International Journal of
Advanced Research in Statistics, Management and Finance
p-ISSN: 2315-8409 | e-ISSN: 2354-1644
IJARSMF
February, 2024
Vol.11, No. 1

Capacity Building Dimensions and Business Expansion of Selected Micro, Small and Medium Enterprises (MSMEs) Manufacturing Firms in Nigeria

[1]Adesina Helen Titilayo & [2]Kabuoh Margret Nma
[1&2]*Department of Business Administration and Marketing, School of Management Sciences, Babcock University, Ilishan –Remo, Ogun State, Nigeria*

Article DOI:
10.48028/iiprds/ijarsmf.v11.i1.09

Keywords:
Business expansion, Capacity building, Digital marketing, Financial management, Interpersonal relationship, Training and development.

Corresponding Author:
Adesina Helen Titilayo

Abstract

The critical role of Micro, Small, and Medium Enterprises (MSMEs) cannot be over stressed. They play a vital role in the economic progress of any nation, contributing significantly to job creation and regional economic prosperity. However, in developing nations like Nigeria, manufacturing MSMEs are facing challenges, evident in business contraction and reduced profitability. Factors such as inadequate marketing capabilities, ineffective digital marketing, weak financial management, and insufficient training and development have been identified as contributors to these issues. This study investigated the effect of capacity building dimensions on the business expansion of MSMEs within selected manufacturing firms in Lagos State, Nigeria. The study adopted survey research design. The population of this study comprised 80,072 registered owner-managers of selected manufacturing micro, small and medium-scale enterprises MSMEs in Lagos State, Nigeria. A sample size of 498 was determined using the research advisor's sample size table. A structured and validated questionnaire was used for data collection. The Cronbach's alpha reliability coefficients of constructs ranged from 0.73 to 0.94. A response rate of 98.4% was recorded. Data were analysed using descriptive and inferential (multiple linear regression) statistics. The findings revealed that capacity building dimensions significantly affected the Business expansion of selected manufacturing micro, small, and medium enterprises in Lagos state, Nigeria ($Adj.\ R^2 = 0.499$; $F\ (5,484) = 146.923$, $p < 0.05$). The study concluded that capacity building dimensions influenced Business expansion of selected manufacturing micro, small, and medium enterprises in Lagos state, Nigeria. The study recommended that management should focus on enhancing capacity building dimensions to improve the overall performance especially business expansion of manufacturing micro, small, and medium enterprises. Management should focus on reinforcing capacity building dimensions to improve profitability. This may involve optimising production processes, cost management, and market-oriented strategies which enhance business expansion and sustainability.

Background to the Study

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development and growth of any country. They play a key role in promoting prosperity by creating new jobs and increasing a region's economic prosperity. Due to the importance of MSMEs, governments in developing and developed nations see them as a means of employment generation, innovation and wealth creation. By incorporating capacity building, MSMEs enhance individual and organisational skills, knowledge, and resources to improve their performance tailored towards business expansion and ability to achieve their goals.

Globally, research attention on MSMEs has increased in recent years, recognizing their significant contributions to the economy and the need for evidence-based policies and interventions to support their growth and development (De Simone et al., 2023). In America, the performance of micro, small, and medium-sized enterprises (MSMEs) especially in the United States of America (USA) faces several prevailing issues. While MSMEs are a vital component of the U.S.A economy, contributing to job creation, innovation, and economic growth, they encounter various challenges that affect their performance. MSMEs often struggle to secure adequate financing to start or expand their businesses. The performance of Micro, Small, and Medium Enterprises (MSMEs) in Canada faces a multitude of challenges that collectively impede their growth and hinder their ability to capitalize on opportunities (Cao & Leung, 2020). Among these challenges, limited access to financing poses a significant barrier, constraining MSMEs from investing in expansion initiatives.

In Europe, the performance of MSMEs is influenced by several prevailing issues notably, in the United Kingdom (UK). Access to finance remains a significant challenge, limiting their growth potential and inhibiting investment in innovation and technology (Federation of Small Businesses, 2021). Moreover, competition from larger enterprises and operational complexities add to the challenges faced by MSMEs, impeding productivity and competitiveness (CBI, 2021). The implications of Brexit have also affected MSMEs in the UK, introducing uncertainties and additional costs for businesses involved in cross-border trade (British Chambers of Commerce, 2021). In Asia, China specifically, the MSMEs sector faces several challenges that hinder its business expansion. Limited access to financing, intense competition, regulatory hurdles, innovation capacity, talent acquisition and retention issues, digital transformation barriers, and supply chain management challenges are some of the prevailing issues hindering the performance of MSMEs (IFC, 2017). These challenges have impacted the growth and expansion of MSMEs in China, hampering their ability to compete, innovate, and access resources needed for expansion.

