The Effect of Entrepreneurship Development and Disruptive Innovation on Economic Growth: A Study of Small Scale Business Owners in Abeokuta

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Abstract

This paper critically examined the effect of entrepreneurship development and disruptive innovation on economic growth, with specific focus on small scale business owners within Abeokuta Metropolis. This study employed a descriptive survey design. A sample size of 300 respondents was selected using simple random sampling technique of which 300 respondents filled and returned the questionnaire. Data from the questionnaire was analyzed using special software for statistics which is called statistical package for social science (SPSS) version 20. The study found out that supply there is a significant relationship between entrepreneurship development and economic growth, there is a relationship between disruptive innovations and economic growth and therefore recommends that Government Policies should be properly laid down so as to guide entrepreneurial activities Incentives should be given to deserving entrepreneurs as this will help them explore more ideas into their businesses.

Keywords: Entrepreneurship development, Disruptive innovation and Economic growth
Background to the Study
Entrepreneurship is generally described as the ability of an individual or a group of individuals to create or discover an opportunity and utilize it to the benefit of the society, which, in turn, will bring success to the innovators and their organization. It is a timeline through which skills are developed and built with the intention of making a profitable return. To exercise this activity, it is imperative to note that there exist some disruptive factors which might cause an unsuccessful plan or innovation for an entrepreneur. Focusing on disruptive innovations, the existence of political, economic, social and technological barriers is key in describing the concept of disruptive innovations. Disruptive innovation is described as a limiting factors that stops the effectiveness and efficiency of an entrepreneurial activities, it stops the plan process and ensures that success is not record in the entrepreneur project. Disruptive innovations have been a major cause that has negatively affect the growth of both an entrepreneur and as well as the economy at large. Notable elements of disruptive innovations are: Political disruptive innovative, Economical Disruptive Innovation, Social Disruptive Innovative, and Technological Disruptive innovation. A synopsis of these elements are terms PEST and majorly these elements constitute the disruptive innovation process.

The role and significance of entrepreneurship development in numerous nations worldwide were quite significant. Numerous countries leaders and scholars have proposed that entrepreneurship can be a panacea for empowerment, job creation, economic transformation, and poverty reduction., particularly in Africa. For the past decades, numerous nations in developed and developing nations have moved their policies from being directed towards a managed economy to an entrepreneurial economy. In addition, entrepreneurship largely contributes to proper utilization of resources, the establishment of a developed self-sufficient society, and creation of employment opportunities. The immense role played by entrepreneur shi development has prompted most developing countries to envisage on this concept thereby evaluating and finding means to reduce disruptive innovations. According to Adebayo (2013), disruptive innovations is not only within the realm of PEST but can also be an individual factor, in a nutshell, he was of the opinion that personal skills, managerial skills can be a limiting factors for entrepreneurs to achieve effective results. He however suggested that for disruptive innovations to be reduce, government must try to ensure that orientations are given to entrepreneurs as well as all elements in the PEST models must be in favor of entrepreneurship development. Core scholars who accepted this fact include: Sakar (2014); Foreman (2011); and Problems1996).

