

**THE ROLE THAT COOPERATIVES PLAY IN POVERTY ALLEVIATION: THE
CASE OF LEPELLE-NKUMPI LOCAL MUNICIPALITY**

by

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DECLARATION

I declare that **THE ROLE THAT COOPERATIVES PLAY IN POVERTY ALLEVIATION: THE CASE OF LEPELLE-NKUMPI LOCAL MUNICIPALITY** hereby submitted to the University of Limpopo, for the Degree of Master of Development has not been previously submitted for a degree at this or any other university; that is my work in design and in execution , and that all material contained herein has been duly acknowledged.

Bopape

BOPAPE MC (MS)

August 2016

DATE:

DEDICATION

I would like to dedicate this work to both my loving parents, my father, Masoma Jeremiah Bopape and my mother, Legobole Winny Bopape for their endless, kind love, honesty and support throughout my personal, career and study life, and would like to thank them for encouraging me and showing me the importance of knowledge and education. I would not be where I am if it was not for both of them. They are my source of inspiration.

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My husband, Ramodikwe Matlala, who has been my pillar of support while completing this work. My beautiful children, Tshegofatso and Keabetswe Matlala, education is key to success!

May the Almighty God Bless you abundantly!

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ABSTRACT

This study examines the way cooperatives operate and particularly how these poverty alleviation projects impacts on poverty in Lepelle-Nkumpi Local Municipality (LNLM). The study also assessed the significance of government interventions contributing to the role the cooperatives play in alleviating poverty in LNLM.

The research methodology used for this study involved both qualitative and quantitative research approaches. Data was collected using questionnaires whereby the researcher conducted one-on-one interviews to administer them. The interviewees were composed of officials from the three spheres of government and the members of the cooperatives in the chosen area of study. The various international and local literatures relating to cooperatives were reviewed.

The key findings of this study revealed that cooperative enterprises in the municipality can alleviate poverty especially leveraging on interventions, such as training, specific funding and skills development for the cooperatives which will assist the cooperative to grow and to be more sustainable. It has also shown that members in cooperatives have been able to support their families to meet their basic needs despite the pressing conditions under which cooperatives operate.

Some of the key recommendations proposed include: firstly, that government should create awareness amongst cooperatives on what are the national funding programmes for cooperatives and how this funding operates; secondly, that government should market the funding opportunities and clearly explain to the cooperatives how the schemes work and how they will assist in the operations of the cooperatives in order to avoid misconceptions; and thirdly and most importantly, the monitoring and evaluation by the state on cooperatives funding programmes should be conducted on a regular basis.

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LIST OF ABBREVIATIONS

BBSDP	Black Business Supplier Development Programme
CBOs	Community-Based Organisations
CIPIC	Companies and Intellectual Property Commission
CIS	Cooperative Incentive Scheme
CIS	Cooperative Insurance Services
CSI	Cooperative Incentive Scheme
DEDEA	Department of Economic Development and Environmental Affairs
DRDLA	Department of Rural Development and Land Affairs
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
EMIA	Export Marketing and Investment Assistance
EPWPS	Expanded Public Works Programmes
FET	Further Education and Training
IDC	Industrial Development Co-operation
IDP	Integrated Development Plan
ILO	International Labour Organisation
KNFU	Kenya National Farmers' Union
KUSCO	Kenya Union of Savings and Credit Organisation
LED	Local Economic Development
LEDA	Limpopo Economic Development Agency
LEDET	Limpopo Economic Development, Environment and Tourism
LNLM	Lepelle-Nkumpi Local Municipality
MEGA	Mpumalanga Economic Growth Agency
MOU	Memorandum of Understanding
NDA	National Department of Agriculture

NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEF	National Empowerment Fund
NGO	Non-Governmental Organisation
NYDA	National Youth Development Agency
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
SANACO	South African National Apex Cooperative
SETA	Skills Education Training Authorities
SMME	Small, Medium and Micro-Sized Enterprises
USDA	United States Department of Agriculture
UYF	Umsobomvu Youth Fund

CHAPTER ONE: ORIENTATION OF THE STUDY

1.1 INTRODUCTION

Poverty in South Africa is largely becoming a rural phenomenon (Elsenburg, 2005). According to Census (2011), rural areas are home to only one half of the total of South Africa's population. However, over 60% of poor individuals in South Africa resides in rural areas, and of these, close to 50% comprises female-headed households at the lower tier of poverty line (Woolard & leibbrandt 2006). Since 1994, successive government administrations embarked on a successive number of initiatives aimed at ameliorating the uneven character of a historical economic neglect of rural areas. These include democratic governance processes; decentralisation and reconfiguration of government systems; expansion of social grants; and many other broad-based socio-economic empowerment initiatives. Despite these initiatives, the incidences of poverty remained persistently high in provinces such as Limpopo, which currently boasts the highest poverty rate of about 65% (Quantec, 2011-2012).

The living conditions of the rural poor households are commonly characterised by insufficient access to basic services; informal settlement structures; malnutrition; ill health; limited access to economic resources and opportunities; insecurity of land tenure; spatial isolation and exclusion from the main economic centres; and joblessness. All these factors have contributed towards the feeling of powerlessness and indignity amongst the rural poor. Extant contemporary literature on rural development, as influenced by the empirical evidence of successful stories elsewhere in other regions with almost similar poverty incidences across the globe, advanced the argument that the unique and strong fabric of social capital in rural communities warrants for a cooperative model as appropriate and compatible intervention to alleviating rural poverty (Mohiddin *et al.*, 2012).

Poverty is a big challenge all over the world; hence governments, non-governmental organisations and other stakeholders are trying to promote cooperatives societies as a mechanism of alleviating poverty (Thabo, 2008; Anderson, 2007; Mubaiwa, 1989).

Different countries have also used different strategies to address the problem of poverty. Cooperative societies are one such strategy that has been experimented with. The concept of cooperative societies embodies a group of people working together for a common purpose. These people organise themselves and co-operate to achieve common goals with each member getting an equal share. In other words these are associations of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically control.

1.2 BACKGROUND OF COOPERATIVES IN SOUTH AFRICA

Cooperatives are a well-established economic vehicle in South Africa, which dates back to the early 1900s. Broadly, cooperatives have evolved from a number of different models. The first existed in organised white agriculture where cooperatives were used to develop and build the farming community. The second emerged in the 1980s when trade unions attempted to develop cooperatives as a vehicle to address retrenched and redundant workers' economic needs. The third was in the former homelands where cooperatives were used as a vehicle for supporting economic activity in these areas. The fourth experience is in the informal sector where several associations, most of which are not formally registered, have operated as cooperatives and the fifth and final experience is the recent government and donor support for cooperatives as a vehicle for enterprise development. The government specifically has identified cooperatives as one of the central pivots to reduce poverty, unemployment and high levels of inequality in the economy. They are also seen as vehicles to accelerate empowerment and development of the previously disadvantaged.

The cooperative sector then experienced a noticeable evolution in the year 2001, when cabinet took the decision to shift the mandate of cooperatives from the Department of Agriculture to the Department of Trade and Industry (DTI). This shift was followed by the promulgation of the new Cooperatives Act of 2005. The afore mentioned changes have partly contributed to seeing the sector registering a record growth rate of 86%, that is, 22,030 registered cooperatives across various sectors of the economy in the period between 2009 to date. Limpopo Province ranks the fourth largest province with the number of registered cooperatives, at 12 per cent, after the

Kwazulu Natal (26%), Gauteng (20%) and the Eastern Cape (16%) provinces (the dti, 2012). At the national government level, a number of financial support schemes, including **the dti** administered Cooperatives Incentives Scheme (CSI), have been created to support cooperatives. At the provincial level, cooperatives are also receiving support from respective provincial agencies such as Ithala in the Kwazulu Natal, Local Economic Development Agency (LEDA) in Limpopo, Mpumalanga Economic Growth Agency (MEGA) in Mpumalanga, to name only but a few (**the dti**, 2012).

The notion of cooperatives schemes, as currently touted by government as one of the critical, viable and even compatible model to alleviate poverty, is, however, not a new revelation to the South African rural households. The cooperative sector has always been a well-established economic vehicle in South Africa; dating back to the early 20th century. However, the sector then focused on establishing predominantly White agricultural cooperatives, which were aimed at developing and building the White farming community (**the dti**, 2012). The entire legislative framework and the cooperatives that emerged during that period were not in strict adherence to the international cooperative principles. The Black-owned agricultural cooperatives, on the other hand, were promoted by the then government in the 1970s and 1980s as part of the apartheid economic grand-plans for the 'homelands'. However, they did not enjoy the type of State support provided to White agricultural cooperatives and thus remained weak and underdeveloped (**the dti**, 2012). It is for these reasons that the study focused on the case of the Lepelle-Nkumpi Municipality a local municipality within the Capricorn District Municipality in the Limpopo Province of South Africa - to interrogate the aforementioned assertions on the role that cooperatives can play to ameliorate rural poverty.

1.3 FOCUS OF THE STUDY

This study focuses on the role of cooperatives in alleviating rural poverty, using the community of the Lepelle-Nkumpi Municipality (LNLM) as a case study. The study outlines ways in which cooperatives can operate efficiently and create income, improve and diversify their sources of livelihoods of rural communities and thus adding drive to prospects of alleviating poverty.

Lepelle-Nkumpi Municipality is a local municipality within the Capricorn District located 55km south of the district and Polokwane City. The municipality is predominantly rural with a population of 227 965, covering a land mass of 3,454.78km, which is 20.4% of the district's total land area. The municipality is divided into 25 wards, three of them being a township called Lebowakgomo, one of the Capricorn district growth point. All sittings of the Provincial Legislature takes place at Lebowakgomo Old Parliament of the former homeland. Social facilities available within the municipality include 116 primary schools, 81 secondary schools, 1 Further Education & Training College (FET), 19 primary health care clinics, 1 hospital, 4 police stations and one magistrate court (LIM355)

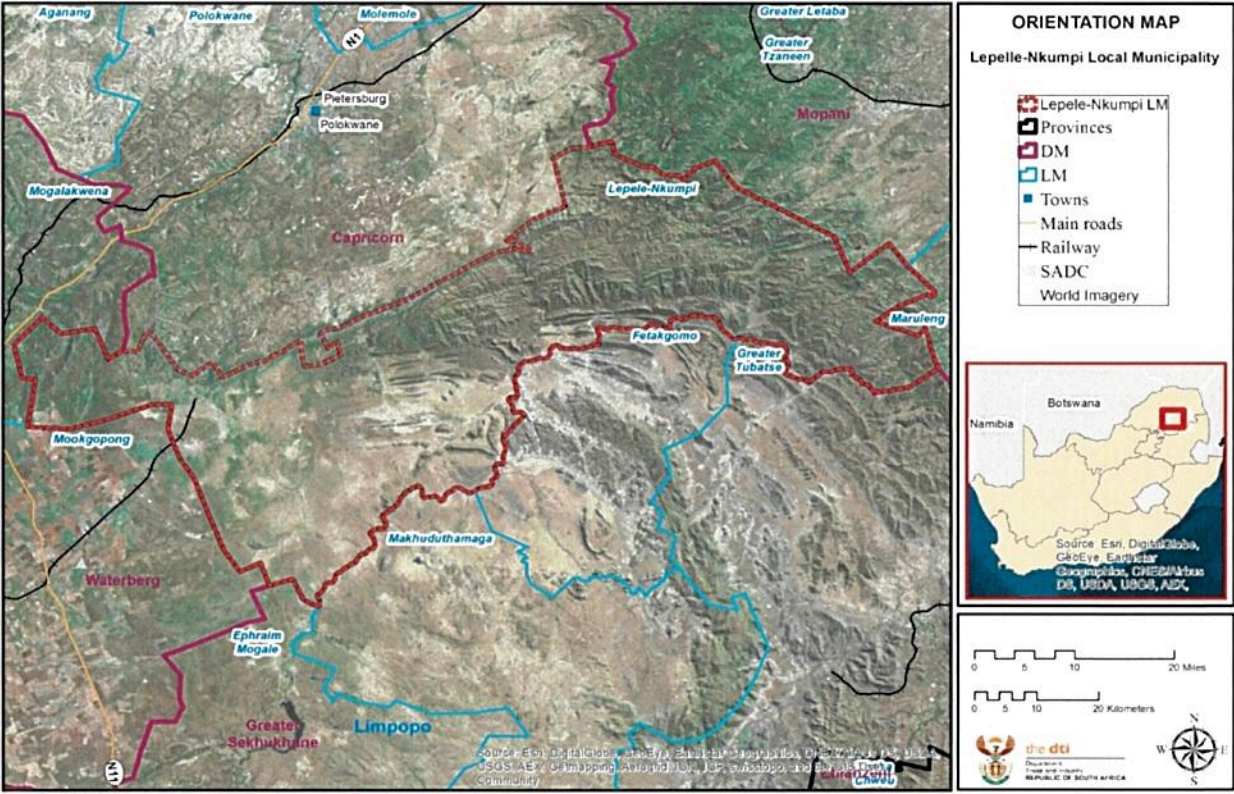


Figure 1: Lepelle-Nkumpi Local Municipality within Capricorn District Municipality Map

According to the Local Economic Development Plan (November 2006), Lepelle-Nkumpi has an unemployment rate of 61%. The population in the area also has a low level of skills, with the result that the labour force in Lepelle-Nkumpi is mainly employed in elementary occupations. Most of the occupations in this group do not require particularly high qualifications and tend to be occupations comprising fairly routine tasks, sometimes requiring some degree of physical effort. The agriculture

sector has been identified as having the third largest comparative advantage in Lepelle-Nkumpi. The sector might not be the largest contributor to the economy of the Municipality, but according to the Local Economic Development Plan, it is a significantly large contributor to employment. It contributes approximately 12% to the employment in the Municipality. Lepelle-Nkumpi municipality's comparative advantages lies in agriculture, mining, and tourism. These sectors were identified as important sectors for this Municipality in the Local Economic Development Plan (November 2006) and were also identified by stakeholders in surveys completed.

Agricultural Cooperatives

Agricultural cooperatives are not a recent phenomenon. In South Africa, the agricultural cooperative movement was born in the early 1900s to provide commercial farmers with collective buying, marketing and organizational power (Chibanda, 2009), his movement focused on provision of inputs and joint marketing of production; as well as the establishment of processing cooperatives (Competition Commission SA). They became a dominant force not only in the agricultural marketing system but also in the rural economy as they held a monopoly in key agricultural sectors, supported by finance through the Land Bank (Competition Commission SA). Agricultural cooperatives are significant economic players that contribute to sustained economic growth. The cooperatives provide the opportunity for poor farmers to raise their incomes and they are democracies empowering rural people to own their own solutions.

Over 100 million jobs have been generated by cooperatives around the world. As agriculture remains the major source of income and employment in rural areas and the majority of cooperatives are found in the agricultural sector, cooperatives are significant in providing jobs to rural communities (ILO, 2007). An agricultural cooperative, known as a farmers' co-op, is a cooperative where farmers pool their resources in certain areas of activity (Wikipedia, 2011a). Agricultural cooperatives have played an important role in rural communities, where they are an integral part of the social fabric. They encourage democratic decision making processes, leadership development and education (USDA, 2002). Cooperatives provide real economic benefits to farm families through increasing the stability of the farming sector,

improving market access for their products and strengthening the farmers' position in the agri-food chain. Improving farmers' living conditions supports rural development and preserves the viability of rural communities. In Iran 28 million individuals in rural areas are members of or derive benefits from agricultural cooperatives (ILO, 2007). Agricultural cooperatives are part of a dynamic environment. The nature of production agriculture changes daily. Many changes occur outside the cooperative system, which has little, ability to directly influence them (USDA, 2002).

