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Does internationalization moderate the effect of SMEs size, age, and other financial determinants on investment opportunities set? Evidence from Indonesia

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ABSTRACT

Small and medium-sized enterprises (SMEs) are increasingly considering international expansion as one of the sustainable growth strategic options. This study aims to reveal how the effect of internationalization as a moderator of SMEs size, age, and other financial determinants toward investment opportunity set of SMEs that listed on the Indonesia Stock Exchange (IDX) from 2006 to 2020. Market to book asset ratio used as a proxy of investment opportunity set of SMEs. This study is one of the most important in the context of Indonesian SMEs as there were limited previous studies that have explored the internationalization factor. A total of 102 SMEs companies with 156 data observations were studied. A moderation regression analysis was used to test whether the determinants of the investment opportunity set were statistically significant. Surprisingly, the study found that the degree of internationalization has a moderating effect that weakens the relationship between SMEs age and size on investment opportunities set (market value ratio).

Keywords: Internationalization; Gross National Product; Inflation; Investment Opportunity Set; Market to Book Asset Ratio

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Introduction

The experiences of the world crises in 1998 and 2008 provided insight to the business world and the government that only SMEs were able to survive the most until the crisis ended. The resilience of SMEs when facing crises and dynamics of business competition requires a strong and innovative entrepreneurial spirit. Many studies have found that innovative entrepreneurs can turn weaknesses into strengths and limitations into opportunities to open new markets, maintain and increase demand for products or services produced to make a significant contribution to people's welfare (Crudu, 2019).

It is undeniable that the existence of SMEs in developed and developing countries is the backbone of the country's economy. This can be seen in the number of business units that are reaching more than 90% compared to large-scale business units. However, their contribution to Gross Domestic Product still does not dominate the range of 56% in European countries, in developing countries up to 40% while specifically in Indonesia only 57% to 60% (Adhityo Dinutistomo & Wibisono Lubis, 2021). When compared to other ASEAN countries, the competitiveness of Indonesian SMEs is relatively low. One of the reasons for the weak position of competitiveness and the growth of SMEs is the lack of access to formal financial services and literation (Prasetya et al., 2021).

When the company was founded, investment was the next crucial topic of decision and consideration for all entrepreneurs (Zhou, 2013). Investment decisions are an important choice towards business growth and expansion as well as an indicator of new business performance (Guariglia & Liu, 2014). The right investment choices will create new opportunities that are useful to increase the value of the company in the future (Soeindra et al., 2016). The category of companies with high growth is companies that can increase investment activities. This is reflected in the statement of financial position and cash flow statement which continues to increase in value quickly and briefly (Mason & Merton, 2019). The Investment Opportunity Set (IOS) is the opportunity and growth of the company's investment on the results of the company's operational activities so that the IOS indicator becomes a very important measure when determining how the company will grow and be valuable in the future. Therefore, how investors assess a company is affected by IOS (Kallapur & Trombley, 2001).

Based on the literature review and previous research that discusses the IOS determinants of SMEs companies are still very limited. Kusumawati & Anhar (2019) found that IOS is

determined by microeconomic variables such as profitability and liquidity. In manufacturing companies in Indonesia, leverage and company size have a significant effect on IOS, while profitability has no significant effect on IOS. Meanwhile, for manufacturing companies in Malaysia, macroeconomic variables, such as inflation and economic growth, have a significant effect on IOS (Adiputra & Affandi, 2018).

Next, we add the components of age and size of SMEs as moderating variables on the relationship between the degree of internationalization and IOS. This is intended to analyze how the impact of internationalization carried out by SMEs listed on IDX in creating investment opportunities in the future. In addition, the results of various previous studies such as, Ilaboya & Ohiokha (2016) and Papadopoulos & Martín Martín (2010) concluded that size and company age are the components that most consistently affect the company's performance as well as the results of the learning curve in company management.

More interesting, research on IOS related to how the impact of internationalization on IOS on SMEs is still very limited in number, even though the government is currently encouraging companies to export. Internationalization requires the development of knowledge, experience, and other capabilities to dominate the target international market share but is full of uncertainties and constraints related to culture, environment, and regulations of the destination country (Hill, 2007). This condition is one of the obstacles to the company's growth opportunities. Therefore, a domestic market-seeking internationalization approach is needed to access intangible assets abroad, which will develop the company's specific advantages in the domestic market (Boehe, 2016). Intangible investment is better than physical investment (Peters & Taylor, 2017).

