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Research Article

The Effect of Financial Information on Stock Underpricing With Underwriter Reputation as A Moderating Variable

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Abstract: Underpricing continues to be a prominent issue within the Indonesian capital market, as many firms conducting an Initial Public Offering (IPO) tend to set initial share prices below their subsequent market value. This research investigates the moderating role of underwriter reputation in the relationship between profitability, financial leverage, and earnings per share (EPS) on IPO underpricing among firms listed on the Indonesia Stock Exchange (IDX). Utilizing a purposive sampling technique, the study analyzes data from 176 companies. The data are processed using Moderated Regression Analysis (MRA) with the help of STATA software. The findings reveal that profitability, measured by return on assets (ROA), significantly influences underpricing. In contrast, financial leverage (proxied by the debt-to-equity ratio) and EPS show no statistically significant effect. Moreover, underwriter reputation is shown to moderate the negative impact of both ROA and EPS on underpricing but does not moderate the relationship between the debt-to-equity ratio and underpricing. These results offer valuable insights into signaling theory and information asymmetry, highlighting the importance of firm fundamentals and intermediary reputation in IPO pricing strategies. The study contributes to a better understanding for investors, issuers, and regulators involved in the IPO decision-making process.

Keywords: Earnings per Share, Financial Leverage, Profitability, Underpricing, Underwriter Reputation

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1. INTRODUCTION

Financial statements serve as critical tools for conveying a company's financial health, offering insights into its operational activities and performance. In alignment with the Indonesian Financial Accounting Standards (PSAK) No. 1 (2014 revision), the primary objective of financial statements is to provide stakeholders with relevant, accurate, and reliable information regarding a firm's financial position, performance, and cash flows, thereby supporting informed economic decision-making. For this reason, financial statement users depend on the quality and transparency of financial reporting.

In an increasingly competitive business environment driven by technological advancements and economic shifts, companies must meet growing capital demands to support expansion and sustain market presence. One strategic approach to acquiring external capital is by issuing new equity through public offerings. This can be accomplished via several mechanisms, such as rights issues, employee stock ownership plans (ESOP), stock dividends, or public offerings through the capital market.

Going public—defined as the sale of equity or other securities to the public under capital market regulations (Rudy, 2020)—is a significant corporate action. This decision grants firms broader access to capital, improves visibility, and enhances competitive standing. While it provides opportunities for risk diversification among investors, it also introduces greater price volatility (Ramadhan, 2022). The mechanism by which firms offer shares to the public for the first time is known as an Initial Public Offering (IPO), a popular financing strategy to raise equity by issuing shares or other instruments on the capital market (Arif & Isnidya, 2019; Djaelani et al., 2022).

However, IPOs are often accompanied by the phenomenon of underpricing, where the offering price is set below the subsequent market price. This results in missed capital for issuers while offering windfall gains to initial investors. In contrast, overpricing benefits the company but may harm investor returns (Prawesti & Indrasari, 2014). According to signaling theory, underpricing may act as a deliberate signal of quality to investors, while agency theory suggests that information asymmetry—particularly between underwriters and issuers—can contribute to IPO mispricing (Adrian et al., 2019; Ningrum & Mahardika, 2021).

The IPO pricing process is shaped by conflicting interests: companies aim for high prices to maximize proceeds, while underwriters may prefer lower prices to reduce inventory risk (Ardiansyah, 2016). This creates fertile ground for information asymmetry, leading to persistent underpricing (Rudy, 2020). As noted by Manurung (2013), underpricing represents a gap between IPO prices and secondary market prices, which can disadvantage issuing firms but benefit early investors (Setyowati & Suciningsih, 2018). The theory by Rock (1986) underscores this imbalance by highlighting the disadvantage faced by uninformed investors, while Baron (1982) emphasized the importance of competitive pricing to navigate market uncertainties.

The Indonesian capital market continues to exhibit high underpricing levels. Despite reduced IPO activity during the COVID-19 pandemic (from 55 IPOs in 2019 to 50 in 2020), investor enthusiasm remained strong. As reported by Sari and Wiksuana (2021), market volatility persisted—evidenced by the IHSG falling to 3,937.63 in March 2020—yet IPO underpricing continued to occur, reflecting investor appetite for short-term gains despite uncertain conditions.

