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## Internationalization as a way to overcome local constraints to Small and Medium Enterprise growth in South Africa

**Nasraldin Omer**

Department of Accounting and Finance,  
Sudan University of Science and Technology, Khartoum, Sudan

**Elco van Burg**

Department of Management and Organization,  
VU University Amsterdam, Netherlands

**Ricardo M. Peters**

School of Business and Finance,  
University of the Western Cape, South Africa

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### **Keyword**

SME growth, constraints, internationalization, moderating effect, South Africa

### **Abstract**

*The constraints and economic environment have significant and unequal effects on SMEs in different industries and in different locations. Constraints have been used, amongst other growth factors, to understand why some SMEs fail to grow. This study investigates the effect of five types of constraints on SME growth in South Africa: competition, lack of government support, government rules and regulations, financing gap and corruption. Subsequently, internationalization of the firm is considered as a potential way to avoid or mitigate these constraints. The study found evidence that competition, government rules and regulations, the financing gap and corruption were significant constraints to SME growth. The lack of government support was not a direct constraint to SME growth in South Africa albeit government rules and regulations (red-tape) was perceived to stifle SME growth. The study offers an important contribution by providing evidence for the expected positive moderating effect of internationalization on the relationship between local constraints and SME growth. The results also reveal that the lack of government support is a significant constraint to growth when SMEs export internationally.*

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