Many studies have been spotted within the areas of Entrepreneurship Development in relation to Economic growth, some scholars have also made extension towards youth entrepreneurship as it affects economic growth and unemployment issues but the fact is that among these studies there are only few studies that have carried out an extensive investigation on Entrepreneurship and Disruptive Innovation as it affects Economic Growth. As a matter of fact, the authors have not come across documents that emphasizes on Entrepreneurship and Disruptive Innovation. It is on this effect that the study stands out to investigate the effect of Entrepreneurship and Disruptive Innovation on Economic Growth with a study on Small and Medium Scale Enterprises around the Abeokuta Metropolis.
Statement of Research Problems
The role of entrepreneurship and innovations in economic development through job creation has turned out to be a priority for numerous nations against the provision of foreign aid. Speaking of foreign aid, despite the trillions of dollars of aid allocated to African nations, Africa still experiences a constant upward shift in disruptive innovations and poverty line over two decades. It calls for various international agencies and governments of other nations to embark on strategies to alleviate the scourge of poverty, disruptive innovations and promote Africa’s economy. In the 1960s most of the Sub-Saharan African countries came out of colonization, hence being influenced to adopt a state-led centrally planned economic structure since they gained independence. Meanwhile, most developed economies in the recent time adopted a different model for their economic growth and development in absolute poverty reduction and employment creation. Africa is witnessing what is referred to as “youth bulge”, or a population dominated by young people. Governments of these African nations should be aware of the significance of making the best advantage of this young population; otherwise, it will be turned into a burden particularly in the prevailing soaring unemployment trend among most of the African nations. Youth unemployment and disruptive innovations is a problem that affects most countries, especially in Africa Okafor as cited in Adebayo (2013). The capability of youth to engage in productive activities has both social and economic consequences in the society. There are almost 1.2 billion people aged between 15 and 24 years in the world. Out of these 200 million are in Africa, and out of these about 75 million are looking for work; this represents about 20 percent of the world’s population. According to the ILO (Ibid), Africa has the fastest growing and most youthful population in the world hence the biggest workforce. Over 40 percent of this population is under the age of 15. Specifically, it is estimated that by 2050, the youth will constitute 18.6 percent of the population in Central Africa, 18.5 percent in Eastern Africa, 18.8 percent in Western Africa, 15.6 percent in Southern Africa, and 13.9 percent in North Africa ILO (Ibid). Nearly 300 million people in sub-Saharan Africa are aged between 10 and 24 years, and these figures are anticipated to soar to around 561 million by the middle of this century (ILO (Ibid).

Research Purpose and Objectives
The main aim of the study was to examine the effect of Entrepreneurship and Disruptive Innovation on economic growth. To achieve this, the researchers specifically formulated the following objectives with the intention to evaluate them:
1. To know if there is a relationship between entrepreneurship development and economic growth
2. To find out if there is a significant relationship between disruptive innovations and economic growth.

Research Questions
The following are the research questions of the study and was obtained from the above formulated objectives:
1. What is the significant relationship between entrepreneurship development and economic growth?
2. What is the significant relationship between disruptive innovations and economic growth?
Research Hypotheses

H01: There is no significant relationship between Entrepreneurship development and economic growth.

H02: There is no significant relationship between disruptive innovations and economic growth.

Scope of the Study
The study covers the following areas: Entrepreneurship Development, Disruptive Innovations and Economic Growth. The relationship between these variables was tested and measured among small scale business owners within the Abeokuta Metropolis.

Literature Review
Entrepreneurship-Growth Relationship
According to Audretsch et al. (2006), the authors assert that the significant contribution of entrepreneurship to economic growth lies in its serving as a medium for the spill-over of knowledge that might otherwise have stayed un-commercialized. However, empirical evidence on the relationship between entrepreneurship and economic growth is conflicting. According to Van Stel et al. (2005), the authors assert that while entrepreneurship has a positive correlation with per capita GDP growth in wealthy countries, its relationship with growth in poor countries is negative. In another study, Reynolds et al., [2003] mentioned that there is a negative correlation between real per capita GDP among all countries and the entrepreneurial activity. Also, some other authors find the similar outcome in their studies (11-13). According to Baumol (2014), the author juxtaposes entrepreneurship against the hackneyed prescription of Keynesian theory that in times of economic downturn augmented government spending should be the panacea. Furthermore, Baumol (2014) asserts that abundantly projects entrepreneurship can act as an alternative means of stimulating growth 'that may hold greater appeal for today's policy makers and global leaders'.

