

The challenges of lack of sustainability of cooperatives. A perspective of selected art and craft cooperatives of Muyexe village in Greater Giyani Municipality of Limpopo Province in South Africa.

By

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MINI DISSERTATION

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DECLARATION

I declare that THE CHALLENGES OF LACK OF SUSTAINABILITY OF COOPERATIVES: A PERSPECTIVE OF SELECTED ART AND CRAFT COOPERATIVES OF MUYEXE VILLAGE IN GREATER GIYANI MUNICIPALITY OF LIMPOPO PROVINCE IN SOUTH AFRICA hereby submitted to the University of Limpopo for the degree of Master of Development has not previously been submitted by me for a degree at this or any other university; that it is my work in design and execution, and that all material contained herein has been duly acknowledged.

.....
Mabunda Q (Ms)

.....
Date

DEDICATION

This mini-dissertation is dedicated to my beloved late husband Onismus Musa Maringa for his support although he was not fortunate to witness this achievement.

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ABSTRACT

Cooperatives play a significant role in the country's economic growth, job creation and poverty reduction. Hence, the number of registered cooperatives in South Africa has been growing very fast. However, the main challenge is that the majority of these cooperatives are underperforming. The apartheid legacy has caused many of these cooperatives to be poorly developed or unsustainable.

The aim of this study was to investigate the challenges of lack of sustainability of art and craft cooperatives in Muyexe village of Mopani district in Limpopo Province. For this purpose, eight art and craft cooperatives were used as a survey. The study used mixed research methods to collect both qualitative and quantitative data. Data was gathered from eight (8) art and craft cooperatives in Muyexe village. The cooperatives where data was collected are Progress, Tsakane, Rirhandzu, Hitekani, Vutivi, Tiyimeleni, Vuyeriwani and Pfuka Muyexe art and craft cooperatives.

Data collection was done through structured questionnaires and interviews. Secondary data was gathered through extensive literature review. The population of the study is eight art and craft cooperatives comprised of 88 members. 60 respondents represented all the eight cooperatives. Two groups of respondents participated in this study. The first group was composed of cooperatives members (n=50) and the second group of respondents were the cooperatives board of directors (n=10).

The findings revealed some of the factors that cause unsustainability of cooperatives in the area of the study. These factors are lack of good corporate governance practices, inadequate developmental programmes, lack of experience in managing cooperatives, lack of conflict management, lack of ownership and others. To enhance the sustainability of cooperatives the research recommends that the policy makers and agencies should be encouraged to develop enough developmental programmes that will enhance the sustainability of cooperatives in the area of the study.

Key words: Cooperatives, unsustainability, Muyexe, cooperative members, board of directors.

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ABBREVIATIONS

| | |
|-----------|--|
| ACB | Agricultural Cooperative Chamber |
| ACDI/VOCA | Agricultural Cooperative Development International /Volunteers in Overseas Cooperative Assistance |
| CWP | Community Workers Programme |
| CASP | Comprehensive Agricultural Support Programme |
| COCETA | Confederacion Española de Cooperativas de Trabajo Asociado |
| CIPC | Companies and Intellectual Property Commission |
| CL | Caja Laboral |
| COSATU | Congress of South African Trade Unions |
| COPAC | Committee for the Promotion and Advancement of Cooperatives |
| DAFF | Department of Agriculture, forestry and fisheries |
| DTI | Department of Trade and Industry |
| DoA | Department of Agriculture |
| FAO | Food, agriculture and organisation |
| GCIS | Government Communication and Information System |
| GEP | Gauteng Enterprise Propeller |
| GGM | Greater Giyani Municipality |
| GTZ | German Cooperative Organisation |
| ICA | International Cooperative Alliance |
| IDP | Integrated Development Plan |

| | |
|---------|---|
| ILO | International Labour Organisation |
| KNFC | Kenya National Federation of Cooperatives |
| KPSU | Kenya Planters Cooperative Union |
| OCDC | Overseas Cooperative Development Council |
| MAFISA | Micro-Agricultural Financial Institutions of South Africa |
| MEDCs | More Economically Developed Countries |
| NCASA | National Co-operative of Association of South Africa |
| NCCU | National Community Cooperative Union |
| NPC | National Planning Commission |
| NGO | Non-Governmental Organisation |
| NYDA | National Youth Development Agency |
| RSA | Republic of South Africa |
| SACCOs | Savings and Credit Cooperatives |
| SACCOL | Savings and Credit Cooperative League |
| SACNET | South African Cooperative Network |
| SEDA | Small Enterprise Development Agency |
| STATSSA | Statistics South Africa |
| USAID | United States Agency for International Development |

CHAPTER 1

INTRODUCTION

The development of cooperatives is seen globally as a key strategy to address the development challenges of economic growth, job generation and poverty reduction. Since 1994, the South African government has been supporting the growth of cooperatives as a job creation and poverty-alleviation strategy (RSA 2005). Many people over the world are involved in cooperatives either as members, customers, as employees, participants or as or both. Hence the promotion and expansion of cooperatives has been identified as an important instrument for achieving the Sustainable Development Goals (International Labour Organization and International Cooperative Act, undated).

In South Africa, institutions such as provincial and national departments with their public entities, municipalities and development agencies have products offering for primary cooperatives (Nkoki-Mandleni and Anim 2014:171). However, the study conducted by Van der Walt (2005) found that many of the registered cooperatives are not active any more. The need for this study stems from the importance of cooperatives in addressing unemployment issues, poverty issues and inequality issues.

The aim of this chapter is to introduce the study, by firstly presenting some background information on the history of cooperatives in South Africa. This is followed by presenting the statement of the problem, research questions, objectives of the study, study area, significance of the study, limitations of the study, and definition of concepts. The chapter outlines also form part of this chapter. The last part on this chapter is the conclusion.

1.1 Background

The potential of cooperatives to respond to the social and economic needs of communities, and to constitute a distinctive and dynamic sector of the economy has been recognized internationally (Theron 2010:1). Cooperatives are viewed as important vehicles for community development because they mobilize local resources into a critical mass and their structure allows them to be more community-oriented (Fairbairn et al. 1991).

Cooperative businesses can be found in nearly all countries and exist in numerous and varied sectors of the economy (Zeuli and Radel 2005:43). The South African government is also promoting the use of cooperatives as organisations that could help enhance the development of small-scale farmers and other communities in South Africa (Ortmann and King 2007). Notwithstanding the fact that co-operatives play a significant role in the country's economic growth, job creation and poverty reduction. Twalo (2012) argued that the cooperatives' potential success in South Africa has been compromised because of how they are organised due to their current operational structure which makes it difficult to have a clear picture of who is doing what, where and how.

Theron (2008) is of the opinion that co-operatives in South Africa can be categorised into two worlds. The first world of cooperatives is characterised as the established cooperatives. These are the historically white owned cooperatives which are mainly involved in agricultural marketing and agro-processing including wine production (Theron 2008:306). During the apartheid period, the state supported these white owned cooperatives through legislation such as the Cooperative Societies Act (1925) and the Marketing Act (1968) through investment in research and development, infrastructure, extension services and the settlement of farmers, and through protection of domestic markets from international competition. At the same time, a range of measures such as the Land Act (1913) and the creation of the homelands were put in place to suppress black farmers, both in the commercial farming sector and the communal areas of the former homelands (Vink and van Rooyen 2009).

The second world of cooperatives is the emergent cooperative movement. This comprises mostly of cooperatives established in the 1990s and beyond (Theron 2008:306). Like white owned cooperatives that received direct support from the apartheid government, the democratic period which is the second world of cooperatives focussed on supporting a specific group of people known as the previously disadvantaged individuals (PDIs) or black people since they did not enjoy the state support during the apartheid government. Ortmann and King (2007) reported that black cooperatives did not have access to services under previous apartheid government policies. Lyne and Collins (2008) further supported this by

saying that the Cooperatives Act of 2005 explicitly targets black people in rural areas. However, after 1994, they received various support from government through policies, legislation such as the Cooperative Act of 2005, Cooperative Incentive Schemes, trainings, fundings and other types of support. Due to support received after 1994, the number of registered cooperatives in South Africa began to increase very rapidly. From 2009 to date 22030 cooperatives are registered with the right Companies and Intellectual Property Commission (CIPC) (Satgar 2011:8; Twalo 2012:2; Thaba et al 2015). This is 15 times higher than the cooperatives that were registered between 1922 and 1994. Out of the 22030 cooperatives that were registered, only 2644 are still running. This indicates that 88% of the cooperatives failed (Thaba et al 2015) giving a 12 percent survival rate (Khumalo 2014:71).

2009 data from CIPC and baseline study by DTI reflected that Limpopo Province constituted to 1879 cooperatives that were formally registered. The data further reflected that only 405 cooperatives with the rate of 22% are still surviving whilst 1478 constitute 78% of the cooperatives are at mortality rate (DTI 2012). The study conducted by Van der Walt (2005) has confirmed that the majority of cooperatives in Limpopo Province are not operational. Thaba et al (2015) supported Van der Walt (2005) that it is very rare to find a cooperative that is operating, where the start-up resources and finance are mainly from the members in South Africa.

According to Thaba et al (2015) most cooperatives in South Africa are formed by unemployed people. These people do not have much in common and just form cooperatives hoping that the government will give them a start to run their cooperatives. This now gives a perception that cooperatives are formed by the old unemployed people, with little or no education, mostly from the rural areas and townships.

Thaba et al (2015) further studied that most cooperatives in the rural areas are not independent, the members feel their cooperative belongs to the community, in a way that they are unable to make decisions without consulting the traditional leaders of the community.

1.2 History of cooperatives in South Africa.

South Africa has a long history of agricultural cooperatives extending back to 1824 where several more cooperatives, particularly agricultural cooperatives were registered under the Companies Act. The cooperative movement began in all earnest after the end of the Anglo-Boer war in 1902 when the agricultural sector in the former Boer Republics of the Free State and Transvaal came to a complete standstill due the British Scorched Earth Policy (DOA RSA, 2000; van Rensburg 2006:29; Steynberg and Grundling 2013).

In 1892, the first cooperative established in South Africa was a consumers' cooperative (Henama 2012:27). This cooperative was registered as Pietermaritzburg Consumers Cooperative under the Companies Act (Jara and Satgar 2009:5; Derr 2013:5; Littlewood and Holt 2015:8). By then, consumer cooperatives were largely associated with the Economiese Volkkongress of the Afrikaner nationalist movement, which sought to improve the Afrikaner consumer's purchasing power (DTI 2012:32). In the early 1900, the National Cooperative Dairies Limited followed (Van Niekerk 1998; Littlewood and Holt 2015:8). Before 1908, many cooperatives, especially agricultural cooperatives were registered under the Companies Act. According to van (Niekerk, 1988) no Cooperatives Act existed at the time. During 1908, the first Cooperative Act was passed (Nirini 2001 in Henama 2012; Derr 2013) and it excluded black farmers from participating in farmer cooperatives (Liebenberg et al 2010).

Between 1910 and 1935, 87 Acts that allowed the State to assist farmers were passed and the Acts included amongst others; the establishment of the Land Bank in 1912 (Steynberg and Grundling 2013), then the promulgation of Land Settlement Act. The purpose of the Act was to regulate the settlement of white farmers on state owned land, and to enable the state to purchase further land for such settlement.

The establishment of Cooperative Societies Act took place in 1922 (Steynberg and Grundling 2013). The main focus of this Cooperative Societies Act was mainly on agricultural activities. According to Kirsten et al (2007) the Act aimed at securing input supply and marketing services for farmers through legislation that favoured

cooperatives by limiting their tax liability and introducing the concept of „forced cooperation“ to enable them to manage free riding. According to Trewin (2004) free riders are cooperative members who make use of cooperative capital of the by supplying produce, but without contributing their full share of that capital. These are generally new or near-new members, who benefit from the open membership and capital management principles. The ultimate consequences are that production by free riders is subsidised, leading to oversupply, and members are reluctant to provide capital, leading to a shortage of capital and the inability of the cooperative to sustain and develop the business.

In 1925 the Farmer Assistance Board (the predecessor of the Agricultural Credit Board) was established to assist farmers with soft loans in the aftermath of the recession of the early 1920s. However, black farmers were once again excluded from accessing these government backed credit programs, and they were also excluded from participating in the farmer settlement programs introduced in the late 1930s (Liebenberg et al 2010:8).

By the 1930s, the first female *mahodisanas*.(informal voluntary savings organisation amongst trusted women) were formed (Verhoef 2008:59). Thus black communities attempted to construct consumer-type co-operatives such as buying clubs, through a *stokvel* system (mutual savings and credit schemes and burial societies), which enable communities to buy goods in bulk and at wholesale prices and arrange decent funerals for their loved ones. However, these consumer co-operatives were not as successful as agricultural ones (DTI 2012).

In the 70's and 80's, the debate and establishment of cooperatives started again. Workers' unions, such as The Allied Workers Union, Food and Canning Workers Union and the National Union of Mineworkers, all COSATU affiliates, started in the mid 1980's with an obligation to unemployed workers (Abrahams 2010:31). By then, the perception of a cooperative movement was seen as a solution to address unemployment. However, these cooperatives did not enjoy the type of state support provided to white agricultural cooperatives and remained weak and underdeveloped, with most eventually collapsing (DTI 2012).

In the 80's and 90's, there were also a range of initiatives to support worker cooperatives in South Africa (Philip 2003:14). There was also a network of support for co-operatives through Non-government organisations (NGO's). However, few such NGO's could justify the sustained dependence of a relatively small and consistent group of co-operatives on their services, particularly given the context of mass unemployment. Yet, after many such NGO's either closed or re-focused their energies, the majority of co-operatives they had assisted, many of which had received substantial technical input over many years were not able to stand alone (Philip, 2003:23).

Deregulation of the agricultural sector took place during 1990s. While the Land Act of 1913 was repealed in 1991 but it continued to cast a shadow over post-apartheid South Africa because it created a fundamental legal distinction between reserves (Bantustans) and white-owned rural land. The amendment of the Cooperative Act followed in 1993. Most of the white owned co-operatives changed their status to public companies (Philip 2003:17, DTI 2010, Satgar 2011:5; Bernstein 2013). In 1994, the democratic government was elected and the imbalances which emanated during the apartheid government of supporting white cooperatives with the exclusion of support to black cooperatives were realized. Unlike the 1922 Act that did not comply with the principles of International Cooperative Alliance (ICA), the new Act was drafted in consultation with the International Labour Organization, and thus can be regarded as conforming to ILO Recommendation 193 (Philip 2003). The cooperatives that started after 1994 were mainly organized and supported by government through free grants, resources and training.

Some of the initiated programmes by government with the aim to support black cooperatives are Land Restitution, Land Redistribution for Agricultural Development Programme (launched in 2000) and the Comprehensive Agricultural Support Programme (CASP). These programmes provide post-settlement support to targeted black farmers, whether they acquired land through private means or as part of a land reform programme. Furthermore, the Micro-Agricultural Financial Institutions of South Africa (MAFISA) Programme extends micro-finance services to economically active poor rural households, small farmers, and agribusinesses. MAFISA provides loans to emerging farmers not served by the Land Bank although the program is

administered by the Land Bank on behalf of the Department of Agriculture (Liebenberg et al 2010:9).

After 1994, the established white cooperatives that dominated the agricultural industry in sectors such as processing, marketing, pricing and finance began to dismantle. Since the election of a democratic government in 1994 and the subsequent elimination of government support for commercial farmers and their cooperatives, several of these cooperatives have converted to Investor-Oriented Firms (Ortmann and King 2006; Ortmann and King 2007:220). During 1996, the Marketing of Agricultural Products Act, No. 47 unleashed a process of liberalisation and deregulation. Through this Act, producer controlled agriculture marketing boards were all dismantled (Satgar 2011).

By 1997, several sectoral bodies came together to launch the National Co-operative of Association of South Africa (NCASA). These sectors included the Agricultural Cooperative Business Chamber (ACB), the National Community Cooperative Union (NCCU), the South African Cooperative Network (SACNET) and the Savings and Credit Cooperative League (SACCOL).

The review of the Cooperatives Act of 1981 began in 2000. The legal reform of the 1981 Cooperatives Act, which began through a review initiated in 2000, attempted to take on board lessons of cooperative development during apartheid and was formed by international standards and universal principles defining cooperatives (Satgar 2007:4; Jara and Satgar 2009:6). Thaba et al (2015) argued that the Cooperative Act of 1981 did not articulate nor encourage co-operatives to adhere to the seven international cooperative principles. In this regard, the new Cooperatives Act breaks with the one sidedness of the 1981 Act, which mainly supported the development of agricultural cooperatives (Theron 2008:308). At the same time, it affirms the international principles and values of cooperatives as defined in the International Cooperative Alliance Statement of Identity and the ILO Recommendation 193.

In 2003, the Cooperative Development Policy was adopted by government and it provides a much clearer framework for the new Cooperatives Act. This policy sets out government's vision on the development of cooperatives, defines the role of

cooperatives in development, affirms the international identity of cooperatives and defines the policy approach, roles and responsibilities of government to achieve the objectives of the policy (Jara and Satgar 2009:7).