Several internal and external factors have been identified as potential determinants of underpricing. Ramadana (2018) highlights financial leverage, profitability, earnings per share (EPS), and underwriter reputation as key contributors. Profitability indicates a company's ability to generate returns, while leverage reflects its reliance on debt financing (Rudianto et al., 2022). EPS informs investors about earnings allocated per share and is often used in evaluating investment prospects. Underwriters act as intermediaries and are instrumental in managing the IPO process, with their credibility potentially reducing information uncertainty (Li, 2019; Abbas et al., 2022).

Nevertheless, existing research on these variables has yielded inconsistent findings. Some studies suggest that profitability has little to no impact on underpricing, as investors may discount historical performance in favor of future earnings potential (Isynuwardhana & Febryan, 2022; Kirana Astuti & Djamaluddin, 2021). Other studies argue that profitability reduces underpricing by conveying strong financial performance and reducing investor uncertainty (Rahmawati et al., 2022; Dwi Perkasa & Maiyaliza, 2024).

Similarly, leverage is associated with financial risk. High leverage can indicate financial strain, thus increasing underpricing (Kusumawati & Fitriyani, 2019). However, other researchers found no significant relationship between leverage and underpricing, suggesting investors focus on other financial indicators (Dwijaya & Cahyadi, 2021; Abbas et al., 2022).

Regarding EPS, some studies assert that it plays a crucial role in attracting investors seeking dividend potential (Nadia & Daud, 2017). However, empirical findings from Rudianto et al. (2022) challenge this notion, indicating that EPS may not significantly influence underpricing decisions during IPOs.

Another important consideration in the IPO process is the reputation of the underwriter. A credible underwriter may instill investor confidence and enhance IPO performance. According to Abbas et al. (2022), well-known underwriters often assume greater risk and command higher fees due to their track record. However, the extent to which underwriter reputation moderates the underpricing effect remains debated. While some believe that market participants weigh underwriter credibility heavily, others argue that it holds little sway over investor decision-making (Kusumawati & Fitriyani, 2019; Ningrum & Widiastuti, 2019).

Given these mixed findings, this study seeks to provide more robust empirical evidence on the role of profitability, leverage, and EPS in IPO underpricing, while exploring whether underwriter reputation moderates these relationships. By incorporating underwriter reputation as a moderating variable, this study aims to enhance the consistency of previous research findings and offer deeper insights for companies, investors, and regulators involved in the IPO process.

2. METHOD

This study was conducted on all companies that conducted Initial Public Offerings (IPOs) on the Indonesia Stock Exchange (IDX) during the period 2020–2024, with data obtained from www.idx.co.id. The research utilizes both quantitative and qualitative data types, with secondary data sources comprising companies that went public on the IDX between 2020 and 2024. A non-probability sampling method was employed using purposive sampling techniques. The object of this study is the level of underpricing, which is hypothesized to be influenced by return on assets (ROA), debt to equity ratio (DER), earnings per share (EPS), and underwriter reputation.

Underpricing refers to the difference between the closing price on the first day of trading in the secondary market and the IPO offering price. This difference is referred to as the Initial Return (IR) or the profit gained by investors. It is calculated by subtracting the IPO price from the first-day closing price and dividing the result by the IPO price. According to Oktavia (2019), profitability is a commonly used ratio to analyze a company's potential to generate earnings. In this study, profitability is proxied by the Return on Assets (ROA), which compares net income to total assets and serves as an indicator of a company's ability to generate profits.

The debt to equity ratio (DER) is a financial ratio used to assess a company's financial leverage by comparing total liabilities to shareholders' equity (Kasmir, 2019). Earnings per share (EPS) is calculated by dividing the company's net profit after tax for a given fiscal year by the total number of outstanding shares. The role of the underwriter is to provide signals to investors by disclosing information about the company, including its future performance prospects, thereby reducing investor uncertainty (Firdaus & Herawati, 2020). Underwriter reputation is a dummy variable measured based on whether the underwriter ranks among the top 10 firms according to total trading frequency, as listed in the IDX Fact Book published annually.

The data analysis techniques used in this study begin with descriptive statistical analysis, followed by classical assumption testing. Upon meeting the assumptions, the analysis proceeds with Moderated Regression Analysis (MRA), conducted with the assistance of STATA software.