According to Jiang et al. (2010) survey, the authors discovered that an upsurge in the number of entrepreneurs generates a growth-improving variety effect and that diminished overall quality of entrepreneurial ability undermines economic growth. Evidence from West Germany indicates that entrepreneurship positively impacts growth. Audretsch et al. (2008) report from West Germany that innovation efforts have an indirect effect on economic performance through entrepreneurship and that knowledge-based entrepreneurship positively explains regional economic performance. Mueller (2006) tests the hypothesis that entrepreneurship and university–industry relations promoted economic growth in West German regions between 1992 and 2002 and reports that regions with a prominent level of entrepreneurship and university–industry relationships record greater productivity, and consequently, economic growth. Both start-ups in innovative industries and university research in engineering science are found to advance economic growth. Mueller (2007) tests whether entrepreneurship is an important medium for knowledge flows and economic growth for the West German regions between 1990 and 2002 and finds that a rise in innovative start-up activity is more effective than an increase in general entrepreneurship in accelerating economic growth.
In another study, Stefanescu (2012) examines the correlation between economic development and entrepreneurial activity in the European context. The groups of nations as defined by the Global Entrepreneurship Monitor employed for the survey are efficiency driven nations such as Turkey, Latvia, Croatia, Hungary, and Romania; and innovation-driven nations such as Switzerland, Greece, Norway, Slovenia, Germany, Belgium, Italy, United Kingdom, Ireland, Finland, Denmark, France, Portugal, Spain, Netherlands, Sweden, and Iceland. The survey discovers that nations with diverse economic development level are distributed based on their entrepreneurial activity during the international crisis'. Harbi et al. [2011] explore the causal relationship between entrepreneurship and economic growth with data (1996–2007) from 34 OECD countries and report that there is a unidirectional causality running from entrepreneurship to economic growth. The results also suggest that increases in self-employment promote economic growth over the short term but reduce economic growth in the long-term horizon.

**Entrepreneurship as an Intervention Strategy to Poverty Alleviation**

Widespread poverty had been a prolonged challenge in Sub-Saharan Africa Country. Currently, Africa is the largest continent with the highest number of people living in extreme poverty which accounted for about 383 Million people living with less than $1.90 per day, according to World Bank. Generally, in examining poverty in sub- Africa, we consider of all sub-sharia African country. According to Global development, nearly half all children in sub-Saharan Africa are in extreme poverty. Meanwhile Eradicating extreme poverty by 2030 seems to be a distant target as UNICEF and World Bank figures show almost 383 million people survive on less than $1.90 a day. This data shows that Nigeria is rated with the highest number of poverty of 86 million seconded by Democratic Republic Congo which accounts for about 55.1 Million people according to World Bank. Considering the poverty in Sub-sharia Africa as stated according to World Bank, around half of those living in extreme poverty by 2020 will hail from hard-to-reach fragile and conflict-affected states, moreover, Sub- Saharan Africa accounts for half of the global poor. Across the planet, the number of people living in extreme poverty has dropped by more than half since 1990, China is one of the remarkable success stories in poverty reduction. China cut down the level of the poverty line to 15.9 percent from 84 percent la, 2014). Having gained her sustainable economic prosperity development, Sub-Saharan African need to adopt China development model as a template for own economic emergency. If we exclude the impressive reduction in the number of Chinese citizens living in abject poverty below the $2 a day level, the decline in poverty in Asia has been less impressive. This call for a better impact for sub-Sahara Africa nations.

The significant impact of China moving more than billion people lived on under $1.25 a day, compared to 836 million in 2015, according to the UN. In 2016, rains failed across large swaths of countries in Eastern and Southern Africa Although weather shocks are not uncommon in Africa, the 2016 drought stands out in scale and severity, because of the unusually large number of countries announcing significant drops in the levels of crop production, especially of staples, at the same time For example, maize production in 2015/16 in the 15 member countries of the Southern African Development Community (SADC) fell by an average of 19 percent compared with the 2014/15 maize season Similarly, in Eastern
Africa, severe crop and livestock production losses were reported, especially in the Horn of Africa. The drought also led to power disruption, depressed economic activity, and increased poverty. Drought-induced declines in maize were estimated to reduce gross domestic product in the SADC area by 0.1 percentage point and increase poverty by 1.4 million people. An estimated 260,000 people died from the 2010/2011 famine in the Horn of Africa in 2016, an estimated 250,000 South Sudanese children under the age of 5 were estimated to suffer from severe acute malnutrition.