In 2005, the Cooperative Act was then promulgated and adopted (Theron 2008:307). This act sees a major role for cooperatives in promoting the economic and social development by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty (RSA, 2005). By 2005 just 78 (rather than 250 in the early 1990s) white farming and agricultural processing cooperatives (i.e. fruit and vegetables, livestock, grain and oil seeds, meat, timber, tobacco and wine) responsible for producing a turnover of R6.7 billion, had assets valued at R5.4 billion and a membership of 203,207 (Satgar 2011:5). In 2007 President Mbeki kept the cooperative thrust on the policy agenda with reference to interventions required to address the 'second economy' (Satgar 2007:2).

1.3. Statement of the research problem.

The South African government has identified cooperatives as a means to sustain small enterprises. Some legislation such as the Cooperative Act of 2005 and financial assistance such as Cooperative Incentive Scheme and others were put in place to support cooperatives. Studies conducted before revealed that cooperatives in South Africa were underperforming. Okem and Nene (2014) revealed that since the transition to multiparty democracy in 1994, the South African co-operative sector continued to underperform consistently despite increasing government support. According to Van der Walt (2005) the majority of cooperatives in Limpopo Province are not operational, whilst Theron (2008) studied that many of the cooperatives being established in South Africa have not been sustainable. The problem of this study is, why is it so difficult for these cooperatives in the area of the study to sustain themselves?

1.4. Research Questions

Leedy and Ormrod (2014:39) indicated that research questions do not offer speculative answers related to the research problem. Both research questions and

hypothesis provide guidance for the type of data the researcher should collect; they also suggest how the researcher should analyse and interpret that data.

The study attempted to address the following research questions:

- What type of skills have cooperative members in Greater Giyani Municipality acquired to manage their cooperatives?
- What are the challenges faced by cooperatives in Greater Giyani Municipality and how to overcome those challenges?
- Do cooperatives in Greater Giyani Municipality have access to financial assistance from any institution?
- What are the factors affecting the sustainability of cooperatives in Greater Giyani Municipality?
- Which recommendations can be made to enhance the sustainability of cooperatives?

1.5. Research objectives

The objectives of the research were as follows:

- To assess whether the cooperatives members in Greater Giyani Municipality do have the necessary skills to manage their cooperatives.
- To investigate the challenges facing cooperatives in Greater Giyani Municipality.
- To assess whether cooperatives in Greater Giyani Municipality have received financial assistance from any institution.
- To assess the factors affecting sustainability of cooperatives in Greater Giyani Municipality.
- To provide some of the recommendations to enhance the sustainability of cooperatives.

1.6. The aim of the study

The main aim of the study was to identify the challenges of lack of sustainability in cooperatives in Greater Giyani Municipality.

1.7. Significance of the study

The democratic government of South Africa is supporting the development of cooperatives as a job creation and poverty alleviation strategy. The significance of this study is to identify the root cause of lack of sustainability of cooperatives in Greater Giyani Municipality. The solutions of the study will contribute to provision of possible options to be considered by stakeholders in order to improve the sustainability of the cooperatives.

The solutions of the study will also improve the relationship between cooperative members, board members, agencies, policy makers, government and others as it will provide insight to circumspect stakeholders to better understand particular needs of groups in certain geographical areas or businesses thus enabling them to channel their resources effectively and efficiently.

1.8. Motivation of the study

Cooperatives are amongst the vital instruments for job creation and poverty alleviation in South Africa. As a development student and as a government official who is responsible for assisting local communities with the establishment and provision of support to cooperatives, the researcher wanted to explore more on the concept of cooperatives. The researcher was eager to learn more about the challenges of lack of sustainability in cooperatives since cooperatives play a crucial role to the economic growth of the country.

1.9. Limitations of the study.

The study was supposed to cover all cooperatives in Greater Giyani Municipality, however, due to time and resource constraints only eight (8) cooperatives were considered.

1.10. Definitions of the concepts.

- **Cooperative**

The term cooperative is defined differently by different authors. For the purpose of this study a cooperative is defined as a social enterprise or organization created

voluntarily by members with the full support and assistance from members in order to cater for the economic needs and interests of the members (Kassali et al, 2013:10).

Cooperative means 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 organised and operated on co-operative principles (RSA 2005). The term cooperative is defined differently by different authors, however, for the purpose of this study:

A cooperative is the specific application of a very old idea: cooperation. Cooperation can be defined as a social process by which individuals work together to realise a common objective or goal. Cooperatives are enterprises which help their members cooperate to solve problems they share (Tchami 2007:1).

- **Primary cooperative**

Primary co-operative means a co-operative 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**

Secondary co-operative means a co-operative formed by two or more primary cooperatives to provide sectoral services to its members, and may include juristic persons.

- **Sustainability**

Sustainability has been referred to as the capability of a corporation to last in time, both in terms of profitability, productivity and financial performance, as well as in terms of managing environmental and social assets that compose its capitals (Giovannoni and Fabietti 2013:27). Sustainability (the colloquial term for sustainable development) is the sweet spot in which social, economic and ecological goals are self-reinforcing.

1.11. Organisation of the study.

The mini-dissertation comprises of the following five chapters:

Chapter 1: Introduction

The chapter justifies the research by introducing the background and status of cooperatives in South Africa. The chapter also introduces the problem statement and its magnitude, research questions, its aim and objectives, the importance of the conducting the study and limitations. Important concepts are also defined in this chapter followed by an outline of all chapters that are comprised in this mini-dissertation. The chapter is summarised at the end.

Chapter 2: Literature review

The chapter reviews and presents literature about the sustainability of cooperatives in both developed and developing countries and lessons to be learned. The legislation framework governing cooperatives in South Africa followed by chapter conclusion is also in this chapter.

Chapter 3: Research Methodology

The chapter provides detailed explanation of the research methodology followed during the course of research and data collection. The study area, population and sampling size are also explained in this chapter. Also included in this chapter is a The research design, which is quantitative research design.

Chapter 4: Chapter 4 presents and discusses the findings of the study, followed by the interpretation of these results. The last section summarises the chapter.

Chapter 5: Conclusion and recommendations

The chapter gives a conclusion, summarizes the findings of the study and provides some recommendations.

1.12. Conclusion

This chapter presented the background to this study. It started off by giving the background information on the evolution/history of co-operatives in South Africa and

went on to identify the statement of the problem, objectives, definition of concepts and the significance and motivation of the study. Limitations and outline of the study have also been presented in this chapter.

The origin of cooperatives in developed and developing countries, cooperative models, rationale of cooperatives, challenges encountered by cooperatives, factors contributing to success of cooperatives, support given to cooperatives, experiences of cooperatives in developed and developing countries and the legislation governing cooperatives in South Africa are presented in the following chapter.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

The previous chapter presented background information about the history of cooperatives in South Africa. Issues that white farmers received massive support from government than black farmers were highlighted in chapter one. The reason why the study was carried out was also part of chapter one. This was followed by the research questions and the objectives of the study. Chapter one also highlighted the aim, significance and motivation of the study. This was followed by limitations and definitions of concepts. The last parts presented in chapter one were the organisation of the study and conclusion.

The aim of this chapter is to present and understand the concept of cooperatives. The chapter provides the origin of cooperatives in developed and developing countries followed by different cooperative models. There are many cooperative models such as agricultural, marketing, housing, consumer, workers, credit cooperatives and others. However, the cooperatives models discussed in this chapter are traditional, new generation and workers cooperatives. These cooperative models are practised in South Africa and also in the countries selected for experiences in this study. The chapter also outlines the rationale of cooperatives focussing on their role to eliminate poverty and employment creation. The challenges encountered by cooperatives, external and internal factors contributing to the success of cooperatives are also reflected in this chapter.

Spain in Europe, Japan in Asia and Kenya in Africa indicate successful cooperatives models experiences in developed and developing countries. The crucial role played by organisations such as government and other non-governmental organizations in supporting cooperatives is followed by the last part of the chapter, which is legislations governing cooperatives in South Africa.

2.2. The origin of cooperatives in developed and developing countries.

Cooperatives emerged as early as the 1820s, if not before, and flourished in the 1830s along with the industrial revolution (Trewin 2004: 1; Schroeder and Siegel

2006) with consumer cooperatives starting in 1844 (Trewin 2004:1, Carvallo 2012:193). These cooperatives trace their origins to the 'Rochdale Pioneers' in 1844 and tend to have a strong shared identity based on co-operative principles (though they do not always constitute a unified 'co-operative movement' (Birchall 2011:11). Strength of leadership, motivation and enthusiasm played a major role in establishing this form of organization (Ortmann and King 2007:225).

In More Economically Developed Countries (MEDCs) like Europe, cooperatives became formalized in the nineteenth century (Khumalo 2014:64, Zeuli and Cropp 2004:11; Simmons and Birchall 2008:6) against the backdrop of the industrial revolution and related significant social change, and these were viewed as social and economic alternatives to the impacts of an emergent industrial revolution. These cooperatives were formed as a means by which working class people could raise themselves out of poverty, but later they became a means by which low and middle income people could continue to accumulate economic advantages. In the MEDCs, co-operative sectors have always been autonomous and free of government control (Simmons and Birchall 2008:6).

2.2.1 The origins of cooperatives in developed countries.

The first recorded co-operatives started in France, where local cheese makers in the community of Franche-Comté established a producer cheese cooperative (Bello 2005:3; Khumalo 2014:62). According to Zeuli and Cropp (2004:5) this first cooperative business was created during periods of great social upheaval and distress caused by dramatic shifts in agricultural and industrial production practices. Within the decade, co-operatives had developed in France, United Kingdom, United States and Greece (Bello 2005:3).

In 1752, the first US cooperative was then recognized, a mutual fire insurance company formed by Benjamin Franklin (Zeuli and Cropp 2004:15). There are more than 29,000 cooperative businesses in the United States, operating in almost every sector of the economy, including agriculture, childcare, financial services, health care, housing, employment services, food retailing, and utilities (Majee and Hoyt 2011:50).

In Britain, the modern co-operative movement traces its origins to 1844, when a group of workers came together in the town of Rochdale (Zeuli and Cropp 2005:8; Durden et al 2013:6) in North West England, to set up a shop. This was not the first co-operative enterprise, but the first one to be successful based on a set of principles, generally known as the 'Rochdale' principles (Durden et al 2013:6 and Sam 2013:18). These principles, amended and modernised, are the basis for the Statement on Co-operative Identity, which is accepted today by co-operatives all over the world. These principles form part of Recommendation 193 (ILO 2010:18). For example, the successful example of a cooperative business according to Bello (2005:3) provided by the Rochdale Society, which was also established between 1850 and 1855, a flourmill, a shoe factory, and a textile plant was quickly emulated throughout the country.

By 1863 more than 400 British cooperative associations, modelled after the Rochdale Society, were in operation. Thereafter the English movement grew steadily, becoming the model for similar movements worldwide. Notable among the European countries in which consumer cooperation received early popular support were France, Germany, Belgium, Austria, Italy, Denmark, Finland, Norway, and Sweden (Bello (2005:3).

2.2.2 The origins of cooperatives in the developing countries.

In developing countries cooperatives have been promoted since the colonial period (Develtere *et al* 2008:2; Wanyama *n.d*; ILO 2010:22; Schwettmann 2014:2) with the aim of poverty alleviation (Wanyama *n.d*). Develtere et al (2008:2) pointed out that during that time the British, French, Portuguese, Spanish, Germans and Belgians brought to their respective colonies their vision of cooperatives. Hence the argument is that the cooperative sector did not emerge as a home-grown or spontaneous movement. Countries such as Ethiopia, South Africa and Namibia developed their own home-bred cooperative tradition through local adaptation of imported concepts and ideas (Schwettmann 2014:3).

During that colonial period, colonial authorities had introduced mechanisms that fostered cooperative development, including legal frameworks, promotional schemes

and funding systems. For instance, Wanyama *et al* (2009:1) noted some of the mechanisms put in place such as policies, legislation and programmes that promoted cooperatives as vehicles for accelerating national economic development. According to Birchall (2003:9), these cooperatives were becoming a funnel for government services, financial credits and political favours, which subverted their whole purpose. Koopman (2006:6) shares the same view with Birchall (2003:9) that governments and parastatals tried to influence and control cooperative development from above and often for their own purposes whilst cooperative education was being neglected by them. This attests to the fact that, the principles of cooperative organisation have often been misused by governments, politicians or ideology-based groups (Koopman 2006:17).

Mellor (2009:17) argues that governments in many low- and middle income countries have not given a high priority to the essential principle that cooperatives are member owned and financed. Hence Schettmann (2014:3) noted that these policies were massively supported by development partners, including the UN and ILO.

Colonial power led the development of cooperatives in developing countries to follow two eras. (Wanyama *n.d*:1, Wanyama *et al* 2009:1, Khumalo 2014:63). Develtere *et al* (2008:137) supported the fact that the first era was characterized by stringent government control. During this era, cooperatives that received massive state support, both financial and technical were given marketing and supply monopolies for agricultural commodities and inputs, which *de facto* meant that farmers were obliged to seek membership. In several countries cooperatives became “mass organizations” of the ruling party, in others they carried out government functions such as the management of the strategic grain reserve. In socialist countries such as Sudan, Angola and Mozambique cooperatives became responsible for the (exclusive) distribution of so-called ration commodities (Schwettmann 2014:3). Develtere *et al* (2008:11) alluded that members belonged to a cooperative either to avoid problems with colonial authorities or to get access to certain services like marketing their produce through the only available channel. They did not regard themselves as the owners of the cooperatives. As a result, Overseas Cooperative Development Council (OCDC), discovered that the cooperative model transferred to developing countries was used as a means to organize farmers to provide products to the colonial power (Khumalo 2014:63). According to Koopman (2006:17) this

heavy state interference in cooperative organisations has for many years prevented the development of healthy and sustainable producers' organisations in many countries in Asia and Africa.

Khumalo (2014:63) argues that the legacy of government-controlled cooperatives became the faulty foundation, which has stifled the cooperative work well after the colonial and apartheid periods. According to Koopman (2006:6), this legacy resulted in many cooperatives to be poorly developed or unsustainable. Some developing countries are still faced with the remnants of these state-controlled 'pseudo-cooperatives'. This is because the plan of co-operatives for economic development vested interests among politicians, civil servants and political parties (Simmons and Birchall 2008:7)

The second era has been the sphere of freeing cooperatives from the state to enjoy autonomy and operate like business ventures responding to market demands (Wanyama *n.d*:1). Schwettman (2014:3) referred to the second era as an era of cooperatism. In addition to government support, international organizations such as the International Labour Organisation and the International Cooperative Alliance also promoted cooperative development. According to Birchall (2003:9, Develtere et al 2008:16), the ILO adopted the co-operatives (Developing Countries) Recommendation in 1966 (No. 127). The recommendation called for governments to aid cooperatives without affecting their independence (Birchall 2003:9) and to develop a comprehensive and planned cooperative development strategy in which one central body would be the instrument for implementing a policy of aid and encouragement to cooperatives (Develtere et al 2008:16).

After independence cooperatives remained high or even got higher on the political agenda in most African countries, irrespective of their colonial tradition. The cooperative system and approach to cooperation were the case in the colonial period, government sponsored *casu quo* government-controlled cooperatives remained the norm (Develtere *et al* 2008:13). During the transition in South Africa and after independence in Namibia, many of the largest and best-known cooperatives converted to companies.

The 1995 ICA Statement on the Cooperative Identity and the 2002 ILO Promotion of Cooperatives Recommendation (193) had a catalyzing effect on the efforts to change government-cooperative sector relations and the concomitant new legislative framework. Delvetere et al (2008:65) noted that different international organizations such as the ILO, the ICA and some cooperative movements from the North stepped in and played a decisive role in creating a new generation of cooperative laws.

2.3. Different models of cooperatives

There are many different types of co-operatives that are all covered by the cooperative principles of the International Co-operative Alliance, that have different priorities, have faced different challenges, have different track-records and social impacts. These different types of co-operatives fall into two main categories: worker owned co-ops, and user-owned co-ops (Philip 2003:4). For instance, Tchami (2007:23) named two cooperative models as follows: Cooperatives offering a service to members and shared services cooperatives or support services cooperatives. Zeuli and Radel (2005:44) defined this models as user-owned, user-controlled that distributes benefits based on use, combines the model's three fundamental principles: user-ownership, user-control, and the distribution of net income based on patronage rather than investment. Chaddad and Cook (2004) offer a typology of six cooperative models: traditional cooperatives, proportional investment cooperatives, member investor cooperatives, new generation of cooperatives, cooperatives with capital seeking companies and investor share cooperatives. There are also other cooperatives models that are not listed in this section. For the purpose of this study only traditional, new generation and workers cooperatives models will be discussed in this chapter.