3. RESULTS AND DISCUSSION

Classical Assumption Test

1) Normality test

Table 1. Normality Test Results

Variable	Obs	Prob>z
IR(Y)	176	0,000
ROA (X1)	176	0,000
DER (X2)	176	0,000
EPS (X3)	176	0,000
UDR (Z)	176	0,000

Source: Processed data, 2025

Based on Table 1 which shows the results of the normality test with a Prob>z value of 0.00 for each variable indicating that the value is smaller than the level of significance of 0.05, it can be concluded that the data is not normally distributed. However, this study used 176 observations, which are classified as large samples. In this regard, the abnormality of the residual distribution is not a significant problem in the context of regression estimation. This is supported by the Central Limit Theorem (CLT), which states that the sampling distribution of the mean will approach a normal distribution as the sample size increases, regardless of the shape of the original population distribution (Newbold, et al., 2013). In line with this, Wooldridge (2013) also stated that in large sample sizes, the distribution of the OLS estimator tends to follow a normal distribution due to the Central Limit Theorem, so that inferential procedures such as hypothesis testing can still be carried out validly.

2) Multicollinearity Test

Table 2. Multicollinearity Test Results

Variable	IF	1/VIF
ROA	1.03	0.9676
DER	1.02	0.9791
EPS	1.02	0.9834
UDR	1.01	0.9879
Mean VIF	1.02	

Source: Processed data, 2025

Based on the results of the multicollinearity testFrom the results in Table 2, it can be seen that the VIF value for each variable is less than 10 so it can be concluded that the regression model is free from multicollinearity problems.

3) Heteroscedasticity Test

Table 3. Results of Heteroscedasticity Test

Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
chi2(1) = 27.97
Prob > chi2 = 0.0000

Source: Processed data, 2025

Table 3 shows the results of the heteroscedasticity test. It can be seen that the Chi2(1) value is 27.97 with a significant value of Prob > chi2 of 0.00, where the significant value is less than 0.05, so it can be concluded that the regression model used has a heteroscedasticity problem.

Based on the results of the heteroscedasticity test, it is known that the regression model used has a heteroscedasticity problem. Heteroscedasticity indicates that the residual variance in the model is not constant, so it can cause the standard error estimate to be biased and the statistical test is invalid. To overcome this problem, the robust standard error approach is used in regression, by using the robust standard error, the standard error calculation can be adjusted so as not to assume a homogeneous residual variance, so that it can produce a more accurate standard error value. Robust standard error provides a basis for statistical inference that remains valid even though there is a heteroscedasticity problem, so that hypothesis testing can still be done (Wooldridge, 2013).

Moderated Regression Analysis

Table 4. Results of Moderated Regression Analysis Test

Before Robust SE			After Robust SE		
F (7, 168)	=	0.76	F (7, 168)	=	2.33
Prob > F	=	0.1316	Prob > F	=	0.0148
R-squared	=	0.1263	R-squared	=	0.1479

Variable	Coeff.	Before Robust SE		After Robust SE	
		t	P>t	t	P>t
ROA	-0.3282	-1.70	0.091	-2.03	0.044
DER	0.0008	0.34	0.731	1.32	0.190
EPS	1.84e09	0.05	0.962	0.14	0.885
UDR	-0.1283	-1.67	0.097	-2.24	0.027
ROA_UDR	0.5084	1.36	0.177	2.12	0.036
DER_UDR	0.0048	0.50	0.615	2.07	0.040
EPS_UDR	-3.71e-07	-0.41	0.685	-2.12	0.036
Cons	0.3349	10.20	0,000	8.08	0,000

Source: Processed data, 2025

Table 4 shows the changes after the robust standard error was performed to overcome the problem of heteroscedasticity. Changes in the t-statistic value and significance in several variables indicate that testing with the robust standard error provides more valid results by considering the possibility of non-constant error variances. This shows that the regression model has been adjusted to produce more accurate estimates. Based on the regression equation above, it can be interpreted as follows.