The internationalization efforts carried out by the company aim to improve the company's performance through sales expansion in new areas and it is hoped that new market shares will be created. However, the success of internationalization carried out by the company is an important matter for further research considering that there are elements of the process of learning business practices, government regulations in the country of origin and internationalization destination countries to the introduction of the culture of the people of the destination country. This requires business experience as measured by the company age and requires adequate financial support as measured by the company size (Daszkiewicz & Wach, 2012; Jean & Kim, 2020).

Efforts to reveal the impact of internationalization in a more in-depth study are expected to be able to reveal how the role of company age and company size can affect the relationship of internationalization to the creation of IOS. Thus, the contribution of this research becomes

a consideration for companies, especially SME scale, to create investment opportunities through internationalization efforts.

Based on the explanation that has been explained, the objectives of this study are to determine: (1) the effect of microeconomic variables, (profitability, liquidity, company size, degree of internationalization, leverage, and company age) on IOS; (2) the effect of macroeconomic variables, (GDP growth and inflation rate) on IOS; (3) the role of age and company size in moderating the relationship between internationalization and IOS. The remainder of this paper is organized as follows. Section 2 reviews the literature and develops hypotheses. Section 3 describes the data and methodology. Section 4 presents the empirical results and explains the empirical results and section 5 concludes the article.

Literature Review

Investment Opportunity Set

Mason & Merton (2019) stated that a company with high growth is a company that increases investment activities, which is reflected in the statement of financial position on the asset side. The Investment Opportunity Set (IOS) is a collection of various investment choice opportunities currently owned by companies, so the investment opportunities set indicator is a very important measure when determining how the company will grow in the future. Therefore, how investors assess a company is affected by investment opportunities set (Kallapur & Trombley, 2001).

Using an investor's point of view, the market value to book value is a form of appraisal of investment in a company. Myers (1977) divides the market value of the company into two parts, the value of assets currently held and the value of investment opportunities that depend on future discretionary investments. Examples of discretionary investments include investments in new projects, expenditures on advertising, marketing, product development, and R&D, and maintenance expenses on plant and equipment, and expenses on raw materials. The right investment choice will increase the value of the company in the future (Soeindra et al., 2016).

Investment is a form of sacrifice by individuals or institutions in the hope that it will provide greater returns in the future. Chandra (2017) describes the investment as a sacrifice either in the form of money or other resources in the present for future benefits. Investment decisions arise because of the investment options or opportunities available. Investment opportunity set (IOS) or investment opportunities are investment options available to

individuals and institutions. Handriani & Irianti (2016) concluded that first, investment opportunities set is an investment decision by the company to provide positive growth and the second investment opportunities set is the company's ability to determine the type of investment to be made.

Profitability and Investment Opportunity Set

Profitability shows the company's ability to generate profits. Higher profitability allows firms to maintain their existence in the industry that has been selected. High profitability provides a positive signal regarding the company's future growth (Nika & Mahaputra, 2012). Profitability is a ratio that describes the company's fundamental performance in terms of the efficiency and effectiveness of the company's operations in generating profits (Kusumawati & Anhar, 2019). Diaz & Hindro (2017) explained that the higher the profitability, the higher the amount of intern funds from the retained earnings are for investment purposes. Beuse et al. (2020) and Lee et al. (2018) found that profitability has a positive effect on investment opportunities set.

H_1: Profitability has a positive effect on the investment opportunity set.

Liquidity and Investment Opportunity Set

The liquidity ratio used in this study is measured using the current ratio (CR). The liquidity ratio describes the company's ability to generate cash and manage the company's working capital to maintain the company's operational continuity and fulfill its short-term obligations to creditors (Kusumawati & Anhar, 2019). The greater the CR value owned by the company, the greater the value of current assets owned by the company or the greater the idle fund. The greater the idle fund owned by the company may indicate that the company has not been able to allocate funds owned by the company for investment purposes (Dhole et al., 2019). Therefore, the greater the liquidity of firms, the smaller the future growth of that firms.

H_2: Liquidity has a negative effect on the investment opportunity set.