2.3.1. Definition of traditional, new generation and workers cooperative models.

A traditional cooperative (TC) is an organisation formed by a group of people who meet voluntarily to fulfil mutual economic and social needs through running a democratically controlled enterprise such that the benefits achieved through cooperation are greater than the benefits achieved individually (ICA 2005). Chibanda

et al (2009) stressed that traditional cooperatives have always had open membership policies, allowing anyone who patronizes the cooperative to join. Traditionally cooperatives have been understood as single stakeholding systems focusing on members who are at the same time beneficiaries. Individual farmers in a similar situation join their resources in order to achieve an improvement together which they could not achieve individually. Rebelo et al (2010:146) confirmed that in the traditional cooperative model the ownership rights are restricted to member patrons, residual return rights are non-transferable, non-appreciable and (partially) redeemable and benefits (surplus) are distributed among members in proportion to patronage (proportionally to the products delivered to the cooperative).

Members in the traditional cooperatives can enter and exit as they please, and cooperatives operating without marketing contracts with their members have no way to guarantee a specific operating capacity at any one time (Iliopoulos 2005:18).

A New Generation Cooperative (NGC) is a value-added marketing cooperative (Harris et al 1996:15; Zeuli and Cropp 2004:36; Iliopoulos 2005:17; Ortmann and King 2006:14) that has been successful in ameliorating the five vaguely defined property rights constraints namely the free rider, horizon, portfolio, control, and influence cost problems (Ortmann and King 2006:1). NGCs focus on offensive value-added processing of their members' products rather than on commodity marketing, which was the drive behind the formation of defensive traditional agricultural cooperatives. NGCs have been active in many food and agri-business industries. According to Iliopoulos (2005:18) NGC adds a new set of well-defined property rights to the ill-defined property rights of a traditional cooperative. In a marketing cooperative, these new rights usually take the form of 'delivery rights' that members must purchase in order to access preferred markets secured by the cooperative. These rights are not redeemed by the cooperative and are tradable amongst members. New members have to purchase delivery rights from existing owners at their market price, enabling member-investors to realise capital gains. Capital gains are therefore aligned with investment, as are patronage returns when the delivery right is fully exercised (Lyne and Collins 2008:188).

NGCs vertically integrate and provide producers with larger earnings by selling processed products instead of raw products. In other words, NGCs have been established by producers to increase their share of the consumer dollar and to add value to their basic commodities through processing and forward linking to the market place by selling processed products instead of raw commodities. NGCs are expanding into value-added enterprises and forming creative joint ventures and strategic alliances with successful marketing companies. NGCs allow farmers to work together in marketing (Coltrain et al 2000:2). NGCs, by virtue of their structure and their ability to compete in value added agriculture, generate greater financial returns than traditional cooperatives (Zeuli and Radel 2005:49).

Worker cooperatives are businesses which are owned and democratically managed by their workers. In this form of enterprise, workers own all or the majority of the shares and the organisation obeys the principle of one worker, one vote. Although they are subjected to the same need for profitability as any other business, worker cooperatives distribute their profits in a democratic way that favours greater equality and in doing so preserves the long term sustainability of employment and the enterprise (Cicopa 2012:6).

RSA (2005:6) define 'worker co-operative' means a primary co-operative whose main objectives are to provide employment to its members, or a secondary co-operative providing services to primary worker co-operatives. Worker cooperatives' key mission is to create and maintain sustainable jobs, in a strong local development and wealth generation perspective. Their members are the employees of the enterprise, who thus jointly decide on the major entrepreneurial decisions and elect and appoint their own leaders (boards of directors, managers, etc.). They also decide on how to share the profit with a two-fold aim: (a) to provide a fair remuneration, in the form of returns based on the work done (in fact an adjustment of the price of remuneration), and (b) to consolidate the enterprise and its jobs over the long term by building reserves. Finally, the cooperative spirit promotes employees' information and training, a prerequisite to develop the autonomy, motivation, responsibility and accountability required in an economic world which has become increasingly insecure.

Increasing pressure on cooperatives to become more efficient and the problems inherent in traditional cooperatives (such as free-rider, horizontal, and portfolio problems may have also played a role in the decision to convert to IOFs (Ortmann and King 2006:6). Although cooperatives have served, and are serving, an important function for many farmers, problems inherent in traditional cooperatives have given rise to doubts about the sustainability of these cooperatives and sometimes to the establishment of other forms of business organization.

2.3.2. Characteristics of traditional and new generation cooperatives model.

According to Coltrain et al (2000:3) there are five characteristics that differentiate how cooperatives perform marketing transactions with individual customers when comparing traditional (open) and new generation (closed) cooperatives. The five characteristics are (1) delivery rights, (2) delivery obligation, (3) quality accepted, (4) identity preserved and (5) initial payment.

In a Traditional Cooperative (TC), delivery rights are normally unlimited. Most traditional cooperatives allow any amount of product to be delivered by customers and the cooperative then markets the total amount delivered by both member and non-member customers. Some TCs have contractual marketing agreements with members that control the amount of product each member can deliver, but they are a small minority. In contrast, the delivery rights of customers of New Generation Cooperatives (NGCs) are limited to the level of stock each member has purchased in the cooperative.

TCs normally don't have delivery obligation agreements with their customers. Customers may market their products elsewhere because of higher prices, more convenience or personal relationships. However, delivery obligations are required for NGC members. This delivery obligation is coupled to the total supply of product that will be needed by the NGC in its value-adding processing and marketing. NGC members are expected to deliver the amount specified in their delivery rights.

A TC is expected to find a market for all qualities of product that are delivered. A traditional "buy-sell" cooperative pays the current market price at the time the

commodity is marketed since it is not relying on a marketing agreement or pooling program. Members have the opportunity to sell to the cooperative but are usually under no legal obligation to do so unless they enter into some type of supply contract (Zeuli and Radel 2005:45). NGCs usually have a much narrower range of quality that can be delivered since they are usually processing or marketing a specific product with certain desired characteristics and traits. NGCs pay the contracted price stipulated in the marketing agreement between members and the cooperative. The contracted price could be either lower or higher than the current market price.

An opportunity is available to market IP commodities along with non-IP commodities in TCs. NGCs commonly process and market identity preserved products as a means to ensure an acceptable quality product is produced. TCs and NGCs also differ from each other with respect to the nature of the activities in each business function. This section concludes with characteristics of the TCs and NGCs below.

Table: 2 1: Characteristics of Traditional (TC) and New Generation (NGC) Marketing Cooperatives

| PRODUCER ROLE BUSINESS FUNCTION | TC | NGC |
|--|--------------|----------------------|
| CUSTOMER MARKETING TRANSACTIONS | | |
| Delivery Rights | Unlimited | Limited to purchased |
| Delivery Obligation | None | Required |
| Quality Accepted | Broad | Narrow |
| Identity Preserved | Usually not | Usually is |
| Initial Payment | Market price | Contract price |
| PATRON PROFIT DISTRIBUTIONS | | |
| Cash Patronage Rate | Low | High |
| Investment or Retained Profits | High | Low |
| | | |

| | | |
|-------------------------------------|----------------|--------------------------|
| Pooling Distributions | Rare | Common |
| OWNER INVESTMENT OBLIGATIONS | | |
| Initial Investment | Very low | Very high |
| Proportionality to Use | Low to high | Very high |
| Liquidity or Exchangeability | Low | High |
| Exchange Value | Fixed at par | Variable at market |
| Redemption Obligation | Ability to pay | None |
| Business Expansion Investment | None | High for delivery rights |
| MEMBER VOTING CONTROL | | |
| Eligibility Restrictions | Low | High |
| Voting Power Usually | One vote | Variable number |

Source:Coltrain 2000

The four roles are (1) customers, (2) patrons, (3) owners and (4) members. Customers are those who use the cooperative by buying inputs or by selling products. Patrons are those eligible to receive a share of the profits, usually as patronage refunds. Owners are those who invest in or own equity. Members are those who have voting power to govern or control the cooperative, to elect directors, adopt articles of incorporation and by laws, and vote on other major member issues such as mergers, acquisitions and dissolution. Traditional or open cooperatives often have users who have various combinations of these roles. For example, many users may be customers, but not patrons, owners or members. These users are called nonpatronage customers. Other users may be customers, patrons and owners but not members and are called non-member customers or patrons. In contrast, new generation or closed cooperatives usually require users to fulfil all four roles. (Coltrain et al 2000:3).

Delvetere et al (2008:46) reveal that large cooperatives can be found in “traditional” cooperative sectors such as agriculture and credit. The new generation of cooperatives involved in new crops, distribution, handicraft production, tourism or health and social services tends to be smaller in size. This would explain why

cooperatives may be smaller on average in countries where they had to make a new start (e.g. Uganda, Cape Verde and partly South Africa) than in countries where cooperatives continued to operate in the traditional sectors (e.g. Egypt and Ghana).

NGCs add a new set of well-defined property rights to the ill-defined property rights of a traditional cooperative. In a marketing cooperative, these new rights usually take the form of 'delivery rights' that members must purchase in order to access preferred markets secured by the cooperative. These rights are not redeemed by the cooperative and are tradable amongst members. New members have to purchase delivery rights from existing owners at their market price, enabling member-investors to realise capital gains. Capital gains are therefore aligned with investment, as are patronage returns when the delivery right is fully exercised (Lyne and Collins 2008:188). NGCs represent a younger generation of farmers preparing to tackle the challenges of deregulated markets, specialized market niches, and increased vertical coordination and integration.

2.4. Rationale of cooperatives.

For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods. Cooperatives build on the evidence that cooperatives in Africa have the potential to address a number of problems, in particular, lack of decent work in the urban informal economy, poor access to global, regional and national markets for small producers, lack of social protection for vulnerable groups (Pollet 2009:1). Cooperatives enterprises are influential institutions in both industrialized and developing countries. They contribute to socio-economic development, support employment growth, and sustain a more balanced redistribution of wealth (Borzaga and Galera 2012:2). For instance Nembhard and Otabor (2014:7) point out that co-operatives address market failure and fill gaps that other private businesses and the public sector ignore: i.e. provision of rural electricity or other utilities in sparsely populated areas, provision of affordable healthy and organic foods, access to credit and banking services, affordable housing, quality affordable child or elder care. Pollet (2009:8) acknowledged that the Government of Benin set-up cooperative health clinics in disadvantaged areas in order to address gaps in service provision due to the absence of public hospitals. This initiative also

helped to overcome problems associated with poorly-regulated private clinics. Whilst Schwettmann (2014: 8) noted that cooperatives build strength, influence and bargaining power through vertical structures, such as federations, unions, associations, and horizontal networks that facilitate cooperation between cooperatives of different types. However, Mellor (2009:21) argues that limited access to knowledge and information has been a significant barrier to entry into many markets and industries in the developed and developing world especially among rural and isolated populations.

Berhane (2013:52) studied that cooperative societies have helped to improve security of land tenure to consolidate holdings, to promote conservation of natural resources, to facilitate land settlement, to foster the all important growth and speed of technical knowledge for better farming, to secure savings and administer credit, to reduce the charges made for production requisites and use of the larger capital items for farm and small scale industrial production, to reduce charges for consumer goods and services including housing, to improve the marketing of farm products, to minimize risks and to lower the costs of insurance.

Cooperative societies are organized or formed to accomplish one or more functions, including production, purchasing, supplying, marketing and provision of financial services to members among others. It is therefore not surprising that so much emphasis is being placed on the efficacy of cooperatives as a welfare intervention tool (Nwankwo et al 2013:211). Aref (2011:39) argues that rural cooperatives are generally considered as a tool for rural development. For example, many developed countries such as England, France, Germany and United States largely depend on incomes earned through rural cooperatives. Rural cooperatives have played an important role in the development of agriculture in industrialized countries as suppliers of farming requisites, marketers of agricultural commodities, and providing services such as grain storage and transport (Allahdadi, 2011:59). Akinwumi, 2006; Bhuyam (2007 cited in Yamusa and Adefila 2014:162) studied that cooperatives are seen as a medium through which services like provision of farm input, farm implements, farm mechanization, agricultural loans, agricultural extension, members education, marketing of members farm produce and other economic activities and services are rendered to members. Cooperatives provide a unique tool for achieving

one or more economic goals in an increasingly competitive global economy. As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members in agricultural or other similar cooperatives, help salary/wage earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment of local taxes. According to Zeuli (2002:2) cooperatives can also benefit from significant tax advantages as co-op banks provide relatively low cost loans to cooperatives. Cooperatives generally provide an economic boost to the community (Bello 2005:1).

Smith and Rothbaum (2013:2) argue that in periods of crisis, cooperatives can support job creation and prevent job losses. Historical evidence shows that cooperatives not only survive crises better than other types of enterprises, but also more successfully address the effects of crises (Borzaga and Galera 2012:). The history of the British consumer co-operatives in the 19th century is one of continued growth only marginalised by recessions (Birchall 2013:2). This is supported by Fapojuwo et al (2012:190) that cooperatives provide self-employment through millions of worker-owners of production and service cooperatives; financial cooperatives mobilize capital for productive investment and provide people with secure institutions for the deposit of savings; consumer cooperatives provide households with affordable goods and services reducing the proportion of income used for basic living costs, and similarly user-owned cooperatives such as housing, utility, health and social care cooperatives provide affordable access to basic services.

In most countries, cooperatives have responded more effectively to the crisis than investor-owned firms (Casadesus and Khanna 2003:4, Borgaza and Galera 2012:2). However, in spite of their importance, cooperatives have not yet received the attention they deserve (Borzaga and Galera: 2012:2). The scarce interest in cooperatives and the widespread existence of de facto cooperatively managed enterprises that are not designated as cooperatives have prevented an accurate assessment of the size and impact of these institutions (Borzaga and Galera: 2012:3).

Durden et al (2013:34) proclaims that cooperatives are countercyclical, meaning they often emerge in periods of stagnant economic growth, high unemployment, technological change, and market failure. For example in the late 70's and early 80's, another time of very slow job growth, cooperatives experienced a much faster rate of employment growth than the economy as a whole. In France employment in cooperatives grew 12.1% and in all firms by 1.4%; in Italy, the figures were 86.2% for cooperatives compared to 3.8% for all firms; in Spain, 31% versus 8.1%; in the UK, 133% compared to -2.0%; and in the EEC as a whole, 76% compared to 2.0% (Durden et al 2013). Smith and Rothbaum (2013:4) noted that co-operatives play an important role as a source of credit, food, social protection, shelter and employment. The United Nations estimated (in 1994) that the livelihood of three billion people was made more secure by co-operatives. At least 800 million are members of co-operatives and 100 million are employed by them (Vanhuynegem 2008:2, UN 2009:5 and ILO 2010:19).

The other reason of cooperatives as noted by Birchall and Ketilson (2009:5) is that rural cooperative banks were also established during agricultural depression in mainland Europe and led to promotion of supply and marketing cooperatives. At the same time another cooperative bank was invented for urban people, providing credits to enable artisans and small business people to survive in the rapid economic changes and frequent depressions that accompanied the industrial revolution. Similarly, in the United States, during the Great Depression in the 1930s, a cooperative bank was set up with government support under the New Deal, to provide vital farm credits. Also in the United States during the Great Depression, agricultural cooperatives began to be formed in large numbers. Cooperative farm supply purchasing grew from US\$76 million in 1924 to US\$250 million in 1934, and spread to all parts of the USA (Birchall and Ketilson 2009:5). For instance in Britain co-operatives had their origins in attempts to counter the poverty and vulnerability of waged workers in the rapidly growing industrial towns and cities (ILO 2010:21). The huge transformation of industry and the economy caused upheaval and great hardships among the workers in many occupations. Traditional individual craftsmen were losing their jobs to mechanized factories, while historically common lands were being privatized (Schroeder and Siegel 2006). Cooperatives play a key role in

stabilizing the economy, especially in sectors characterized by considerable uncertainty and price volatility, such as finance and agriculture (Borzaga and Galera 2012:10). Co-operative banks and Volksbanks also became established, as a means of saving and borrowing for farmers and artisans, and of servicing co-operative enterprises. Each of these traditions can be seen as having developed as a response to economic hardship and distress (ILO 2010:21).

According to Nembhard and Otabor (2014:13) co-operative businesses stabilize communities because they are community-based business anchors that distribute, recycle, and multiply local expertise and capital within a community. As cooperatives pool limited resources to achieve a critical mass, the next section seeks to understand how cooperatives relate to poverty.

2.4.1. How cooperatives relate to poverty?

Around the world, extreme form of poverty is a reality that confronts people on a daily basis. According to Birchall (2003:1), in 1990 it was estimated that 29 per cent of people in low and middle-income economies were poor. The United Nations (UN) reported 1.2 billion people living in extreme poverty in 2010 (Jensen 2013:6). Although this number is high, in terms of proportions, poverty rates have been halved between 1990 and 2010 from 47 percent to 22 percent respectively painting a positive picture globally suggesting that numbers of people living in extreme poverty may be declining. However Sub-Saharan Africa is the only region in which the number of people living in extreme poverty continues to rise, from 290 million people in 1990 to 414 million in 2010 (Jensen 2013:8).

Poverty is the single greatest burden of South Africans and apartheid is just one of the reasons of poverty. Poverty affects millions of people, with the majority living in the rural areas and being women (RSA 1994). It is estimated that there are at least 17 million people surviving below the Minimum Living Level in South Africa, and of these at least 11 million live in rural areas (RSA 1994).