The Competition Commission notes that the primary function of the cooperatives was the marketing of agricultural output. However, the actual activities of the cooperatives tended to span all functions necessary to produce the product and bring it to the market for advice on inputs and skills, financing, storage, processing, packaging, distribution, sales and exports. Producers within a specific agricultural sub-sector had to be members of the cooperative. The producers were obliged to sell their entire crop to the relevant cooperative, which, in turn, committed itself, in the good and bad years, to purchase the entire crop of their members. This was the system known as single channel marketing, with the particular Board as the regulating authority and the cooperatives as the channel (Competition Commission SA).

Cooperatives too are often the only provider of services in rural communities given that traditional companies often find it too costly to invest in these areas or anticipate unacceptable levels of economic return (ILO, 2007). Agricultural cooperatives play a key role in the development of rural areas in developing countries as well as in fighting poverty. Agricultural cooperatives need to have membership and the potential to develop economically. This means that the farmer must be able to access sufficient land and affordable credit and develop knowledge and techniques. The farmer needs to access market information and networks. Subsistence farming does not normally provide scope for cooperative development and contributes little to poverty reduction.

Lepelle-Nkumpi Cooperatives

The municipality has significant agricultural development potential, both in terms of horticulture and livestock. There are several government-owned irrigation schemes

that are operating considerably below potential. There is also extensive land and buildings for broiler farming that is being underutilized. 200 jobs were created through municipality's LED cooperatives support initiatives. Customised factories for meat and hide processing that are currently vacant in the Lebowakgomo Industrial park create the opportunity to participate in cluster development for meat production. Such a cluster could incorporate broiler and cattle feed production, livestock farming, slaughtering, processing, packaging and marketing. Being the seat of the provincial legislature, as well as host for all Sekhukhune District provincial sector departments as well as some Capricorn district departments, opportunities for retail and services business are vast. (2012-2016, integrated development Plan).

Constraints in the municipality

The municipality is situated in mountainous area which causes obstruction to transport routes and inhibits development. Land ownership is mostly in the hands of traditional authorities whereas the other part in the subject of land claims just more than 21% of the population is economically active, hence high level of unemployment and the high illiteracy rate. The majority of Lepelle-Nkumpi is comprised of a non-commercial component. However, the natural resource base and economy does not have the capacity to support the total population, forcing a large percentage of the labour force to seek employment opportunities outside of the district municipality (e.g. Gauteng). The effect of this migrating labour includes high levels of male absenteeism and a leakage of buying power.

1.4 PROBLEM STATEMENT

The government has initiated several agricultural cooperatives for purposes of poverty alleviation and job creation in the rural areas. Most of these projects are, however, unsustainable and fail to achieve their intended objectives. The appalling rate of poverty in the rural areas due to unemployment has been left unattended to, despite the many opportunities that the 1994 democratic breakthrough has brought about.

The study observes that there is no direct translation between the well-intended objectives of the cooperatives in alleviating rural poverty, especially in the periods

after they have registered their business. The reasons for that being, firstly, the Limpopo Province, the LNLN in particular, have the highest number of registered cooperatives, yet it has the highest mortality rate among cooperatives. Secondly, where and when a cooperative business manages to survive the business registration and business operation stages and thus deemed to be operating as a matured business, many of them rather spend a lot of their time battling with administration chores and as well as to identify and successfully defend their niche market in their market. Lastly, is that where and when a cooperative business survives the challenges in the business registration and business operation stages and the business successfully takes-off and is sustained, they tend to do what Birchall (2003) refers to as a tendency “to appeal more to low to middle income groups than to the initially intended very poor people”. This comes as they obsess more with making more profit and even to graduate to another level of business maturity. As a result, the effects of these changes can have economic, social and even emotional consequences.

Lastly, the consequences of the problems identified above can be very costly to an emerging cooperative. The costs are mainly economic and social. The lack of knowledge about the principles, values and functions of a cooperative leads to a very high mortality and also the limited knowledge of the roles, rights, and responsibilities of members, leaders and management can be very costly. On the other hand, consequences would kill the morale of other individuals hoping to form a cooperative.

1.5 SIGNIFICANCE OF THE STUDY

The lessons to be learnt from this study are of great significance and beneficial at both practical and policy levels. Regarding the former, the study benefits the cooperatives sector and the community of the Lepelle-Nkumpi Municipality by outlining ways in which a cooperative can operate efficiently and create income, improve and diversify their sources of livelihoods and thus adding impetus to prospects of alleviating poverty in the district. Moreover, the community will realise the important role cooperatives can play and thus engender a different perception towards them. This enables the community to support and participate in them. By this, this study clarifies perceptions and creates knowledge, awareness and even confidence among various stakeholders. Furthermore, different cooperatives that

were sampled for engagement in this study are benefiting by receiving feed-back on their performance from an independent source whose recommendations may assist them to build on their strengths, overcome challenges, identify opportunities and take corrective measures to address their constraints. On the latter (that is ., policy level), the outcomes and recommendations of this study highlight key policy issues for the attention of both the provincial government and municipalities for them to understand the role that cooperatives can play in poverty alleviation by recommending feasible policy interventions.

1.6 OBJECTIVES OF THE STUDY

The objectives of the study are the following:

- To investigate the role of the cooperatives enterprises in alleviating rural poverty;
- To unpack the factors for the success and failures of cooperatives for further refining cooperatives-led model of poverty-alleviation strategies in Lepelle-Nkumpi; and
- To recommend policy and inform practice of cooperatives in rural communities.

1.7 RESEARCH QUESTION(S)

- What role and impact cooperatives have in alleviating rural poverty?
- To what extent can the community of Lepelle-Nkumpi Municipality be able to influence poverty alleviation through cooperative enterprises?
- What challenges and opportunities encountered by cooperative enterprises in alleviating rural poverty?
- What policies can be recommended to provincial government and local municipality in order to positively communicate measures that will contribute towards the improvement of cooperatives in rural communities?

1.8 DEFINITION OF CONCEPTS

1.8.1 Cooperative

Cooperatives, as defined by Birchall (2000:54), is a voluntary association of persons who have agreed to work together on a continuous basis to pursue their common

interests and who, for that purpose, form an economic organisation that is jointly controlled and whose costs, benefits and risks are equitably shared among the membership. These movements are an embodiment of democracy.

This is also defined by the Cooperatives Act No. 14 of 2005 as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise that is organized and operated on cooperative principles.

According to the International Cooperatives Alliance document on Revision of Cooperative Principles and the Role of Cooperatives in the 21st Century (1995:5), a cooperative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically-controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate. Briefly, this means that a cooperative is a group of persons who have united voluntarily to meet common economic and social needs through a jointly-owned enterprise.

1.8.2 Poverty

Poverty is a multifaceted reality consisting of lack of power, income and resources to make choices and take advantage of opportunities (Davids, 2005). According to Patel (2005), poverty is a multidimensional phenomenon caused by a lack of multiple resources such as unemployment, food, assets, basic infrastructure, health care and literacy.

Estes (1999) refers to poverty as the inability of individuals, families, households and other economic units to satisfy their basic needs. Estes (1999) further defines concentrated poverty as a variation of collective poverty, in which the equivalent of economic ghettos are created in neighbourhoods, cities or regions that are bypassed or abandoned by the industry or agriculture

Poverty is defined as the inability of individuals, households or the entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living (Bhorat & Poswell, 2003).

1.8.3 Basic Needs

Basic needs are described as basic goods and services (food, shelter, clothing, sanitation, education) necessary for a minimum standard of living (Todaro, 2003).

1.8.4 Development

Development is the process of improving the quality of all human lives, raising peoples living levels, creating conditions conducive to the growth of people's self-esteem, increasing people's freedom by enlarging the range of choice (Todaro, 2003).

1.8.5 Social Cohesion

Social Cohesion is concerned with connections and relations between societal associations to forge interdependency among members of the society that are bound together by shared loyalties and solidarity (Berger-Schmitt, 2000).

1.8.6 Poverty Alleviation

Poverty alleviation also aims to reduce the negative impact of poverty on the lives of poor people, but in a more sustained and permanent way than poverty relief programmes. It includes the state's social grant programmes which alleviate the impact of poverty for many people (RSA, 2007).

1.9 OUTLINE OF THE STUDY

Chapter 1: Orientation of the Study

This chapter outlines the introduction of the topic, background to the research problem, the objective and the rationale of the study. It gives an overview of the overall structure of the research report.

Chapter 2: Literature Review and Theoretical Framework

Chapter two discusses major concepts shaping the discussions; review of relevant and related literature; and the theoretical base of the study, its relevance and limitations as it relates to the role of cooperatives in alleviating poverty in rural areas. This chapter also discusses the genealogy of cooperatives sector in South Africa - giving more attention on the impact they have made in alleviating poverty since 2001 to date.

Chapter 3: Research Methodology

This chapter covers the details of the research methodology used in the research. It also discusses the methods and designs that were applied in this study and how they were administered during the study.

Chapter 4: Data analysis and interpretation

This chapter covers, data collected from the questionnaires and face-to-face interviews and how they were analysed and interpreted. Comprehensive data assessment was undertaken, linked to the research problem and questions to ensure that they were addressed. The findings from this study were integrated with literature to bring the scholarly flair and finesse.

Chapter 5: Research findings, recommendations and conclusion

This chapter concludes on the findings from the data collected in chapter four. This section presents recommendations to policy developers. This section also proposes improvements to policy makers and also advises on other methods to encourage cooperative enterprises in order to alleviate poverty and provide best practices from lessons learned.

1.10 SUMMARY

This chapter highlights the background of the study to the role of cooperatives in poverty alleviation. The objectives, problem statement and research questions have been described. It also outlines the significance and the rationale of the study.

The study benefits the cooperatives sector and the community of the Lepelle-Nkumpi Municipality by outlining ways in which a cooperative can operate efficiently and create income, improve and diversify their sources of livelihoods and thus adding impetus to prospects of alleviating poverty in the municipality, as several efforts by both the public sector and the government to reduce poverty has not impacted well in the municipality. Hence, this study sought to assess the role of cooperatives in poverty alleviation in Lepelle-Nkumpi Local Municipality

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

The aim of this chapter is to review literature relating to the research problem of the study. The purpose of the chapter is to establish how other countries and/or communities dealt and still continue to deal with agricultural cooperatives. The first part of this chapter defines the concept of poverty and also highlighting the situation of poverty in South Africa as a whole, and the theoretical framework. The second part of the chapter outlines the concept of cooperatives, forms, principles and the brief history of cooperatives in South Africa.

The third part of the chapter outlines the international literature, where it also investigates strategies employed in other countries in terms of addressing social imbalances such as poverty, unemployment, skills deficiency and illiteracy through agricultural cooperatives and also how cooperatives are led and managed in different countries and the Policy and legislative framework that support cooperatives. The focus area of the study will also be outlined in this section. The rest of the chapter focused on government support on cooperatives and also the contribution made by cooperatives on employment creation and poverty alleviation.

2.1.1 Defining Poverty

The social science literature continues to battle for the consensus on the commonly accepted definition of poverty. This is largely due to that the conditions of poverty under which people find themselves differs from one person to the other. The classification of level of poverty also differs from one country to the other /one region to the other. Poverty conditions are influenced by various socio economic factors such as the resources, fiscal capabilities of governments as well as the comparative and competitive advantages of the state. The word poverty is commonly associated with deprivation of access and or ownership of certain type of resources which are deemed important to improving one's quality of life. This could be experienced in various aspects of life, for example as those in the energy sector will speak of

'energy poverty' and while those in the water sector they will talk about South Africa being water scarce country, for example.

However, there is convergence of ideas that poverty is a multidimensional phenomenon caused by a lack of multiple resources such as unemployment, food, assets, basic infrastructure, health care and literacy (Patel, 2005). Borat and Poswell (2003) observe that poverty is defined as the inability of individuals, households or the entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living.

- **Poverty in South Africa**

Poverty is a challenge that many South Africans are facing. The figures from Statistics SA show that the Poverty levels dropped in South Africa between 2006 and 2011, reaching a low of 20.2% for extreme poverty and of 45.5% for moderate poverty (RSA, 2014). However, the situation in the rural areas continue to worsen and they are the worst affected with this problem. Government has initiated several agricultural cooperatives for purposes of poverty alleviation and job creation in the rural areas. Most of these projects are, however, unsustainable and fail to achieve their intended objectives. The appalling rate of poverty in the rural areas due to unemployment has been left unattended to, despite the many opportunities that the 1994 democratic breakthrough has brought about.

The character of poverty in South Africa is also contributing the contestation of universally accepted definition. This is because poverty rate is mostly high among black, rural based population, both in labour active and inactive age, single and mostly female-headed household. The unique feature of poverty in South Africa is the inherent depth of inequality in assets, space, incomes and opportunities, which is intrinsic to the history of the country (NDA, 2013). South Africa's vision of a free, socially integrated and prosperous society is envisioned in both the Constitution and the National Development Plan (NDP). Poverty alleviation features are high on the agenda of government programme of action as it has proved to disenfranchise society and thus threatening to revise developmental gains made thus far. Moreover, government is blamed for many of the social ills such as crime, among others.

Ngepah and Mhlaba (2013) argue that dissatisfaction due to poverty can also lead to stifled growth through socio-political unrest that may follow.

Poverty in rural areas is exacerbated by lack of diversified industrial activities and contributing to limited economic development opportunities, such as employment, stable income and livelihoods. This has in turn polarised the society based on ethnicity, gender and even nationalities as most of the South Africa rural areas have recently witnessed spike in xenophobic attacks against small businesses owned foreign nationals. This comes as poorer and people are scrambling for limited economic opportunities.

Government has, in its successive Medium Term Strategic Framework (MTEF), especially in the 2009-2014 and 2014-2019 MTSFs¹, prioritised rural development and poverty reduction amongst its top priorities. In regard to rural development government has launched many programmes such as Expanded Public Works Programmes (EPWPS). Through these programmes government intends to enable rural people to take control of their destiny thereby dealing effectively with rural poverty through the optimal use and management of natural resources (DRDLA, 2013). These programmes are mainly labour intensive and are able to provide employment opportunities to a number of unemployed rural people. Launched with the noble intention to reduce unemployment, skills development and provide income to the rural poor these programmes, however, proved to be not sustainable. This is because government sponsored projects proved to have life short span. The number of people employed reduces as the aftercare servicing of these projects is specialised in nature and thus no longer labour intensive.

2.2 THEORETICAL FRAMEWORK: SOCIAL COHESION THEORY

The Social Cohesion theory is the theory upon which the discussions in this study are premised. Social Cohesion is concerned with connections and relations between societal associations to forge interdependency among members of the society that are bound together by shared loyalties and solidarity (Berger-Schmitt, 2000). Birchall

¹MTSF is government's five year strategic plan for the electoral term. It reflects commitments made in the election manifesto of the governing party, including the commitment to implement the National Development Plan.

(2003), attempts to make a direct linkage between rural poverty cooperative initiatives and the theory of Social Cohesion by recalling the genealogical formation of cooperatives. He argues that: "after all, it was poor people who originally invented cooperatives as a form of economic association that would help them climb out of the common challenge of poverty. The dimension of social cohesion is regarded as central to the successful formation of cooperatives for alleviating rural poverty. Central to this dimension is the notion of social capital.

Social capital is referred to as stocks of social trust, norms, associations and networks that people draw upon in order to solve common problems (World Bank 2000). Collier (cited in Hobbs, 2000:2) differentiates between government social capital and civil social capital. Whereas the former refers to enforceability of societal contracts, rule of law, and the extent of civil liberties; the latter, that informs the guiding theory of the envisaged study, is more concerned with common values, shared traditions, norms, informal networks and associational membership. In her conclusion in the study of the fabric of social capital in Russia, Rose (cited in Hobbs 2000:2) observes that "individuals invoke networks that involve informal and diffuse social co-operation to compensate for formal organisations failure".