**Entrepreneurship as a Catalyst for Economic Prosperity**

By some estimates, more than $2-trillion has been spent fighting poverty since seven decades, with little direct impact. The stories of failure are illustrated with hydro dams that never function, crops that never grew and roads that went nowhere. Entrepreneurs, however, are changing the world. Since 2005, an estimated half-billion people or more have been raised out of poverty, mainly by small business, trade liberalization and gains in productivity. In China, Pakistan, Indonesia, and Nigeria, booming local economies, oblivious to the latest schemes of aid programs, are creating millions of jobs. The Brookings Institution recently predicted even more dramatic gains ahead: “Between 2005 and 2015, India, Bangladesh, Vietnam, and Ethiopia are each expected to grow by at least 6.3 per cent per year, and in the process, each is likely to see a quarter of its population lifted out of poverty.” Entrepreneurs, not aid spending, are driving this growth. The creativity that led to this dramatic progress in the fight against world poverty was the grudging realization by donors that aid planners do not create jobs—small business does. Entrepreneurship is crucial to economic development because of her demography dividend at the same time it large population which creates a huge market. the advantages to Sub-Saharan Africa will be greater if all the governments can encourage it as a survival model in reducing poverty. Entrepreneur paves the way to industrialization; industrialization strategies could better target high-potential entrepreneurial activities to accelerate industrialization.

Entrepreneurs play an essential role in bringing innovation to an economy, notably innovative technologies and production methods. According to African Economic Outlook 2017, Entrepreneurship also pushes up total productivity through the process of “churning”. New innovative firms put pressure on older firms to innovate. Entrepreneurship encourages diversification into new economic sectors and adapts foreign technologies to local markets for its growth. It's bolstering industrialization by efficiently shifting resources away from traditional sectors into more modern one. Landes express that entrepreneur serves as a solution provider where government failed to function, it is often seen as a mechanize that provides public service left by the governments. High-potential entrepreneurs also experiment with new products in local markets. They offer fresh ideas and exchange information with other local producers, potentially increasing competitiveness by shifting resources to higher-productivity activities.

**Entrepreneurship Introduce Innovations that Induce Economic Growth**

Over the last four decades, the level of government interest in entrepreneurship and small business development as potential solutions to flagging economic growth and rising
unemployment has increased. It helped to spawn a new field of academic study and research. Innovation is the key to modern theories of development and growth (World Bank, 2015). It is evident that with factors such as technological product, costs, and process, innovations have graduated to become one of the keys to competitiveness and business success (World Bank, 2015). Competition in the global economy has now become knowledge-based and this is what countries in Sub-Saharan Africa need to adapt to grow their economic sectors. Most countries in the Sub-Saharan are known of traditional economic sectors such as textiles, leather, and food processing (World Bank, 2015), such sectors need innovation and technological advancement for them to support modern entrepreneurship that will bolster economic growth. Governments need to support entrepreneurship and innovation as a way of removing people from poverty because innovative entrepreneurship act about changes in the structure of the economy, technological upgrading in production, and moving higher value performing global value chains (World Bank, 2015) and this is what impoverished Sub-Saharan African countries needs for development. If the governments can adapt to technological change that embraces the new modern use of machinery and equipment and modern generation of tech-literate educated workers, the region can experience a shift in their economies and will not need handouts from developed countries.

**Disruptive Innovation: Overview**

Disruptive Innovation refers to a technology whose application significantly affects the way a market or industry functions. An example of a modern disruptive innovation is the internet, which significantly altered the way companies did business and which negatively impacted companies that were unwilling to adopt it. A disruptive innovation is differentiated from a disruptive technology in that it focuses on the use of the technology rather than the technology itself. Clayton Christensen popularized the idea of disruptive innovation in the book “The Innovator's Solution”, which was a follow up to his “The Innovators Dilemma” published in 1997. Christensen posited that there were two types of technologies that businesses dealt with. Sustainable technologies were those that allowed a business to incrementally improve its operations on a predictable timeframe. These technologies and the way they were incorporated into the business were primarily designed to allow companies to remain competitive, or at least maintain a status quo. Disruptive technologies and the way they are integrated -the disruptive innovations - were less easy to plan for and potentially more devastating to companies that did not pay enough attention to them.