(Hall 2004) studied that 70% of rural people live below the poverty line, among them nearly a million farm workers and their dependants, plus nearly a third of South

Africa's population crowded into less than 13% of the land, in the former 'homelands'. Over half the population of all provinces with the exception of the Western Cape and Gauteng are estimated to live in poverty, constituting between 45% and 55% of the population (Theron 2008:324). The poorest provinces are Limpopo and the Eastern Cape provinces, where on average three out of every four persons live in poverty. The increased prevalence of cooperatives in these two provinces, Limpopo and Eastern Cape, strongly suggests that the formation of cooperatives is a response to poverty (Theron 2008:324) and according to Van der Walt (2005) cooperative sector is therefore a key role player in the well-being of the Limpopo Province. However, poverty is still a challenge in areas of Limpopo Province. One reason for this may be that the idea of forming cooperatives is not entirely from the members and that some people just started cooperatives just to get free grants from government. After receiving free grants members tend not to know what to do with the money (Thaba 2015).

ILO (2015:1) and Wanyama et al (2008:16) found cooperatives as the way to help reduce poverty as they identify economic opportunities for their members, empower the disadvantaged to defend their interests, provide security to the poor by allowing them to convert individual risks into collective risks, and mediate member access to assets that they utilize to earn a living. Thaba et al (2015) found that cooperatives lead to an alleviation of poverty, create jobs, generate income, and broad-based economic empowerment (BBEE) that will result in an enhanced sustainable human development in South Africa. Poverty is multidimensional and is a social problem in which a country is faced with cultural, social, political, economic and environmental deprivations (Ugoh and Ukpere and Ukpere 2009:847). According to Fapojuwo (2012:189) poverty is a condition in which one cannot generate sufficient income required to secure a minimum standard of living in a sustainable pattern. Poverty is *multi-dimensional*, and includes lack of access to education, health care, clean water and sanitation, and adequate housing. It also includes gender inequality, and a greater likelihood of contracting a deadly disease such as HIV/AIDS or malaria (Birchall 2003:2). According to Mubangizi (2008:175), the World Bank defines poverty in terms of income and consumption levels. In so doing, it focuses on the inability of individuals to generate sufficient income. Poverty is said to be reduced or eliminated when people achieve a minimum standard of living. Since 1994,

cooperatives were adopted as one of the strategies aimed at addressing challenges of poverty, unemployment and inequality in South Africa. However, the challenge of poverty continues to persist despite two decades of deliberate government policies aimed at redressing the historical legacies of inequalities created during the apartheid era. Over the past two decades, the country's cooperative sector has remained largely weak and has failed to make meaningful contributions to the economy (Okem and Nene 2014:112). Despite the fact that cooperatives failed to make a meaningful contribution to the economy of South Africa, United Nations (2009:12) recognised that financial cooperatives contribute to poverty reduction in various ways such as providing savings products, help to reduce members' vulnerabilities to shocks such as medical emergencies, or consumption smoothing. They encourage thrift for future investments, including education and small business enterprises. Financial cooperatives also provide their members with access to credit to finance micro-, small and medium enterprises that generate additional employment and incomes, and provide agricultural credit that help small farmers increase production and improve incomes (UN 2009:12). For instance, in Kenya, SACCOs also contribute to poverty reduction through development loans used to buy land, build houses, invest in businesses and farming, and buy household furniture (Mubangizi 2008).

Within the South Africa African government, it has generally been repeatedly argued that the central programme aimed at bettering lives of rural South Africans should focus on rural development for poverty reduction. Therefore, programmes addressing income, human capital and asset poverty had to be implemented by the government. Concerns have often centred on poverty reduction policies, the appropriate strategies that should be adopted for poverty alleviation and the targeting mechanisms (Mubangizi 2009:446, Twala 2012:213). In addressing the above challenge of rural development and poverty reduction, the main issue that arises is the merit of emphasising the human interface when considering strategies and programmes to reduce poverty and promote rural development.

Some of these government strategies for poverty alleviation identified by Mubangizi (2008:178) are Expanded Public Works Programme, Social Security and poverty alleviation projects. According to Nzimakwe (2008:207), Expanded Public Works

Programme (EPWP) is one of the key elements of government's drive to alleviate poverty and unemployment in South Africa. The EPWP aims to provide short-term work opportunities and training to unemployed and unskilled individuals. This is supported by the RDP framework which takes a broad view of education and training, seeing it not only as something that happens in schools or colleges, but in all areas of our society - homes, workplaces, public works programmes, youth programmes and in rural areas.

However, Mubangizi (2008:177) point out that public works programmes do not necessarily draw participants into the labour market, but offer a temporary employment sojourn; they do not necessarily move participants out of poverty, but offer a temporary respite, reducing the depth of poverty during the period of employment, and they do not [on their own] offer sustainable livelihood improvements.

Despite programmes such as the Expanded Works Programme (EPWP) and the Community Work Programme (CWP) implemented by government, the unemployment rates remain persistently high in South Africa since the supply of jobs is unable to meet the demand for jobs (RSA 2013:30). However, (Booyesen 2004:45) pointed out that social grants played an important role in alleviating poverty, not only in affected households, but also in households that had not experienced morbidity or mortality. Wanyama et al (2008:23) define social protection as societal security mechanisms for responding to unexpected socio-economic scarcity and risks that people encounter in their livelihoods. According to Theron (2007:324) social protection includes provision for mitigating risks, such as a grant for disability cover and unemployment insurance. However, there are major gaps in this system, particularly for those who have never entered the formal economy, or the self-employed, or those in informal employment. The next section discusses the contribution of cooperatives to job creation.

2.4.2. Cooperatives as a promotion strategy of employment.

International Labour Office (ILO) confirms that, "Cooperatives continue to play an important role in employment promotion and poverty alleviation, both as production enterprises mainly of the self-employed and as providers of services to members.

Although cooperatives are not instruments of employment promotion, they do effectively create and maintain employment in both urban and rural areas around the world and thus provide income to both members and employees in the form of shares of surplus, wages and salaries or profits depending on the type of cooperative. Cooperatives provide self-employment through millions of worker-owners of production and service cooperatives. Financial cooperatives mobilize capital for productive investment and provide people with secure institutions for the deposit of savings. Consumer cooperatives provide households with affordable goods and services reducing the proportion of income used for basic living costs, and similarly user-owned cooperatives such as housing, utility, health and social care cooperatives provide affordable access to basic services (Copac 1999:3). Nevertheless South Africa has extremely high rates of unemployment and under-employment. A large proportion of out-of-school youth and adults are not working. Those who work in low income households support many dependants and earn little relative to the cost of living. This is a central contributor to widespread poverty (NPC 2011:9). The latest figures released by Statistics South Africa shows that unemployment has increased to 25,2% in the first quarter of 2013 and this places a strain on the government to find alternatives of creating job opportunities (DoA 2013:1).

Unemployment is defined as a condition in which people are willing and able to work at the prevailing wage, and actively looking for jobs but practically unable to get jobs (Gweyi et al 2013:6). Recent empirical studies show that employment levels in cooperatives appear more stable than in investor-owned firms: conventional firms tend to adjust employment levels, while worker cooperatives adjust pay, thus safeguarding employment (Borgaza and Galera 2012:9).

The unemployment rate in South Africa is way too high, hence the NDP (2011) realised the need to reduce it to 14% by 2020. The unemployment rate recorded in Q1: 2014 stated that 27.0% more women than men are 3, 3 percentage points higher than the rate among men. A total of 15.1 million people had jobs in South Africa in the third quarter of 2014, and 5.2 million were unemployed. To curtail high level of unemployment in South Africa, the government considered cooperatives as a way of fostering economic and social development (Thaba et al 2015). Hence, Mago

et al (2013:755) pointed out that the government of South Africa anticipates a positive correlation between cooperatives and reduction of unemployment.

The NCASA baseline study in (Philip 2003:19) noted that the country is faced with massive economic restructuring and unemployment or under-employment and millions of South Africans are discovering the potential of the workers' co-operative, a collective entrepreneur model (rather than that of an individual entrepreneur) that provides decent and sustainable employment and a democratic workplace.

Ekong 2007; Aremu 2004; Ndifon 2012 (cited in Udensi et al 2014) indicated that cooperatives are seen as vehicles to address the issue of unemployment, poverty and equality. In spite of that, unavailability of funds to rural dwellers has been consistently reported in extant literatures and researches to be a hindrance to rural productive ventures. Cooperative societies therefore have the enormous potentials to address these issues. There are still very clear racial and gender inequalities in ownership, employment and skills. Past industrial policies assisted in creating employment and were an important factor in developing industry but they were also accompanied by repressive labour practices, neglect of training, isolation from the world economy and excessive concentration of economic power (RSA 1994).

Employment and unemployment patterns are directly linked to growing levels of poverty and exclusion as well as economic desertification of depressed regions. There is no official data concerning employment by cooperatives. It is however clear that in any analysis of the impact cooperatives have on employment, or rather unemployment, it is firstly necessary to distinguish those whom the cooperative itself employs. Secondly, there is the employment provided to the members and by the members. Thirdly, there is the employment effect a cooperative has, by generating ancillary activities (Theron 2008:322). Theron further envisaged that to appreciate the employment potential of cooperatives one must first of all acknowledge the dramatic decline of formal employment opportunities in the South African economy over the past decade. Two aspects of this development are of specific relevance to cooperatives. The first is that even in the most optimistic projections for economic growth there will be chronic high unemployment for the foreseeable future, leaving many with no alternative but to resort to self-help remedies.

Cooperatives create employment opportunities in three different ways. Firstly they offer direct wage employment to people who work in primary and secondary cooperatives. Secondly, cooperatives offer self-employment to members, whose participation in the economic activities that they make possible substantially guarantees a decent income. Thirdly, cooperatives also indirectly employ through the spillover effects of their activities on non-members whose income-generating activities are only viable through the transactions they have with, as well as opportunities created by, cooperative ventures (Wanyama et al 2008:19).

The study conducted in Ethiopia by Kelemu (2014:2021) declared that cooperatives serve not only members but also other non-members particularly through employment opportunities. For instance, in Ethiopia, cooperatives have provided self-employment opportunities for about 1,049,047 members, and for more than 100,000 non-members. This shows that cooperatives have an enormous role in reducing the unemployment problem of the country.

Copac (1999:3) reported that 220,713 self employment and 58,468 salaried jobs were created through the cooperative sector in South Africa. According to Mago et al (2013:757), Statistics South Africa (StasSa)'s Quartely Labour Force Survey of Quarter 4, 2012 shows that unemployment has been on the increase. For example, the rate of unemployment was 23.9 percent during the October-December 2011 period and it slightly reduced to 24.9 percent in October-December 2012. Currently, it is estimated at 25.5 per cent.

Although cooperatives are seen as contributors to employment, they also experience several challenges. The following section discusses some challenges encountered by cooperatives.

2.5. Challenges encountered by cooperatives.

Despite the fact that the importance of cooperatives is being recognised by many countries, literature indicated that challenges faced by these cooperatives vary from country to country. Koopman (2006:6) acknowledged that although developing countries experienced some success stories, there were also many failures. One of

the reasons for failure was that often the cooperative concept was misused for ideological or political purposes. Governments and parastatals tried to influence and control cooperative development from above and often for their own purposes. This resulted in many poorly developed or unsustainable cooperatives. Some developing countries are still faced with the remnants of these state-controlled 'pseudo-cooperatives'.

Some of the problems faced by agricultural cooperatives in Japan have been, among others, poor management, lack of capital resources, inadequate training, extension and education programmes, lack of communication and participation among members, feudalistic characteristics of society, unclear and inadequate government policies on the development of agricultural cooperatives, high fragmentation of land holdings, and weak linkages among the activities of the cooperatives e.g., production, credit, marketing etc (Prakash, 2000:2). Khumalo (2014:61) noted some of the challenges faced by cooperatives in South Africa as the high attrition rate, leadership and management challenges, interference by government officials, and a lack of stability.

Kelemu et al (2014: 2022) found that the major constraints facing cooperatives in Ethiopia as inadequate participation by members, lack of professional management and weak accounting systems; inadequate supply of inputs; leadership and organizational problems and limited entrepreneurship knowledge and skills of executives and employed staff; lack of market information and limited access to markets; limited bargaining power; insufficient number of and poor management of storage facilities; and inadequate banking services and weak savings mobilization. Pollet (2009:27) revealed that cooperative colleges are government-owned and cater for school leavers (having finished secondary education), as well as government cooperative department staff. Availability of training for members and staff of primary cooperatives is restricted and is usually provided during a short instructive session by department staff when cooperatives are registered. Cooperatives are mostly not involved in government policy programmes other than programmes related to cooperative development.

The study conducted by Nkoki-Mandleni and Anim (2014:172) discovered that failure of cooperatives in South Africa is usually related to clashing of opinions among the members, conflict of interests, lack of members' commitment and difficulty in managing members. Furthermore, constraints such as lack of access to land, poor provision of extension services, lack of resources and poor infrastructure have contributed to the failure of agricultural co-operatives.

Luvienne *et al* (2010) and Twalo (2012) argue that in a market based economy the cooperative business forms suffer from several strategic challenges when operating independently. The most important point is that, one worker cooperative on its own is most likely doomed to fail in a highly competitive global economy (Luvienne *et al* 2010).

DAFF (2010:11) highlighted that primary agricultural cooperatives face common challenges of lack of access to finance, land, business training, marketing and agro-processing opportunities. Illiteracy was identified as one of the challenges cooperatives are faced with since the majority of cooperatives are owned by elderly people. One of the key limitations to cooperative success in the sector is lack of access to finance by these cooperatives. The available funding programmes targeting co-operatives either nationally or at provincial levels is just not enough to ensure that more and more cooperatives with potential are able to enter the mainstream economy and make a significant contribution to poverty eradication and job creation (DAFF 2010:11).

These challenges include new technologies, new crop varieties, and procurement of production inputs, marketing agricultural output and new industries. Perishability of agricultural products and poor infrastructure create special challenges for small scale farmers in Namibia. All these and other constraints call for cooperation among small scale farmers.

According to the study conducted by Thomas and Hangula (2014:701) the following were identified as challenges facing cooperatives in Namibia: poor understanding of the cooperative concept and principles among members and the general public, the slow rate at which economic activities are incorporated into the operations of

cooperatives, high dependency on external support, in kind or financial, lack of secured markets for the members' products and management manifests itself in founder member syndrome, with founders being unwilling to relinquish their positions in cooperative leadership (Agra 2004) and lack of access to credit facilities.

Ortmann and King (2006:3) discovered poor management, lack of training, conflict among members, and lack of funds appear to be important contributory factors. Members of failed or poor-performing cooperatives appear to have failed to clearly understand the purpose of a cooperative, how it functions, and what members' rights are. This could stem from their lack of education, training, and information, which also applies to the case study farmers. Cooperatives face challenges in the form of over-control and regulation by government, limited access to credit, inability to scale up their activities, and inability to penetrate markets. According to ICA (2013:11) the co-operative sector is faced with several challenges including low human resource capacity, a weak economic base, extensive external financial dependency, lack of internal capacity and occasionally bad governance. Despite these challenges, the sector has high potential for growth.

According to Prakash (2000:2), to overcome such problems, some of the measures taken by the governments and movements have been: re-assessment and improvement of farm policies, human resource development through formal and informal training of members, development of commercial partnership and joint ventures with private enterprises, development of marketing and agro-processing, implementation of self-reliance projects, diversification of agricultural products including the development of export-oriented crops through contract farming, promotion of universal membership, and strengthening of legal framework of cooperatives.

Strategies that could help prevent cooperative failures in the study areas and improve the likelihood of establishing and operating successful cooperatives include both external and internal factors.

2.6. Factors contributing to the success of cooperatives.

Cooperatives are people-driven organizations and the first key to their success is to identify individuals with like needs who want to explore the feasibility of forming a cooperative business. Without this first important step, the chance for a successful cooperative business is slight (Bello 2005:9). Success can be defined as the satisfactory completion of something, or the attainment of a desired object or its end (Bruynis et al 2001:1). For emerging agricultural marketing cooperatives to succeed in today's economy, they need to be aware of the key success factors that affect them. Determinants of success among agricultural cooperatives are multifaceted (Zarafshani 2010:483). From 'research conducted by Bruynis et al (2001:15) emerging cooperatives would increase their chances of success by adhering to the following recommendations:

1. The emerging cooperative needs to handle sufficient business volume to remain economically viable. Insufficient business volume does not permit a cooperative to generate the income needed to cover operating costs.
2. The new cooperative should implement a management training process for the management team (manager and board members) regardless of the level of previous management experience. A board of directors with previous cooperative experience should be assembled whenever possible. Involving and hiring individuals experienced in working with a business structure similar to the new cooperative will increase the probability of success.
3. If business volume and equity permit, a full-time general manager experienced with the cooperative operating structure should be hired. Additional experience with a specific management skill matching the cooperative's needs such as marketing or purchasing, will be beneficial to the business.
4. Accurate financial statements need to be prepared and distributed on a timely basis to the management team. For the management team to effectively manage the new cooperative, the financial statements need to be used on a regular basis.
5. The new venture should secure sufficient total equity prior to the initial operation of the cooperative. The critical level of total equity needed should be identified through the feasibility study and planning process.