1) The constant is 0.33, which means that if there is no influence from return on assets, debt to equity ratio, and earnings per share, then the underpricing variable is estimated at 0.33.
2) Return on assets(ROA) has a coefficient of -0.33, which indicates that every one unit increase in ROA will reduce the underpricing level by 0.33, assuming other variables are constant.
3) Debt to equity ratio(DER) shows a positive coefficient of 0.00. This shows that the higher the company's leverage level, the underpricing will increase, assuming other variables are constant.
4) Earning per share(EPS) shows a positive coefficient of 1.84, which indicates that the higher the EPS, the higher the level of underpricing tends to be, assuming other variables are constant.
5) Underwriter reputation has a negative coefficient of -0.12, which indicates that a higher underwriter reputation tends to be followed by a decrease in the level of underpricing, assuming other variables are constant.
6) The interaction variable between return on assets and underwriter has a positive coefficient of 0.51, which indicates that underwriter reputation can strengthen the relationship between ROA and the level of underpricing.
7) The interaction variable between debt to equity ratio and underwriter has a positive coefficient of 0.00, which indicates that underwriter reputation strengthens the relationship between DER and the level of underpricing.
8) The interaction variable between earnings per share and underwriter has a negative coefficient of -0.37, which indicates that underwriter reputation strengthens the negative relationship between EPS and the level of underpricing.

Model Feasibility Test (F Test)

The feasibility test of the model (F Test) aims to jointly test the independent variables on the dependent variable. Based on Table 4, it shows a significance value of 0.01 after the robust standard error is carried out. Therefore, the significance value of 0.01 is smaller than the level of significance of 0.05, so the regression model meets the feasibility requirements of the regression function.

Coefficient of Determination Test (R2)

The determination coefficient test aims to see how far the model's ability to explain the variation of its dependent variable. Based on Table 4, the R2 value after the robust standard error shows 0.148, which means that the model is only able to explain about 14.8 percent of the variation that occurs in the underpricing variable, while 85.2 percent is explained by other factors outside the research variable.

Hypothesis Test (t-Test)

Hypothesis testing (t-test) aims to test the influence of each independent variable and the interaction of moderating variables on its dependent variable. Based on Table 4, the results of the t-test of each variable can be interpreted as follows.

1) Based on the results of the hypothesis test of the effect of return on assets on underpricing, a significance value of 0.04 and a negative coefficient value of -0.33 were obtained. The significance value of 0.04 is smaller than the level of significance of 0.05, so the first hypothesis (H1) which states that return on assets has a negative effect on stock underpricing is accepted.
2) Based on the results of the hypothesis test of the influence of debt to equity ratio on underpricing, a significance value of 0.19 and a positive coefficient value of 0.00 were obtained. The significance value of 0.19 is greater than the level of significance of 0.05, so the second hypothesis (H2) which states that debt to equity ratio has a positive effect on stock underpricing is rejected.
3) Based on the results of the hypothesis test of the influence of earnings per share on underpricing, a significance value of 0.89 and a positive coefficient value of 1.84 were obtained. The significance value of 0.89 is greater than the level of significance of 0.05, so the third hypothesis (H3) which states that earnings per share has a negative effect on stock underpricing is rejected.
4) Based on the hypothesis test of the interaction of return on assets with underwriter reputation, a significance value of 0.03 and a positive coefficient value of 0.50 were obtained. The significance value of 0.03 is smaller than the level of significance of 0.05, so the fourth hypothesis (H4) which states that underwriter reputation strengthens the negative influence of return on assets on the level of underpricing is accepted.
5) Based on the hypothesis test of the interaction of debt to equity ratio with underwriter reputation, a significance value of 0.04 and a positive coefficient value of 0.00 were obtained. The significance value of 0.04 is smaller than the level of significance, which is 0.05, but with a positive coefficient value so that it can be concluded that the fourth hypothesis (H4) which states that underwriter reputation weakens the positive influence of debt to equity ratio on the level of underpricing is rejected.
6) Based on the hypothesis test of the interaction of earnings per share with underwriter reputation, a significance value of 0.03 and a negative coefficient value of -0.37 were obtained. The significance value of 0.03 is smaller than the level of significance of 0.05, so the sixth hypothesis (H6) which states that underwriter reputation strengthens the negative influence of return on assets on the level of underpricing is accepted.

Discussion

The Effect of Return on Assets on Stock Underpricing

In the hypothesis testing conducted on the effect of return on assets on the level of underpricing, it shows that the significance value of return on assets is smaller than the level of significance of 0.05, so it can be concluded that return on assets has a significant effect on the level of underpricing. This result is in line with researchRudianto et al. (2022),Rahmawati et al. (2022), and Dwi Perkasa & Maiyaliza (2024). This indicates that profitability proxied by ROA is a factor that investors consider in investing. Companies with high ROA are considered to have better prospects, thus attracting investors to invest.