The MSME sector in Africa faces significant challenges that hinder its performance and growth. One key issue is the limited access to finance, with the majority of African MSMEs being underserved or unserved by financial institutions (African Development Bank, 2019). This lack of access to credit, coupled with barriers such as inadequate collateral and high interest rates, restricts the ability of MSMEs to expand their businesses and invest in necessary resources. The Micro, Small, and Medium Enterprises (MSMEs) sector plays a crucial role in Kenya's economy, contributing significantly to employment generation, income generation, and poverty reduction (Kawira et al., 2019). The World Bank estimates that around 83% of Kenyan MSMEs operate informally. (World Bank, 2020). Furthermore, In Kenya, MSMEs often struggle to access wider markets due to limited marketing capabilities, lack of information, and competition from larger enterprises. In Ghana, MSMEs often face challenges in maintaining consistent product quality and service delivery due to limited resources and capacity. Inconsistent experiences often erode customer loyalty over time (Nkansah et al., 2022). A research article by Tawiah et al. (2017) highlights the importance of product quality and service delivery in influencing customer loyalty in the MSME sector in Ghana.

The MSMEs (Micro, Small, and Medium Enterprises) sector plays a crucial role in Nigeria's economy, contributing to job creation, poverty reduction, and economic growth (Babajide et al., 2020). However, several prevailing issues affect the product acceptability of MSMEs in the country. Many MSMEs in Nigeria struggle with maintaining consistent product quality, which hampers their acceptability in the market (Okon, 2018). According to a report by the Nigerian Association of Small and Medium Enterprises (NASME), inadequate quality control systems and lack of standardization hinder the competitiveness of MSMEs, leading to low customer confidence and acceptance (NASME, 2022). Insufficient infrastructure, including power supply, transportation, and logistics, poses a considerable obstacle for MSMEs in Nigeria. Unreliable electricity and poor road networks lead to production inefficiencies, delays in delivery, and increased costs, ultimately affecting product quality and acceptability.

Digital capability is another area that can significantly impact the performance of MSMEs. In today's digital age, businesses that embrace technology and digital tools have a higher chance of success. Digital capability involves adopting digital platforms, leveraging e-commerce, utilizing digital marketing channels, and integrating technology into various business processes (Hartono & Halim, 2020). Training and development are vital for enhancing the capabilities of MSMEs. Continuous learning and skill development enable employees to stay updated with industry trends, improve productivity, and contribute to organizational growth (Sung & Choi, 2018). However, MSMEs often face challenges in providing adequate training and development opportunities due to limited resources, time constraints, and a lack of awareness about the benefits.

Insufficient digital capability results in reduced visibility, customer acquisition, and limited expansion potential (Malchenko et al., 2020). Inadequate financial management hampers strategic investments and working capital, while the absence of training and development opportunities limits adaptability and innovation. Poor interpersonal relationships hinder effective communication, collaborations, and access to resources (Ryu et al., 2018). Diverse studies have been carried out on capacity building dimensions and business expansion in different areas using different organisations (Dora et al., 2022; Freudlsperger & Schimmelfennig, 2023; Mohan, 2023; Polverari et al., 2022; Santos-Hermosa & Atenas, 2022). Although, not enough has been done in the context of Nigerian manufacturing MSMEs. This therefore has created a research gap that needs empirical investigation by a study of this nature. The underperformance shown by Micro, Small, and Medium Enterprises (MSMEs) in the manufacturing sector of Nigeria has significant implications for the overall economy. Following the aforementioned, the primary objective of this study was to evaluate the effects of capacity building dimensions (marketing capability, digital marketing, financial management, training and development and interpersonal relationship) on business expansion of selected Micro, Small and Medium Enterprises (MSMEs) manufacturing firms in Nigeria.

Research Hypothesis

$H_0$1: Capacity building dimensions have no significant effect on business expansion.

To achieve the hypothesis testing, various literature was reviewed to support the expected result.

Review of Literature

This section deals with conceptual, empirical and theoretical review of the study's variables.

Business Expansion

Business expansion refers to the strategic and deliberate growth of a company's operations, footprint, and market presence. It involves a proactive effort to increase the scale and scope of business activities, often extending beyond existing markets or product lines (Zhao et al., 2021). According to Ben-Abdallah et al. (2022), expansion can take various forms, such as entering new geographical locations, introducing additional product or service offerings, or targeting different customer segments. The primary goal of business expansion is to capitalize on opportunities for increased revenue, market share, and profitability. This strategic initiative may also involve investments in infrastructure, technology, and talent to support the expanded operations. Successful business expansion requires careful market research, risk assessment, and a well-executed plan to ensure sustainable growth while maintaining the organization's core values and competitive edge in the evolving business landscape (Cirillo et al., 2020).

Business expansion refers to the strategic growth and development of a company to increase its market presence, scale, and profitability (Zhao et al., 2021). It can take various forms, such as geographical expansion into new markets, diversification of products or services, mergers and acquisitions, franchise development, or vertical integration. Successful business expansion requires thorough market research, financial analysis, and risk assessment. It often entails substantial investments in resources, infrastructure, and talent to meet increased demands (Kalogiannidis, 2021). Effective planning, adaptable strategies, and strong leadership are crucial to navigate challenges, capitalize on opportunities, and ensure sustainable growth in the dynamic and competitive business landscape (Wach, 2020).