6. Emerging cooperatives need to use marketing agreements to secure business volume commitments from the members or customers prior to initial operation. These agreements will eliminate some of the risk and can assist in market entry. The business owners should be prepared to enforce the marketing agreements when necessary.

Cooperative success is influenced by both internal and external factors.

2.6.1. Internal factors

There are also internal factors which contribute to both success and or failure of cooperatives. Internal factors are factors that arise internally within the cooperative and the cooperative has control over them. Internal strategies are crucial for cooperatives to succeed in less-developed areas. These include: strong and enthusiastic leadership in the community for group action; competent managers and directors promoting members' interests and identity with their cooperative; participation of members in formulating cooperative policy; keeping adequate stocks of farming requisites; maintaining competitive prices for inputs and products; providing transport for members' purchased inputs and products for sale; educating members; facilitating members' access to credit; and ensuring the quality and safety of products. The effectiveness of these internal requirements largely depends on educating and training cooperative members, managers and directors (Ortmann and King 2006:4).

Akinwumni (2006) also highlighted that if there is purposeful leadership where leaders are transparent, dedicated and truly serving, the cooperative society will succeed. A true leader does not cut corners, does not inflate contracts so as to receive kickbacks, does not have favouritism among members and does not mismanage the resources.

Harris et al and Fulton (1996, 1999 in Garnevska et al 2011:75) studied that the other success of a cooperative is determined by the members' knowledge of their organization; their level of education; technical skills; participation; commitment; and the relationship between members and managers. High level efficient internal

management, transparency, democracy and excellent communication between members and management were also identified as important for the successful development to the cooperatives.

The study by Barrett et al (2007:20) in Kenya discovered that factors associated with successful cooperatives are vertical integration, high-quality produce, appropriate skills and education of management committee and staff members, timely and appropriate information, diversification into profitable enterprises, large number of members, large quantity of produce marketed through cooperatives, proper record keeping and level of technology, SACCOs and stores for farm inputs. Though resource intensive, education is critical for a cooperative network's long term sustainability. Some think of education as job readiness and skill training, but in a cooperative setting it is key for leadership development, management training, workplace democracy acculturation, political education and promoting a social vision (Luviene et al 2010).

DTI statistics indicate that there is lack of compliance with financial reporting requirements provided for in the Cooperative Act of 2005 by cooperatives with only 185 cooperatives complying in 2007. This non-compliance hinders the establishment of reliable economic contribution of these entities. Limited technical skills result in poor quality services and products, which cannot compete favourably in the market. Owing to the various inadequacies, the channelling of support from the government and other development agencies tends to create yet another challenge of overdependence (Khumalo 2014:71).

2.6.2. External factors

External factors that would affect the success and or failure of cooperatives are the ones that arise externally or that the cooperatives do not have control over them. There is typically more 'politics' in a cooperative than in a public company and this has a cost in monetary terms and in terms of poor decision making (Trewin 2004:6). According to Copac (1999:2) like other enterprises cooperatives have seen their operations significantly affected by external challenges in the political and economic environment. These include the impact of structural adjustment, economic liberalization, democratization, globalization, changing government policies, new

trade groupings, and pressures towards demutualization. According to Ortmann and King (2006:3) external factors include government playing a proactive role in creating a legal, economic, administrative, and institutional environment that will promote private initiatives, such as the formation of marketing associations or cooperatives.

The study conducted by Garnevska et al (2011:74) supported this by indicating that the other important key factor that influenced the successful development of the two studied cooperatives are a stable legal environment and appropriate government policy. Government should provide physical and legal infrastructure to reduce transaction costs, including risk, so that markets for products and resources (such as land) work more efficiently. Improvements in physical infrastructure, such as roads and telecommunication facilities, would help to reduce transport and communication costs for farmers and traders, thus easing access to input and product markets (Ortmann and King, 2006 2007:232). To succeed, cooperatives need good roads, electricity, and communications, particularly internet access. In general, cooperatives do not start where there is poor infrastructure, but this also creates an opportunity for them to step in. If governments, both national and foreign, are contemplating cooperative development, they need to take infrastructure into consideration (Mellor 2009:45). Zeuli and Cropp (2004:19) perceived that with a strong cooperative infrastructure in place, cooperatives in America flourished during the first decade. It is envisaged that a cooperative cannot always cover these needs; however, government and financial sector can play a key role in attending to these problems (Ruede 2014:4).

Amongst the measures envisaged to promote cooperatives as identified by Theron (2008:313) are access to the same tax incentives as are available to micro, small and medium enterprises, which are currently being revised, and access to preferential procurement policies. Government is also committed to promoting cooperatives, specifically workers' cooperatives and consumer cooperatives, in terms of its integrated manufacturing strategy, and in terms of local economic development strategies. The establishment of a Cooperative Development Fund for "technical assistance and capacity building" is also envisaged.

Access to financial services is lagging behind in developing countries. While the Netherlands has more than 34 branches per 100,000 people, developing countries

have, on average, 8.5 branches per 100,000. However, these ratios do not include unofficial providers of financial services, such as moneylenders, family and traders. The rural regions are not well supplied with financial services, as most banking is concentrated in urban areas. It is unfortunate that most attention from the financial sector goes to urban areas, despite the fact that the level of poverty is higher in rural areas with some 70% of the poor in developing countries living in rural areas (Maasdam 2007).

Many financial institutions see rural areas as unprofitable due to the high transaction costs that result from low population density, limited technological advancement and poor infrastructure. Difficulties in assessing the creditworthiness of a client and the limited possibility to ask for collateral add to the high transaction costs (Maasdam 2007).

2.7. Support services to cooperatives in South Africa.

Both the government and non-governmental organisations play a crucial role in supporting cooperatives. The government can limit its role to providing the legislation and the recognition (through registration) of cooperatives. A step beyond this would be that it facilitates cooperatives by organizing training, promotional campaigns and financial audits. Furthermore would be that the government establishes structures for cooperative representation and involves the cooperative movement in other policies (Pollet 2009:13). Ruete (2014:4) argues that the government can play an important supporting role, in terms of providing information and creating a sound legal environment. However, its involvement must be limited and targeted to the needs of cooperatives members should retain ownership and management. The areas of support can include: human resource development, research and management consultancy, accountancy and auditing, information technology, laws and taxation, and relations with the private sector.

Vanhuynegem (2008:5) pointed that the support services by government are therefore justified, especially in areas such as education and training, technical and advisory services, management consultancy, legal and audit services as well as loan guarantees (where appropriate are among such services). Since 1994, the new

democratic government in South Africa has been supporting the growth of cooperatives, especially among historically disadvantaged South Africans, as a strategy to alleviate poverty and create jobs (Lyne and Ortmann 2009:294). The government has launched various programmes to ensure that it realises the 2004 – 2014 objectives set for the co-operatives sector (DTI 2010:1). However Chibanda et al (2009:301) noticed that the current government support for cooperatives provides an incentive for businesses to compromise their institutional arrangements in order to access financial and extension support services.

There are many non-governmental organisations (NGOs) that provide support to co-operatives in various forms (ICA 2013:30). These NGOs serve several functions, including donors, implementers, and researchers. Some especially active NGOs of each of these types in the African co-operative sector include:

- Development partners: The ICA, governments, UN agencies, USAID, etc.
- Implementers: ACDI/VOCA, , Agriterra, TechnoServe, local NGOs etc.
- Researchers: universities and other institutions of higher learning, etc.

NGO support often includes capacity building through training and business development and financial assistance in the form of revolving funds, seed money provision, etc (ICA 2013:30). Education and training before and after forming a cooperative can be crucial for farmers and entrepreneurs to make informed decisions. Cooperatives play an important role in the development of rural areas hence government has been providing both financial and non-financial support in order to strengthen the viability of cooperatives.

2.7.1. Financial Support to cooperatives

According to GCIS (2005 in Lyne and Collins 2008:181), in June 2005, the Minister of Trade and Industry, Mandisi Mpalhwa, announced that incentives and capacity building grants had been designed for development-oriented cooperatives, and that government financing agencies (including Khula and SEDA) had been mandated to support cooperatives. For example DAFF designed and implemented the Farm together Cooperative Training Programme, to assist cooperatives in the sector to improve operational efficiency and effectiveness. Financial assistance such as the Cooperative Incentive Scheme is aimed at providing a grant for registered primary

cooperatives. Among other things the grant seeks to assist cooperatives in acquiring start-up requirements, build initial asset base for emerging cooperatives to enable them to leverage other support, and provide an incentive that supports broad-based black economic empowerment. The provision of a working capital, infrastructure, business development services and other activities through the grant is an incentive aimed at the historically disadvantaged persons to start up cooperatives (Khumalo 2014:71). Other launched government support programmes include the Export Marketing and Investment Assistance scheme and the establishment of the Isivande Women's Fund. Funding is also channelled through various funding vehicles set up by provincial agencies, such as the Free State Development Corporation's (FDC's) Co-operatives Fund, the Gauteng Enterprise Propeller (GEP) and Ithala Development Finance Corporation, among others. The Land Bank and the National Youth Development Agency (NYDA) also provide financial and other advisory support to co-operatives (DTI 2010:1). Although there are various funding to cooperatives in South Africa, Thaba and Mbohwa (2015) argued that in South Africa some people just started cooperatives just to get free grants from government. After receiving free grants members tend not to know what to do with the money. Thaba and Mbohwa (2015) further stated that most cooperatives visited during their study tended to be failing, even when receiving free grants from government. It was evident that they were abusing government resources, by not using them towards cooperative development.

2.7.2. Non-Financial Support to Cooperatives

The Co-operatives Act, No.14 of 2005 requires that registered co-operatives comply with certain legislative provisions, including submission of certain information to the Registrar on an annual basis. Failure to submit such information for a period of two years leads to deregistration of the cooperative. The non-financial support programme is designed to provide education and training to preformation co-operatives and co-operatives in general on the importance of complying with such co-operative legislative provisions. This will be done through one-on-one interactions with co-operatives through various media such as workshops; information brochures, etc. In relation to accounting and auditing, special accounting standards for co-

operatives will be formulated and communicated to co-operatives through various media (DTI 2012:71).

2.8. The experience of cooperatives in developed and developing countries.

2.8.1. The experience of cooperatives in developed countries.

The hand of government plays a determinant role in the success or failure of cooperatives. For example, in countries with a healthy and progressive cooperative movement, such as the United Kingdom and Germany, the government maintains a “respectful distance” from the cooperative movement but holds out a helping hand in times of need (Sam and Abubakar-Sam 2013:18).

Cocoran and Wilson (2010:4) found that growing the worker co-operative movement is especially important at a time when the global economy continues to experience significant challenges. As has historically happened in other economic downturns, working people need an alternative way to create jobs for themselves. Worker co-operatives are an excellent alternative for doing this. Beyond the usefulness of the model in times of recession, a strong worker co-operative sector in a region or a country has many advantages. These include increased worker empowerment, lower unemployment, increased job stability, increased social capital; in general workers are on a more equal footing with each other and are more in control of their destiny (Corcoran and Wilson 2010:4).

In Spain, worker cooperatives ("cooperatives de trabajo asociado" in Spanish) are a very important part of the overall cooperative movement. They are regulated by a cooperative law from 1999 at the national level, but also by regional legislation in each Autonomous Region, which is well adapted to regional contexts. COCETA, the Spanish member of CECOP-CICOPA Europe, officially represents all worker cooperatives and comprises 16 Regional Unions and Federations of worker cooperatives, covering almost all Spanish regions (Roelants et al 2012:18). In Spain, the co-operatives movement produces more than €70 billion in turnover and the majority of these cooperatives are worker co-operatives (DTI 2012:18).

For instance, Luvienne et al (2010) found that the most important lesson from Legacoop and the Mondragon is the importance of developing an economically integrated network of cooperatives rather than a single cooperative. Twalo (2012:13) also noted that Mondragon in Spain shows that co-operatives function best when they co-operate with each other and control entire value-chains and regions. Luvienne *et al* (2010) shared the same view with Twalo (2012:13) that in Mondragon the cooperative network expanded from a single cooperative polytechnic school to a network of 256 industrial, retail, finance, educational and research and development firms. These value chains of networks have contributed to the success of Mondragon. Schwettmann (2014: 8) also noted that cooperatives build strength, influence and bargaining power through vertical structures, such as federations, unions and associations, and horizontal networks that facilitate cooperation between cooperatives of different types. A good example is the study conducted by Barrett et al (2007:21) in Kenya, Limuru and Githunguri in the dairy sub-sector and Komothai in the coffee sub-sector. The benefits to vertical integration include, but are not limited to, savings on transport and processing cost, gains from value addition, and gains from the sales of by-products such as coffee husks. Komothai is a good example of a cooperative with benefits to vertical integration in the coffee sector. Before setting up the milling plant in 2001, Komothai would transport its pulped coffee to Kenya Planters Cooperative Union (KPCU) for hulling and marketing.

Mondragon is an example of a successful cooperative in Spain. Mondragon started with a few workers that believed in Arizmendiarieta's dream, and today it is one of the biggest cooperatives doing business world-wide with a total volume of assets (Rolland 2006:1; Majee and Hoyt 2011:51) of more than nine and a half billion Euros and has grown considerably in the past few years. Mondragon holds significant market share and employs very large numbers of workers (Majee and Hoyt 2011:51). Researchers like Flecha and Cruz (2011:165) found educational approach as the critical element of Mondragon's success. Whilst the vocational training school, from which the cooperative emerged, played a key role in its later development. Mondragon provides its workers with an education that is oriented towards enhancing both instrumental skills and values.

Arizmendiarieta's dream was that worker co-operatives could not reach their full potential without an adequate amount of capital (Corcoran and Wilson 2010:15). Hence the discourse by Ortmann and King (2007:232) is that limited access to capital for smallholder farmers and small businesses is a major constraint to rural development in South Africa, including the formation of cooperatives. In order to address the challenge of accessing capital in Spain, Caja Laboral Popular (CL) was created in 1959 (Luvienne et al 2010; Flecha and Cruz 2011:162; Cuomo 2014:42). The main aim was for Caja Laboral to work cooperatively with people's savings and provide resources for cooperative development. It also provides financial support and advice for the creation of new cooperatives, playing a role in planning and coordination as the group expanded (Flecha and Cruz 2011:162). With a financial institution of their own, the cooperatives did not have to depend on the government banks to finance their new ventures. The Caja Laboral would take care of them until their venture became a success, even if this meant having a zero interest rate until the cooperative was in a good financial situation (Rolland 2006:3). According to Luvienne et al (2010) the Caja Laboral Popular, became Mondragon's first secondary cooperative that connected Mondragon's cooperatives in a network.

The Caja now acts as an anchoring and coordinating force for maintaining the cooperative network. For a cooperative firm to use Caja's financial, analytical and business development services, the cooperative must enter into a contract of association, which gives the Caja oversight over the cooperative's internal organization. The Caja regulates the governance and internal organization of the cooperative firms, dictating capital to debt ratio requirements and norms and policies regarding hiring (Luvienne et al 2010).

Rolland (2006:1) found that the Mondragon Corporation Cooperative in 1982 was composed of 68,000 worker-members in 85 industrial cooperatives ranging from automobiles to refrigerators, 43 cooperative schools and four banks that provide services to these cooperatives. They became one of the most successful worker cooperatives in the Western world. There are 256 businesses under the umbrella of the Mondragon conglomerate. According to Corcoran and Wilson (2010:12) there are an estimated 18,000 worker co-operatives that employ 300,000 people in Spain. This worker cooperatives sector has grown 30% over the last five years. The Mondragon

Cooperative Corporation has grown from its initial 25 workers in 1956. From the mid-1960s to the mid-1970s, Mondragon grew by about 1,000 workers per year. From 1986 to 1996, Mondragon grew from 19,669 workers to 30,634. Sales in 1997 were \$5 billion euros. As of 2009 Mondragon employed 92,773 workers with sales of \$33 billion euros. This accounts for 25% of the total sales and 15% of all workers in the worker co-operative sector in Spain. Mondragon is the largest business group in the Basque region and is the seventh largest business in Spain in terms of both sales and the number of workers. Unlike corporations, Mondragon's strategic plan includes job creation goals (Cocoran and Wilson 2010:12; Durden et al 2013:29).

According to Durden et al (2013:31), Mondragon's model of job creation and local economic development through cooperative business formation has inspired a large and diverse array of social entrepreneurs around the world, community groups, foundations, non-profit agencies, local governments and unions but it is extremely difficult for anyone to replicate Mondragon's success. Durden et al (2013:31) further mentioned that creating a thriving worker cooperative, such as the Mondragon Corporation, is no simple task.

Nevertheless, researchers have found different factors that contributed to the success of cooperatives in Spain. For example, findings by Rolland (2006:1) revealed that the success of Mondragon is attributed to professionalism, accountability, and efficiency based on new technology; continuing education, and the willingness of people to work together.