South African rural communities boast a strong record of these activities that serve as platform for households to share ideas and identify solutions to problems which can benefit the entire community. These involve initiatives famously known as letjema (Northern Sotho name for group savings), stokvels, burial societies, to give rural households immediate livelihoods and assured protection during the unforeseen circumstances. It is based on the above analyses that the envisaged study chooses the Social Cohesion theory to guide the discussions in establishing the role that the cooperative initiatives can play in alleviating rural poverty. Unlike other kinds of business initiatives that are privately owned and individualistically profit driven, cooperatives have a multipurpose that are somewhat unique and relevant to alleviating poverty, especially in the context of rural areas. In trying to understand the concept of poverty, the report argued, in the former section of this chapter, that poverty has the potential to fragment and disenfranchise the society. Profit making is a necessary precondition for the success of every business of size and type. However, the communal habitant nature of rural communities suggests that the

success of business initiatives in terms of profit making alone is inadequate if it does not equally bring about social cohesion in the society. The concept of social cohesion was first coined by sociologist Emile Durkheim who was more concerned about the growing individualistic nature of the society in the modern industrial era. The basis for Durkheim (1912) theory of social cohesion was mainly opposed to what Berger-Schmitt (2000:2) termed as 'individual-centred perspective' of societal development. The theory of social cohesion was introduced by Durkheim's curiosity of what held societies and social groups together and how, especially in the face of their varying social positions and experiences.

The following has been identified as the most important aspect of social cohesion and they are found to have resonance with the guiding principles of cooperatives (as still to be discussed latter sections in the chapter) Berger-Schmitt, (2000):

- (i) *Sense of belonging*, which to the notion of shared values, identity and feeling of commitment. This is particularly true in the case of a cooperative in that members are bound together by a common interest. Cooperatives, forms part of outdoor social interactions that provide opportunities for shared experiences for groups of friends and communities. These shared experiences reinforce social bonds and support social cohesion;
- (ii) *Inclusion*, which refers to equal access to opportunities. The fact that every member of cooperative have equal vote guarantee them equal stake in the sharing of risks and profits of a cooperative;
- (iii) *Recognition*, addressing issues of respect and tolerance of differences in a plural society. Cooperatives encourage mass participation irrespective of age and gender. In making contribution to the debate and literature to the theory of social justice,
- (iv) *Legitimacy*, which refers to respect for institutions and or governance structures acting as a mediator in conflicts of plural society. Cooperatives are no difference in that they are each governed by a constitution which guides the conduct of the members and their activities.

For Durkheim's (as cited in Jenson, 1998 b) social cohesion is an ordering feature of a society as well as interdependence between the members of the society, shared loyalties and solidarity. Contributing towards the definition and understanding of the

concept of social cohesion is, also McCracken (1998) who views social cohesion as a characteristic of a society dealing with connections and relations between societal units such as individuals, groups, associations, as well as territorial units.

The PRI (cited in Berger-Schmitt, 2000:3) understand social cohesion as “an on-going process of developing a community of shared values, shared challenges and equal opportunities. A social cohesive society is one that prevents social exclusion by offering its members opportunities in the framework of commonly accepted and shared values and institutions (Dahrendorf *et al.*1995). It was argued in the former part of this chapter that rural areas in South Africa have far limited economic activities and thus people are scrambling for opportunities. Trust, friendship and mutual respect among the community units is being eroded as competition for declining resources base intensify. It is with these reasons in mind that the research argues that individual owned and profit driven business activities that rural areas are inadequate for bringing about as sustainable poverty alleviation solution.

It is the argument of this research report that sustainable poverty alleviation business activities in rural areas are the ones that will have a broad based economic impact and benefit more than at least five household simultaneously. In regard to this, the report further argues that cooperatives have a compatible role to play in alleviating rural poverty. This is because, as Birchall (2003) would argue, of the principles on which cooperatives are based and on which they are distinguished from other forms of business organisation.

The cooperatives model of business is premised on democratic control of business by its members who equitably share the return of economic surpluses. Perhaps the most disguising feature of cooperatives from other types of business activities is what Birchall (2003) terms as the desire of a cooperative members to further share these surpluses with other people in similar circumstances, while conventional privately owned and profit driven business would have been more concerned with sharing of profits/dividends based on organisational hierarchy, shareholding status, over accumulations and peer competition.

2.3 THE CONCEPT OF COOPERATIVES

The Cooperatives Act No. 14 of 2005 (RSA, 2005) defines cooperatives as an autonomous association of persons united voluntarily to meet their common economic, social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on a cooperative principle. Cooperatives are owned and democratically controlled by their members, and members may be customers, employees, residents, businesses or people who are part of the local community, depending on the legal framework chosen.

A cooperative is a business that is owned and controlled by the people who use its services and whose benefits are shared by the users on the basis of use (USDA, 2002). It is a group of people who work together voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Cooperatives are accountable businesses that spread the financial risks and the rewards fairly among their members, with a balance need to make profit, the necessity of strengthening communities and protecting the environment. Cooperatives enable members to pool their resources and thus take advantage of economy of scale in terms of the supply value chain.

Skurnik (2002) states that a cooperative firm differs from other types of companies, largely because of its ownership model and basic aims as outlined above, therefore cooperative enterprises differ in its structure and operational objectives from other companies in the private sector. The social values upon which the principles of cooperation are based are: self-help and responsibility, democracy, equality, equity and solidarity. In tradition of their founders, cooperative members believe in the ethical values of: honesty, openness, social responsibility and caring for others.

2.3.1 Forms of Cooperatives

The following section seeks to define various forms of cooperatives. Three basic forms of Cooperatives are prescribed by the Cooperative Act 14 of 2005. This includes primary cooperatives, secondary Cooperatives, and tertiary Cooperatives.

2.3.2 Defining the types of Cooperatives

FORM	DESCRIPTION
Primary cooperative	It is formed by a minimum of five natural persons whose object is to provide employment or services to its members and to facilitate community development.
Secondary cooperative	It is formed by two or more primary Cooperatives mostly operating in the same sector to provide services to its members, and may include juristic persons. The main function of a secondary cooperative is to provide support services to primary Cooperatives
Tertiary Cooperatives	It is made up of secondary and/or primary Cooperatives. The main aims of tertiary Cooperatives are also to provide support services to members. Tertiary Cooperatives are deemed to be the “apex” body representing different cooperative sectors and primary Cooperatives

Table 1: Types of Cooperatives

2.3.3 Cooperative principles

Cooperative principles are guidelines by which cooperatives put their values into practice.

- **Voluntary and open membership:** cooperatives are voluntary organisations, open to all persons able to use their service and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- **Democratic member control:** cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.

- **Member economic participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.
- **Autonomy and independence:** cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations including Government, or raising capital from external sources, they do that on terms of ensuring democratic control by their members and maintaining their cooperative autonomy.
- **Education, Training and Information:** cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefit of cooperation.
- **Cooperation among cooperatives:** cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- **Concern for Community:** cooperatives work for the sustainable development of their communities through policies approved by their members. In practise these principles provide a general starting point and motive to cooperative based business activities

2.4 BRIEF HISTORY OF COOPERATIVES IN SOUTH AFRICA

South Africa has been characterised by the existence of a dual cooperative movement with highly developed white-owned cooperatives and weak black-owned cooperatives. The concept of cooperatives has played a role in the lives of many South Africans although there was not too much of proper support. In South Africa cooperatives were established after the World Wide War in 1902. During the first decades cooperative movement was very slow and also experiencing difficulties. Today, the cooperative movement has been uplifted. These cooperatives were mainly white cooperatives and although there were black cooperatives in existence, these tended to be informal and did not get opportunities or any support from the

South African government. In the late 70's the democratic movement was responsible for the emergence of the first consumer cooperatives in black communities, which was in the Western Cape and KwaZulu-Natal. In the 1990's the Department of Agriculture promoted the establishment of cooperatives within the black emerging markets, with limited success. Prior to 1994, cooperatives were located mainly in the field of agriculture; the Department of Agriculture had the responsibility to support and develop cooperatives. However in the year 2002 the government reached a cabinet decision to transfer the responsibility for development of Cooperatives from National Department of Agriculture to the Department of Trade and Industry (DTI, 2012)

The Cooperatives Unit at **the dti** is responsible for cooperatives development through promoting and supporting these enterprises. It was then realised that cooperatives need to be promoted in all sectors of the economy, therefore the 1981 Cooperatives Act was amended and the new policy for cooperatives in South Africa was developed. The main aim of the policy was to distinguish the potential of cooperatives enterprises in creating income-generating activities and sustainable decent employment. The other issue was to develop human resource capabilities, knowledge, improving social economic wellbeing of individuals and also contributing to sustainable human development.

Cooperatives contribute to the empowerment of poor and marginalised people as they provide 'the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives'. It means expanding the freedom of choice and action to shape one's life. In the development process, it denotes that poor people should have as much control as possible over the resources being invested, and over the decision-making process. Cooperatives have played, and still have a major role to play in the South African economy in general and Limpopo in particular, as benefits and advantages are extended to the users as well as the communities in which they operate. These benefits may be quantified in terms of employment creation, income generation and output growth. The cooperative sector in South Africa is a well-established economic model with a traceable record dating as way back as the early 20th century. The cooperatives sector in South Africa started with the establishment of the

predominantly White agricultural cooperatives, which were aimed at developing and building the White farming community. These cooperatives eventually developed into powerful business ventures, which controlled agricultural production, marketing and processing in rural areas. Black-owned agricultural cooperatives were promoted by the then government in the 1970s and 1980s as part of the apartheid economic grand-plans for the 'homelands'. However, they did not enjoy the type of State support provided to White agricultural cooperatives and thus remained weak and underdeveloped, with most eventually collapsing (DTI, 2012).

2.4.1 Current Situation of Cooperatives In South Africa

The number of registered Cooperatives as on 31 March 2013 stands at **74 387**. The number of cooperatives that submits **financial information and information on membership: 156** cooperatives, which constitute **0.2%** of the total number of registered cooperative. Total income for the **156** cooperatives that submitted information: **R 8 783 765 852**, which constitute an average of **R 56 306 191** per cooperative.

The Gross Domestic Product (GDP) contribution of the cooperatives that submitted information is **0.3%** and the agriculture cooperatives contribute **10%** in the agricultural sector;

- The total number of members for the **156** (that submitted information) cooperatives: **217 711**, which constitute an average of **1 396** members per cooperative that submitted information;
- Almost **81%** of cooperatives are **3 years old or younger** and most of these are still to fully comply with the Act requirement, namely, to submit the information to CIPC to aid in providing an accurate picture of cooperatives performance;
- The mortality rate of the cooperatives submitting information is a mere 5% and those that do not is as high as 80%; and over **50%** of cooperatives are in rural areas (villages and farms) and **65%** of the coops are situated in provinces with above average poverty;

2.4.2 Challenges Facing Cooperatives

Some of the common challenges include:

- Inadequate technology transfer and business infrastructure on cooperatives;
- High levels of conflict amongst cooperatives thus contributing to high failure rate; and
- Lack of quick and affordable legal remedy to resolve conflict and provide compliance enforcement of the law, as well as, rescue support to dying cooperatives;
- Most micro and small cooperatives and in particular the agricultural cooperatives lacks capacity and ability to access market for their produce, which contributes to high failure rate;
- Lack of access to public sector procurement and linkage to the private sector value chains;
- Lack of market information, intelligence and integrated market access support programmes aimed at aiding cooperatives in this respect;
- Improving the local business environment and encouraging business diversification amongst cooperatives to have a complete cooperatives value chain.

2.5 INTERNATIONAL LITERATURE

International studies reveal that countries that have created a conducive environment to promote cooperatives grow rapidly and contribute positively to economic development, employment creation and economic ownership by local communities. Kenya, Italy, India and Bangladesh have proven to be successful in the development of cooperatives and best practices. As discussed below, their experiences are explored to inform the proposed study.

2.5.1 Italy

In Italy, the cooperatives movement is among the most successful in the world and provides good practice for closer scrutiny and examination of this sector. The cooperatives movement in Italy began in 1854, with the formation of

mutual/benevolent societies. Originally, rural credit unions, dairy and wine-producing cooperatives and consumer cooperatives, were the most prevalent, but the movement quickly spread to all sectors. Article 45 of the Italian Constitution of (1947), entrenches the promotion of cooperatives in the Italian society, provides the basis for legislation enabling cooperative enterprise development. During the economic crisis of the 1970s, cooperatives in Italy gained in popularity because they were often the sources of steady employment. They still continue to provide the bulk of the country's social services and contribute hugely to the economic development (DTI, 2012).

2.5.2 India

The Indian cooperatives movement has become one of the largest in the world. Almost 99% of rural communities are involved in one way or another in the cooperative enterprises. The salient part of their economic contribution to development is on small businesses. The success can be attributed to a series of legislative instruments on cooperatives, based on the Western model, which dates back to 1904, when a commitment to develop cooperatives began in that country. At the time of independence in 1947, the government considered cooperatives to be integral to poverty alleviation and the economic growth of the country, and cooperatives continue to play an important role in development in rural India (DTI, 2012).

2.5.3 Bangladesh

The Bangladesh government has adopted a model in which cooperatives development is led by the State and forms an integral part of rural development and poverty alleviation. Cooperatives in Bangladesh have emerged in the agricultural; fishing; arts and culture; and service sectors; as well as the housing sector and credit unions. The most successful cooperatives are credit unions; with billions of dollars in assets. Service cooperatives in Bangladesh have assisted in excess of 25 million (about 45% of the population) residents with access to electricity. Key success factors include the establishment of a fully-fledged and fully capacitated Department of Cooperatives; provision of education and training to cooperative members through

the Cooperatives College; and provision of financial assistance through the Cooperatives Bank (The dti, 2012).

2.5.4 Ethiopia

Agricultural cooperatives are important rural organizations supporting livelihood development and poverty reduction. In recognition of such roles of cooperatives, Ethiopia showed a renewed interest in recent years in promoting cooperative sector development. However, there is lack of a wider and systematic analysis to produce sufficient empirical evidence on the livelihood development and poverty reduction impacts of cooperatives in the country. Using a matching technique on rural household income, saving, agricultural input expenditure and asset accumulation as indicator variables, this paper evaluates the livelihood impact of agricultural cooperatives in Sidama zone, Ethiopia. The finding shows that cooperatives improved the livelihoods of service user farmers through impacting better income, more savings and reduced input costs. In view of such evidence, further promotion, deepening and supporting of agricultural cooperatives is recommended. Modern cooperation has a reasonably long history in Ethiopia stretched over 50 years since the birth of the first modern cooperatives in 1960. There are three distinct periods of cooperative movement observed in the country over these years: Cooperative movement during the Imperial period, the Socialist period and the EPRDF1period. Modern cooperative movement was started in 1960 (during the Imperial period) under Farm Workers' Cooperatives Decree (Cooperatives Decree No. 44/1960) with the objective of assisting the development of the agricultural sector. Introduction of modern cooperatives into the country was in a similar movement to that of the rest of African countries which experienced proliferation of the Second Generation Cooperatives during the post-independence period in order to assist government development efforts. While there have been developments in the cooperative movement of the country during the Imperial period, both in the agriculture and service sectors there were problems facing the cooperative sector as a whole. Lack of credit facilities and trained manpower were among the most important constraints, including the problem of the feudal land tenure system that excluded the peasant farmers from joining cooperatives to reap the benefits. Following the regime change in 1974 to a Socialist government, a new cooperative proclamation was issued

(Proclamation No. 138/1978). The objective was to promote cooperatives for self-reliance and member interest promotion, by putting means of production under the control of cooperatives. Cooperatives were also entrusted with the objective of increasing production, expanding industry, building up of a socialist economy and accumulating capital and mobilizing human resources to sustain economic growth.

However, cooperative establishment and their operation during the Socialist government was state driven. Membership to cooperatives was not on a voluntary basis, cooperatives were not based on strong foundations and they were not sustainable. Most producer and service cooperatives in different parts of the country became dissolved following the downfall of the Socialist government in 1991. The current government enacted Agricultural Cooperative Societies Proclamation (Proclamation No. 185/1994) as a new cooperative proclamation to provide an enabling environment for agricultural cooperatives to flourish. Currently, cooperatives are considered as appropriate models to promote agricultural and rural development in Ethiopia. Cooperative activities have been encouraged since the late 1990s and the sector receives various supports, despite the bad legacy from cooperative movements experienced during the socialist regime (Kodama, 2007).