The size of a business is a direct reflection of the company's total assets. The size of a company is one of the elemental factors that influence the capital structure. In other words, business size and expansion encompass how large organizations tend to utilize external funds unlike smaller organization. Organizations that are blessed with rapid growth often enjoy the luxury of increasing their fixed assets more frequently. The expansion, growth and size of a business is seen in terms of its owned resources and also determined by the variation in the total value of its yearly assets (Supratiningrum, 2013). According to Vintila (2013), business size is a reflection of the business image and every determinant that comes in play when ascertaining the size of the business. Funding structure is largely influenced by the size of the business because the larger and bigger the company the higher the tendency to incur bigger loan amounts.

Business expansion offers several advantages that can lead to growth and increased profitability. Business expansion allows a company to tap into new markets and reach a broader customer base, thereby reducing dependency on a single market and spreading risks (Cirillo et al., 2020). Moreso, expansion can lead to economies of scale, resulting in lower production costs and higher profit margins. Additionally, it opens up opportunities for innovation and diversification, enabling the company to offer new products or services (Matalamäki & Joensuu-Salo, 2022). Expansion also enhances the company's brand visibility and reputation, which can attract more customers and business partners. Also, increased market presence often attracts top talent, fostering a skilled and motivated workforce that contributes to the overall success and sustainability of the business (Mintah et al., 2020).

Business expansion, while often pursued to achieve growth and profitability, comes with several inherent disadvantages. It demands significant financial resources and investments, which may strain the company's cash flow and lead to increased debt (Jaipong, 2022). Expanding into new markets or regions also entails greater operational complexities and regulatory challenges, potentially resulting in higher costs and reduced efficiency (Islam & Wahab, 2021). Additionally, rapid expansion can dilute a company's core values and corporate culture, leading to a loss of focus and cohesion. Furthermore, increased scale may lead to communication gaps and decreased responsiveness, affecting customer service and satisfaction. Also, expanding too quickly without proper planning and risk assessment can expose the business to market uncertainties, heightened competition, and an overall decrease in profitability (Ben-Abdallah et al., 2022; Liu et al., 2022). From the review of existing literature, business expansion is defined as the strategic actions taken by a company to increase its size, market presence, and reach. This can involve entering new markets, launching new products or services, or opening additional locations.

Capacity Building

Capacity building dimension s refer to reciprocal social & emotional interactions between two or more individuals in an environment or workplace (Cronkleton et al., 2022). Capacity building dimensions is defined as a close association between individuals who share common interests and goals. Capacity building dimensions at work have an impact on both organizational and individual variables and it can improve individual employee attitudes such as job satisfaction, job commitment, engagement and perceived organizational support (Kacou, 2022). Capacity building dimensions can be defined as a strong association, bond and understanding that exists among people or employees who work together in the same organization it serves as a critical factor in the maintenance and development of positive feeling and trust among workers (Den Boer et al., 2021).

Ponka et al. (2020), defined capacity building as a capability of an organization, manufacturing firm, or an enterprise to be able to examine, re-examine and change in accordance with what the situation warrants in order to be more effective. Capacity building involves the transfer of skills, information, developing human and organizational resources. Capacity building can be considered as a deliberate array, sets and planned interventions mapped out to develop processes that have already been set motion through which individuals and organizations are able to sustain abilities that will help them perform better, be swift in solving problems and adapt to whatever situation arrives (Kasprowicz et al., 2020). Furthermore, Mohd et al. (2020) viewed capacity building as those external factors that factors as the requites for the beginning and birth of learning ground for employees, Yulianti et al. (2020) gave the definition of capacity building to be a collective effort in terms of the steps taken in a strategic manner to enhance and bolster the efficiency of a group through high improvement in their performance.

Capacity building refers to the process of developing and strengthening the skills, knowledge, and abilities of individuals, organizations, and communities to better achieve their goals and objectives (Harden-Davies et al., 2022). It is a critical aspect of sustainable development, as it enables individuals and communities to become self-reliant and capable of overcoming future challenges. In terms of development work, capacity building is an essential component of any effective program. It involves a range of activities such as training, coaching, mentoring, technical assistance, and resource allocation, all aimed at building the skills and capabilities of communities and organizations to identify and address their needs (Martin et al., 2022). Capacity building is essential in developing countries where there is often a lack of resources and expertise to tackle complex problems. It is also beneficial for established organizations or businesses that need to adapt to changing circumstances or expand their operations (Creese et al., 2021). Capacity building is not a one-time event, rather it is a lifelong process, and it requires a sustained commitment from all stakeholders. It can be a slow and challenging process, but the long-term benefits are significant. Several benefits are associated with capacity building. Firstly, capacity building enables individuals and communities to be more self-reliant, as they can identify their own needs and develop the necessary skills and resources to address them. Also, it helps in developing a more skilled and competent workforce, leading to improved productivity and economic growth. Lastly, capacity building promotes innovation and creativity, as it allows individuals and organizations to develop new ideas and approaches to tackling problems (Ziervogel et al., 2022). Moreso, capacity building is essential for achieving sustainable development and creating thriving communities. It requires a sustained commitment and investment from stakeholders at all levels, be it individuals, organizations, or governments. Capacity building is a lifelong process that should be seen as an ongoing commitment to building a better future (Agyei, 2021).