Whilst DTI found introduction of partial grants as other factor contributing to success of cooperatives in Spain, partial grants have been introduced to help the unemployed form co-operatives. The youth, women, disabled persons, immigrants and select minority groups receive larger grants (DTI 2012:22). According to Durden et al (2013:29) many aspects of Mondragon's remarkable success are due to unique factors such as the history of the Basque communal traditions and nationalism, the economic conditions in post-Civil War Spain, and the charismatic leadership of Father Arizmendiarieta. Many of the strategies for cooperative development that Mondragon has pioneered are only possible for a large network of cooperatives.

In Japan, agricultural cooperatives cover 90 per cent of all farmers (UN 2009:7). Japanese agricultural cooperatives known as Nokyo or Jas with a membership of 9.4 million and a networth of 5557billion US dollars in 2007 could have been placed 38th on the fortune 500 list of companies. Agricultural cooperatives in Japan differ in many respects to agricultural cooperatives in other parts of the world. One important distinction is that the majority of the farmers in the country belong to the agricultural cooperative movement. Another important aspect is that the scope of the agricultural cooperatives is so comprehensive that they cover almost all economic and welfare related needs of both the farming as well as non-farming communities by operating simultaneously in areas including credit, mutual insurance, purchasing, processing, marketing, welfare etc. (Esham et al 2012:943).

According to Pagdanganan (1999: 290-294 in Sam and Abubaka-Sam 2013:18), in countries with successful cooperatives such as the UK, Germany, and Japan, people are committed to excel in their fields of endeavour and are driven by “higher goals” beyond the immediate satisfaction of their own or their family’s needs. Education in the cooperative principles plays a crucial role in the success of cooperatives, as experience has shown. In the case of the UK, America, Germany, Japan, and Canada, education is a big part of training. These countries have also established centres devoted to the study of cooperatives, and to the imparting of skills necessary for business and finance, and for managing a growing network (Sam and Abubaka-Sam 2013:18).

The literature on successful cooperatives is replete with the admonition of the need to commit oneself to the cooperative principles of self-help, democratic control, independence, and self-reliance. In the light of the experiences of Japan, potential factors that would influence the operation of cooperatives elsewhere are customs of mutual help and assistance in rural areas; introduction of new crops and technology to increase productivity; active participation of women members through women’s associations; employment of capable and professional managers; acquisition of operational facilities and linking credit with marketing; guidance and education for improving production technology; and, above all, the cooperative being a member-centred institution rather than the cooperative being a ‘cooperative-centred’ institution (Prakash 2000:3).

2.8.2. The experiences of cooperatives in developing countries.

The history of cooperative development in Africa has resulted into two popular, but very contradictory conclusions. On the one hand, there is the view that cooperatives in Africa have failed to live up to the challenges of developing the continent in that they ceased to be development agents when they were hijacked by governments and other state agencies (Develtere et al 2008:xiii). Hence Mellor (2009:18) noted that in many other developing countries, cooperatives have had the experience of being managed by government “cooperative” departments with little business success and even less farmer participation in ownership or management. Attempts to dominate cooperatives for political and bureaucratic gain have also been common, often leading to a negative image of cooperatives not only within the countries but also with the foreign assistance community.

The liberalization of the economy and cooperatives is steadily offering many cooperatives the opportunity to reinvent their solidarity and generate collective action among their members to tap into economies of scale to improve the productivity of their members. The result is the increasing improved performance of such cooperatives as evidenced by their higher turnover, improved income for participating members, and improved provision of socioeconomic services to members and sometimes the wider community. For instance, the Government of Benin set-up cooperative health clinics in disadvantaged areas in order to address gaps in service provision due to the absence of public hospitals. This initiative also helped to overcome problems associated with poorly-regulated private clinics (Pollet 2009:8).

Kenya is one of the countries with experiences to be learnt from developing countries. According to Wanyama (2007:103) most of the cooperative societies in Kenya have their origin in state-controlled promotion of cooperative development. The cooperative movement in Kenya is organized into a four-tier structure that links up cooperative societies at the local level to the national level. The structure consists of primary societies, secondary cooperatives or cooperative unions, national cooperative organizations and one apex cooperative organization. Currently, the apex organization is the Kenya National Federation of Cooperatives (KNFC), whose

membership includes national cooperative organizations as well as some cooperative unions (Develtere et al 2008:93).

One success example is Githunguri Dairy Farmers Co-operative Society in Kenya; formed in 1961 on state initiative (Ruefe 2014:2), its membership now stands at more than 16,000 from the initial 31. This cooperative has a fleet of vehicles for transporting milk from 58 fully computerized collection centres to the plant. The plant processes four main branded products, namely, packed fresh milk, yoghurt, ghee, and butter. Develtere et al (2008:104) and Pollet (2009:18) mentioned that FAO supported some of the dairy cooperatives in Kenya through crop-directed or value-chain programmes, Zambia (cassava value chains), Botswana, Ethiopia and Rwanda. An example of Githunguri Dairy Farmers Cooperative in Kenya which is formed through state initiatives testifies to the fact that not all cooperatives formed as a result of government initiatives are not operational.

Pollet, (2009:19) studied that the cooperative movements from Europe and North-America also provide cooperative support in developing countries. For example, ACDI/VOCA19 (USA) is involved in programmes in Kenya and Ethiopia. Some well documented examples of successful support include the Pastoralist Livelihood Initiative, supporting livestock cooperatives through infrastructure, marketing and credit; the Lumme-Adama Farmers' Cooperative Union and the Oromia Coffee Farmers' Cooperative Union. In Kenya, the Cooperative College receives support from ACDI/VOCA, German Technical Cooperation (GTZ) and the UK Co-operative College, so that it can become a centre for knowledge, offering consultancies on cooperative matters. The UK Co-operative College (non-financial) contributes to the development of other Cooperative Colleges in Sub-Saharan Africa through training and networking (Pollet 2009:20).

In Kenya, co-operatives contribute 45% of the Gross Domestic Product (Vanhuynegem 2008:6, UN 2009:5 and DTI 2012:18) and 31% of the total national savings and deposits. Co-operatives control 70% of the coffee market, 76% of the dairy market and 95% of the cotton market. The annual turnover of the cooperative is more than 3 billion Kenya shillings (US\$34,883,721). The expansive activities of the cooperative are taken care of by a staff of about 300 employees who are recruited

on the basis of an employment policy. Whereas lower-cadre staff members are recruited from within the Githunguri division, management staff members are sought nationally and appointed competitively on the basis of professional qualifications.

Some of the experiences to be learned from Kenya's successful cooperatives are an enabling legislative environment; an independent Ministry that drives the promotion of co-operatives with a substantial budget; strong partnerships between government and the co-operatives movement; provision of education and training for members through the Co-operatives College; provision of financial support for co-operatives through SACCOs and the national Co-operatives Bank of Kenya; conflict resolution system; and decentralised implementation (DTI 2012:27).

The findings by Barrett et al (2007:21) revealed the factors associated with successful cooperatives in Kenya as vertical integration, high-quality produce, appropriate skills and education of management committee and staff members, timely and appropriate information, diversification into profitable enterprises, large number of members, large quantity of produce marketed through cooperatives, proper record keeping and level of technology, SACCOs and stores for farm inputs. On the other hand, Ruete (2014:2) recorded that management training, business plans, education and outreach, as well as good farming practices, made the difference in Githunguri Dairy Cooperative in Kenya.

The gap identified between cooperatives in international and regional countries is that for example, in Spain cooperatives received various supports ranging from business services to finance services from their Caja Laboral as their secondary cooperative. However, in Kenya and Africa as a continent, cooperatives depend on support from other countries like USA, Germany, UK and others.

2.9. Legislation framework governing cooperatives in South Africa

2.9.1. Cooperatives Act (No 14 of 2005)

The Co-operatives Act of 2005 replaced the Agricultural Co-operatives Act of 1991, in order to reach all relevant sectors of the economy. Its purpose is to promote the

development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy; encourage persons and groups who subscribe to the values of self-reliance and self-help and choose to work together in democratically controlled enterprises to register co-operatives in terms of this Act. The Act also seek to enable such co-operative enterprises to register and acquire a legal status separate from their members; promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and the youth, in the formation and management of co-operatives; establish a legislative framework that preserves a co-operative as a distinct legal entity (DTI 2010:6).

DTI further stated that the act facilitate the provision of support programmes that target emerging co-operatives, specifically those co-operatives that consist of black persons, women, the youth, disabled persons or persons in the rural areas, and promote equity and greater participation by its members; ensure the design and implementation of co-operative development support programmes by all agencies of national departments, including but not limited to Khula and the National Empowerment Fund (NEF), National Productivity Institute (NPI), Small Enterprise Development Agency (SEDA), Industrial Development Corporation (IDC), South African Qualifications Authority (SAQA), South African Bureau of Standards (SABS), Council for Scientific and Industrial Research (CSIR), Public Investment Corporation (PIC), Development Bank of Southern Africa (DBSA), South African Local Government Authority (SALGA) and Sector Education and Training Authorities (Setas), and their compliance with uniform norms and standards prescribed by this Act.

2.9.2. Cooperative Banks Act (No 40 of 2007)

The purpose of the Co-operative Banks Act is to promote and advance social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions; promote the development of sustainable and responsible cooperative banks; establish an appropriate regulatory framework and regulatory institutions for co-operative banks that protect members of cooperative banks by providing for the registration of deposit-taking financial services

cooperatives as co-operative banks; establishment of supervisors to ensure appropriate and effective regulation and supervision of co-operative banks and protect members public interest; and the establishment of a Development Agency for Co-operative Banks (housed within National Treasury) to develop and enhance the sustainability of co-operative banks. The Co-operative Banks Act applies to all co-operative banks registered under this Act and to any co-operative registered under the Co-operatives Act that has 200 or more members; and it holds deposits of members, to the value of R1 million or more (DTI 2010:7).

2.10. Conclusion

The chapter presented the origin of cooperatives in developed and developing countries and cooperative models that countries like Spain, Japan and Kenya adopted to sustain their cooperatives. The rationale of cooperatives taking into account its role to eliminate poverty and employment creation was also highlighted in this chapter. Some of the factors contributing to both the success and failure of cooperatives were presented in this chapter. From the discussion, it is evident that challenges encountered by the cooperatives differ from one country to another. The chapter also indicated how organizations such as government and non-governmental organisations assisted cooperatives in sustaining their cooperatives in both developed and developing countries.

The next chapter presents the methodology that was used to carry out the study. This will be followed by population, sampling, data collection method, data analysis, research design and lastly by ethical considerations.

CHAPTER 3

RESEARCH METHODOLOGY

3.1. Introduction

The previous chapter discussed the cooperative concept. This included the development of cooperatives in developing and developed countries. Different models of cooperatives were highlighted and only traditional, new generation and workers cooperatives were discussed in detail. Rationale of cooperative also articulated in chapter two. Issues of cooperatives as a strategy to promote employment and to reduce poverty were discussed in the previous chapter. The challenges and cooperative success factors also formed part of chapter two. The internal and external factors that contribute to the failure and or success of cooperatives were followed by support services to cooperatives in South Africa. Experiences that could be learned from both developed and developing countries like Spain, Japan and Kenya were highlighted in the previous chapter. This was followed by legislations governing cooperatives in South Africa.

The aim of the chapter is to provide the research approaches, processes and research techniques employed to collect data in the area of the study. The chapter outlines the description of the study area and the importance of the research design. Research is the process of collecting, analyzing, and interpreting data in order to understand a phenomenon (Leedy and Ormrod 2001). Research methodology is defined by Leedy and Ormrod (2001) as “the general approach the researcher takes in carrying out the research project” The research design is followed by methodology employed in this study. The meaning of population, sample size, and sampling methods are also defined in this chapter. Methods used to collect data for the research and data analysis techniques are followed by ethical considerations. The last part of this chapter is conclusion.

3.2. Description of the study area.

Greater Giyani Municipality is one of five local municipalities falling within the Mopani District Municipality in Limpopo Province. The other four local municipalities in Mopani District Municipality are Greater Tzaneen, Greater Letaba, Ba-Phalaborwa and Maruleng (+/-120km), (+/-90km), (+/-160km) and (+/- 195km) from Polokwane

respectively. Giyani town is located +/- 185km from Polokwane, +/-100km from Thohoyandou and +/- 550km from Tshwane. The municipality covers an approximate area of 2967, 27km² with only one semi-urban area being Giyani. It has been demarcated into 30 wards and has 60 councillors. The municipality has 10 traditional authority areas comprising of 91 villages. Giyani town is the largest centre of population concentration, employment opportunities, shopping and recreational facilities. The total population is 244, 217 with 63,537 households. The municipality has 30 wards grouped into 5 clusters. Most wards have a population exceeding 5000 people.

In terms of education, the number of people who attended educational institutions such as technikons, universities and Adult Basic Education was 0.1% (Greater Giyani Municipality 2013). According to Greater Giyani Municipality (2013), those who attended colleges constituted 0.5%, whilst the percentage of people who attended school was 74.4% and the remaining 22.6% did not attend any educational institution. The Giyani population is concentrated in 91 rural villages and 7 townships. Unemployment is a serious challenge in GGM. Unemployed people constitute 60.4% and only 39.6 % of the people are employed (Greater Giyani Municipality, 2013).

Table 3:1 Labour force in Greater Giyani Municipality.

| | 2007 | % | 2011 | % |
|-------------------------|-------|------|-------|------|
| Employed | 19979 | 49.3 | 20759 | 39.6 |
| Unemployed | 20534 | 50.7 | 31636 | 60.4 |
| Total labour force | 40513 | 100 | 52395 | 100 |
| Not economically active | | | 75829 | |

Source: Greater Giyani Municipality Integrated Development Plan 2013-2014

There is a high statistic of people earning a low income in GGM. The high statistic of low earning people according to GGM IDP (2014) may be in relation to the employment industry. Greater Giyani Municipality (2013) noted that agriculture employs more people although with the lower wages. People who earn higher are professionals and these are usually fewer in number.

Table 3.2. Population by individual income, Greater Giyani, 2007 and 2011

| Persons | 2007 | 2011 |
|----------------|---------------|---------------|
| None | 185284 | 130547 |
| R1-400 | 19631 | 62076 |
| R401-800 | 18131 | 9968 |
| R801-1600 | 4668 | 24584 |
| R1601-3200 | 4867 | 5010 |
| R3201-6400 | 3216 | 5586 |
| R6401-12800 | 1257 | 4280 |
| R12801-25600 | 143 | 773 |
| R25601-51200 | 76 | 56 |
| R51201-102400 | 70 | 59 |
| R102401-204800 | 58 | 65 |
| Over R204801 | 35 | 125 |
| Total | 247657 | 244217 |

Source: GGM IDP 2013-2014

The research was conducted in the community of Muyexe village which is entirely rural and situated in the close proximity of the Kruger National Park. Muyexe is situated 40 kilometers northeast of Giyani town, within the jurisdiction of the Greater Giyani Municipality in Limpopo province. It consists of the poorest of the rural poor with approximately 1100 residents, taking into account that ward 18 has a total population of 4800, which consists of Khakhala village and Gawula village. It is one of the most impoverished communities within the municipality and the country as a whole with no immediate job opportunities available (Mathebula 2014:134).

3.3. Research design and methodology

3.3.1. Research design

The research design is basically a set of guidelines and instructions on how to reach the goal that the researcher has set for himself or herself (Webb 2006). Webb (2006) further mentioned that research design is simply the way that the researcher proposes to go about testing the hypothesis or answering the research questions.

Creswell (2014) defined research designs as types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research design. The difference between qualitative and quantitative research is that qualitative research predominantly seeks explanations and aims at in-depth description. Quantitative research measures what is assumed to be a static reality to developing generalisation (Webb and Auriacombe 2006).

The research design used in this study is descriptive research and participant observation. The reason for selecting this research design is that descriptive research is about collecting facts and Strydom (2013:153) support the statement by mentioning that data will normally be displayed in graphs, tables, frequency distributions and circle diagrams. Participant observation also enabled the researcher to collect both quantitative and qualitative data through surveys and interviews.

Marlow (2005 in Strydom 2013:153) defines descriptive research as follows: “a process of recording and reporting phenomena; not primarily concerned with causes”. Williams (2007:66) indicated that the descriptive research approach is a basic research method that examines the situation, as it exists in its current state. Williams further mentioned that descriptive research involves identification of attributes of a particular phenomenon based on an observational basis, or the exploration of correlation between two or more phenomena. However, Yamusa and Adefila (2014:164) defines descriptive statistics as a measure of central tendency such as the mean, median, mode, standard deviation, frequency and percentages. It helps to summarize the socio-economic and demographic variables of the respondents into tabular forms.

3.3.2. Research methodology

The research methodology is the general approach the researcher takes in carrying out the research project (Leedy and Ormrod 2001, 2014:7). This study used both qualitative and quantitative methods to assess the unsustainability of cooperatives. Data can be collected from observations, interviews or other research sessions (Bogdan and Biklen, 2006). According to Kolb (2012) the process of interviewing

during a qualitative study allows the researcher the opportunity to gain the perspectives of other individuals. The researcher also used questionnaires as purposely defined, structured and well-written set of questions to which individual respondents were asked to respond. The reason why mixed method approach was adopted is that the researcher recognized that qualitative and quantitative methods have limitations. For example, quantitative data generally does not include an explanation of 'why.' Leedy and Ormrod (2014:97) mentioned that a quantitative researcher typically tries to measure variables in some numerical way. Therefore, the researcher felt that biases inherent in any single method could neutralize or cancel the biases of other methods (Creswell 2003).