Leverage and Investment Opportunity Set

A company with higher leverage will endanger the company because the company will fall into the extreme leverage category. The use of debt that is too high will cause financial risks such as high-interest payments and result in losses (Bapat, 2020; Trussel & Patrick, 2018). However, on the other hand, the use of large debt and supported by good utilization

will provide a positive value for the company's future growth. Research conducted by Adiputra & Affandi (2018) found that the solvency that is measured by debt-to-equity ratio has a positive influence with the investment opportunities set. SMEs are trying to increase the scale of their companies to be bigger than before by relying on debt. The policy to increase debt can increase the company's investment opportunities, which is converted into an increase in the scale of sales and assets. So, the use of good leverage will increase the company's investment opportunities.

H_3: Leverage has a positive effect on the investment opportunity set.

GDP Growth and Investment Opportunity Set

Gross National Product (hereinafter, GDP) measures the overall strength of a country's economy and is an indicator of economic prosperity. Large changes in GDP (ie GDP growth) signal the strength of a country's economy and therefore become an indicator for companies to make investment decisions. A positive trend in GDP growth will create a favorable climate for investment. Francis et al. (2013) also confirms that a higher GDP increases financial market growth and consequently provides better investment opportunities. Adiputra & Affandi (2018) found that economic growth (i.e. real GDP growth) has a positive effect on investment opportunities set (i.e. price on book value). Countries with lower economic growth are assumed to have poor economic prospects and as a result, companies in these countries trade at lower prices for book value. Therefore, GDP annual growth is expected to have a positive impact on investment opportunities set.

H_4: GDP annual growth has a positive effect on the investment opportunity set.

Inflation and Investment Opportunity Set

An unexpected increase in inflation will affect the company's wages and cost of goods sold (COGS), the total asset value, and the market price of the company's products. Unpredictable inflation creates uncertainty about the future economic situation. This situation reduces the company's motivation to develop its economic activities. Corporate investment is highly dependent on changes in the inflation rate because the inflation rate determines the nominal interest rate and consequently affects the cost of capital for company investment. A high inflation rate will increase interest rates which in turn will reduce investment. As mentioned above, Lakonishok et al. (1994) and Adiputra & Affandi (2018) states that lower economic growth, as indicated by higher inflation, results in a lower IOS (i.e. price against

book value). This argument is supported by Tandelilin (2010) which shows that the market value of a firm is affected by the cost of capital is a constant dividend growth model. Therefore, an unanticipated increase in inflation will result in a higher cost of capital, and given the ceteris paribus of other variables, the market price, as well as the price to book value, will decrease. Thus, the inflation rate has a negative effect on the investment opportunity set.

H_5: Inflation rate has a negative effect on the investment opportunity set.

Size and Investment Opportunity Set

Firms that have a larger size usually have larger assets that can be used for investing, and make it easier for the company to compete and dominate the market. The larger size and the more established companies, the higher the investment opportunity. Dhanaraj & Beamish (2003) states that the larger company has a greater amount of resources and the availability of more management resources. Bloodgood et al. (1996) also explained that larger firms can hire more skilled managers than smaller firms. Lee et al. (2018) revealed that skilled managers can understand industry trends better, predict product demand more accurately, and invest more at a better value. Chen et al. (2011) stated that the value of the firm can be increased by managers by making economic and investment decisions. Therefore, larger companies have a greater capacity to fund their growth opportunities than smaller companies.

However, it needs to be underlined, SMEs are not as efficient as large companies in generating profit from sales or company revenue. Increasing the scale of the company, namely the process of changing the category of companies from small to medium to large or medium to large has the impact of reducing the investment opportunities that the company has. Ding et al. (2013) reveal that investment is important for small businesses because it affects their ability to survive and grow. Increases and changes in the scale of the company that is getting bigger are followed by an increase in company assets or sales, but it is also always followed by an increase in debt which is characteristic of fast-growing companies so that this addition requires a significant amount of time in adjusting the cash realization from the company's sales so that in the medium and long period it affects company profits, especially if it is not accompanied by cost management optimally. The increase in assets dominated by debt financing and not being matched by a significant increase in sales by small and medium scale companies have an impact on reducing investment opportunities.

H_6: Company size has a negative effect on the investment opportunity set.

Age and Investment Opportunity Set

Company age is a key factor in shaping company performance (Coad, 2018). The age of the company shows its ability to continue running its business and shows the level of the learning curve or company experience (Belitski & Desai, 2021). The age of the company also prevents potential bias towards companies that are newly diversified in the international market area (Chan Kim et al., 1989). Previous studies have shown that company age has a positive correlation with company growth or investment opportunities (Heshmati, 2001). In addition, companies that have been established for a long time tend to increase public trust in the company, thereby increasing growth opportunities.

