

## **ABSTRACT**

*The purpose of the research is to examine the effect of participatory budgeting towards profitability; and participatory budgeting in mediating leverage, capital expenditure and working capital towards profitability. The research is expected to be considered and improve company's profitability in deciding the future company's policy.*

*This research used samples from a four years-financial report of PT. Perkebunan Nusantara IV, in 2009-2012. The analysis of this research used linear regression and Sobel-test by looking for every variable's effect.*

*The result of this research shows that capital expenditure, leverage has positive effect towards profitability, and working capital has no positive effect towards profitability. Participatory budgeting can not mediate leverage, capital expenditure, and working capital towards profitability.*

*Related to the result of this research, the researcher suggests to observe another moderate variable which is used to observe another moderate variable used to mediate dependent and independent variable, by choosing samples that ought to take from some companies in great quantities only, from the similar company by improving the weakness of previous research.*

**Keywords:** *participatory budgeting, leverage, capital expenditure, working capital, profitability.*