3.4. Population, sample size and sampling method

3.4.1. Population

Population or universe means, the entire mass of observations, which is the parent group from which a sample is to be drawn (Singh 2006). The sample observations provide only an estimate of the population characteristics. The term 'population' or universe conveys a different meaning than a traditional one. In census survey, the count of individuals (men, women and children) is known as population, but in research methodology population means the characteristics of a specific group (Singh 2006:82). The population of the study is 8 art and craft cooperatives in Muyexe comprised of ±88 members.

3.4.2. Sample size

Sample size determination is often an important step in planning a statistical study- and it is usually a difficult one. Among the important hurdles to be surpassed, one must obtain an estimate of one or more error variances and specify an effect size of importance. Finally, the study must be of adequate size, relative to the goals of the study. It must be "big enough" that an effect of such magnitude as to be of scientific significance will also be statistically significant (Lenth 2001:187).

The sample is the section of the wider population that will be engaged in the survey and sampling is the process of identifying who would be aimed to contact from that population. A general rule of thumb is that sample size must be greater by thirty

(30). Due to time constraint and lack of resources such as finance, the maximum sample size of this study is sixty (60). The sample comprised of two groups which are the cooperative members (50) and board of directors (10). The cooperatives that were represented by 6 members were 6 in total while the 2 cooperatives were represented by 7 members. All cooperatives were represented by their board members (chairpersons) purposively selected and the 2 members are the overseer of the whole group of cooperatives.

3.4.3. Sampling method

Sampling means, selection of individuals from the population in such a way that every individual has equal chance to be taken into the sample population. Sampling is fundamental to all statistical methodology of behavioural and social research. Bad sampling vitiates the data at the source and no amount of subsequent statistical findings will improve its quality. In fact sampling is the part of the strategy of research and has by now acquired the status of a technical job (Singh 2006:82).

Two standard categories of the sampling method exist. These two categories are called probability sampling and non-probability sampling. Since this study is a mixed method (qualitative and quantitative methods), it employed both the probability and non-probability sampling. Simple random sampling and purposive (homogeneous) sampling were used to give members of all art and craft cooperatives an opportunity to participate. The reason for choosing both the probability and non-probability sampling is that the probability sampling generates quantitative or numeric data whilst the non-probability sampling generates qualitative or narrative data. The other reason is that the researcher used open-ended and closed-ended questions during the interview.

According to Latham (2007) probability sampling provides an advantage because of researcher's ability to calculate specific bias and error in regards to the data collected. Cohen et al (2007:110), Latham (2007), Leedy and Ormrod 2014:216) outlined that in simple random sampling, each member of the population under study has an equal chance of being selected and the probability of a member of the population being selected is unaffected by the selection of other members of the population, i.e. each selection is entirely independent of the next.

3.5. Data collection method.

Data are those pieces of information that any particular situation gives to an observer. The term data is plural (singular in datum) and comes from the past participle of the Latin verb *dare*, which means “to give” (Leedy and Ormrod 2014:79). The data collection is the accumulation of specific evidence that will enable the researcher to properly analyse the results of all activities by his research design and procedures. The main purpose of data collection is to verify the research hypotheses (Singh 2006). According to Singh (2006) the data is needed in a research work to serve the following purposes:

- Collection of data is very essential in any educational research to provide a solid foundation for it.
- It is something like the raw material that is used in the production of data. Quality of data determines the quality of conclusions.
- It provides a definite direction and definite answer to a research inquiry. Whatever inquiry has to give a definite answer to an investigation. Data is very essential for a scientific research.
- The data is needed to substantiate the various arguments in research findings.
- The main purpose of data collection is to verify the hypotheses.
- Statistical data is used in two basic problems of any investigation:
 - Estimation of population parameters, which helps in drawing generalization.
 - The hypotheses of any investigation are tested by data collection procedure
- Data is also employed to ascertain the effectiveness of new device for its practical utility.
- Data is necessary to provide the solution to the problem.

In line with the objectives outlined in chapter one, the study collected data from the 8 registered art and craft cooperatives in Muyexe village. All the 8 cooperatives were represented by their co-operative members and board of directors.

During the process of gathering data the researcher employed a variety of methods to elicit information pertaining to the study. The techniques commonly identified in the literature for collecting data are document collecting, participant observing, and interviewing (Van der Mescht undated). The researcher supported Van Biljon (2011:341) and used questionnaire, structured and well-written set of questions to which individuals were asked to respond. The researcher further collected data by supporting the idea of Bogdan and Biklen (in Kolb 2012) that data can be collected from observations, interviews or other research sessions. Various times were arranged with members of the co-operatives. The researcher completed both the questionnaires and interview guide.

The data collection method employed in this study is both the primary and secondary data. The primary data targeted the cooperatives represented by members and board of directors. Primary data used in this study was obtained using self-administered questionnaires and the targeted group was cooperative members. Interview guide and observation was used to gather information from board members. Journals, books, reports from government institutions, published papers, conference articles and other sources of information were used to collect secondary data. Creswell (2014) posits that the intent of the mixed methods study was to use the qualitative interviews to “explore and make sense” of the quantitative findings.

3.6. Data analysis

Biklen (2007 in Kolb 2012:84) mentioned that data analysis is a systematic process of sifting and arranging all information obtained from interview transcripts, field notes and other material collected to increase the researcher’s understanding of the data and to enable the presentation of what has been discovered. Analysis of data includes comparison of the outcomes of the various treatments upon the several groups and the making of a decision as to the achievement of the goals of research. Data relevant to each hypothesis must be assembled in quantitative form and tested to determine whether or not there is a significant difference in the results obtained from the controlled groups. However, the analysis develops as a comparison between groups however; sometimes the type of data obtainable tends itself better to the existing differences by contrast or by summing up (Singh 2006).

Descriptive statistics were used in the analysis of data. According to Yamusa and Adefila (2014:164) descriptive statistics is a measure of central tendency such as the mean, median, mode, standard deviation, frequency and percentages. It helps to summarize the socio-economic and demographic variables of the respondents into tabular forms.

The research considered the issues of validity and reliability to ensure that accurate data is collected. Creswell (2003, 2014) discovered that the standards of validity and reliability are important in quantitative research. Babbie and Mouton (2006) defines validity as the consistency of the measuring instrument that is used in the research over time to obtain accurate result, and reliability is the accurate representation of the population being investigated. Being objective is an essential aspect of competent inquiry, and for this reason researchers must examine methods and conclusions for bias.

In attempting the validity of the results, the researcher considered the circulation of questionnaires to individuals who work with cooperatives and incorporated their inputs. Data collected was re-checked and clarity was provided by some of the members of Muyexe art and craft to ensure that the information provided was reliable.

3.7. Ethical consideration.

Dube et al (2013:16) mentioned that ethics is the moral correctness of a specified conduct and it entails social responsibility that refuses to accept needless human suffering and exploitation.

Literature indicates broadly that the objectives of ethics in research ethics is to protect human participants, to ensure that research is conducted in a way that serves interests of individuals, groups and/or society as a whole and to examine specific research activities and projects for their ethical soundness by looking at issues such as the management of risk, protection of confidentiality and the process of informed consent. Leedy et al (2014: 273) further argues that the researcher should obtain permission from the appropriate committee from the institution for any research involving humans.

In addressing some of the ethical consideration, the researcher had a letter from the institution reflecting the topic of the research and that the research was done for educational purposes. The researcher ensured that all people participate voluntarily during data collection and assurance that information provided to remain confidential was provided. The researcher agreed with Dube et al (2013:21); Akpabio and Esikot (2014:222) by ensuring that the respondents were thoroughly informed about the study and guaranteed of strict confidentiality and anonymity were emphasised to the respondents where the data was collected.

3.8. Conclusion

The chapter presented the description of the study area. Employment statistics and income levels of Greater Giyani Municipality were discussed in this chapter. The chapter further discusses qualitative, quantitative and mixed research designs. Mixed research design was presented as the research design for this study. This was followed by population of the study which is 8 art and craft cooperatives in Muyexe village. Two sets of sample were mentioned, that is 50 cooperative members and 10 board of directors. For the purpose of the study probability and non-probability sampling methods were adopted. This was followed by data collection methods that are primary data which was done through questionnaires. Participant observation was also used to collect both qualitative and quantitative data. Descriptive and inferential statistics were discussed as instruments to analyse data in this study. Issues of validity and reliability were also taken into account. The last part presented in this chapter was ethical consideration.

In the next chapter, data analysis, discussions of results, interpretation and conclusion of this study will be presented.

CHAPTER 4

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.1. Introduction.

Chapter 3 presented the description of the study area. Issues of employment statistics and income levels in Greater Giyani Municipality were also discussed. Mixed research design was discussed as the research design for this study. This was followed by population of the study which is 8 art and craft cooperatives in Muyexe village. Two sets of sample were mentioned, that is 50 cooperative members and 10 board of directors. For the purpose of the study probability and non-probability sampling methods were discussed. This was followed by data collection methods employed in this study as primary data which was done through questionnaires. Participant observation was also used to collect both qualitative and quantitative data. Descriptive statistics has been discussed as an instrument used to analyse data in the area of the study. Issues of validity and reliability were also taken into account. The last part presented in chapter 3 was ethical consideration.

This chapter aims at processing, analysing and interpreting data that was collected using instruments such as structured questionnaires and interviews as discussed in Chapter 3. The chapter presents data collected from eight Muyexe art and craft cooperatives which are located under Greater Giyani Local Municipality. Research questions, research objectives under Chapter 1 are also answered in this chapter. Conclusion is the last part of this chapter.

4.1.1. Data analysis and discussion of results.

Data was collected from observations, interviews to gain understanding of 10 board members of 8 Muyexe art and craft cooperatives. While questionnaires were tools used to collect data from 50 randomly selected members of 8 cooperatives of Muyexe village. Questions focused on issues around managerial skills, corporate governance, issues of financial support, capacity building, educational levels, policies, constitutions of cooperatives, monitoring and evaluation, members' ownership, and developmental programmes.

Quantitative researchers focus more on deductive reasoning starting with theories and hypotheses for example, and the drawing logical conclusions from them. The findings from quantitative research can be predictive, explanatory, and confirming (Williams 2007:66). Data was analyzed descriptively using frequencies and simple percentages. Information collected through interview guide also formed part of the analysis and produced narrative data.

4.2. Analysis of data collected through questionnaires

The respondents were selected from the eight art and craft cooperatives of Muyexe area in accordance with the selection criteria discussed in chapter three. This section presents responses from fifty (50) cooperative members of Muyexe art and craft cooperatives. The data is presented in descriptive level and depicted in frequency, tables and figures. Responses from the cooperatives members of eight Muyexe art and craft cooperatives are as follows:

4.2.1 Redistribution of respondents according to gender.

The question aims to find out the gender of the respondents from Muyexe art and craft cooperatives.

Table 4.1 Redistribution of respondents according to gender.

| Item | Frequency (f) | Percentage (%) |
|--------------------------------|---------------|----------------|
| Question 1 What is your gender | | |
| Male | 0 | 0 |
| Female | 50 | 100 |
| Total number of frequency | $f_x=50$ | 100% |

Q.1. indicated that fifty (100%) of the respondents are female. This is due to the nature of work (weaving and beading) in these cooperatives. This consents with the purpose of the Cooperative Act of 2005 which aims to promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of co-operatives.

4.2.2 Cooperatives and Age group

The aim of this question was to find out whether different age group affect the sustainability of cooperatives.

Table 4.2 Cooperatives and Age group

| Item | f | % |
|------------------------------------|-------|------|
| Q.2 Which age group do you belong? | | |
| 18-30 | 4 | 8 |
| 31-39 | 18 | 36 |
| 40-49 | 21 | 42 |
| 50-59 | 5 | 10 |
| Above 60 | 2 | 4 |
| Total | fx=50 | 100% |

Q.2 stated that twenty one (42%) of the respondents fall between forty and forty nine years. Eighteen (36%) respondents fall between thirty-one and thirty-nine years. Five (10%) respondents fall between fifty and fifty nine years. While the other four (8%) respondents are up to thirty years and the remaining two (4%) are recorded to be above sixty years.

From the above data, it is clear that the majority of respondents in Muyexe arts and craft cooperatives are between eighteen and forty-nine years. Different age group have a negative impact on the sustainability of cooperatives. Fewer number of elderly people in the above cooperatives impact negatively on skills transfer and future growth in the area of the study.

4.2.3. Governance structures of Muyexe cooperatives.

According to RSA (2005) the affairs of a co-operative must be managed by a board of directors consisting of such number of persons as the constitution of the co-operative permits. The board of directors must exercise the powers and perform the duties of the cooperative subject to this Act (Cooperative Act 14 of 2005) and the constitution of the co-operative. The board of directors must be elected for such

period as may be set out in the constitution of the co-operative, which period may not be more than four years. Muyexe art and craft cooperatives are governed by cooperative act and cooperative constitution as stipulated in cooperative act 14 of 2005. Board members are the ones to educate members of the cooperatives with cooperatives legislations. However, during interviews respondents indicated that board of directors do not have knowledge about cooperative legislations, hence there is poor governance. Some of the members claimed that they have never seen their constitutions. According to Chibanda, Lyne and Collins (2009) good governance of cooperatives promotes discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Table 4.3. Cooperatives, managerial skills and sustainability.

| Item | f | % |
|---|-------|------|
| Q.3-Do cooperative board of directors have managerial skills? | | |
| Agree | 1 | 2 |
| Strongly agree | 2 | 4 |
| Disagree | 25 | 50 |
| Strongly disagree | 20 | 40 |
| Uncertain | 2 | 4 |
| Total | fx=50 | 100% |

Q.3 indicated that forty-five (90%) of the respondents disagreed with the statement. Three (6%) of the respondents agreed with the statement, while two (4%) of the respondents were recorded as uncertain.

From the above analysis, it is clear that the majority of the respondents confirmed that most of the board of directors in Muyexe art and craft cooperatives do not have managerial skills. It can be reasoned that lack of management skills is one of the reasons why some of the cooperatives are failing and not sustainable. This concurs with findings by Prakash (2000); Ortmann and King (2006) Kelemu et al (2014), DAFF (2010), and Khumalo (2014) that one of the challenges faced by cooperatives is lack of poor management.

Table 4.4 Cooperatives and corporate governance.

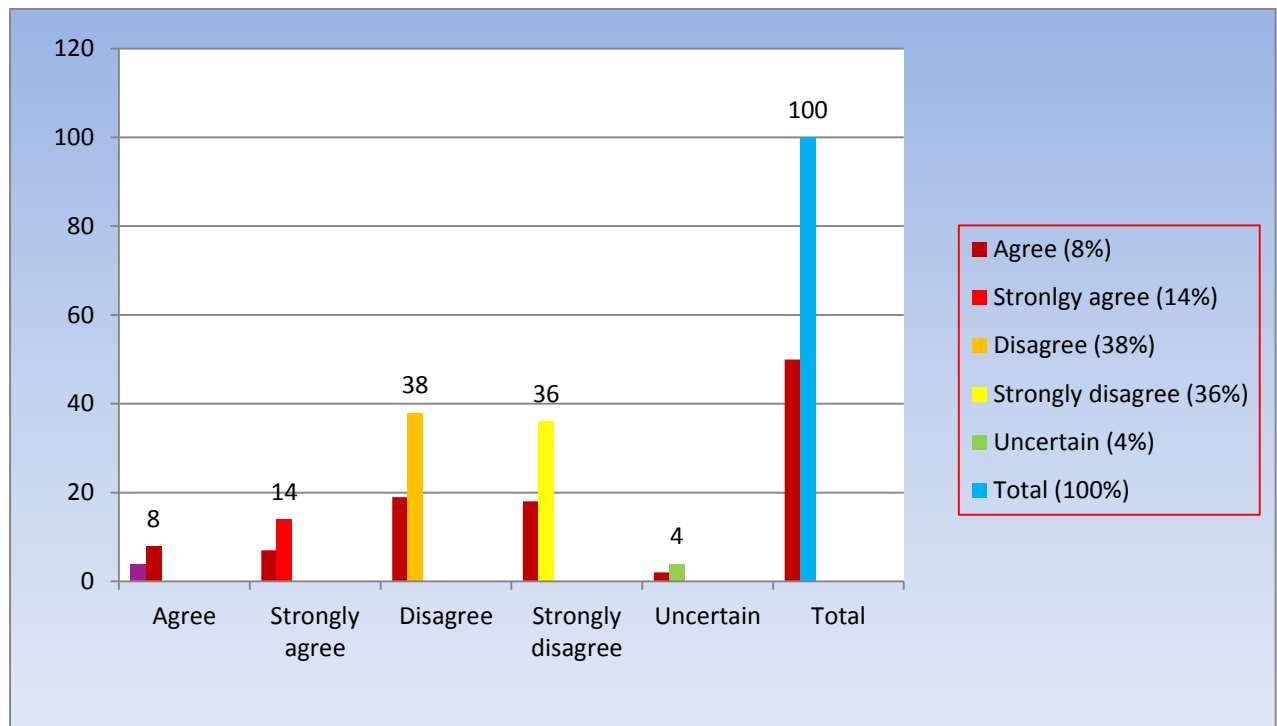
| Item | f | % |
|---|-------|------|
| Q.4 Most of the cooperative board members do not practise good corporate governance | | |
| Agree | 20 | 40 |
| Strongly agree | 22 | 44 |
| Disagree | 2 | 4 |
| Strongly disagree | 3 | 6 |
| Uncertain | 3 | 6 |
| Total | fx=50 | 100% |

Q.4 indicated that forty-two (84%) of the respondents agreed with the statement. Five (10%) of the respondents disagreed with the statement, while three (6%) of the respondents were recorded as uncertain.