H_7: Company age has a positive effect on the investment opportunity set.

Internationalization and Investment Opportunity Set

Internationalization is an important entrepreneurial strategy for promoting the long-term growth and viability of SMEs (Alayo et al., 2019). However, behind this important strategy, some challenges must be faced by companies if they decide to undertake internationalization. Sapienza et al. (2006) argued that firms that have entered the international market need to adapt to the environment of the country where the company is expanding its market. Singla & George (2013) also supports this opinion and argues that internationalization causes additional costs to learn about foreign cultures and markets, and when companies first start in foreign markets it may be more difficult to form a good image. However, by conducting internationalization, SMEs can obtain intangible assets that cannot be obtained by SMEs that are only domestically oriented. Boehe (2016) develops a frame of mind called domestic market-seeking internationalization (the internationalization efforts of firms to gain superior global intangible assets and get specific advantages in the domestic market). Peters & Taylor (2017) found that firms that focus on intangible investment are better than companies that only focus on physical investment.

H_8: The degree of internationalization has a positive effect on the investment opportunity set.

Internationalization, Age, Size, and Investment Opportunity Set

SMEs with an export objective provides added value for some investors. Investors consider SMEs with an export orientation having more intangible assets which are experiences that cannot be obtained by others that are only oriented towards the domestic market. Internalization of SMEs has generally been viewed as an incremental business

process. Moreover, Papadopoulos & Martín (2010) mentioned that internationalization helps companies not only take advantage of opportunities in new markets but will also help to fight global competition. Entering a foreign market is also considered as an attractive growth strategy and a way to increase the chances of business survival (Hilmersson, 2014). However, despite having promising growth from the global market, ironically, SMEs are more likely to be subject to business failure within a few years (Franco & Haase, 2010; Sandberg et al., 2019; Sui & Baum, 2014). Esteve-Pérez & Mañez-Castillejo (2008) and Williams (2014) added that the probability of export success depends on firms size, larger firms tend to have higher survival prospects compared with SMEs. Furthermore, in terms of firm age or experiences, studies from Figueira-de-Lemos et al. (2011) and Sandberg et al. (2019) who found that firms that have more domestic and developed market experiences to be beneficial for SMEs ' survival. Therefore, we argue that while SMEs that are only oriented to the domestic market tend to find it more difficult to compete with global competitors, SMEs with an export objective will tend to take longer to develop and scale up their business.

H_9: The degree of internationalization negatively moderates the relationship between the investment opportunity set and company size.

H_{10}: The degree of internationalization negatively moderates the relationship between the investment opportunity set and company age.

Methods

The selection of SMEs as samples of this study aims to illustrate how the components of the company affect the creation of their investment opportunities after being listed on Indonesia Stock Exchange (IDX) in the short and long term, which have been overlooked by the observations of academics and researchers. The data was collected from IDX and The Indonesia Capital Market Institute, Central Bank of Indonesia, and National Agency of Statistics from 2006 to 2020. The sample obtained was based on the purposive sampling technique. Table 1 describes the summary of SMEs' sample selection throughout the study.

This study uses 8 independent variables that are expected to determine investment opportunity set (MBA), namely profitability (ROE), liquidity (CR), leverage (DAR), company size (SIZE), company age (AGE), GDP growth (GDP), inflation rate (INF), and the degree of internationalization (ESTS). While Figure 1 shows the framework of the study, Table 2 describes the operationalization of each variable.