Marketing Capability

Marketing capabilities are skills that are essential for a firm to have in order to predict, explore and seize new market opportunities and potentials so as to offer unique products, goods and/or services in ways that are able to meet customer expectations as well as come up with new strategies that are competitive enough to achieve optimal marketing performance (Khan et al., 2022). Marketing Capabilities refer to an organization's, or a firm's overall ability to be able to utilize the available resources in order to perform marketing duties structured in ways that can make it possible to achieve the desired marketable outcomes (Morgan et al., 2018). Marketing capabilities can be further defined as an integrated process by which a firm utilizes every intangible and tangible resources to get clarity on big and complex needs while achieving superior brand recognition and product credibility that are relative to competition (Nath et al., 2010).

Digital Marketing

Digital marketing covers every marketing input and effort that are carried out through the use of the internet and an electronic device. Digital marketing channels includes social media marketing, E-mail marketing, search engine optimization and websites. These channels enable the owner of an MSME to be able to reach out to prospective and existing customers; digital marketing is a vital cog for the development of businesses in effectively helping to create Brand awareness. Studies carried out by Afrina Yasmin, (2015) and Locket (2018) posited that every element of digital marketing (social media marketing, E-mail marketing, search engine optimization and websites) have all proved to have a long lasting and positive effect on firm sales. Furthermore, it helps the MSMEs to be able to remain competitive by increasing communication and relationship between MSMEs and their customers as well as provide strategies to deal with challenges (Saura, 2021).

Financial Management

Financial management refers to the strategic and efficient management of an organization's monetary resources and investments to achieve its financial goals. It involves planning, organizing, directing, and controlling financial activities, encompassing areas such as budgeting, financial analysis, investment decisions, risk management, and capital sourcing (Mazur et al., 2021). Key characteristics of financial management include the focus on maximizing shareholder wealth, optimizing the use of funds to ensure profitability and sustainability, assessing and mitigating financial risks, maintaining accurate financial records and reports, adhering to regulatory compliance, and fostering effective communication between stakeholders to make informed financial decisions. Ultimately, effective financial management plays a crucial role in guiding the organization towards long-term financial stability and success (Kembauw et al., 2020).

Interpersonal Relationship

Interpersonal relationships refer to the social associations, connections, and interactions between individuals. Interpersonal relationships refer to the interactions and connections between individuals within a social context (Lathren et al., 2021). In the context of micro, small, and medium-sized enterprises (MSMEs), interpersonal relationships between employees, managers, and owners can be crucial for the success and growth of the business (Basyouni & Parkinson, 2022). Several studies have examined the importance of interpersonal relationships in MSMEs. According to a study by Chen and Huang (2011), interpersonal relationships among employees in MSMEs can significantly impact job satisfaction and organizational commitment.

Training and Development

Cunningham et al., (2021) defined training and development as a planned education component and with exceptional method for sharing the culture of the organization, which moves from one job skills to understand the workplace skill, developing leadership, innovative thinking and problem resolving. Belias et al. (2020) opined that training and development is the process of systematically developing work-related knowledge and expertise in people for the purpose of improving performance. Al-Kassem, A. H. (2021) defined training and development as a process, program or scheme specifically designed to develop, identify and enhance individual performance 0in ways that will strengthen an organization's overall capability. Training and development are defined as managing knowledge to develop the organization's culture, to enhance individual performance and to strengthen the organization's capability (Trihapsari et al., 2021).

Capacity Building and Business Expansion

In their study, Dugguh and Dennis (2014) found that capacity building dimensions helps to build a better teamwork, bring about productivity and reduces conflicts among workers which in turn will fostesr better understanding among employees thereby influencing a better job satisfaction. Overall, the literature suggests that capacity building is a crucial component of business expansion and should be prioritized by businesses seeking to grow and thrive in the long term. The findings of a study done by Oseni and Olalekan (2017) in Lagos State, Nigeria indicate that despite the implementation of capacity development programmes, the performance of micro, small, and medium enterprises (MSMEs) in the region continues to be subpar. In same vein, as discovered by Yulianti et al., (2020), Capacity building can directly influence employee productivity through on-the-job training; employee productivity largely depends on the time spent by an individual or an employee to be physically and psychologically present at their job and also to be efficient while at work.

Theoretical Framework

The Resource-Based View (RBV) of the firm was primarily propounded by Jay B. Barney in 1991. The theory is based on the assumption that firms possess unique resources and capabilities that can be a source of sustained competitive advantage. According to Barney (1991), for a firm to gain a competitive advantage, it must possess resources that are valuable, rare, inimitable, and non-substitutable, which are commonly referred to as VRIN criteria. This theory emphasizes that a firm's competitive advantage is determined by its ability to leverage and exploit these valuable, rare, inimitable, and non-substitutable resources more effectively than its competitors. The RBV has become a foundational framework in strategic management and has greatly influenced the understanding of how firms achieve and sustain competitive advantages in their respective industries (Barney, 1991). "Financial resources and sustained competitive advantage.

