

# Role of Business Incubators and Social Capital on Innovation and Growth of Firms: Evidence from Ethiopia

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## Abstract

To satisfy the high need for ICT entrepreneurship and rectify the weak entrepreneurial culture in Ethiopia, the country has established ICT Business incubation centers with the intention of preventing business failures, promoting innovation; accelerate the growth and success of firms. This study investigates the role of business incubators and social capital on the innovation and growth of firms in Ethiopia. In this research innovation and growth of firms were considered as dependent variables whereas business incubation and social capital were treated as independent variables. The researcher employed an e-mail survey among 137 tenant Firms (Firms that joined and/or graduated to/from the Business incubation centers available in Ethiopia) to collect the data and obtained 113 responses that were appropriate for this research. The result of this study reveals that the dimensions of business incubation (physical resource, business support, and networking) have a significant effect on the innovation of Firms but these dimensions of business incubation do not show a significant effect on the growth of firms. On the other hand, the dimensions of social capital (structural, cognitive, and relational) show a positive significant impact on the likelihood of Firms' growth but not on the innovation of firms. Moreover, the result of this study indicates that the dimensions of business incubation and social capital together have a significant effect on the likelihood of tenant firms innovating and growing.

**Keywords:** Business Incubation, Ethiopia, growth, Innovation, Social capital, Tenant firms