Different measures have been taken in support of cooperative sector development, including organization and reorganization of different types of agricultural cooperative societies and establishment of cooperative promotion bureaus at regional level, establishment of Cooperative Commission at a federal level and launching of education and training programs on cooperatives at different universities in the country. A new proclamation on cooperatives was issued by the government in 1998 (Proclamation No. 147/1998) to provide a ground for the establishment and development of all types of cooperative societies. The 2005–2010 development plan of the country (Plan for Accelerated and Sustainable Development to End Poverty – PASDEP) placed due emphasis on the role of cooperatives to promote market linkage (commercialization) of smallholder agriculture (MoFED, 2006). As a result, the cooperative sector has got a momentum in Ethiopia in recent years.

The external environment for cooperative sector development in Ethiopia is favourable both in terms of policy and provision for manpower development. However, there are considerable constraints in the internal environment of most

cooperatives that need to be addressed to make cooperatives more viable and competitive enterprises. Some of the most important challenges include lack of capacity for providing competent managerial services, limited participation of members in decision making and controlling activities (because of limited capacity and skill) and lack of finance, basic infrastructure and market information against the need for a better linkage of cooperatives, especially agricultural cooperatives, to markets. A cooperative alleviates poverty and food security results by allowing the possibility for income generation from employment opportunities. The employment impacts could be direct and indirect. Pollet (2009) provides an estimate of direct and indirect employment impact of cooperatives in Ethiopia. Accordingly, cooperatives in Ethiopia created 81,651 direct employment opportunities (4,695 by institutions and government and 76,956 by primary cooperatives) and 115,079 indirect employment opportunities, which total to 196,730 (DTI ,2012)

2.5.5 Kenya

In Kenya, the model that has adopted in cooperatives development is one in which the government not only leads, but also makes concerted efforts to foster strong partnerships with the cooperatives movement. The commitment by government to cooperative development is evident in that there is a special Ministry of Cooperatives and Marketing, which deals specifically with issues of cooperatives in Kenya. The government provides an enabling environment through a legislative framework, cooperatives policy and strategy (The dti, 2012)

2.5.6 The Cooperative Movement in Kenya

The Cooperative movement in Kenya is one of the strongest and most diverse in Africa. That is the reason the Government established a specialized ministry to coordinate activities in the important sectors of the economy. Cooperatives have made a great contribution towards Kenya's socioeconomic development.

Cooperative societies and unions in Kenya have been involved in offering a wide variety of economic and social services that include provision of credit facilities, insurance, housing, education, building and construction, mining, land purchases, agriculture and transport. Kenya has had one of the most vibrant and dynamic

cooperative sectors in Africa. From agricultural and livestock cooperative societies in the rural areas to the savings and loan cooperatives in the urban Centres, the main thrust is to provide quality but affordable services to members.

It is clear that most Kenyans through civic education programmes that the cooperative movement has a significant role to play both in their own personal lives and in the overall national development strategy. The cooperative movement will be an important instrument in the achievement of the ambitious goals spelled out in the Vision 2030 socio-economic blueprint. National bodies such as the Kenya National Farmers' Union (KNFU) and the Kenya Union of Savings and Credit Organisations (KUSCO) along with the Cooperative Insurance Services (CIS) provide both valuable services and training to members of cooperative societies.

The Ministry of Cooperatives Development and Marketing ensures the cooperative movement is properly managed and continues to develop and prosper for the benefit of the majority of poor and middle-income Kenyans. It is recognized by the Government that the cooperative movement can be a major catalyst to national socio-economic development and play a major role in the attainment of the goals of Vision 2030. Cooperatives, both in urban and in rural areas, provide ample opportunities for savings and income generation for members in all social and economic classes. Higher productivity in rural parts of the country where agriculture and livestock rearing are the main activities can be ensured through the formation and development of cooperatives.

About 63 per cent of Kenya's population directly and indirectly depends on cooperative related activities for their livelihood. The sector has mobilised more than KSh170 billion in savings, which translates into about 31 per cent of all national savings. The main objective of the Ministry's Service Charter is to clearly spell out guidelines to the public on the types of services offered. These guidelines include service delivery targets, quality and timeliness, and clients' rights and obligations. (DTI, 2012)

2.6 COOPERATIVE POLICY AND LEGISLATIVE FRAMEWORK

2.6.1 National Policies

The South African government through the Department of Trade and Industry's (DTI) has launched a cooperative development strategy (2004-2014) which identifies the following, "it ensures the existence of strong, viable, self-reliant, autonomous and self-sustaining cooperative enterprises. It also ensures that cooperatives are making a meaningful contribution to economic growth, employment creation, social and cultural development and income generation".

- ***The Cooperatives Development Strategy for SA (2004:19)***

The Strategy outlines that government has established agencies solely to support small businesses and cooperatives. It states that the provision of support services, such as business advisory services and access to loans linkages, are the responsibility of accredited institutions including organizations supporting cooperatives. Technical support services shall be extended by a cost effective support service system, which will do the following:

- Make use of existing support service providers, for example, NGOs, trade unions, employer organizations, private companies, government offices, parastatal agencies, development programmes and projects;
- Assume the technical expertise to develop training manuals, management systems, audit procedures, etc., to design intervention strategy at the grassroots, level, in order to select, supervise and evaluate service providers and to train the personnel of the selected service providers; and
- Manage a cooperative development fund that has the purpose of cost sharing the expenditures incurred by cooperatives to obtain services from service providers or provided by accredited service providers.

The document also outlines that the government will promote a cooperatives education, and training in public education, training and society at large. With regard to financial support, the document says, the government will open up existing loan schemes for small and medium enterprises such as KHULA, the Industrial Development Co-operation (IDC), the National Empowerment Fund (NEF), the Land Bank and

Umsobomvu Youth Fund (UYF) to cooperatives enterprises. The government will facilitate an autonomous system of finance for cooperatives including savings and credit, banking, and insurance cooperatives within the context of broad based economic empowerment.

- **The policy also states the following objectives to fulfil this mandate:**
 - To establish a body that will co-ordinate and support development of cooperatives;
 - To promote and support development of new cooperatives;
 - To support and resuscitate existing cooperatives;
 - To improve and strengthen relations between the cooperative sector and Government;
 - To identify and pursue opportunities for economic growth, development and diversification of the cooperatives sector;
 - To develop resource material for fund about cooperatives; and
 - To support recommendations from ILO on cooperatives and the responsibility of governments of the 20th June 2002, Geneva Resolutions

- **Promoting an Integrated Cooperatives Sector in South Africa 2012 – 2022(The dti)**

The Strategy is evidence of government's continued commitment to the promotion of cooperatives over the next ten years, i.e. 2012 – 2022. It sets out an implementation framework for the Cooperatives Development Policy of 2004 and the Cooperatives Act, No. 14 of 2005, as amended. It also ensures that government, through the utilisation of various partnership models, engages in joint initiatives with all relevant stakeholders, in an effort to holistically promote strong, viable, self-reliant, autonomous and self-sustaining the cooperatives movement in the country. The strategy targets both existing and emerging cooperatives, covering the following market segments: survivalist, micro and small to medium cooperatives.

The Strategy is the result of an extensive consultation process with all relevant stakeholders, both within and outside of government. The key stakeholders consulted include all spheres of government (i.e. national, provincial and local levels of government); the cooperatives movement, organised labour and international

organisations; Non-Governmental Organisations (NGOs); Community-Based Organisations (CBOs), youth organisations, disabled persons and women's rights organisations, local communities; as well as business and National Economic Development and Labour Council (NEDLAC) constituencies. Government and other NEDLAC constituencies also embarked on an international study tour to various countries, the results of which have informed the Strategy.

The dti Baseline Study of Cooperatives in South Africa was carried out in March 2009, the findings of which have also been incorporated in this Strategy. The Strategy is aimed at promoting cooperatives, in order to unleash their potential to create and develop income-generating activities and decent, sustainable employment; reduce poverty, develop human resource capacities and knowledge; strengthen competitiveness and sustainability; increase savings and investment; improve social and economic well-being; and contribute to sustainable human development.

- **Cooperative Bills for its co-op strategy in SA,2012**

As part of a strategy to create an enabling environment for autonomous cooperatives in South Africa, the Department of Trade and Industry (**the dti**) has two Bills before Parliament, both Cooperatives Amendment Bills changing the original anchor legislation and both containing interventions that will, in DTI's view, create nationwide access to the cooperative movement.

On the Public hearings in Parliament took place in August 2012, the minister indicated that, the first Bill is to "enhance the development character of existing legislation and reduce the regulatory burden for cooperatives" and the second Bill applies mainly to the provincial application of the initiatives.

Minister of trade & industry, Dr Rob Davies, said in a prepared statement at a cooperatives conference in Bloemfontein in early July 2012, "*The new bill will result, amongst others, in the establishment of the Cooperatives Development Agency which will become a one-stop shop for both financial and non-financial support tailor-made for cooperatives, including administration of incentives, provision of training and improvement of working conditions in the cooperatives sector.*"

“The bill also provides for the setting up of a Cooperatives Tribunal and Cooperatives Advisory Council,” said Davies. He emphasised that the proposed institutions were aimed at assisting the government to reduce the mortality rate amongst cooperatives and ensure their sustainability.

These will ensure that “cooperatives take their rightful place and contribute effectively to the country’s economy as they have the capacity to create jobs and eradicate poverty.” Minister Davies also appealed to the private sector and government to seriously consider procuring goods and services from cooperatives, thereby forming a strong symbiotic relationship.

- **The Cooperative Amendment Act**

To amend the Cooperatives Act, 2005, so as to provide for the substitution and addition of certain definitions; to provide for associate membership of cooperatives; to provide for categories of primary cooperatives; to provide for national apex cooperatives; to provide for the annual submission of information to the CIPC; to amend the accounting practices by providing for audit and independent review of cooperatives; to provide for the payment of fees by cooperatives for the amalgamation, division, conversion or transfer of cooperatives; to provide for the voluntary winding-up of cooperatives by special resolution; to provide for a cooperatives to apply for a declaratory order in respect of the liquidation process; to provide for the registrar or Tribunal to order the winding-up of a cooperative; to substitute the Advisory Board with the Advisory Council; to provide for the establishment, functions and powers of the Cooperatives Development Agency; to provide for the funding and financial management of the Agency; to provide for oversight and executive authority of the Agency; to provide for the establishment, composition and functions of the Cooperatives Tribunal; and to provide for the substitution of the long title and the Preamble; and to provide for matters connected therewith.

- **The main aim of the act**

- Strengthen cooperatives governance, accountability and transparency and provide for a differential dispensation for cooperatives to reduce the regulatory burden for cooperatives.
- Strengthen the cooperatives structure to allow for organic growth informed by own needs and requirements and to enable unity.
- Enhance Compliance, Coordination, Administration and Sustainability of Cooperatives.
- Establish cooperative institutions in order to streamline support for cooperatives and ensure alignment across all 3 spheres of government.
- To increase the survival rate of registered cooperatives.
- To increase the proportion of cooperatives with formal legal status, of which cooperatives can receive government's financial and non-financial support.
- To improve the quality of information on the cooperative sector available to **the dti.**

- **Cooperative Bill 2013**

Bill is essentially aimed at improving the failure rate of cooperatives, and addressing past problems in cooperative governance, structures, compliance and sustainability. New institutions were to be established to streamline cooperative support. Differential requirements were introduced, to cater for three different categories of cooperatives, according to their size. A reporting framework was being introduced to address previous lack of accountability by management, and transparency of members, which included a social report and annual financial statements (although some cooperatives could apply for exemption). The use and purpose of Reserve Funds was more specifically defined, with minimum and maximum reserve fund levels. Although cooperatives registered prior to 2005 were allowed to retain proportional voting rights, the voting rights for all new registrants were clearly defined, Juristic persons would be able to join primary cooperatives, and it was now specified that secondary and tertiary cooperatives could be formed only by operational entities. Apex structures were being introduced by establishing three operational sectoral

tertiary cooperatives at national level, and five operational multi-sectoral tertiary cooperatives at provincial, district or local level.

The South African Government promoted the cooperative movement through legislation e.g. the Cooperatives Act and the Land Bank Act; as well as through the silo building loan programme which allowed cooperative agents of the boards to build marketing infrastructure in their own name; financial support or subsidisation for agricultural cooperatives; statutory emergency relief schemes which enabled indebted farmers, who might otherwise have gone out of production, to continue purchasing agricultural inputs from their cooperatives. Chibanda (2009) notes that governments in developing countries have often promoted the use of cooperatives as organisations that could enhance the development of their small-scale farmers. Since 1994, the South Africa government identified cooperatives as a mechanism that will contribute significantly to reducing unemployment, empowering rural communities and contributing to reducing the economic inequality of the majority of people in the country. They have also been seen as vehicles to accelerate empowerment and development of the previously disadvantaged.

To this end, the government mandated the Department of Trade and Industry (dti) to promote and support cooperatives within all sectors of the economy. To facilitate this mandate, the Cooperatives Policy was drafted, the Cooperatives Act was promulgated and an Integrated Strategy on the development and promotion of cooperatives was developed.

2.6.2 Provincial Policies

- **Limpopo Provincial Policy on Cooperatives 2003**

Limpopo Provincial Policy on Cooperatives (2003:2) states the following as the Objectives of the cooperatives:

- The cooperatives must ensure business skilling of the members;
- They must be a vehicle for members to provide their own means of living;
- They must create absorption of the unemployed;
- They must enhance wealth creation in the community;
- They must create a vehicle for exporting;
- They must be a vehicle for beneficiation of raw materials;

- They must be a market for each other and acquire a market for their
- products;
- They must provide a career-path for its members;
- They must be a source of support for emerging entrepreneurs in various Sectors; and
- Cooperatives can be used by SMMEs to increase their bargaining power.

It is imperative to state that most African countries, including South Africa, regarded Agricultural cooperatives as a side issue. This was regardless of the efforts the communities in the rural areas made to produce food for their families on a subsistence basis. Most of the Black people in the rural areas had to see to finish in terms of food production without any support from government, despite their high levels of poverty. A cooperative increases the participation of women in the cooperative movement at all levels, particularly at management and leadership level. These measures are considered, in the main, for purposes of uplifting the standard of cooperatives in order to be self-sufficient and sustainable.

- **The Policy on Cooperatives in Limpopo Province** (2003:13) also states that the government should promote the important role of cooperatives in transforming what are often referred to as marginal survival activities (sometimes referred to as “informal economy”) into legally protected work, fully integrated into mainstream economy. It states further that the government should facilitate access of cooperatives to support services in order to strengthen them. The State also has an obligation to support cooperatives to be viable business entities and for them to have the capacity to create employment and income. Finally, for the promotion of cooperative movement, the government should encourage conditions favouring the development of technical, commercial and financial linkages among all forms of cooperatives so as to facilitate an exchange of experience and sharing of risks and benefits.

2.7 GOVERNMENT SUPPORT ON COOPERATIVES

The promotion of cooperatives, a flagship project of the Department of Trade and Industry (**the dti**) for the year 2004/05, had the additional purpose of serving as an initiative to address the needs of the so-called 'second economy'. While South Africa has a highly-developed co-operative sector, operating in the 'first economy', there are also cooperatives operating in the mainly informal, marginalised and unskilled economy, the latter of which is populated by the unemployed and those unemployable in the formal sector. Within this context, the Cooperatives Act of 2005 and the Cooperatives Banks Act of 2007 provide the legislative framework for promoting and regulating cooperatives in the country.