Supporters of the Resource-Based View (RBV) in strategic management emphasize the critical role of a firm's unique resources and capabilities in achieving sustainable competitive advantage. According to Barney (1991), the RBV posits that firms with valuable, rare, inimitable, and non-substitutable resources can attain superior performance and outperform their competitors in the long run. These resources could include tangible assets, intangible knowledge, organizational culture, and human capital. The RBV challenges the traditional industry-based view of competition and asserts that firms should focus on developing and leveraging their distinct resources to create a competitive edge (Wernerfelt, 1984). Proponents argue that by building and exploiting their resource advantages, firms can achieve superior performance, adapt to dynamic market conditions, and foster innovation, making the RBV a valuable framework for guiding strategic decisions and long-term success (Barney, 1991; Peteraf, 1993).

The Resource-Based View (RBV) of the firm has been a prominent framework in strategic management, emphasizing the role of a firm's unique and valuable resources in achieving sustained competitive advantage. However, it has not been without its critiques. One of the main criticisms is related to the ambiguity and lack of clear guidelines for identifying and classifying resources and capabilities. Firms may struggle to distinguish between valuable resources and those that merely provide temporary advantages. This criticism was raised by Conner (1991), who argued that the RBV lacks a robust methodology for assessing resource value and competitive potential. Additionally, some scholars have highlighted the RBV's limited focus on external factors such as industry dynamics and market conditions, which are crucial for a comprehensive understanding of competitive advantage (Priem & Butler, 2001). Critics also contend that the RBV tends to overlook the role of managerial decision-making and organizational processes, which are essential in leveraging resources effectively (Peteraf, 1993). Despite these critiques, the RBV remains a valuable and influential theory in strategic management, but its limitations warrant further exploration and integration with complementary perspectives to offer a more comprehensive understanding of firm performance. The Resource-Based View (RBV) is highly relevant and beneficial for enhancing the performance of manufacturing Small and Medium-sized Enterprises (SMEs).

Methodology

The study adopted survey research design. The study adopted a positivist research philosophy, rooted in the conviction that social phenomena can be studied objectively through empirical observation and scientific methods akin to those used in the natural sciences (Wendrilla & Arunangshu, 2017). This study employed a quantitative approach to examine how capacity building relates to business expansion of MSMEs in certain manufacturing firms located in Lagos State, Nigeria. The population of this study comprised 80,072 registered owner-managers of selected manufacturing micro, small and medium-scale enterprises MSMEs in Lagos State, Nigeria. A sample size of 498 was determined using the research advisor's sample size table. A structured and validated questionnaire was used for data collection. The Cronbach's alpha reliability coefficients of constructs ranged from 0.775 to 0.903. A response rate of 98.4% was recorded. Data were analysed using descriptive and inferential (multiple linear regression) statistics. Normalty and Multicollinearity Tests were employed to ensure the dataset follows a normal distribution and ascertain the presence of a linear association between variables respectively.

Analysis: Having generated all the descriptive analyses from all the independent variables against the dependent variable, the data were used to compute the multiple regression as shown below:

Restatement of the study Hypothesis

H_0: Capacity building dimensions have no significant effect on business expansion.

Table 1: Summary of multiple regression between capacity building dimensions and business expansion of Micro, Small and Medium Enterprises (MSMEs) performance in selected manufacturing firms in Nigeria.

N	Model	B	Sig.	T	ANOVA (Sig.)	R	Adjusted R^2	F (5, 484)
	(Constant)	3.408	.000	4.395				
	Marketing Capability	.030	.444	.767				
	Digital Marketing	.189	.000	4.670	0.000[b]	0..776[a]	0. 499	146.923
	Financial Management	.144	.001	3.209				
490	Training and Development	.083	.069	1.821				
	Interpersonal Relationship	.408	.000	9.771				
	Predictors: (Constant), Marketing Capability, Digital Marketing, Financial Management, Training and Development, Interpersonal Relationship							
	Dependent Variable: Business Expansion							

Source: Authors' computation, 2024 underlying data from Field Survey

Interpretation

The table shows the multiple regression analysis results for the capacity building dimensions on business expansion of selected manufacturing firms in Nigeria. The results showed that digital marketing ($\beta = 0.189$, $t = 4.670$, $p<0.05$), financial management ($\beta = 0.144$, $t = 3.209$, $p<0.05$), and interpersonal relationship ($\beta = 0.408$, $t = 9.771$, $p<0.05$) all have positive and significant effect on business expansion in selected manufacturing firms in Nigeria, while marketing capability ($\beta = 0.030$, $t = 0.767$, $p>0.05$) and training and development ($\beta = 0.083$, $t = 1.821$, $p>0.05$) are the two only factors that shows a positive but insignificant effect on business expansion. This implies that, digital marketing, financial management, and interpersonal relationship are important factors in Micro, Small and Medium Enterprises (MSMEs) performance which in turn yields an increase on business expansion.