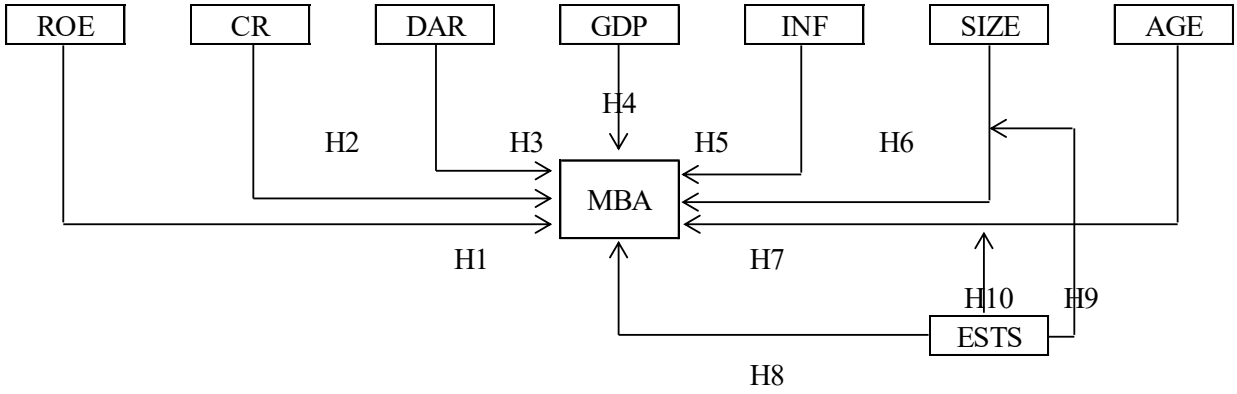
Table 1. SMEs Sample Selection

Step	Selection Criteria	Amount
1	Companies that conducted IPOs between 2006 and 2020.	
2	Companies whose IPOs prospectus is inaccessible.	(8)
3	Companies that are not classified as Small and Medium-sized Enterprises at the time of IPO based on Financial Services Authority (OJK) regulation between 2006 and 2020.	(309)
	Total number of companies	102
4	The total number of companies (102) with accessible financial statements during the period of 2006-2020.	366
5	The number of observations that were upgraded to become large companies based on Financiv.al Services Authority (OJK) regulation.	(210)
	Total number observations	156

Table 2. Research Instruments

Variables	Measurement
Dependent Variable:	
Investment Opportunity Set: Market to Book Asset (MBA)	The ratio of the market value of equity plus total debt on total assets, where the market value of equity is obtained from the number of shares outstanding multiplied by the share price.
Independent Variables:	
Profitability (ROE)	The ratio of net profit earned by the company annually on the total equity of the company in the same year.
Liquidity (CR)	The ratio of current assets to its current liabilities.
Leverage (DAR)	The ratio of total debt on total assets.
Internationalization (ESTS)	The ratio of export sales to total sales in the same year.
Control Variables:	
Company Size (SIZE)	Ln of the total assets owned by the company.
Company Age (AGE)	Ln of company age (year of research – the year the company was founded).
Gross National Product (GDP)	Retrieved from National Agency of Statistics.
Inflation (INF)	Retrieved from Central Bank of Indonesia.

Figure 1. Research Framework



Furthermore, to test the proposed hypothesis of the study, regression analysis of panel data was used. Before determining which models to utilize, the precise estimation modeling step is required for panel data regression. The Common Effect (CE) Model, Fixed Effect (FE) Model, and Random Effect (RE) Model are among the data-processing techniques available in the data panel. Ahmad & Prasetyo (2018) stated that the Chow and the Hausman test were carried out to determine the best model with criteria that if the p-value of the Chow test were higher than 0.05, then there is a Common Effect (CE) Model. Moreover, If the p-value of the Hausman test were higher than 0.05, then there is a Random Effect (RE) Model. Otherwise, the Fixed Effect (FE) Model. Following is a regression model to the study.

$$MBA = \alpha + \beta_1 ROA + \beta_2 CR + \beta_3 DER + \beta_4 SIZE + \beta_5 AGE + \beta_6 GDP + \beta_7 INF + \varepsilon \quad (1)$$

$$MBA = \alpha + \beta_1 ROA + \beta_2 CR + \beta_3 DER + \beta_4 SIZE + \beta_5 AGE + \beta_6 GDP + \beta_7 INF + \beta_8 ESTS + \varepsilon \quad (2)$$

$$MBA = \alpha + \beta_1 ROA + \beta_2 CR + \beta_3 DER + \beta_4 SIZE + \beta_5 AGE + \beta_6 GDP + \beta_7 INF + \beta_8 ESTS + \beta_9 ESTSAGE + \beta_{10} ESTSSIZE + \varepsilon \quad (3)$$

Result and Discussion

Based on the results of descriptive statistics, it is found that the mean MBA is 2.84, which means that the average enterprise has good investment opportunities. The average ROE is 0.02 or 2 percent, indicating that companies have a lack of efficiency when using their equity to generate profits. ESTS has an average value of 0.05, which means that the average of export sales on a total number of sales is 5 percent. Therefore, on average, small and medium-sized enterprises have not made many export sales and still depend on domestic sales for their main income. Furthermore, the average leverage (DAR) is 30 percent, meaning that the company's external funding source of 30 percent comes from long-term debt. As for macroeconomic variables, the annual change in GDP (GDP) has an average value of 0.05 or

5.0 percent and an average inflation rate (INF) of 0.04 or 4 percent. In general, the Indonesian government maintains the inflation rate below 10 percent.

