

ABSTRACT

Earnings management is a common practice used by companies to influence financial statements to meet specific interests. The infrastructure sector, as a strategic sector for national development, is vulnerable to this practice due to the high value of projects and the complexity of financial management. Cases such as those that occurred at PT Waskita Karya (Persero) Tbk are evidence that financial reporting manipulation can mislead stakeholders and reduce investor confidence. Therefore, this study was conducted to further examine the factors driving profit management in this sector.

The primary objective of this study is to test the influence of information asymmetry, business strategy, and company size on profit management practices in infrastructure companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. The testing was conducted both simultaneously and partially to determine the contribution of each variable to the tendency of companies to engage in profit management, whether opportunistic or strategic.

This study uses a quantitative approach with secondary data obtained from the companies' annual financial reports. The analysis was conducted using panel data regression, preceded by descriptive statistics, classical assumption tests, and F and t tests. Profit management was measured using the Modified Jones Model, while information asymmetry was proxied by the bid-ask spread, business strategy was categorized into prospectors and defenders, and firm size was calculated using the natural log of total assets.

The analysis results indicate that, simultaneously, all three variables influence earnings management. However, partially, only business strategy and company size have a significant influence, while information asymmetry does not have a meaningful impact. These findings suggest that earnings management practices are more influenced by the company's strategic orientation and the scale of its operations than by information asymmetry among parties.

This study contributes to the development of accounting literature, particularly regarding factors influencing earnings management in the infrastructure sector. From a practical perspective, companies need to enhance information transparency and strengthen control systems, especially for those with aggressive strategies and large scales. Investors are also encouraged to be more diligent in analyzing financial statements. Further research is recommended to include additional variables such as profitability, leverage, and audit quality to expand the scope of the study.

Keywords: *Information Asymmetry, Business Strategy, Firm Size, Profit Management*