The R value of 0. 776 supports this result and it indicates that capacity building dimensions has a strong positive relationship with business expansion selected manufacturing firms in Nigeria. The coefficient of multiple determination Adj $R^2 = 0.499$ indicates that about 49.9% variation that occurs in the business expansion of Micro, Small and Medium Enterprises (MSMEs) performance can be accounted for by the capacity building dimensions while the remaining 50.1% changes that occurs is accounted for by other variables not captured in the model. The predictive and prescriptive multiple regression models are thus expressed:

BE = 3.408+0.030MC+0.189DM+0.144FM+0.83TD+0.408IR+U_i---Eqn(i) (Predictive Model)
BE =0.189DM + 0.144FM + 0.4O8IR + U_i --- Eqn (ii) (Prescriptive Model)

Where:

BE = Business Expansion
MC= Marketing Capability
DM= Digital Marketing
FM = Financial Management
TD = Training and Development
IR = Interpersonal Relationship

The regression model shows that holding capacity building dimensions to a constant zero, business expansion would be 3.408 which is positive. In the predictive model it is seen that of all the variables, except marketing capability and training and development are positive and significant so the management of the company can downplay these variables and that is why they were not included in the prescriptive model. The results of the multiple regression analysis as seen in the prescriptive model indicate that when all other variables of capacity building dimensions (digital marketing, financial management, and interpersonal relationship) are improved by one unit, business expansion would also increase by 0.189, 0.144, and 0.408 respectively and vice-versa. This implies that an increase in digital marketing, financial management, and interpersonal relationship would lead to an increase in the rate of business expansion of in selected manufacturing firms in Nigeria. Also, the F-statistics (df = 5, 484)= 146.923 at p = 0.000 ($p<0.05$) indicates that the overall model is significant in predicting the effect of capacity building dimensions on business expansion which implies that capacity building dimensions except marketing capability and training and development are important determinants in the business expansion of selected manufacturing firms in selected manufacturing firms in Nigeria. The result suggests that such selected manufacturing firms in Nigeria, should pay more attention towards developing the components of the capacity building dimensions especially digital marketing, financial management, and interpersonal to increase business expansion. Therefore, the null hypothesis ($H_0$1) which states that capacity building dimensions have no significant effect on business expansion in selected MSME manufacturing firms in Nigeria was rejected.

Discussion of Findings

The aggregated results of multiple regression analysis for the hypothesis showed that capacity building dimensions (marketing capability, digital marketing, financial management, training and development, and interpersonal relationship) have significant effect on business expansion in selected Micro, Small and Medium Enterprises (MSMEs) manufacturing firms in Lagos State, Nigeria (*Adj*. R^2 = 0.499; MC = 0.030, DM = 0.189, FM = 0.144, TD = 0.083, IR = 0.408, $p < 0.05$). These findings indicated that capacity building dimensions are significant predictors of business expansion in selected Micro, Small and Medium Enterprises (MSMEs) manufacturing firms in Lagos State, Nigeria.

Supporting the finding, literature suggests that capacity building is a crucial component of business expansion and should be prioritized by businesses seeking to grow and thrive in the long term Dugguh and Dennis (2014) found that capacity building dimensions helps to build a better teamwork, bring about productivity and reduces conflicts among workers which in turn will fostesr better understanding among employees thereby influencing a better job satisfaction. In same manner, Yulianti et al., (2020), Capacity building can directly influence employee productivity through on-the-job training enhancing business expansion. In contrast to above views, the finding of a study done by Oseni and Olalekan (2017) in Lagos State, Nigeria indicates that despite the implementation of capacity development programmes, the performance of micro, small, and medium enterprises (MSMEs) in the region continues to be subpar.

Theoretically, The Resource-Based View is in alignment with this study as it stands out as a relevant and influential theory because of its focus on unique resources, internal orientation, long-term perspective, adaptability, and its ability to be applied across different industries. These characteristics make it a valuable framework for understanding the sources of competitive advantage and performance in organizations. According to Barney (1991), the RBV posits that firms with valuable, rare, inimitable, and non-substitutable resources can attain superior performance and outperform their competitors in the long run. These resources could include tangible assets, intangible knowledge, organizational culture, and human capital. The RBV challenges the traditional industry-based view of competition and asserts that firms should focus on developing and leveraging their distinct resources to create a competitive edge (Wernerfelt, 1984). Proponents argue that by building and exploiting their resource advantages, firms can achieve superior performance, adapt to dynamic market conditions, and foster innovation, making the RBV a valuable framework for guiding strategic decisions and long-term success (Barney, 1991; Peteraf, 1993).

Conclusion

The study investigated the effect of capacity building dimensions on business expansion of selected manufacturing micro, small, and medium enterprises in Lagos state, Nigeria. The study measured capacity building dimensions using marketing capability, digital marketing, financial management, training and development, and interpersonal relationship, and MSMEs business expansion as the dependent variable. The study concluded that capacity building dimensions have significant effect on business expansion of selected manufacturing micro, small, and medium enterprises in Lagos state, Nigeria.

Recommendations

Given the findings of this study, the following recommendations should be given adequate attention by the management:

1. Given the findings of the study, management should enhance capacity building programs to foster business expansion. This could involve investing in skill development, technology adoption, and strategic planning to strengthen overall

organizational capabilities.
2. Based on the results of the study, management should prioritize and invest in capacity building initiatives to stimulate innovation. Encouraging a culture of continuous learning, experimentation, and creative thinking can contribute to increased innovation within the organization.
3. In light of the study's outcomes, management should focus on reinforcing capacity building dimensions to improve the profitability. This may involve optimizing production processes, cost management, and market-oriented strategies which enhance business expansion and sustainability.