What makes a technology or innovation “disruptive” is a point of contention. The term may be used to describe technologies that are not truly disruptive. As mentioned, the internet was disruptive because it was not an iteration of a previous technology. It was something new that created unique models for making money that never existed before. Of course, that created losses for other business models. A classic example of the disruptive innovation of the internet being unleashed was the restructuring of the book selling industry. The big book selling chains lost out to Amazon because it could display its inventory without having to own a physical store in every town and then ship the book to the buyer's home. In contrast, Model T car is not considered disruptive because it was an improvement on an existing technology and it wasn't widely adopted upon its release. The auto industry didn't take off until mass production brought prices down, moving the entire transportation system from hooves to wheels.
**Implications of Disruptive Innovation for Investors**

Investing in a disruptive innovation can be complicated. It requires an investor to focus on how companies will adopt to a disruptive technology, instead of focusing on the development of the technology itself. Companies such as Amazon, Google, and Facebook are examples of companies that have heavily focused on the internet as a disruptive technology. The internet has become so ingrained in the modern world that the companies that failed to integrate the disruptive innovation into their business models have been pushed aside. Artificial intelligence (AI) and their potential to learn from employees and perform their jobs may be a disruptive innovation for the job market as a whole in the near future.

**Methodology**

A descriptive research design was used in this study. The target population of this study comprise of the small scale business owners within the Abeokuta Metropolis. However, a sample size of 300 was determined using the simple random technique. This study is expected to produce both quantitative and qualitative data. Once the questionnaires are received they was coded and edited for completeness and consistency. Quantitative data was analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS) version 20. This technique gives simple summaries about the sample data and present quantitative descriptions in a manageable form, Gupta (2004). Together with simple graphics analysis, descriptive statistics form the basis of virtually every quantitative analysis to data, Kothari (2004). The significance testing was done at 5% level of significance and SPSS was used for this purpose.

**Findings**

A total of 300 Questionnaires (representing 100%) were distributed, in which 300 was returned. However, the returned Questionnaires are however shown below:

**Benchmark for Analysis of Research Questions**

<table>
<thead>
<tr>
<th>Coefficient value</th>
<th>Appropriate scale option</th>
</tr>
</thead>
<tbody>
<tr>
<td>M=1.00</td>
<td>Strongly Agreed (SA)</td>
</tr>
<tr>
<td>M=2.00</td>
<td>Agreed (A)</td>
</tr>
<tr>
<td>M=3.00</td>
<td>Undecided (U)</td>
</tr>
<tr>
<td>M=4.00</td>
<td>Disagreed (D)</td>
</tr>
<tr>
<td>M=5.00</td>
<td>Strongly Disagreed (SD)</td>
</tr>
</tbody>
</table>

Where M = Mean Value (MV).
Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurship Development are the engine room of a viable economy</td>
<td>300</td>
<td>1.00</td>
<td>5.00</td>
<td>2.1567</td>
<td>1.05950</td>
</tr>
<tr>
<td>Entrepreneurship Development reduces unemployment rate in an economy.</td>
<td>300</td>
<td>1.00</td>
<td>5.00</td>
<td>2.0300</td>
<td>.87845</td>
</tr>
<tr>
<td>To a great extent, Entrepreneurship Development gives self-reliance.</td>
<td>300</td>
<td>1.00</td>
<td>5.00</td>
<td>1.8467</td>
<td>.88644</td>
</tr>
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<td>There is a relationship between Entrepreneurship Development and Economic Growth.</td>
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<td>1.00</td>
<td>5.00</td>
<td>1.8900</td>
<td>.94209</td>
</tr>
<tr>
<td>Entrepreneurship Development should be encouraged through effective and efficient Government Policies Disruptive Innovations affects the functions of industry and firms.</td>
<td>300</td>
<td>1.00</td>
<td>5.00</td>
<td>1.9200</td>
<td>1.04430</td>
</tr>
<tr>
<td>There is a significant relationship between disruptive innovations and economic growth. Disruptive Innovations are majorly influenced by PEST environmental factors. Valid N (listwise)</td>
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<td>5.00</td>
<td>2.5300</td>
<td>1.31715</td>
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<td>There is a significant relationship between disruptive innovations and economic growth.</td>
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<td>5.00</td>
<td>2.0067</td>
<td>1.02801</td>
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<tr>
<td>Disruptive Innovations are majorly influenced by PEST environmental factors. Valid N (listwise)</td>
<td>300</td>
<td>1.00</td>
<td>5.00</td>
<td>1.8267</td>
<td>.87512</td>
</tr>
</tbody>
</table>


