieves its performance targets						
3	Our local government provides high quality public services						
4	Our local government is responsive to the needs of the community						