References
African Development Bank (2019). *Financing Africa's MSMEs: A report on the African development bank group's interventions*, Retrieved from: https://www.afdb.org/sites/default/files/documents/publications/financing-africas-msmes-report-afdb-group-interventions.pdf.

Afrina, Y. (2015). *Effectiveness of digital marketing in the challenging Age: An empirical study,* DOI: 10.18775/ijmsba.1849-5664-5419.2014.15.1006

Agyei, D. D. (2021). Integrating ICT into schools in Sub-Saharan Africa: from teachers' capacity building to classroom implementation, *Education and Information Technologies*, *26*(1), 125-144.

Al-Kassem, A. H. (2021). Significance of human resources training and development on Organizational Achievement, *PalArch's Journal of Archaeology of Egypt/Egyptology*, *18*(7), 693-707.

Babajide, A. A., Oluwaseye, E. O., Lawal, A. I., & Isibor, A. A. (2020). Financial technology, financial inclusion and MSMEs financing in the south-west of Nigeria, *Academy of Entrepreneurship Journal*, *26*(3), 1-17.

Barney, J. B. (1991). "Firm resources and sustained competitive advantage, *Journal of Management, 17*(1), 99-120.

Basyouni, R., & Parkinson, C. (2022). Mapping the social landscape: Tracking patterns of interpersonal relationships, *Trends in Cognitive Sciences*, 1(4), 101-113.

Belias, D., Vasiliadis, L., & Mantas, C. (2020). The human resource training and development of employees working on luxurious hotels in Greece, In *Cultural and Tourism Innovation in the Digital Era: Sixth International IACuDiT Conference, Athens 2019* (639-648). Springer International Publishing.

Ben-Abdallah, R., Shamout, M., & Alshurideh, M. (2022). Business development strategy model using EFE, IFE and IE analysis in a high-tech company: An empirical study, *Academy of Strategic Chen Management Journal*, *21*, 1-9.

British Chambers of Commerce (2021). *Key Brexit Indicators: June 2021,* Retrieved from: https://www.britishchambers.org.uk/media/get/Key%20Brexit%20Indicators%20June%202021.pdf

Cao, S., & Leung, D. (2020). Credit constraints and productivity of SMEs: Evidence from Canada, *Economic Modelling*, *8(8)*, 163-180.

CBI (2021). *Creating a digital nation: Unlocking the benefits of digital for UK businesses*, Retrieved from: https://www.cbi.org.uk/media/6115/creating-a-digital-nation-may-2021.pdf

Chen, C. J., & Huang, J. W. (2011). Strategic human resource practices and innovation performance – The mediating role of knowledge management capacity, *Journal of Business Research 62*(1):104-114. DOI:10.1016/j.jbusres.2007.11.016

Cirillo, A., Huybrechts, J., Mussolino, D., Sciascia, S., & Voordeckers, W. (2020). Researching family business growth, *European Management Review*, *17*(3), 733-746.

Creese, S., Dutton, W. H., & Esteve-González, P. (2021). The social and cultural shaping of cybersecurity capacity building: a comparative study of nations and regions, *Personal and Ubiquitous Computing*, *25*(5), 941-955.

Cronkleton, P., Evans, K., & Larson, A. (2022). Capacity building for ACM. *Krister Andersson, Professor of Political Science and Director, The Center for the Governance of Natural Resources, University of Colorado at Boulder, USA*, 134.

De Simone, V., Di Pasquale, V., & Miranda, S. (2023). An overview on the use of AI/ML in Manufacturing MSMEs: solved issues, limits, and challenges, *Procedia Computer Science*, *2(1)*, 1820-1829.

Den Boer, A. C., Broerse, J. E., & Regeer, B. J. (2021). The need for capacity building to accelerate food system transformation, *Current Opinion in Food Science*, *42*, 119-126.

Dugguh, S. I. & Dennis, A. (2014). Job Satisfaction theories: Traceability to employee performance in organizations, *IOSR Journal of Business and Management*, 16, 11-18. https://doi.org/10.9790/487X-16511118

Federation of Small Businesses (2021). *FSB Small Business Index Q2 2021*, Retrieved from: https://www.fsb.org.uk/resource-report/small-business-index-q2-2021.html

Harden-Davies, H., Amon, D. J., Chung, T. R., Gobin, J., Hanich, Q., Hassanali, K. & Vierros, M. (2022). How can a new UN ocean treaty change the course of capacity building? *Aquatic Conservation: Marine and Freshwater Ecosystems*, *32*(5), 907-912.

Hartono, H., & Halim, E. (2020, August). The effect of digital capability on competitiveness through digital innovation of E-travel business in Indonesia. In *2020 International Conference on Information Management and Technology (ICIMTech)* (615-620). IEEE.

Kacou, K. P., Ika, L. A., & Munro, L. T. (2022). Fifty years of capacity building: Taking stock and moving research forward 1. *Public Administration and Development*, *42*(4), 215-232.

Kalogiannidis, S. (2021). Business trust and communication as predictors of business growth, *WSEAS Transactions on Business and Economics*, *18*, 1512-1522.

Kasprowicz, V. O., Chopera, D., Waddilove, K. D., Brockman, M. A., Gilmour, J., Hunter, E. & Ndung'u, T. (2020). African-led health research and capacity building-is it working? *BMC Public Health*, *2(3)*, 1-10.