Table 3. Descriptive Statistics

Variable	Observation	Mean	Median	Std. Deviation	Min	Max
MBA	156	2.84	1.32	5.01	0.19	40.52
ROE	156	0.02	0.03	0.35	-2.90	2.47
CR	156	56.27	2.80	264.20	0.05	2726.45
DAR	156	0.30	0.28	0.23	0.01	1.25
SIZE	156	25.66	25.78	0.47	24.17	26.24
AGE	156	2.57	2.71	0.72	0.69	3.89
GDP	156	0.05	0.05	0.02	-0.02	0.06
INF	156	0.04	0.03	0.02	0.02	0.11
ESTS	156	0.05	0.00	0.20	0.00	1.05
ESTAGE	156	0.11	0.00	0.43	0.00	2.62
ESTSSIZE	156	1.35	0.00	5.25	0.00	26.89

Table 4. The Chow and Hausman Probability Test

Model	Chow	Husman	Conclusion
Model 1	0.00	0.08	Fixed Effect
Model 2	0.00	0.19	Random Effect
Model 3	0.00	0.00	Fixed Effect

Table 4 shows that the Random Effect (RE) model is the best statistical model used for Model 2 as the significance of the probability value is higher than 0.05 for the Chow and Hausman test. Besides, Model 1 and 3 show that the Fixed Effect (FE) model is the best estimation model due to the results of the significance of the probability value that is lower than 0.05 for the Chow and Hausman Test. Moreover, Table 5 of regression output found that the microeconomic variable, namely profitability (ROE) has a significant positive effect on investment opportunities (IOS). The liquidity variable (CR) has a significant negative effect on investment opportunities in all three model models. Interestingly, the variable degree of internationalization (ESTS) as measured by dividing export sales by total sales has no

significant effect on the investment opportunities set. However, we found a positive correlation of the degree of internationalization on investment opportunities after adding moderator variables in the Fixed Effect Model in the third model model.

Table 5. Regression Output

	Model 1			**Model 2**			**Model 3**		
	OLS	**FE**	**RE**	**OLS**	**FE**	**RE**	**OLS**	**FE**	**RE**
Variables	**MBA**	**MBA**	**MBA**	**MBA**	**MBA**	**MBA**	**MBA**	**MBA**	**MBA**
ROE	1.76	1.80	1.80	1.80	1.79	1.80	2.03	1.72	1.80
	(0.81)	(0.60)	(0.99)	(0.90)	(0.62)	(1.03)	(0.87)	(0.68)	(1.01)
CR	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
DAR	-1.05	3.10	1.20	-1.57	3.03	0.92	-1.42	3.21	1.43
	(2.32)	(1.61)	(2.19)	(2.39)	(1.69)	(2.25)	(2.36)	(1.92)	(2.16)
SIZE	-1.33	-3.73	-2.01	-1.44	-3.59	-2.04	-1.24	-2.94	-1.80
	(0.65)	(1.43)	(0.79)	(0.67)	(1.38)	(0.81)	(0.67)	(1.25)	(0.84)
AGE	-0.20	4.34	0.43	0.06	4.09	0.51	0.38	3.20	0.85
	(0.73)	(1.81)	(0.83)	(0.62)	(1.62)	(0.82)	(0.62)	(1.36)	(0.83)
GDP	19.83	19.63	7.41	15.08	18.54	5.98	13.21	16.76	5.23
	(14.41)	(10.49)	(6.51)	(13.07)	(9.48)	(6.31)	(11.77)	(8.52)	(5.16)
INF	-35.90	2.42	-10.97	-29.79	1.78	-10.23	-29.78	0.40	-5.73
	(10.81)	(3.59)	(4.70)	(9.72)	(3.57)	(4.41)	(9.78)	(3.43)	(3.63)
ESTS				5.71	27.14	3.58	175.67	5012.31	803.13
				(3.96)	(27.05)	(3.049)	(420.78)	(575.16)	(765.0)
ESTAGE							-5.79	-17.68	40.65
							(8.36)	(7.22)	(4.79)
ESTSSIZE							-6.15	-198.86	-31.35
							(16.72)	(22.36)	(29.91)
Constant	38.48	85.55	53.51	40.31	81.17	53.96	34.54	76.25	46.68
	(16.69)	(33.00)	(20.15)	(17.09)	(32.18)	(20.47)	(17.20)	(29.65)	(20.55)
Obs.	156	156	156	156	156	156	156	156	156
R-sq.	0.06	0.11		0.11	0.11		0.15	0.55	