In addressing the needs of this sector, government has established agencies with the sole aim of supporting small businesses and cooperative enterprises. The provision of cooperatives support services, such as education and training, business advisory services and access to loans, funding and linkages, is the collective responsibility of the accredited institutions and organisations that provide these sought-after services to cooperatives. Technical support services are also extended via a cost-effective support service system that makes use of existing support service providers (e.g. the cooperative movement, non-governmental organisations (NGOs), trade unions, employer organisations, private companies, government offices, parastatal agencies, and development programmes and projects).

As per previous mention, the government has launched various programmes to ensure that the 2004 - 2014 objectives for the cooperatives sector are timeously and effectively met. Among these are **the dti's** Cooperatives Incentive Scheme (CIS), which is a direct cash grant, as well as the Export Marketing and Investment Assistance (EMIA) scheme and other targeted incentives, such as the Isivande Women's Fund. Funding is also channeled through various funding vehicles established by provincial agencies. The development of cooperatives is critical to the effective functioning of the South African economy. As such, the government will continue to provide much-needed support to cooperatives through public education and training, as well as the promotion of cooperatives development initiatives in

society at large. Further, **the dti** will remain steadfast in its commitment to aid and grow this sector of the economy

2.7.1 The Department of Small Business Development

This department is a newly established department that will focus specifically on small businesses and cooperatives. The department will focus on enhanced support to small business and cooperatives with an emphasis on programmes on advance entrepreneurship among women, youth and people with disabilities to contribute to job creation and economic growth. The support mechanism includes access to finance and markets, skills development and improved regulatory environment.

At the international day of cooperatives this year, the Minister of Small business Development Department outlined that, the theme for this is "*Corporate enterprises empower women*", government will emphasize the strategic importance women play in the development of our country. She added that Cooperatives are a resilient form of business which enables women to easily access business and work opportunities, raise savings and extend education and training not only to them, but also to the local communities in which they are operating. Cooperatives are at the centre of the much-needed village and township economic revival. With the support of government, we must ensure that the services and goods consumed in townships and villages are produced by men and women from those townships and villages. She alluded that the new Ministry has been charged with the responsibility to create an enabling environment for the development and growth of cooperatives.

A lot of progress has been made in the area of cooperatives development and growth; there are still challenges that need to be addressed. Among these challenges are: the lack of adequate economic and social impact statistics on cooperatives covering all sectors.

2.7.2 Provincial Support

On the development of cooperatives in Limpopo, the MEC for Economic Development, Environment and Tourism in Limpopo, Mr Seaparo Sekoati, highlighted that the provincial government is committed to supporting cooperatives as it believes that they have a critical role to play in changing the lives of historically disadvantaged communities for the better. Mr Sekoati was speaking to members of cooperatives from various provinces in Polokwane (July 2014) on an event hosted by the newly-established Department of Small Business Development (DSBD) in partnership with the Limpopo Economic Development, Environment and Tourism (LEDET) and the South African National Apex Cooperatives(SANACO).

It was part of the three-day programme of activities which will culminate on Saturday in a mass celebration of the International Cooperatives Day.

“As the Limpopo government we have considered the role that should be played by cooperatives in delivering services to our people, eradicating poverty and ensuring that people that have been excluded from the mainstream of the South African economy are included. As a provincial government we believe in the future of cooperatives and that is why we have decided that 10% of government procurement should definitely be from cooperatives. We do not want to pay lip-service to cooperatives development. We want to walk the talk because we believe in cooperatives,” said Sekoati.

He added that he was encouraged by the keen interest that many cooperatives in the province have shown in working with the government for their own benefit and that of their communities. He added that the growth and sustainability of cooperatives and small and medium enterprises in the province were a priority of his department and part and parcel of the broader vision to improve the lives of the historically disadvantaged people. Sekoati advised cooperatives to be ethical when dealing with government and avoid becoming involved in corruption and maladministration.

“Cooperatives must start to understand the critical role that they are expected to play in the economy of the province and of the country as a whole, and should deal with government with integrity and honesty,” said Sekoati.

Cooperatives contribute to the empowerment of poor and marginalised people and in pushing back the frontiers of poverty, unemployment and inequality. This was said by the Minister of Small Business Development at the celebration of the International Cooperatives Day held in Polokwane, Limpopo.

2.7.3 Memorandum of understanding SIGNED FOR cooperatives in Limpopo

The National Youth Development Agency (NYDA) and the Limpopo Department of Agriculture (LDA) have signed a Memorandum of Understanding (MOU) aimed at supporting youth-owned cooperatives in the agricultural sector.

It was indicated that the cooperatives are the main focus of the agreement because the cooperatives model can generate sustainable employment in massive scales and promotes the utilisation of local resources.

Executive Deputy Chairperson Mr Kenny Morolong said that agricultural cooperatives play a crucial role in economic development, job creation and promoting sustainable livelihoods. The agency recently announced the R10 million Mabhida Youth Cooperatives Grant Fund that offers grants ranging from R1 000 to R100 000 to youth-owned cooperatives across the country. With this agreement, the NYDA and LDA will jointly identify Limpopo-based young aspiring and established cooperatives [of young people] between the ages of 18 to 35 years, who require the grant for business start-up or growth.

The grant funding will be complemented by non-financial business support services that include training, mentorship and market linkages, said the agency. The application process for grants opened officially on 1 August 2013. It was also indicated that this grant will attract farming for youth and retain those who are already in the business. This partnership will assist in stimulating a positive environment for organised agriculture and agribusiness through cooperatives in the Limpopo province. **(SAnews.gov.za, 2013).**

2.8 COOPERATIVE CONTRIBUTION TO EMPLOYMENT CREATION AND POVERTY ALLEVIATION

Ravensburg (2009), states that aside from the direct benefits to member enterprises, entrepreneur cooperatives can also produce external benefits to whole economies and societies. Although final empirical proof is still outstanding, it is fairly safe to assume that one of the major external effects that Entrepreneur cooperatives can have on a country's economy, is associated with their potential to create employment (Couture & ILO 2003).

The level of employment in a population directly affects economic and social development. Having an income means that the standard of living improves and the economy is boosted (Couture, 2003). Therefore, employment creation and stabilization, both in the formal and informal economies are amongst the best ways to help people and nations to develop themselves and to prevent poverty. Apart from their potential to create and safeguard employment, the democratic, voluntary and community-based nature of cooperatives emphasizes their commitment towards quality employment, increased income and satisfactory conditions of work. Entrepreneur cooperatives help to prevent poverty by enabling SMME's to offer jobs to the poorest segments of the population and also by initiating mutual self-help projects in communities (Coutoure, 2003).

Furthermore, Entrepreneur cooperatives that are open to new members do not require people to invest such large amounts of capital, and tend to share economic results more equitably, therefore, they have an automatic tendency to benefit all segments of the population, including the relatively poor (Birchall, 2003).

The survey conducted by the Department of Trade and Industry has found that for most emerging cooperatives in South Africa, there is potential to reduce poverty and that the most members of these cooperatives understand this and also see this potential. These cooperatives are however, not at the point yet where they are able to do this and there are certain elements that they still have to put in place. The most important one being, supportive towards the development of skills and abilities in certain key areas, including sector-specific training and business practices specific to the cooperatives sector.

2.9 Conclusion

From what has been discussed in this chapter, compared to other countries , it is very clear that clear that South Africa is not yet developed in terms of alleviating poverty through cooperatives. Most of the challenges highlighted in this chapter include issues of management, finance, lack of education and training. In terms of what has been outlined above, South Africa has a lot to learn from African cooperatives as their doing very well in cooperatives. For our country to progress in cooperatives it has to adopt approaches the African countries are currently utilising.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter outlines the research methodology used in conducting the study and it covers the following; namely: the research design, area of the study, population and sampling, data collection, data analysis and ethical considerations.

3.2 RESEARCH METHODOLOGY

Research methodology is the process used to collect information and data for the purpose of achieving intended outcomes of the study. Leedy (1993) defines research methodology as way of employing certain approaches to extract facts that can be utilized to solve a given problem. These approaches involve collection of information from both present and current publication literature, interviews, surveys and other research techniques.

Most of the social science researchers, either using qualitative and or quantitative methodology, rely mainly on these approaches in order to contextualise the understanding of changing and developing trends in society as well as to qualify their findings and recommendations. Guided by the main argument of the study the researcher uses both qualitative and quantitative methodology. The researcher used both research methods, for qualitative and quantitative, the qualitative method was used in order to get in-sight information and the quantitative method was used to express and outline information in figures.

3.3 RESEARCH DESIGN

3.3.1 Qualitative Method

Marshall and Rossman (1995) observe that the former method will allow for the understanding of processes, describes poorly understood phenomenon, understand differences between stated and implemented policies or theories and discover thus unspecified contextual variables.

In relation to this, in Chapter two of this study, for example, the researcher collected information from the published literature on social cohesion, poverty and international experiences on cooperative organisations to shape and qualify the argument on the inherited relations between cooperatives and poverty alleviation. The research also used secondary sources including government policy documents and statements; topic related reading materials from internet and newspapers, with more focus on social policy, the unique role that cooperatives can play in alleviating the rural poverty.

3.3.2 Population and Sampling

In trying to contextualise and understand the disconnection between cooperatives and poverty alleviation in the rural context, as per Lepelle-Nkumpi Municipality as a case study, the study further conducted face –to-face interviews with the following:

- **The members of the identified cooperatives**

The study focuses on agriculture as a key sector for poverty alleviation. Lepelle-Nkumpi local municipality has a noticeable number of agricultural cooperatives because agriculture is the key economic sector in the municipality. Currently, there are over fifty two (52) agricultural cooperatives in Lepelle-Nkumpi municipality. The study used purposive sampling method for the members of cooperatives selected for the interviews.

Table 2: Respondents Interviewed

OFFICIALS LEPELLE NKUMPI COOPERATIVES	OFFICIALS INTERVIEWED
Over 52 Cooperatives	Five (5) primary cooperatives selected each consisting .of Ten (10) members were interviewed
	Two (2) directors and ten (10) cooperative members were

	interviewed.
OFFICIALS IN LIMPOPO GOVERNMENT	OFFICIALS INTERVIEWED
Lepelle-Nkumpi Local Municipality	Two (2) officials were interviewed
Department of Agriculture and Rural Development	Two (2) officials
Department of Small Business	Three (3) officials

- **Relevant officials in the Limpopo provincial government and from the National Department.**

The officials were interviewed to have understanding of how their Local Economic Development strategies or LED Plans supports cooperatives. The Department of Agriculture plays a major role in terms of the type of support it offers to cooperatives through their different farmer support programmes, officials were also interviewed. The Department of Rural development also assists cooperatives on issues of land and several agricultural supports for cooperatives and the Department of Small Business Development through the cooperatives unit offers support in terms of training, grants, market access and so forth, hence the above mentioned institutions were crucial to the study.

3.4 DATA COLLECTION

The study used a series of face-to-face interviews to gain insight information from the selected cooperatives. To assess whether or not cooperatives are achieving the intended objectives and the extent at which poor or target groups feel a sense of empowerment in the development of the cooperatives, face to face interviews were an ideal process of obtaining data from the intended beneficiaries. This allowed the researcher an opportunity to get in-depth information and also to clarify issues. open-ended questions were used in seeking to understand the role played in the municipality in so far as to poverty alleviation is concerned. Moreover, open-ended interview questions were preferred in this particular type of research study understandably as there is no universally accepted and standard definition of what is

poverty. These concepts are defined in terms of characteristics and outcomes of such interventions.

3.5 DATA ANALYSIS

Data analysis is defined as how one observes and formulates one's analytical conclusions on the basis of the collected data (Babbie, 1989:278). Babbie maintains that the aim of the analysis is to understand the various constitutive elements of one's data through the inspection of the relationships between concepts, constructs or variables. A qualitative analysis (non-numerical examination and interpretation of observation, for the purpose of discovering underlying meanings and patterns of relationships) and quantitative analysis (numerical representation and the manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect), was used (Babbie & Mouton, 2006:446). Data was organized and further analyzed into categories based on themes or concepts to answer the main questions.

3.6 ETHICAL CONSIDERATIONS

According to Hennink (2010), ethical issues permeate all aspects of qualitative research. This entails conforming to accepted professional practices. There are numerous ethical considerations when carrying out research; however the considerations applicable to this research amongst others were informed consent, privacy and confidentiality. According to Waltz & Ritchie (2000) ethics is the values, norms and moral judgement that guide professional behaviour as practitioners with clients. Mouton (2001:238) states that the ethics of science concerns what is right and what is wrong in the conduct of research.

3.6.1 The Importance of Ethics in research

The ethics norms in research are important for many reasons. They promote the aims of research, promotes the purpose of the research such as knowledge, truth and avoidance of error. It assists in terms of a situation whereby there is a misinterpretation in research data. Secondly, research involves a lot of cooperation among diverse individuals and in different disciplines. Ethical standards promote

values that are necessary to collaborative work, for example trust, transparency, respect, fairness and accountability. Lastly, the norm of ethics in research promotes a variety of important moral and social values, such as social responsibility, human rights, compliance with the law and etc. Ethical lapses in research can significantly harm human and animal subjects, students, and the public. For example, a researcher who fabricates data in a clinical trial may harm or even kill patients. For the purpose of this study, a researcher who fails to abide by the principles outlined as ethical considerations when interacting with the participants may jeopardize the true reflections or outcomes of the questionnaires/interviews resulting to wrong outcomes of the study.

The following principles of ethics were taken into account when interviewing the participants for the research project:

3.6.1.1. Confidentiality

According to Patton (1990), researchers have a duty to respect the confidentiality of personal information collected during research. In this study, respondents who participated in the interviews did so in their willingness to participate. Confidentiality is very important as it implies that only the researcher and few relevant people should be aware of the identity of the participants. For this study, the names of the participants were not revealed to the public. The consequences of the interview will be addressed with respect to possible harm to the participant, as well as the expected benefits of participating in the study. Therefore confidentiality of the research was definitely considered.

3.6.1.2 No harm to participants

Collecting data from people raises ethical concerns. These includes taking care to avoid harming people, having regard for their privacy, respecting them as individuals and not subjecting them to unnecessary research (Mellville & Wayne, 2001:49). In addition, researchers have an obligation to ensure that participants' wellbeing is safeguarded and that their human rights are respected. There was no any revelation of information that endangered the participants at their work and home life.

3.6.1.3 Voluntary participation.

It is very difficult for participants to disclose information to strangers, especially personal information. Participation in research should be voluntary and people can refuse to divulge certain information about them and that the participants have the right to withdraw from the interviews at any time. Accordingly, the researcher outlined the purpose of the study in order to set the participants at ease and assure them that no information will be disclosed to the public or used against them.

3.6.1.4 Informed consent

It involves obtaining the voluntary participation of participants and informing them about their rights to withdraw from the study at any time (Silverman, 2001:271). Informed consent is provided by research participants and it means they know what participation in the study entails and that they choose to participate. For the purposes of this study, the researcher provided full information of the research to the participants, that is, the purpose of the research, confidentiality and also a statement that indicated that participation is voluntary and participants were free to withdraw at any time. Informed consent also entails clearly and honestly informing the respondents about the research, its aims and objectives, so that they could decide whether or not to participate. Once this was established, the next ethical issue was about the privacy of the respondents. This means allowing the respondents to determine when, how, and to what extent information about him or her is communicated to others. In this study, respondents decided to what extent information about their cooperative could be divulged, which is not already public knowledge.

3.6.1.5 Trust

The researcher is well aware of the potential difficulty of accessibility as some cooperatives may fear that their business ideas may potentially be replicated elsewhere or shared with competitors in the same market. Secondly, there is also a possibility of potential post-interview mistrust against the interviewed cooperative members and this may not allow them to freely express their views in an open-ended

interview questions, on the other. The approach to the participants in this study was open and transparent so as to promote trust.