Kawira, K. D., Mukulu, E., & Odhiambo, R. (2019). Effect of digital marketing on the performance of MSMES in Kenya. *Journal of Marketing and Communication*, *2*(1), 1-23.

Kembauw, E., Munawar, A., Purwanto, M. R., Budiasih, Y., & Utami, Y. (2020). Strategies of financial management quality control in business, *TEST Engineering & Management*, *82*, 16256-16266.

Khan, H., Mavondo, F., & Zahoor, N. (2022). Integration of outside-in and inside-out entrepreneurial marketing capabilities, marketing agility and resources for entrepreneurial firm performance, *International Journal of Entrepreneurial Behavior & Research*, *1*(1), 612-634.

Lathren, C. R., Rao, S. S., Park, J., & Bluth, K. (2021). Self-compassion and current close interpersonal relationships: A scoping literature review, *Mindfulness*, *1(2)*, 1078-1093.

Martin, A. R., Stroud, R. E., Abebe, T., Akena, D., Alemayehu, M., Atwoli, L. & Chibnik, L. B. (2022). Increasing diversity in genomics requires investment in equitable partnerships and capacity building, *Nature genetics*, *54*(6), 740-745.

Malchenko, Y., Gogua, M., Golovacheva, K., Smirnova, M., & Alkanova, O. (2020). A critical review of digital capability frameworks: A consumer perspective, *Digital Policy, Regulation and Governance*, *22*(4), 269-288.

Mazur, N., Khrystenko, L., Pásztorová, J., Zos-Kior, M., Hnatenko, I., Puzyrova, P., & Rubezhanska, V. (2021). Improvement of controlling in the financial management of enterprises, *TEM Journal-Technology, Education, Management, Informatics*, *2*(3), 192-201

Mintah, C., Gabir, M., Aloo, F., & Ofori, E. K. (2022). Do business records management affect business growth? *Plos one*, *17*(3), e0264135.

Mohd, I. H., Julan, J., & Besar, T. B. H. T. (2020). Strategic training and development: The impact on employees' performance, *Journal of International Business, Economics and Entrepreneurship*, *5*(2), 80-84.

Morgan, N. A., Feng, H., & Whitler, K. A. (2018). Marketing capabilities in international marketing. *Journal of International Marketing*, *26*(1), 61-95

NASME (2022). *Small and Medium Enterprises (SMEs) in Nigeria: Problems and Prospects.*

Navendu, C. Y. (2019). Geospatial technology education: Capacity building for sustainable development, *International Journal of Recent Technology and Engineering (IJRTE)*, *8*(3). https://doi.org/10.35940/ijrte.C4235.098319

Nkansah, D., Gyimah, R., Sarpong, D. A. A., & Annan, J. K. (2022). The effect of employee engagement on employee performance in Ghana's MSMEs Sector during COVID-19: The moderating role of job resources, *Open Journal of Business and Management*, *11*(1), 96-132.

Oseni. U. A. & Olalekan, S. O. (2018). Prospects of an online dispute resolution framework for Islamic Banks in Malaysia: An empirical legal analysis, *Journal of Financial Regulation and Compliance 25*(1):39-55 DOI:10.1108/JFRC-07-2016-0055

Peteraf, M. A. (1993). The cornerstones of competitive advantage: A resource-based view, *Strategic Management Journal, 14(*3), 179-191.

Ponka, D., Coffman, M., Fraser-Barclay, K. E., Fortier, R. D., Howe, A., Kidd, M. & Goodyear-

Priem, R. L., & Butler, J. E. (2001). Is the Resource-Based "View" a useful perspective for strategic management research? Academy of Management Review, 26(1), 22-40.

Santos, S. A., Trevisan, L. N., Veloso, E. F. R., & Treff, M. A. (2021). Gamification in training and development processes: Perception on effectiveness and results, *Revista de Gestão*, *28*(2), 133-146.

Smith, F. (2020). Fostering global primary care research: A capacity-building approach, *BMJ Global Health*, *5*(7), e002470.

Supratinigrum (2013). CORE (connecting, organizing, reflecting & extending) learning model to improve the ability of mathematical connections. *Journal of Physics Conference Series* 1581:012028. DOI:10.1088/1742-6596/1581/1/012028

Wach, K. (2020). A typology of small business growth modelling: A critical literature review, *Entrepreneurial Business and Economics Review*, *8*(1), 159-184.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171-180.

World Bank (2020). *Africa's Infrastructure: A Time for Transformation*, Retrieved from https://openknowledge.worldbank.org/bitstream/handle/10986/33749/978 1464815517.pdf

Yulianti, F., Fakhry, Z., Havis, A., Luis, M., Tien, Y., Satria, C., & Sanmorina, A. (2020). Improving Lecturers scientific publication through capacity building moderation, *Universal Journal of Educational Research*, *8*, 6014–6021. https://doi.org/10036

Ziervogel, G., Enqvist, J., Metelerkamp, L., & van Breda, J. (2022). Supporting transformative climate adaptation: community-level capacity building and knowledge co-creation in South Africa, *Climate Policy*, *22*(5), 607-622.