In terms of profitability, these results support previous research conducted by Kusumawati & Anhar (2019) and Lee et al. (2018). This result also supports the cash flow theory where investment depends on cash flow or internal funding, namely retained earnings and depreciation. Retained earnings are the most important source of funding for company growth (Thirumalaisamy, 2013). The greater the level of profitability, the greater the possibility of retained earnings for investment purposes (Kusumawati & Anhar, 2019). Thus, the greater the company's liquidity value, the smaller the company's investment opportunities. These results support the cash flow theory that only companies that can manage their working capital optimally (by reducing idle funds) are able to finance and invest. The high level of liquidity can be caused by an excessive amount of current assets, this shows that the greater the idle funds in the company. Too many idle funds indicate that the company is not or has not been able to utilize the funds it has to invest.

Although leverage does not affect investment opportunities set based on the best estimation model of the second model, in the first and last models which become comprehensive models, it turns out that debt policy affects investment opportunities in SMEs. These results indicates that SMEs are trying to enhances their business scale by relying on debt (García Padrón et al., 2005; Soleman, 2008). This result also supports the pecking order theory, where when a small enterprise seeks to scale up their business quickly, the additional funds besides their accumulative of retained earnings are needed. They need funds that are greater than debt (Myers & Majluf, 1984). The policy of increasing debt can briefly increase business capital which is then used to increase the scale of sales and assets. When SMEs has obtained capital, management will allocate the funds obtained in investments, both current assets and fixed assets (Yuniningsih et al., 2019).

The ESTS variable which describes individual export-oriented companies does not have a significant effect on investment opportunities set as the second model. However, the role of exports on investment opportunities set dynamics in SMEs is moderated by age and company size as in model 3. The role of exports has a significant positive impact on the dynamics of creating investment opportunities and company welfare (Wernstedt et al., 2006). Small and medium-sized companies that are also export-oriented are not always better able to create investment opportunities set than companies that only sell domestically, but companies that are export-oriented and supported by strong and large domination of the domestic market will increase the formation of investment opportunities and company value (Singla & George, 2013).

Another interesting thing from the results of this study is that the relationship between SMEs internationalization efforts and investment opportunities weakened by their age and size. This finding contradicts the results of previous studies that found companies that have been established for a long time tend to have an abundant resources and experience from domestic businesses so that they become capital for efforts to create investment opportunities through internationalization (Claver et al., 2008; Fernández & Nieto, 2006). In addition, the degree of risk aversion to entering foreign markets can be reduced by longer-established firms (Singla & George, 2013). Unfortunately, SMEs are always identified with their position in the introduction or early growth stages of the company's life cycle in which characterized by unstable cash flow, negative profits and huge amount of debt. Under these conditions, the increasing age of SME-scale companies has not been able to finance market expansion through internationalization to create investment opportunities set for SME companies. This occurs due to the increasing age of SME-scale companies, the allocation of the use of the generated cash flows is focused first on paying various fixed costs for debt, employee salaries, as well as operational costs for developing and expanding the domestic market to maintain the stability of the company's long-term viability. In addition, the management mentality, as well as the owner of SMEs in Indonesia, quickly feels satisfied and satisfied with the performance of the business they have (Revindo et al., 2019). In addition to the problem of mastering a foreign language, the increasing age of the company does not encourage the formation of networks and knowledge consistently and sustainably to support the creation of investment opportunities through internationalization. Thus, when SMEs grow older and internationalization efforts were forced without proper preparation from the intangible and tangible assets as well as at the same time efforts to control the domestic, will reduces their investment opportunities. This is also due to an increase in the number and allocation of resources needed for efforts to dominate the domestic market while at the same time serving the international market share which is relatively new and full of uncertainty. Furthermore, this increases the risk of failure due to the weak foundation for generating cash flows from the domestic market to finance internationalization as well as the higher level of debt (Amin et al., 2020; Bilkey & Tesar, 1977).