3.6.1.6 Deception

The researcher informed the participants from the onset that the study would not benefit them as it is for academic purposes. Respondents were not promised anything lured to come and participate in the study because of incentives or benefits. There were no lies and false promises used to encourage them to participate in the research study. By outlining the purpose of the study at the outset it assisted in obtaining more faithful and objective answers about their situations. The researcher also indicated that she is working for **the dti** and that the research is being performed for academic purposes. In cases where participants sought any advice on cooperatives; the researcher provided such assistance where possible.

3.7 SUMMARY

This chapter outlined the research design and research methodology. It also outlined the population, sampling method and ethical considerations. The data analysis section will be outlined in Chapter four (4).

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

This chapter focuses on the processing of collected data and presentation of the analysis of the data collected. Data analysis can be defined as how one observes and formulates one's analytical conclusions on the basis of the collected data (Babbie, 1989). Babbie further outlines that the aim of the analysis is to understand the various constitutive elements of one's data through the inspection of the relationships between concepts, constructs or variables.

Hence Bless and Smith (2002) are of a view that data analysis process allows the researcher to generalise the findings from the sample used in research to the larger population in which the researcher is interested in. To that end, the main aim of this chapter is to present the overall findings found from the study. As indicated in Chapter three (Research Methodology) of the study, the study chose to use Lepelle-Nkumpi Local Municipality as a research case study.

The reason why this study focuses on agriculture as a key sector for poverty alleviation is because Lepelle-Nkumpi has a great potential for agricultural cooperatives of which agriculture is the key sector in terms of poverty alleviation. The study used purposive sampling method because the individuals selected for the interviews were fit for the purpose of the study, which is, namely, to investigate the role of the cooperatives enterprises in alleviating rural poverty.

A series of face-to-face interviews was utilised as a tool to collect data in order to gain more insight information from the selected cooperatives. Face-to-face interviews are reliable because the researcher gets the opportunity to get in-depth information and also to clarify issues. The cooperatives were interviewed using open-ended questions in a form of interview guide, in seeking to understand the role which they play in the district municipality in relation to poverty alleviation. Thematic Analysis is also outlined method of data analysis in this chapter because it is ideal for qualitative data.

The major objective of this chapter is to present biographical information of the respondents, namely, gender, age, marital status, family size, qualifications and

employment status. Data collected was first categorized into pie charts, charts and tables which were derived from research questions. And then descriptive data analysis method was used to analyse data, in which case frequency tables were used and graphs were derived.

4.2 PROFILE OF THE RESPONDENTS: THE COOPERATIVE MEMBERS

A total of five primary cooperatives enterprises, which consists of ten (10) members in each of the cooperatives, specialising in the agriculture including poultry and livestock, directors, chairpersons, secretaries and the workers in each of the cooperatives were interviewed. Two (2) directors and ten (10) cooperative members, two (2) municipal officials from Lepelle–Nkumpi, two (2) officials from The Department of Agriculture and Land Reform and two (3) officials from the Department of Small Business were interviewed. The above mentioned officials were interviewed for the reason that it would give the study the opportunity to get different views from stakeholders based on their experience on cooperatives development. A total number of fifty (50) Cooperatives members and seven (7) stakeholders were interviewed for this study.

The main aim of this section is to outline personal information of the respondents which is, the gender, age, marital status, size of the family and level of education and employment status.

Table 3: Demographic Profile of Participants: Lepelle-Nkumpi, 2015 (n = 50)

Variable	Category	Frequency
GENDER DISTRIBUTION	Male	33
	Female	67
AGE DISTRIBUTION	20–30	2
	31–40	20
	41–50	36
	51–60	26
	60+	16
MARITAL STATUS	Single	20
	Married	80
HIGHEST QUALIFICATION	Primary	35
	Secondary	12
	Tertiary(Colleges)Highest qualification	3
	No schooling	0
EMPLOYMENT STAUS	Regular employment	84
	Casual employment	14
	Self-employed	70
	Housewife/child rearing	8

Table 3: Demographic Profile of Participants (Source: Lepelle-Nkumpi LM)

The above table outlines a summary of frequency of the total demographics of all respondents interviewed. It outlines the gender of distribution, the age distribution, the marital status of respondents the highest education and the employment status by participants.

4.2.1 Age

The aim of the question was for the researcher to establish the age ranges of the respondents

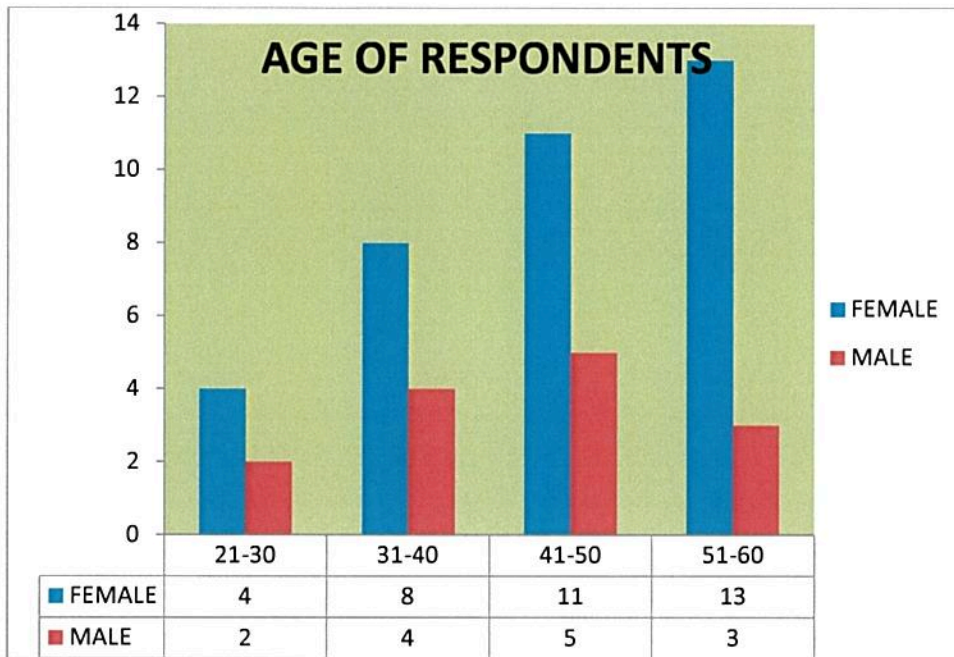


Figure 2: Age of Respondents (Source: Researcher's illustration)

Table 4.1 and Bar Chart provided above; indicate that the age ranges of the respondents were from 20 to 50 years. The table further shows that the highest number of respondents was under age group between 51-60 years followed by the age group 41-50 from the presented table, and it is clear that young people below the age of 21 are not active members in cooperatives. The reason could be that they are still furthering their studies and some may be as a result of lack of information about cooperatives.

4.2.2 Marital Status

The aim of the question was for the researcher to enquire about the marital status of the respondents.

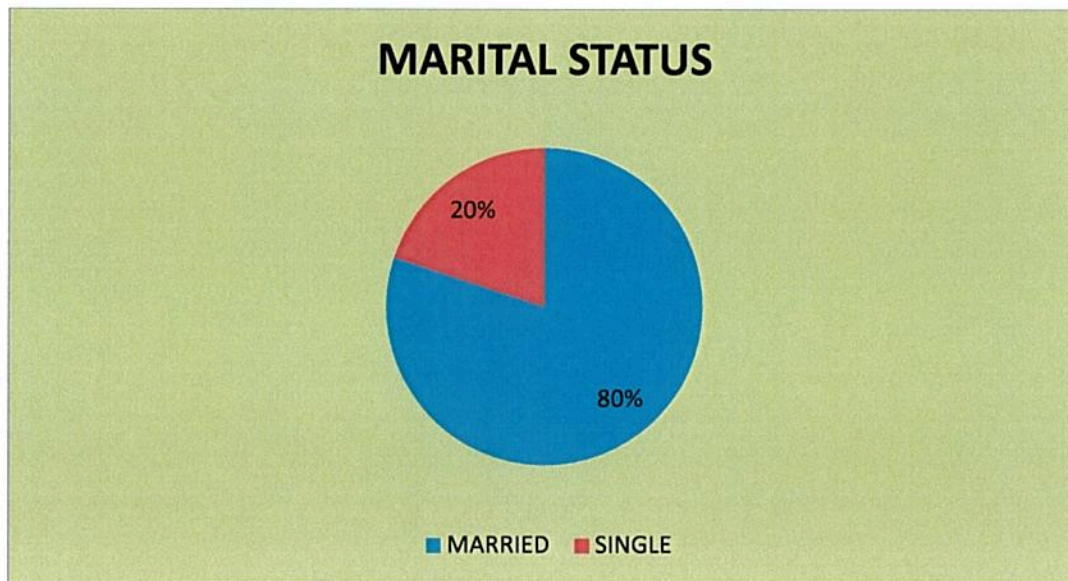


Figure 3: Marital Status (Source: Researcher's illustration)

In terms of the marital status, out of the 50 respondents, 20% of the respondents were single and 80% were married. This also confirms the idea that most of the women involved in the cooperatives were doing it as a source of income to sustain their families. In accordance with both the age and the household position shows that most respondents on these projects are females, married are the breadwinners in the family.

4.2.3. Levels of Education

The purpose of this question was for the researcher to find out from the respondents their highest educational qualification.

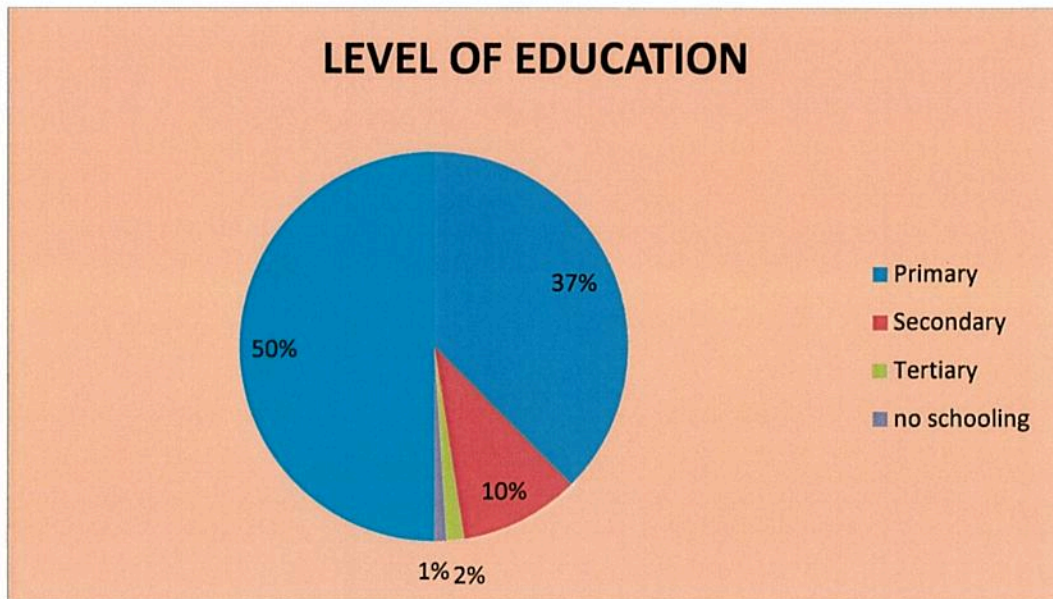


Figure 2: Level of Education ((Source: Researcher's illustration)

The figure provided above, indicates that out of Fifty (50) respondents, 37% had primary education, 20% had secondary education and 2% had tertiary education and 1% did not have any schooling education. The majority of the respondents received basic education and this gives hope that if properly trained in this area, cooperatives can indeed be catalysts for human and economic development in communities.

4.3 THE COOPERATIVE BUSINESS

4.3.1 Duration with cooperative

The interview data revealed that most of the respondents have been with the cooperative for more than three (3) years, in fact since the establishment of the cooperatives.

4.3.2 Type of cooperatives

The interviewed respondents are from different sectors. The respondents belonged to such cooperatives as agricultural, clothing and textile and bakeries cooperatives.

4.3.3 Market for their products

Based on this study, the key markets for this study are international, interprovincial, communities, schools as well as the Government. However, the markets are seasonal /not stable it depends on the need. There are no take-off contracts signed with the markets.

4.3.4 Financial Support

Most of the respondents applied for funding from government and only a few got the funding. The fund requested was mostly for acquisition of new machinery and Project start-up capital as all of the cooperatives are still at a primary cooperative level. The funds mostly requested were for start-up as most of the funding criteria need the cooperative to be at a certain level to qualify for specific funding; hence sources of funding are limited for primary cooperatives.

It has also shown that one of the key limitations to cooperative success is the lack of access to operational finance by the cooperatives. The available funding programmes targeting cooperatives either on provincial and national level is not enough to make significant contribution to poverty alleviation and employment.

This also agrees with *The Cooperative Facility Africa (Coop AFRICA)* which outlines that most cooperative grants and funding are from the state, of which most of the interventions are not significant or are difficult to access because of too much red tape and demanding funding criteria. Hence you find the cooperatives hamstrung in their operations due to liquidity problems.

4.4 PROFIT SHARING

Most of the respondents interviewed outlined that the sharing of profits is controlled by the profits made by the cooperative. In some financial years, the cooperative does not make enough profit for sharing. "We are struggling as a cooperative because it is not every month that we make profit, most of us depend on government child support grants and pensioner's grants" Said a 45 year old female secretary of the cooperative X.

4.5 TRAINING AND DEVELOPMENT

The majority of the respondents indicated that they require training on conflict management, business management, marketing and quality management. The mentioned skills are very important because lack of capacity building in cooperatives has been found to be one of the key constraints to cooperative success. Most cooperatives suffer from poor management, poor governance and lack of business skills. Profitable cooperatives invariably function as demand directed and market-oriented businesses which invest in quality management and business development. In addition, most the cooperatives are rural based and with little or no education at all. Hence it is very important for cooperative members to get training where all business management skills can be offered to cooperatives in their own language. This approach is consistent with a report by the Department of Economic Development and Environmental Affairs (DEDEA) which outlined that cooperatives support must include financial and non-financial support, which encompasses training and mentoring. Government departments have collaborated with the Skills Education Training Authorities (SETA) and agencies as accredited institution to offer training to cooperatives (Department of Agriculture and fisheries, 2011).

Lack of capacity in cooperatives has been found to be one of the key constraints to cooperative success. Many cooperatives suffer from poor management, poor governance and lack of business skills. Profitable cooperatives invariably function as demand directed and market-oriented businesses which invest in quality management and business development. Faced with this challenge of lack of capacity, the government departments in collaboration with SETA (as an accrediting institution) and government agencies have developed training programmes for cooperatives and these programmes were introduced in municipalities.

In support of the above statement, the International Cooperative Alliance cooperative planning document (2004) declared that education be basic cooperative principle over fifty (50) years ago; it based its statement on an analysis of the history of cooperatives. The cooperatives that fail are generally weak in the educational area. Those that succeeded over the long run had strong education components. The principle of education did not come out of thin air but was drawn from the practical experience of cooperatives around the world.

4.6 FURTHER RESEARCH FROM THE COOPERATIVES ON POVERTY ALLEVIATION

In order to get insight from the above statement, the following questions were asked:

What role and impact cooperatives have in alleviating rural poverty?

The respondents indicated that cooperatives enterprises assists with creating employment and also assists child headed households and orphans. One cooperative member said “We supply orphans, pensioners and child headed households with our produce every month”. Some of the respondents added that cooperatives play an increasing significant role in helping communities to find solutions on how to cooperate out of poverty by tapping their own resources, knowledge and strengths. They further highlighted that cooperatives contribute and develop the local economies where the poor live through their unique and strong linkages with the community.