The results of the study showing that ROA has a significant effect on the level of underpricing indicate that this study supports the view in signal theory. Profitability proxied by ROA is considered a positive signal regarding the company's financial condition, which can reduce information asymmetry between the company and investors. The higher the ROA, the greater the investor's confidence in the company's ability to generate profits from its assets, so that it can influence investment decisions and have an impact on the level of underpricing.

The profit generated by the company before conducting an initial public offering remains a concern for investors in considering investment decisions. This can be seen from the significant influence of return on assets on the level of underpricing. Investors consider that companies that are able to show good finances since before the IPO have more promising prospects in the future. Thus, profitability information can be a positive signal that can reduce information asymmetry and increase market confidence.

The Effect of Debt to Equity Ratio on Stock Underpricing

In the hypothesis testing conducted on the influence of debt to equity ratio on the level of underpricing, it shows that the significance value of debt to equity ratio is greater than the level of significance of 0.05, so it can be concluded that debt to equity ratio does not have a significant effect on the level of underpricing. This result is in line with researchAbbas et al. (2022),The Last Supper (2021), AndDjaelani et al. (2022). This shows that the size of the company's financial leverage is not a primary consideration for investors in determining investment decisions.

In the perspective of signal theory, companies can convey information to investors through financial indicators, including financial leverage proxied by the debt to equity ratio, as a form of signal on the condition and prospects of the company. However, the results of this study indicate that the signal sent through financial leverage is not accepted by the market as relevant information in deciding to invest. The insignificant effect of debt to equity ratio on underpricing indicates that capital structure is not viewed as a credible indicator in assessing companies during initial public offerings.

The role of debt to equity ratio in influencing the level of underpricing shows that the company's capital structure has not been a primary concern in the initial public offering assessment process by investors. This shows that the existence of financial leverage does not automatically increase investor confidence in the company's financial information, especially during the initial public offering. Therefore, other factors outside the capital structure play a greater role in influencing the level of underpricing.

The Effect of Earnings per Share on Stock Underpricing

The results of the hypothesis testing conducted on the influence of earnings per share on the level of underpricing show that the significance value of earnings per share is greater than the level of significance of 0.05, so it can be concluded that earnings per share does not have a significant effect on the level of underpricing. This result is in line with researchRudianto et al. (2022), Daeli & Wijaya (2020), and Wardoyo & Sapariyah (2021). Therefore, the earnings per share distributed by the company do not play a significant role in determining the initial stock price, so they are not the main reference for investors in assessing the company at the time of the IPO.

The results of this study indicate that earnings per share generated by the company before the IPO are not enough to provide a strong signal to investors regarding the company's financial performance. This shows that signals such as earnings per share are less responsive to the market, because investors are more focused on projections of future performance and growth that are not shown in the company's earnings per share before the initial offering.

With the results of the study showing the influence of EPS on underpricing is not significant, it reflects that the indicator has not become the main consideration for investors in determining interest in initial shares. Although EPS can represent the company's financial performance, it seems that investors place more value on other indicators that are considered more relevant.

The effect of Return on Asset on underpricing with underwriter reputation as a moderator

Based on the hypothesis testing conducted on the effect of return on assets on underpricing with underwriter reputation as a moderator, it shows that the significance value of the interaction between return on assets and underwriter reputation is smaller than the level of significance of 0.05, so it can be concluded that underwriter reputation is able to strengthen the negative effect of return on assets on the level of underpricing. This is in line with research by Pangestuti (2022) andThe Last of Us (2024). A reputable underwriter will be more experienced in playing his role as an underwriter in offering shares during the initial offering.

Based on signal theory, underwriter reputation can be a positive signal that helps investors in assessing the quality of a company during an initial offering. In addition, underwriter reputation can also reduce information asymmetry between the company and investors, because the information held by the underwriter is more trusted by investors. According to information asymmetry theory, underwriters are considered to have more information about the company, so that this role makes underwriter reputation one of the factors in creating a positive perception of the company according to investors.

Thus, it can be concluded that underwriter reputation is able to strengthen the negative influence of return on assets on the level of underpricing because it provides a signal that can convince investors about the quality of a company. Investors will have more confidence in the financial information of companies that use reputable underwriters, so that the risk of information asymmetry can be minimized. This shows that underwriters with good reputations play a role in reducing underpricing in initial public offerings.