In addition to the age of the company, increasing assets also reduces the creation of investment opportunities set through efforts to internationalize SMEs. Although investment in the form of fixed assets is important for small and medium-sized businesses because it affects their ability to survive and grow, networking, entrepreneurial mentality, and other intangible assets owned by the management and owners are very important. and influence the

creation of investment opportunities especially through internationalization (Al-Hyari et al., 2012; Ding et al., 2013). As with SME-scale companies in general, the allocation of company performance achievements in the form of additional assets is also used to fulfill personal needs due to poor bookkeeping, there is no very clear separation between personal needs and wealth and the company so that the addition of assets weakens the creation of investment opportunities through internationalization efforts (Al-Hyari et al., 2012; Revindo et al., 2019). The increase in the number and allocation of resources should be accompanied by a strong entrepreneurial mentality by SMEs owners and managers as well as extensive and deep networking in business relationships needed for efforts to dominate the domestic market while serving the international market share which is relatively new and full of uncertainty. Furthermore, this increases the risk of failure due to the lack of a strong foundation for generating cash flows from the domestic market to finance internationalization as well as higher levels of debt to stimulate rapid investment growth (Amin et al., 2020; Bilkey & Tesar, 1977).

Mastery of the domestic market should remain a top priority as the company ages and size increases because it is relatively more familiar with the environment of the country of origin, which is easy, cheap, and quickly controlled compared to the export destination country (Daszkiewicz & Wach, 2012). In addition, the long duration of time to own intangible assets in the form of social capital by achieving an efficient, reliable, and long-lasting network with partners in export destination countries is another obstacle to the creation of investment opportunities set (Coviello, 2006; Prashantham & Birkinshaw, 2008). These results also support the stage model theory and social capital theory where the company must initially operate and control business in the domestic market and then, after achieving a stable position, gradually expand its international activities through several stages (Daszkiewicz & Wach, 2012; Prashantham & Birkinshaw, 2008).

Thus, the results of testing the effect of age and firm size in moderating the relationship between the degree of internationalization of the company and the investment opportunities of the company in the third model with the best estimation approach (FE) proves that age and company size has weakening the relationship between the degree of internationalization and investment opportunities set in SMEs. It may occurs as since its establishment until now SMEs has only received assistance in the form of funding and accents, but have not touched on assistance in promotion, business management, as well as continuous and comprehensive technical and managerial assistance from the government including unresolved difficulties

regarding tariff and non-tariff barriers, information and resource barriers, distribution, the business environment in the host country, procedural barriers, and foreign customer and competitor barriers. Finally, the majority of SMEs owner and manager do not understand and have no experience about global business model landscape also affect on their creativity in maximizing the potential of internationalization and its investment opportunities (Revindo et al., 2019).

Conclusion and Suggestion

The purpose of this study was to examine the effect of microeconomic indices (such as profitability, liquidity, liability, internationalization, SMEs age, and size) and macroeconomic variables (like national economic growth-GDP and inflations) on the company's investment opportunity set (market value ratio). The results show that the microeconomic indices, namely profitability, liability, internationalization, and SMEs age have a positive effect on the investment opportunity set, while liquidity and SMEs size have a negative effect on the investment opportunity set. Thus, macroeconomic variables, namely economic growth, have a positive effect on the investment opportunity set while inflation has a negative effect on the investment opportunity set. Surprisingly, the study also found that the degree of internationalization has a moderating effect that weakens the relationship between SMEs' age and size toward investment opportunities. This finding implies that SMEs that are getting bigger and internationalized tend to have smaller investment opportunities due to the use of their limited resources to pursue their internationalization sustainability. SMEs that are export-oriented are not always more valuable than companies that only carry out domestic sales, but firms that are export-oriented and supported by strong and large domination of the domestic market will enlarge the scale and value of the company.

This study has several limitations. First, the usage of the investment opportunity set measurement and the degree of internalization that is only limited to market value ratio and export sales ratio. Second, this study has focused only on Indonesian SMEs as objects of the study. Therefore, the result of the study may not represent the overall conditions of SMEs that have internationalization purposes. Future studies should extend their object studies by covering SMEs around the world and adding proxy variables that can indicate the degree of internationalization or multidimensional measurement indexes.

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