In sync with the LED Network SA (2010) , highlighted that cooperatives enable poor people to have their voices heard in addition to improving their daily working and living conditions. Because cooperatives are democratic organizations and owned by those who use their services, cooperatives are an ideal instrument to empower the poor. They are participatory, responsive to local needs and able to mobilize communities and help particularly vulnerable groups of people. *What isn't possible for the individual is possible for many persons acting together!* **LED Network, 12 July 2015, www.lednetwork.co.za**

The respondents were asked how the Lepelle-Nkumpi municipality can be able to influence poverty alleviation through cooperative enterprises, Sentiments were echoed that this could be done by constantly creating awareness during meetings between the municipality with the community and also set aside funding to assist the cooperatives as the instrument to alleviate poverty and also by introducing poverty alleviation programmes that support cooperative enterprises. The municipality's support for cooperatives is very crucial, because as part of the municipality's Local Economic Development (LED) unit, the focus is to develop and support cooperatives and also to generate and promote opportunities for market access.

The dti handbook for cooperatives 2010, agrees that municipalities should therefore have a defined approach and strategy for cooperatives as part of the municipal LED strategies. The roles of municipalities in terms of cooperatives can vary, but mostly include the following:

Champion: the municipality takes the lead in organizing everything from identifying the cooperative's members through to selecting the business opportunity.

Facilitator: the municipality works with existing groups of community members and assists in "forming" the cooperative using the DTI's Cooperative Incentive Scheme as well as other initiatives that will improve the cooperatives' access to finance and / or markets.

Broker: the municipality understands the nature of their local economy and identifies areas within the production value chain where the opportunity for cooperatives (or other small scale businesses) to supply services and resources to larger scale local producers.

Trainer: the municipality encourages the establishment of sustainable cooperatives by providing access to business skills training and life skills (negotiation, basic banking etc.).

Enabler: the municipality focuses on the spatial environment for cooperatives such as improving basic services; investment in hard and soft infrastructure; examples would include access roads, markets and abattoirs.

While there is possibly validity in this varied mix of roles for municipalities, it is possibly either a misunderstanding or rather a misalignment between the expectations of and from cooperatives has resulted in some poor practices and unrealistic expectations and increased recipients frustration. Cooperatives are enterprises founded by and belong to the members, and therefore cooperatives can be imposed, neither directly on communities nor through national government policy onto the other spheres. Practical approaches are required if cooperatives are to be more successful. (DTI, 2010)

What challenges do you encounter as cooperative enterprises in alleviating rural poverty?

The majority of the respondents indicated that the main challenge in their cooperative enterprises is access to funding. The respondents also outlined that as members they face challenges of the proper running of the business as they do not have proper business skills in place. One cooperative member said *“Our business is run from hand to mouth, of which is not the proper way of running a business and we do not know how to correctly price our produce”*. According to Lafleur (2008) the cooperatives must offer products and services of competitive quality, at competitive rates, along with unique elements of cooperative added value.

The respondents also indicated that some of their cooperative members are lazy to work in the business because they rely on grants as their other source of income besides the earnings made from the cooperatives. This remains a challenge as other members are not committed to their work.

What opportunities do you see working as cooperative enterprises in alleviating rural poverty?

One respondent said: ‘There is potential growth for working as collective and thinking as a collective to implement new ideas, as a cooperative each one of us bring a different expertise to the business, some are knowledgeable on marketing, business and other cooperative members are knowledgeable on bookkeeping.’. The respondent further highlighted that planning as group assists with bringing broader ideas than planning alone as each and every individual has a different skill and expertise to contribute to the group.

The respondents further indicated that:

“as cooperatives we assist each in terms of securing contracts, for example if there is a contract for embroidery on a wedding dress and Cooperative X does not have the required tools and expertise, the contract is referred to a neighbouring cooperative which has the required tools and expertise and in this a way a contract is not forfeited but created an opportunity and exposure for cooperative Y”.

The statement above is supported by one of the cooperative principles, which states **“Cooperation among cooperatives”**: *cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures*. (DTI, 2012).

Most of the respondents outlined that there is a lot of potential to create jobs and grow the cooperative. The extract below shows the ambitions:

“What we need is financial support, support with training and assistance with finding stable markets. We need equipment for the bakery which is expensive to buy. We need our own transport for deliveries”.

In summary, this shows that cooperatives face many challenges some of which are of a financial nature and others of a capital nature. The intervention of all stakeholders is important to assist the co-operators to develop and grow their enterprises and which will allow a conducive environment to create more opportunities for cooperatives.

4.7 INTERVIEWS OF GOVERNMENT OFFICIALS

The purpose of this section is to gather information from the government officials dealing directly with cooperatives in their days work.

4.7.1 Interviewee

The researcher interviewed (2) municipal officials from Lepelle–Nkumpi, two (2) officials from the Department of Agriculture, two (2) officials from the department of Rural Development, three(3) officials from the Department of Small Business and were interviewed.

4.7.1.1 ANALYSIS OF PROFILE RESPONDENTS

Hundred percent (100%) of the respondents are working directly with cooperatives and for a period between five (5) years and ten (10) years. The main aim of their jobs while working with cooperatives is to fight poverty and create job opportunities.

As already outlined earlier, most of the sector departments indicated that they have policies and guidelines that assists/support cooperatives. It was also outlined in the interviews that they receive guidance from the policies of the Department of trade and Industry and Department of Small Business Development. The guidelines are very important because they provide a framework that can be used by all role players that seek to make a contribution in assisting cooperatives to grow and to be sustainable. In addition, the cooperative policies are there to develop and support cooperatives and small business and are aligned to promote cooperative entrepreneurship and also to stimulate the participation of cooperative enterprises in the economy.

4.7.2 Positions Held By Respondents

ORGANISATION	POSITIONS
Lepelle-Nkumpi Local Municipality	Local Economic Development (LED) Officials Manager (LED)
The Department of Small Business Development	Deputy Director Trade and industry Advisors(TIA)
The Department of Agriculture and Rural Development	Deputy Director

4.7.2.1 Duration in the Workplace

The officials interviewed especially those in management, showed that they have been in this field of cooperatives for a period of 5-10 years .The middle management

indicates that they have been in the field for 3 years maximum and the officers show that have been in there for more ten (10) years in total.

4.7.2.2 The Roles and Responsibilities

According to the data collected, it showed that about 40% of the interviewed officials are currently working and coordinating cooperatives projects, 35% was responsible for information sharing, advising on management of cooperatives and 25% is responsible for registering of cooperatives assistance with Business Plans to solicit funding.

4.7.2.3 Reasons why government support cooperatives

According to this study, almost 75% of the respondents indicated that government is keen to ensure that coordinated support to cooperatives is coordinated because each government department or agency across all the three spheres of government has something to offer to cooperatives. Cooperatives have the capacity to create jobs when implemented appropriately. In addition, these cooperatives, as economic enterprises and as self-help organizations, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities.

4.7.2.4 Policies and guidelines for establishing cooperatives

Hundred (100%) of all the government officials interviewed indicated that their different departments have policies and guidelines, as well as incentives and different types of grants that supports cooperatives. For example, *The Cooperatives Development Strategy for SA*, Promoting an Integrated Cooperatives Sector in South Africa 2012 – 2022 (DTI), Cooperatives Bills for cooperative strategy in South Africa (DTI, 2012). The Cooperative Amendment Act 2005, Cooperative Bill 2013 and Limpopo Provincial Policy on Cooperatives 2003. The grants offered by government for cooperatives include the Cooperative Incentive Scheme (CIS) and the Black Business Supplier Development Programme (BBSDP).

4.7.3 Opportunities Available For Cooperatives

The respondents outlined that the registration of cooperatives on the databases of government departments and a private institutions remains a good opportunity for cooperative members in order to support their families. The primary cooperatives also have opportunities in forming secondary cooperatives in that way it is easier to access bigger markets and secure big contracts that will assist the cooperatives to grow and be sustainable.

In this way, there are a lot of training opportunities for cooperatives that will assist them in running sustainable business. Agri-SETA introduced a programme called “farm together” that assists cooperatives from all sectors with operations of a cooperatives and how to grow as a cooperative.

4.7.4 Challenges Faced By Cooperatives

The respondents (65%) indicated that the cooperatives faced the following challenges:

- **Cooperatives need to ensure financial sustainability**

If cooperative members are not able to pay their membership fees in a primary cooperative then this does not serve as a solid foundation on which to build the cooperative movement. The cooperative movement has to be anchored in its own capacity to finance its existence. This would, to a large extent, ensure its independence.

- **Governance Challenges**

The key governance challenge is that of identifying and recruiting directors with the essential mix of skills. The implication is that, if a director has only one skill they would not be able to make decisions on the operations in the cooperative should the other director be absent. Member involvement in a cooperative often relates to their access to board members or interest in running for the board. Other governance issues identified is the effectiveness and performance of the board of directors.

- **Finance and Equity**

Lack of finance is also one of the challenges that impede the success of cooperatives. The acquiring and maintaining of adequate equity as well as the sufficiency, consistency, profitability and risk management were identified as the major problems in the cooperatives.

- **Political interference**

Respondents also mentioned political interference as a major challenge. The majority of cooperatives are politically driven and the element of autonomy is compromised hence the failure rate of cooperatives is high.

4.7.5 Support to Cooperatives

In this section, the researcher's aim is to establish the type of support offered by the government to cooperatives in order to alleviate poverty in Lepelle-Nkumpi local municipality.

60% of the respondents outlined the following:

- Government constantly creates awareness during their interactions with cooperatives and set asides different types of funding available. The challenge is that it is not that easy to access the funding, the devastating part is that the work in the cooperative cannot progress when certain resources are not available. With limited resources available it is difficult for LED practitioners to assist the cooperatives, because sometimes it is found that cooperatives programmes are not prioritised in the municipalities' IDP's and this poses as a challenge because it means that the cooperative programmes will remain an unfunded mandate.

4.8 SUMMARY

This chapter presented and analysed data and findings that was collected from the cooperative members, municipal officials, and government officials from various organisations including Lepelle –Nkumpi Local Municipality, the Department of Small Business Development, the Department of Agriculture, Rural Development and Land

Reform. The study used both qualitative and quantitative data but the study is mostly qualitative. Data was presented in form of bar charts, pie charts and tables for analysing. In this way data was easy to analyse and interpret.

The next chapter will provide the recommendations by policy developers and also advise on how to further use cooperatives as a poverty alleviation tool in Lepelle-Nkumpi Local Municipality.

CHAPTER 5

RESEARCH FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This is the last chapter of the study, where the purpose of the study was to determine role that cooperatives play in poverty alleviation in Lepelle-Nkumpi local municipality. The main objective of the study was to evaluate whether cooperatives play a role in poverty alleviation in Lepelle-Nkumpi municipality. The investigation was based on the following objectives:

- To investigate the role of the cooperatives enterprises in alleviating rural poverty;
- To unpack the factors for the success and failures of cooperatives for further refining cooperatives-led model of poverty-alleviation strategies in Lepelle-Nkumpi; and
- To recommend policy and inform practice of cooperatives in rural communities.

5.2 THE SUMMARY OF MAJOR FINDINGS

The major findings of the research were based on the research questions of the study, which are as follows:

- What role and impact cooperatives have in alleviating rural poverty?
- To what extent can the community of Lepelle-Nkumpi Municipality be able to influence poverty alleviation through cooperative enterprises?
- What challenges and opportunities encountered by cooperative enterprises in alleviating rural poverty?
- What policies can be recommended to provincial government and local municipality in order to positively communicate measures that will contribute towards the improvement of cooperatives in rural communities?

Based on the above research questions, the major findings are summarised as follows:

5.2.1 Demographic profile of respondents

In all the five cooperatives interviewed in Lepelle-Nkumpi municipality, it has been found that most of the members are women and mostly in their fifties. This shows that women form cooperatives enterprises with the aim to feed their families as they are breadwinners in the families.

5.2.2 Poverty alleviation

It was discovered that most members in the cooperatives, joined the cooperative enterprises with the intention to alleviate poverty. However, not all the cooperatives are doing very well to able to generate income every month. Based on the information collected, the profit sharing happens only if profits are made, of which it does not happen every month. The profits are seasonal and the cooperatives have to find other ways to sustain their livelihoods.

5.2.3 Education

The level of education in the four cooperatives has been found to be low, particularly in the deep rural areas of Lepelle-Nkumpi municipality. Studies have shown that education is the main contributor in leading the cooperatives to develop and grow to their full potential. Comparing to the cooperatives in the more semi urban (township) area where most members in the cooperative have Matric and some first year of college, the cooperative tends to perform better.

5.2.4 Commitment and participation in the Cooperative

In all five of the cooperatives interviewed, members are found to have been with the cooperative for more than five years, most members started with the cooperative, but the business is not doing too well since the inception as they had limited access to funding training and development.

5.2.5 Skills

From the research it was also discovered that, the issue of skills shortage is a big problem. The members are not informed of government interventions which address skills. A basic business skill, such as business management and bookkeeping was found to be very low in the cooperatives.

5.2.6 Employment

Most members in the cooperative are in need of employment, to a point that the only progress or hope they see is joining a cooperative as it does not require any qualifications or expertise. Even though there is no major earnings or stable income from the cooperative, but the little that is received improves the quality of live. This is the main reason why some of the members still insist to stay in the cooperative despite the challenges in the cooperatives. Other members do not see the value, as the state is not intervening but because of desperation they still see hope.

5.2.7 Management in the cooperatives

From the data collected, it has shown that the management in the cooperative is very poor, as some members think there are superior to others, even though one of the cooperative principles outlines that all members in the cooperative are equal regardless of age, gender and qualifications.

5.2.8 Access to Funding (State intervention)

The respondents indicated that access to government funding is not easy as there is a lot of red tape and the funding criteria are not user friendly. And when they finally get the state intervention, forms are filled and submitted and they do not get any response from the various departments. It is unfortunate that the work in the cooperative cannot progress when certain resources are not available.

5.2.9 Concern for community

Most respondents indicated that as part of community development, cooperative work for the sustainable development through policies was

approved by members of the cooperative. However, the members find it difficult to provide for the community with limited resources, to some extent ascribable to the challenge of accessing stable markets.

5.3 FINDINGS FROM EACH OF THE COOPERATIVES USED FOR THE STUDY

- Out of the five (5) cooperatives interviewed, it was discovered that only one cooperative was able to generate profit, because their produce had an everyday market. The other cooperatives generated income seasonally depending on the demand of the product. There is a need for the state to intervene especially on training and development of cooperatives because the main purpose of any business is to generate profits.
- In terms of training, from a cooperative, it was found that only one member can attend training on a specific skill, as the cooperative cannot afford to train all members. So the cooperative depend on one member to share the knowledge/skill acquired from the training which is always not easy to transfer skill to the other individual.
- In all five of the cooperatives, the state involvement was very minimal since the inception of the cooperatives. Promises were made, but never adhered to. State intervention is very crucial because it will contribute massively to the growth of the cooperative.

5.4 IMPLICATIONS OF FINDINGS

The study has shown that most of the respondents are elderly women, which shows that women are the breadwinners in their families. It has also shown that the majority of the respondents are illiterate or have low levels of schooling. This shows there is need for government to develop educational programmes that the content covers cooperative content and important concepts on how to run a successful cooperative. There is major challenge in terms of access to funding and also securing of stable markets, and also securing government procurement. This indicates that government and its agencies is not doing enough to assist cooperatives solicit funding.

Cooperative education has to involve a much deeper effort to raise members' awareness of what is going on in the world and how the co-op alternative can effectively make a difference. The other important function in co-op education is to keep the members thoroughly informed about the status of the business. A competent co-op educator should be able to talk as fluently as the general manager about the balance sheet, the wholesale costs, the wages and benefits package, the debt to equity ratio. Members must have a good knowledge of the fiscal status of the co-op, and it is up to the educators to transmit this knowledge. A well-informed membership is more willing to contribute skills, ideas and capital to the business than a membership that does not know what it is all about. The board and management should insist that the educators inform the members, and build their own accountability into the process. The members are the best insurance against bad decision-making that a co-op can have.

5.5 REALISATION OF RESEARCH OBJECTIVES

Objective 1: To investigate the role of the cooperatives enterprises in alleviating rural poverty

The study has shown that cooperative enterprises in Lepelle-Nkumpi local municipality can alleviate poverty with the right interventions that will assist the cooperative to grow and be more sustainable. It has also shown that the cooperatives have been able to support their families under the pressing conditions the cooperatives are in.