The effect of Debt to Equity Ratio on underpricing with underwriter reputation as a moderator

In the hypothesis testing conducted on the influence of debt to equity ratio on underpricing with underwriter reputation as a moderator, it shows that the significance value of the interaction between debt to equity ratio and underwriter reputation is smaller than the level of significance of 0.05, but has a positive coefficient so that it can be concluded that underwriter reputation has not been able to weaken the positive influence of debt to equity ratio on the level of underpricing. This result is in line with research conducted byThe Last of Us (2024). This study shows that underwriter reputation is not enough to change investors' views on the financial risk indicated by a company's financial leverage.

Underwriter reputation theoretically plays an important role in reducing information asymmetry faced by investors when a company makes an initial public offering. In the perspective of signal theory and information asymmetry, reputable underwriters are expected to be able to provide assurance of the company's quality at the time of the IPO. However, this study indicates that the signal is not strong enough to change investor perceptions of financial leverage as proxied using the debt to equity ratio.

The results of this study indicate that underwriter reputation has not been able to function as a moderating variable in the relationship between debt to equity ratio and underpricing level. Investors still consider the level of leverage as an indicator of financial risk, which cannot be offset by using underwriter reputation (Dwi Perkasa & Maiyaliza, 2024). So it can be concluded that underwriter reputation is not effective enough in reducing the influence of financial risk as seen from the high leverage of the company at the underpricing level.

The effect of Earning per Share on underpricing with underwriter reputation as a moderator

Based on the hypothesis testing conducted on the effect of earnings per share on underpricing with underwriter reputation as a moderator, it shows that the significance value of the interaction between earnings per share and underwriter reputation is smaller than the level of significance of 0.05, so that statistically this interaction is significant and the direction of the coefficient shows a negative value, so the hypothesis is accepted. Thus, it can be concluded that underwriter reputation strengthens the negative effect of earnings per share on the level of underpricing. This result contradicts the research conducted by Pangestuti (2020), which shows that underwriter reputation does not function to weaken, but rather strengthens the negative relationship between earnings per share and the level of underpricing.

In signal theory, underwriter reputation is considered as one of the external signals that can help information asymmetry between companies and investors. The better the underwriter's reputation, the greater the investor's trust in the quality of the company conducting the initial offering. The results of this study indicate that underwriter reputation can strengthen the negative effect of earnings per share on underpricing, which means that the presence of a reputable underwriter makes the signal from EPS more noticed by investors. Thus, underwriter reputation can function as a signal amplifier of the company's financial information, thereby increasing the influence of EPS in forming investor expectations on the company's prospects after the initial offering.

These results indicate that underwriter reputation plays a role in strengthening the influence of earnings per share on underpricing by providing additional signals that reduce information asymmetry between the company and investors. In accordance with Spence's (1973) signal theory, strong external signals, such as underwriter reputation, will increase market confidence in the company's quality. Therefore, using a reputable underwriter will increase investors' tendency to consider financial information reflected in earnings per share in determining investment decisions.

4. CONCLUSION

a) Return on assets(ROA) has a significant effect on underpricing. These results indicate that the value of return on assets is able to provide a positive signal to investors so that it can be a consideration in investing.

b) Debt to equity ratio(DER) has no significant effect on underpricing. This indicates that the existence of financial leverage does not automatically increase investor confidence in the company's financial information, especially during the initial offering.

c) Earning per sharedoes not have a significant effect on underpricing. Earnings per share distributed by the company do not play a significant role in determining the initial stock price, so it is not the main reference for investors in assessing the company at the time of the IPO.

d) Underwriter reputation is able to moderate the effect of return on assets on underpricing. Underwriter reputation is able to strengthen the negative effect of return on assets on the level of underpricing because it provides a signal that can convince investors about the quality of a company.

e) Underwriter reputation has not been able to moderate the effect of debt to equity ratio on underpricing. This study shows that underwriter reputation is not enough to change investors' views on financial risk indicated by the company's financial leverage.

f) Underwriter reputation can moderate the effect of earnings per share on underpricing. Investors will have more confidence in the financial information of companies that use reputable underwriters, so that the risk of information asymmetry can be minimized.

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