From the above, the first item indicates that most of the respondents agreed that, Entrepreneurship Development are the engine room of a viable economy, the second item indicates that most of the respondents agreed that Entrepreneurship Development reduces unemployment rate in an economy, the third item however shows that most of the respondents agreed that To a great extent, Entrepreneurship Development gives self-reliance, furthermore, the analysis revealed that most of the respondent agreed that There is a relationship between
Entrepreneurship Development and Economic Growth, more so, the analysis above indicates that there is an agreement between the respondents on the fact that Entrepreneurship Development should be encouraged through effective and efficient Government Policies, the analysis also shows that the respondents are unsure if Disruptive Innovations affects the functions of industry and firms, the analysis also shows that there is agreement based on the fact that There is a significant relationship between disruptive innovations and economic growth, the analysis finally revealed that most respondents agreed that Disruptive Innovations are majorly influenced by PEST environmental factors.

Test of Hypotheses

Hypothesis one

\( H_0: \) There is no significant relationship between Entrepreneurship Development and Economic Growth.

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
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<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
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<td>100.668</td>
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<tr>
<td>Residual</td>
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<td>6.843</td>
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<tr>
<td>Total</td>
<td>1359.390</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Economic Growth
b. Predictors: (Constant), Entrepreneurship Development

Source: Field survey (2019)

Decision: If F-value is equal or greater than “Sig” value, we reject Null and accept alternative hypothesis. Since the F-value is greater than “Sig” value (100.668>0.000) we reject null hypothesis and accept alternative hypothesis which stated that there is a significant relationship between entrepreneurship development and economic growth.

Hypothesis two

\( H_0: \) There is no significant relationship between disruptive innovation and economic growth.

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
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<th>Mean Square</th>
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**Summary of Findings, Conclusion, Recommendation and Suggestions for Further Studies**

The first finding of the study revealed that there is a significant relationship between entrepreneurship development and economic growth. This finding assists us to understand that when entrepreneurial skills are built, it increases the economy activities by having an upward shift in Gross Domestic Product, National Income, as well as increase in external reserves. This finding also indicates that entrepreneurial development are most important in a nation as it gives tremendous benefits such as employments, self-sustenance and poverty reduction. These aforementioned benefits are what help in achieving economic growth.

The second finding indicates that there is a significant relationship between disruptive innovation and economic growth. This implies that when technology is in place, there is a high tendency of having an increase in economic growth and vice versa. Technology or innovations should be guided strategically by the government thus any form of barriers should be eliminated by the government.

**Conclusions**

From the discussed findings above, it can be clearly stated that entrepreneurship development as well as innovations are major drivers of economic growth in a nation. It can also be concluded that majorly government policies counts on the effectiveness of entrepreneurship development.

**Recommendations**

The following are recommended tips that guide the activities of entrepreneurship development and disruptive innovations:

1. Government Policies should be properly laid down so as to guide entrepreneurial activities
2. Incentives should be given to deserving entrepreneurs as this will help them explore more ideas into their businesses.
3. To have some free innovations in which people can benefit from, all environmental constraint must be avoided.
4. Government must learn how to support disruptive innovations and this can be done through sponsorship, scholarship programs and orientation programs.

**Suggestions for Further Studies**

The study has some set-backs in covering some areas in entrepreneurship development and thus the following are suggested areas, further researchers must embark on so as to ensure completeness of the core subject:

1. The effect to Technocrat on SMEs profitability must be examined.
2. Study on the effect of Entrepreneurship Development Centers should also be considered in line with achieving economic growth.
Reference