Objective 2: To unpack the factors for the success and failures of cooperatives for further refining cooperatives-led model of poverty-alleviation strategies in Lepelle-Nkumpi

The study has shown that cooperatives do have a role to play if the adequate resources are in place with their cooperative. Most cooperatives fail because they do not have proper resources and skills to run their daily operations.

Objective 3: To recommend policy and inform practice of cooperatives in rural communities.

The study recommends that government should create awareness amongst cooperatives on what are the national funding programmes for cooperatives and how this funding operates. It is also recommended that government should market the funding opportunities and clearly explain to the cooperatives how the schemes work and how they will assist in the operations of the cooperatives in order to avoid misconceptions

Most importantly, the monitoring and evaluation by the state on cooperatives funding programmes should be conducted on a regular basis. This will inform the developing of policy and reviewing of current policy programmes.

5.6 CHALLENGES IDENTIFIED BY THE RESEARCHER IN THIS STUDY

The researcher has identified the following:

Most of the cooperatives are formed for a short term goal, mostly for access of funds in order to generate income and not for the real sustained business and long term goals that will benefit the member's in future. The poor quality of the state's intervention to assist the cooperatives to grow in the area. It is acknowledged that the state has had an intervention; however the intervention has not been significant in the area as co-operators are still complaining of poor intervention from government. It is true that there are structures in place to support cooperatives; however most of these structures are not performing to the best of their ability because of lack of resources and capacity building.

The poor implementation of Local Economic Development Strategies in municipalities is a main concern, which is mostly caused by lack of capacity in the municipality and skills required to be a LED officer. The red tape involved in accessing funding and resources from government was also identified as a major challenge; including procurement issues experienced by cooperatives in government institutions continues to remain a challenge.

5.7 RECOMMENDATIONS

Based on the findings of the study, which is also informed by the data collected from the field work and different stakeholders in the Local Economic Development space, the researcher recommends the following:

The government should create awareness amongst cooperatives on what are the national funding programmes for cooperatives and how this funding operates. From the findings of this study, the cooperatives heard for example about **the dti Cooperatives Incentives Schemes**, However they do not understand how the grant works, and they find themselves paying for companies that “pose” as facilitators for the grant. The department should market the funding opportunities and clearly explain to the cooperatives how the schemes work and how they will assist in the operations of the cooperatives in order to avoid misconceptions. Most of the cooperatives do not even know how much the grant entails, due to miscalculations and lack of information and knowledge.

The government should develop more funding programmes with less red tape; they should also consider the possibilities of collaborating with the private sector to assist the cooperatives with operating capital. The Cooperative Incentive Scheme (CIS) grant which is for primary cooperatives only assists with equipment of which the cooperatives still have to suffer for raw materials.

There should be government programmes in place, which have attractive incentives that will attract the youth to participate in cooperative projects. Special Programmes that will motivate and encourage the youth of Lepelle-Nkumpi to form cooperatives, this will assist in addressing the challenge of information sharing circles amongst co-operators as the youth will be able to grasp more knowledge and transfer .

The state and other government institutions and agencies should develop clear programmes with packages to assist cooperatives in financial and non-financial support. This can be achieved by developing a programme that cooperatives will apply and will assist with financial, non-financial support, training and development; market accesses all through to after care programmes, until the cooperative can operate on its own and generate income. The state and private institutions should

build on current programmes and establish new programmes which will warrant improvement in the level of operating business for cooperatives.

From the findings, there is need for development of “women empowerment programmes” as most of the cooperatives are dominated by women, particularly women in the rural areas in the municipality. The programmes can be used to empower women in rural areas, making it easier for the women to operate their businesses without depending on anyone to perform daily operations of the business.

The government should advocate for increased procurement opportunities for cooperatives in order to address the issue of market access. The local state should also review policies affecting cooperatives in order to provide a conducive environment for cooperatives and also making it easier for the cooperatives to create employment in their areas and ultimately contributing to economy growth.

The government should develop new or review private sector collaboration policies or strategies, as government creates climate for good working conditions while the private sector created business opportunities and employment.

There is need for municipality through its officials to constantly create awareness during meetings with their communities and also set funding aside to assist the cooperatives as an instrument to alleviate poverty. Municipalities should also prioritise cooperatives in their Integrated Development Plans (IDP's).

Local municipality need to develop policies that will require the districts and provincial departments to plan and budget for cooperatives jointly with Local Economic Development unit, to address the challenge of LED being an unfunded mandate in municipalities.

Government should print cooperatives related materials in South African languages to accommodate everyone. Lastly the state should conduct monitoring and evaluation on funding and programmes on regular basis. This will help the government to see the impact of their programmes.

Data collected from the different stakeholders, the following was recommended

✓ Pre-funding project appraisal

The mostly used appraisal methodology is on-site visit whereby finance officials or any other officials with a financial background from the funding organisation visit the organisation to conduct interview with the Board of directors. Pre- funding appraisal is a diagnostic tool used to identify the competencies, capacities, skills and limitations organization may have to undertake the project. It is designed to assess the strength of the organization and also at the same time to identify the areas where it needs to develop capacities. The main focus of the prefunding appraisal is on sound financial management, administrative structure, governance and legal compliances. Such an appraisal helps the donor agencies to make appropriate decisions regarding funding. It also brings out areas where special attention needs to be given while monitoring the project.

✓ Public Finance Management Act 1 of 1999 as amended, section 38(1)(j) that before transferring any funds to an entity within or outside government, must obtain a written assurance from the entity that the entity implements effective, efficient and transparent financial management and internal control systems, or, if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems.

✓ Monitoring and evaluation framework, which will assist in understanding and analysing a programme. It will also help to develop sound monitoring and evaluation plans and implementation of monitoring and evaluation activities. The monitoring and evaluation framework should articulate programme goals and measurable short, medium and long-term objectives, in addition, define relationships among inputs, activities, outputs, outcomes and impacts.

5.8 SUGGESTIONS FOR FURTHER RESEARCH FOR THE STUDY

The study did not cover much on the issue of how secondary cooperatives and tertiary cooperatives that might be based in Lepelle-Nkumpi can assist the primary cooperatives as they are suffering. Further research in this field is necessary as it will give more details, in particular on "The role cooperatives in poverty alleviation in Lepelle-Nkumpi.

5.9 CONCLUSION

This study investigated the role that cooperatives play on poverty alleviation in Lepelle-Nkumpi local municipality. According to the findings of this study it shows that a cooperative has played a role but not a significant role in alleviating poverty. The Cooperative enterprises mostly assist for the purposes of hand to mouth. The majority of the people in rural areas are suffering even after the formation of cooperative enterprises. Those which are trying to thrive they do not survive because of lack of knowledge, skills, access to funding.

It is acknowledged of the good policies that the government has developed to support cooperatives, however the roll out if these plans are not good enough and they fail to do monitoring and evaluation of these programmes.

As already stated in the findings of this chapter, members who joined cooperatives joined with the intention of alleviating poverty, however their expectations were not met as they are struggling to make ends meet. The issue of lack of knowledge, insufficient resources and illiteracy is the common problem among all co-operators.

The other dominating finding from the study is the poor support of state interventions to support cooperatives. This matter can be solved by developing relevant programmes with relevant packaging, which will be followed by proper monitoring and after care programmes. In that way cooperatives can be promoters for poverty alleviation, job creation and opening for new opportunities.

In conclusion, for the success of cooperatives development in the Lepelle-Nkumpi Local Municipality and also in the country, the State should develop clear programmes that will seek to address all the challenges as outlined by the members of the cooperatives.

If the programmes are properly executed and closely monitored, cooperatives can be powerful enterprises to fight poverty and create employment, thereby creating business opportunities.

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ANNEXURES

Questionnaires

COOPERATIVES IN LEPELLE-NKUMPI LOCAL MUNICIPALITY

Please tick answer with an "X" and elaborate where necessary

SECTION A: THE COOPERATIVE'S PROFILE

1.1 Gender

Male	
Female	

1.2 Age

Under 20	
21-35	
31-40	
41-50	
51-60	
Other, please specify	

1.3 Marital Status

Single	
Married	

1.4 Level of Education

Primary	
Secondary	
Tertiary	
Other, Please specify	

1.5 Employment

How many members of your family are employed?

1.6 Any form disability

YES
NO

1.7 How many dependants do you have?

SECTION B: THE COOPERATIVE BUSINESS

2.1 Are you a registered cooperative?

YES
NO

2.2 If yes, how long were you registered?

2.3 How long have you been with the cooperative?

2.4 What type of cooperative is this?

2.5 What does your cooperative produce?

2.6 Do you have a market for your products?

YES
NO

SECTION C: FINANCIAL SUPPORT

3.1 Did the cooperative receive any support?

YES
NO

3.2 Has the cooperative received any support from the department of Agriculture??

YES

NO

3.3 Have you ever applied for the Cooperative Incentive Scheme offered by the dti?

YES
NO

If Yes, was the grant approved and when was it approved?

What was the fund utilized for? (Tick where appropriate)	Acquisition of new machinery		Technological improvements		Project start-up capital		Project working capital		Other, please specify
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SECTION D: PARTICIPATION IN THE COOPERATIVE

4.1 Were you involved in identifying the project in the cooperative?

YES
NO

4.2 What is your role in the cooperative?

4.3 How many people are employed in your cooperative?

Men	
Women	
Youth(Female/Male)	
The disabled(Female/Male)	
Total	

Of these employees, how many are:

Category	Male	Female
Disabled		
Youth		

4.3 Which criteria do you use when employing people?

4.4 Does the cooperative have directors, If YES how many?

4.5 How do you rate the level of cooperation between management and the cooperative members?

Poor	
Average	
Good	
Excellent	
Undecided/Not sure	

4.6 How much profit per month do you get from your produce?

None	
R100,00- R500,00	
R510,00- R1000,00	
R1100,00- R1500,00	
R1600,00-R2000,00	
R2100,00- 2500,00	
R2600,00-R3000,00	
R3100,00-R3500,00	
Above R3600, please specify the amount	

4.7 How frequent do you share profits for income sharing

4.8 How do you share the income amongst the members?

SECTION E: TRAINING AND DEVELOPMENT

5.1 What challenges do you have in the cooperative?

5.2 What type of training do you need to address the challenges mentioned?

Literacy & Numeracy	
Business Management	
Conflict management	
Marketing	
Risk Management	
Other, please specify	
Total	

5.3 Where do you see your cooperatives in the future?

5.4 What suggestion do you have in order for the cooperative to grow?

SECTION F: GENERAL QUESTIONS

6. What role and impact cooperatives have in alleviating rural poverty?

7. How can the Lepelle-Nkumpi municipality be able to influence poverty alleviation through cooperative enterprises?

8. What challenges do you encounter as cooperative enterprises in alleviating rural poverty?

9. What opportunities do you see working as cooperative enterprises in alleviating rural poverty?

10. What policies can be recommended to the provincial government in order to positively contribute towards the improvement of cooperatives in rural communities?

11. What can be recommended to local municipality in order positively contribute towards the improvement of cooperatives in rural communities?

THANK YOU FOR VALUABLE INPUTS AND PARTICIPATION!!

QUESTIONNAIRE FOR LEPELLE-NKUMPI LOCAL MUNICIPALITY

1. Which position to hold in the municipality?

1. How does the municipality assist Lepelle-Nkumpi cooperatives?

2. Is there any provision for support to cooperative projects?

YES
NO

If yes, what type of support is the Municipality providing?

If No, why not.....

Financial		Technical		Other, please specify	
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3. Does the municipality provide any training?

YES
NO

4. Which stakeholders the municipality is working with?

If yes, who are the stakeholders?

If no, why is the Municipality not working with other stakeholders to promote the project?

5. Is the municipality operating as a one stop shop for the cooperatives services or information needed by the cooperatives?

Yes _____, **Please Specify** _____
No _____, **Please Specific** _____

6. Does the municipality have a working relationship with SEDA?

If Yes, How is the relationship?

If No, Why.....

7. How would you rate the accessibility to the CIS Grant by cooperatives in the Municipality?

Excellent	
Good	
Fair	
Poor	
Not sure	

8. What are the challenges facing cooperatives in the Municipality?

10. What role and impact cooperatives have in alleviating rural poverty?

11. How can Lepelle-Nkumpi municipality be able to influence poverty alleviation through cooperative enterprises?

12. What challenges are being encountered by cooperative enterprises in alleviating rural poverty?

13. What opportunities are available to cooperative enterprises in alleviating rural poverty?

14. What are the threats which cooperative enterprises face in alleviating rural poverty?

15. What policies can be recommended to the provincial government in order to positively contribute towards the improvement of cooperatives in rural communities?

16. What policies can local municipality put in place in order to positively contribute towards the improvement of cooperatives in rural communities?

THANK YOU FOR YOUR VALUABLE INPUTS AND PARTICIPATION!!

DEPARTMENT OF TRADE AND INDUSTRY /SMALL BUSINESS DEVELOPMENT

1. As the department, what type of assistance are you offering to cooperatives?

2. How many cooperatives in Lepelle-Nkumpi municipality were assisted by the department?

0-5
10-15
15-30
Other, Specify

3. How do you disseminate information to cooperatives?

4. What type of training do you offer to cooperatives?

5. What type of incentives do you provide to cooperatives?

Do you provide business plans assistance to cooperatives?

Yes.

No

6. Which agencies or companies do you work with to promote and assist cooperatives?

Do the cooperatives understand the policies, acts and strategies developed by the dti?

If Yes (how?)

If No, (why)

7. What are the challenges faced by most cooperatives?

8. In your view, what role and impact cooperatives have in alleviating rural poverty?

9. How can Lepelle-Nkumpi municipality be able to influence poverty alleviation through cooperative enterprises?

10. What challenges are being encountered by cooperative enterprises in alleviating rural poverty?

11. What opportunities are available to cooperative enterprises in alleviating rural poverty?

12. What are the threats which cooperative enterprises face in alleviating rural poverty?

13. What policies can be recommended to the provincial government in order to positively contribute towards the improvement of cooperatives in rural communities?

THANK YOU FOR VALUABLE INPUTS AND YOUR PARTICIPATION!!

Department of Agriculture and Rural Development

1. How does the Department Agriculture and rural Development assist cooperatives in Lepelle Nkumpi?

2. What types of programmes support to cooperatives do your offer in your department?

3. Do you offer funding for cooperatives?

Yes, please specify

No, please specify

4. What type of training to you offer cooperatives?

5. Does the department assist cooperatives with business plans? Justify your answer.

YES,

NO, _____

6. How do you advise the cooperatives with regard to their produce?

7. What is the current demand for the project products in the industry?

8. How is the project production in relation to the other Cooperatives projects in the Municipality?

Excellent	
Good	
Fair	
Poor	
Not sure	

**9. Do you advise the cooperatives of any value chains for their produce?
Please Justify**

YES, _____

NO, _____

**10. Does the Department regard the project as a good initiative to support Agricultural production in the Municipality?
Yes**

No

11. In your view, what role and impact cooperatives have in alleviating rural poverty?

12. How can Lepelle Nkumpi municipality be able to influence poverty alleviation through cooperative enterprises?

13. What challenges are being encountered by cooperative enterprises in alleviating rural poverty?

14. What opportunities are available to cooperative enterprises in alleviating rural poverty?

15. Does the Department regard Cooperatives as viable business entities in Agricultural Production?

Yes

No

16. What are the challenges facing cooperatives

17. What are the threats which cooperative enterprises face in alleviating rural poverty?

18. What policies can be recommended to the provincial government in order to positively contribute towards the improvement of cooperatives in rural communities?

19. What policies can local municipality put in place in order to positively contribute towards the improvement of cooperatives in rural communities?

THANK YOU FOR YOUR VALUABLE INPUTS AND PARTICIPATION!!!