From the above information, it is evident that the majority of the respondents from Muyexe art and craft cooperatives confirmed that most of the cooperative board members do not practise good corporate governance. Lack of corporate governance impacts negatively on the management of cooperatives and cause unnecessary conflicts. Ortmann and King (2006) and Nkoki-Mandleni and Anim (2014) are of the opinion that conflict caused cooperatives to be unsustainable in their area of study. Chibanda et al (2009) is of the opinion that good governance of cooperatives promotes discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Figure 4.1: Cooperatives and financial support.

Question 5 Cooperatives have financial support.



Q.5 indicated that thirty-seven (74%) of the respondents disagreed with the statement. Twelve (24%) of the respondents agreed with the statement and only one (2%) of the respondents was recorded as uncertain.

From the above analysis, it is clear that the majority of the respondents claimed that the majority of art and craft cooperatives in Muyexe do not have financial support. Lack of financial support limits cooperatives from entering the mainstream economy and making a significant contribution to poverty eradication and job creation in the area of the study. Other cooperatives become unsustainable and redundant because they do not have access to start-up capital. Most lenders are reluctant to lend to cooperatives due to lack of collateral security. Ortmann and King (2007) agree that financial institutions have been hesitant to provide credit to smallholder cooperatives due to the high risks associated with lending to them. This causes the cooperatives to depend on grants from the government. Nevertheless, Thaba (2015) revealed that South African cooperatives receiving grants from government are not using the government resources towards cooperative development.

Table 4.5 Cooperatives and capacity building.

| Item | f | % |
|--|-------|------|
| Q.6 Cooperatives board members do not have necessary skills to run cooperatives. | | |
| Agree | 26 | 52 |
| Strongly agree | 15 | 30 |
| Disagree | 5 | 10 |
| Strongly disagree | 3 | 6 |
| Uncertain | 1 | 2 |
| Total | fx=50 | 100% |

Q.6 stated that forty-one (82%) respondents agreed with the statement. Eight (16%) of the respondents disagreed with the statement. Only one (2%) of the respondents was recorded to be uncertain.

From the above data, it is evident that the majority of the respondents confirmed that cooperative board members have a shortage of necessary skills to manage them. Lack of skills hampers the sustainability of cooperatives as cooperatives members lack the know-how knowledge of the daily operational activities of their cooperatives in Muyexe. Through capacity-building programmes, cooperatives are supported to strengthen their governance and operational capacity to ensure that their operations are run on sound business practices. The above data does not agree with the RDP framework of 2004 that recognizes a broad view of education and training in all areas of our society :homes, workplaces, public works programmes, youth programmes and in rural areas. Hence lack of capacity building seems to be a challenge in the area of the study.

Table 4.6 Cooperatives, illiteracy and education.

| Item | f | % |
|---|--------|------|
| Q.7 Most of the cooperative members do not have formal education above grade 12 | | |
| Agree | 20 | 40 |
| Strongly agree | 21 | 42 |
| Disagree | 2 | 4 |
| Strongly disagree | 4 | 8 |
| Uncertain | 3 | 6 |
| Total | fx= 50 | 100% |

Q.7 showed that forty-one (82%) of the respondents agreed with the statement. Six (12%) of the respondents disagreed with the statement, while three (6%) of the respondents were recorded as uncertain.

From the above analysis, it is clear that most of the respondents confirmed that cooperatives members do not have formal education above grade 12 in Muyexe. Lack of formal education impacts negatively on the management of cooperatives in the area of the study. Thaba (2015) also argued that cooperatives in South Africa are formed by the old unemployed people, with little or no education, mostly from the rural areas and townships. Ortmann and King (2006) agreed with Thaba (2015) that lack of education is one of the contributing factors of high failure rate of cooperatives. According to Yamusa (2014:165) Educational level plays a good role in adoption of new and innovative production methods and undertaking risks.

Muyexe art and craft cooperatives do not comply to the fifth universal principle of cooperatives stipulated in the Cooperative Act of 2005 that says “cooperatives should provide education and training for their members, elected representatives, managers and employees so that they can contribute efficiently to the development of their cooperative”. Promotion of education by organisations such as government

and others to board of directors and other members of the cooperatives can improve the sustainability of cooperatives in the area of the study.

Table 4.7 Cooperatives and clarity on policies

| Item | f | % |
|---|-------|------|
| Q.8 Most cooperatives board of directors understand cooperatives policies | | |
| Agree | 8 | 16 |
| Strongly agree | 6 | 12 |
| Disagree | 18 | 36 |
| Strongly disagree | 13 | 26 |
| Uncertain | 5 | 10 |
| Total | fx=50 | 100% |

Q.8 showed that thirty-one (62%) of the respondents disagreed with the statement. Fourteen (28%) of the respondents agreed with the statement, while only five (10%) were recorded as uncertain.

From the above analysis, it is evident that the majority of respondents believed that the majority of cooperatives board of directors from Muyexe art and craft cooperatives do not understand cooperatives policies. Lack of knowledge related to cooperative policies affect the management of cooperatives in the area of study. The cooperative members do not know their roles and responsibilities in the study area. The members of the cooperatives have not attended annual general meetings since their establishment as required by the Cooperative Act of 2005, cooperative constitution and other policies. Some of the board of directors do not attend board meetings, only few cooperatives do attend board meetings in the area of the study. According to the respondents point of view, these board members do not have proper records of the meetings. There is a need for government officials to clarify policies and to ensure that cooperatives policies are implemented effectively.

Table 4.8 Cooperatives and cooperative constitution.

| Item | f | % |
|--|-------|------|
| Q.9 Cooperative members do not have knowledge about the seven cooperative principles | | |
| Agree | 41 | 82 |
| Strongly agree | 5 | 10 |
| Disagree | 2 | 4 |
| Strongly disagree | 1 | 2 |
| Uncertain | 1 | 2 |
| Total | fx=50 | 100% |

Q.9 revealed that forty-six (92%) of the respondents agreed with the statement. Three (6%) of the respondents disagreed with the statement and only one (2%) respondent was recorded as uncertain.

From the above information, it is clear that the majority of respondents confirmed that most of the cooperatives members do not have knowledge about the seven cooperative principles. Lack of knowledge about cooperatives' constitution made board members not to adhere to the rules and guidelines of cooperatives. Ortmann and King (2006) are of the opinion that members of failed or poor-performing cooperatives appear to have failed to clearly understand the purpose of a cooperative, how it functions, and what members' rights are. This hampers the sustainability of cooperatives in the area of the study. For a cooperative to be successful and serve its purpose members need to have knowledge of cooperatives.

Figure 4.2 Cooperatives, monitoring and evaluation.

Question 10 Cooperatives are not monitored by supporting institutions

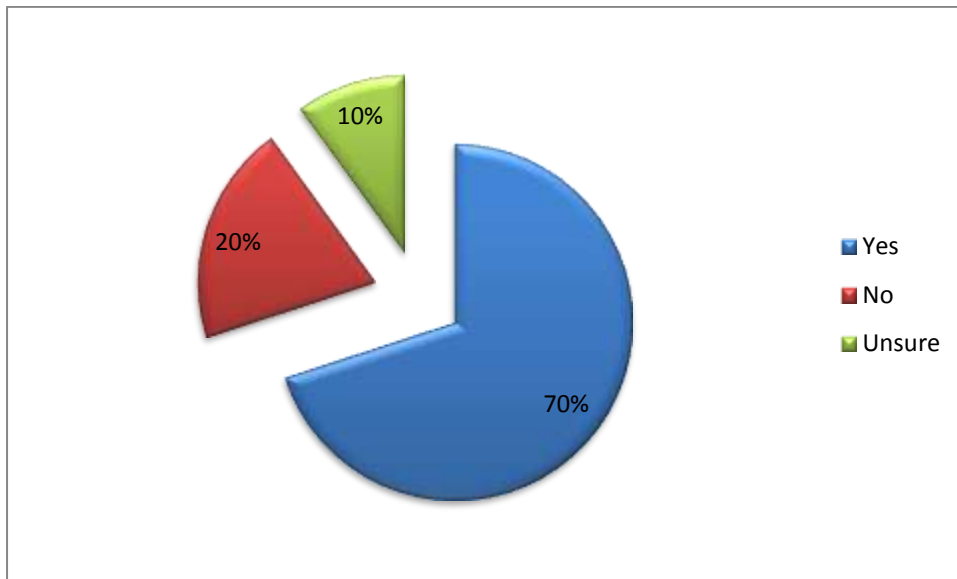


Figure 4.2 Cooperatives, monitoring and evaluation.

Q.10 revealed that thirty-five (70%) of the respondents agreed with the statement. Ten (20%) of the respondents disagreed with the statement, while five (10%) of the respondents were recorded as unsure.

From the above data, it is clear that the majority of the respondents concurred that cooperatives in the area of study are not monitored by institutions that support these cooperatives. Lack of monitoring and evaluation impacts negatively on cooperatives causing their members to look for other opportunities in other sectors. Though Thaba (2015) consents that implementation and monitoring is very important in engaging with the cooperatives to ensure that the skills and knowledge are transferred to the cooperatives, however trainings conducted have not been monitored in the area of the study.

Figure 4:3 Cooperatives and experience.

Question 4:11 Cooperatives members have not worked with cooperatives for the past five years.

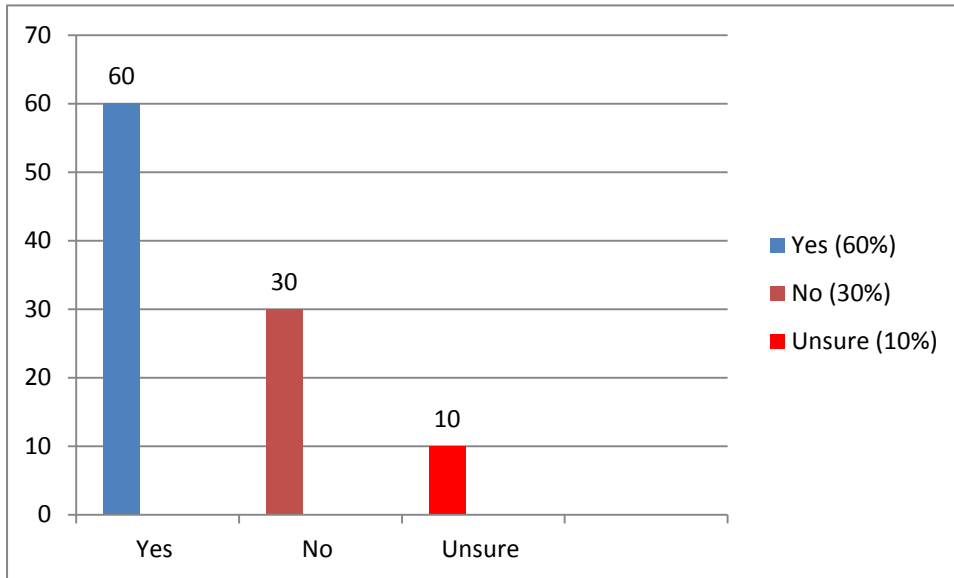


Figure 4.3 Cooperatives and experience

Q.11 indicated that thirty (60%) of the respondents agreed with the statement. Fifteen (30%) of the respondents disagreed with the statement, while five (10%) of the respondents were recorded as unsure.

From the above analysis, it is clear that the majority of the respondents confirmed that cooperatives members have not worked with cooperatives for the five past years. Lack of experience causes the cooperatives to be dysfunctional during the first years of establishment in the area of the study. This is caused by the fact that most of the cooperatives members do not know their roles and responsibilities therefore limiting participation by members. Brynis et al (2001) recommends that cooperatives should implement a management training process for the management team (manager and board members) regardless of the level of previous management experience. To maintain sustainability of cooperatives, learning should be prioritised as a continuous activity in the area of the study.

4.3 Analysis of data collected through interviews.

To supplement the above data, the researcher has also obtained information through interview. The interview was done with ten respondents (cooperatives board members) who were familiar with the daily operational activities of cooperatives in the area of study. These cooperatives board members indicated that they were elected by other members of the cooperatives to represent them. The responses from the interviewees were derived from the factors that cause unsustainability of cooperatives in Muyexe. The following responses were obtained from the interviewees:

- **Lack of cooperative governance.**

Out of ten respondents interviewed, eight of them believed that lack of cooperative governance causes lack of sustainability of cooperatives.

- **Inadequate developmental programmes.**

Out of ten respondents interviewed, nine of them indicated that inadequate developmental programmes are amongst the challenges that cause unsustainability of cooperatives in the area of study.

- **Lack of experience in managing cooperatives.**

Out of ten board members that were interviewed, seven of the respondents claimed that they were not elected according to their experience, hence there is no sustainability of cooperatives. These respondents also indicated that they do not have experience of where to market their products.

- **Lack of management of conflict.**

Out of ten respondents interviewed, eight of them believed that lack of knowledge in managing conflict always hampers the sustainability of cooperatives.

- **Lack of ownership.**

Out of ten board members of the cooperatives, nine of the respondents believed that lack of ownership affects the sustainability of cooperatives. According to the respondents this is caused by the top down decisions made to them by government

officials, hence no effective participation and sustainability of cooperatives in Muyexe.

4.4. Conclusion

The chapter reveals the challenges that cause unsustainability of cooperatives in Muyexe. Some of the factors that cause lack of sustainability of cooperatives in the area of the study were revealed and analysed in this chapter. From the findings, it is evident that there is a need for training board of directors and other cooperatives members in the area of the study. Lack of financial support also affects the sustainability of cooperatives in the study area. Adequate education can contribute meaningfully to the sustainability of cooperatives in the area of study. Implementation of projects without policy clarification also negatively affected cooperatives in the area of study negatively. Monitoring and evaluation can also enhance the sustainability of cooperatives in Muyexe. Data collected in the study was presented, analysed, discussed and interpreted in this chapter.

In the next chapter, an overview of the study, findings, recommendations and general conclusion for the study will be presented.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

Chapter 4 presented the findings of data that was collected from Muyexe cooperatives. Descriptive and inferential statistics were used to analyse data collected in the area of the study. Data analysed was presented and summarised using percentages, tabular forms and circle digrams and then interpreted. The analysis revealed some of factors contributing to the unsustainability of cooperatives are lack of managerial skills, lack of corporate governance, lack of financial support, lack of formal education, lack of knowledge related to cooperative policies. Lack of knowledge of seven principles of cooperatives, lack of monitoring and evaluation, lack of experience and lack of developmental programs were also found as contributing factors of unsustainability of cooperatives in the area of the study.

Cooperatives members in Muyexe need strategies that will assist them to sustain their business. Data collected in Chapter 4 revealed that there is lack of sustainability of cooperatives in Muyexe. In order to minimize the challenges faced by cooperatives members, policy makers should develop appropriate strategies that will enhance the sustainability of cooperatives in the area of the study.

This chapter will also present the findings and recommendations of the objectives in chapter one.

5.2. Overview of the study

In chapter one the researcher presented an orientation to the background of the problem. The review of literature that has assisted the researcher to understand the concept cooperatives and its implication was presented in chapter two. The lessons to be learnt from Spain, Japan and Kenya were also reflected in chapter two. The research approaches, methods and research techniques that were used to collect and assess data were fully discussed in chapter three. Mixed method approach employed for the purpose of this study was also discussed in chapter three. Data collection and discussion of results were outlined in chapter four. Summarised data using frequencies, percentages, tables, circle diagrams was also discussed in

chapter four. The findings and recommendations derived from the challenges of lack of sustainability in cooperatives are outlined and discussed in this chapter.

5.3. Findings from the study

The findings from literature, imperical investigation and structured interviews have revealed some important ideas and strategies that can be employed by the stakeholders to improve the sustainability of cooperatives in Muyexe.

5.3.1 Findings from literature review

- The cooperative concept is not static but dynamic (Roelants et al 2012). This term can be defined and interpreted by various authors from different perspectives.
- The cooperative concept needs clarification and analysis, so as to be understood by the tenants of cooperatives.
- Cooperatives involve aspects such as governance, management skills, monitoring, evaluation and other related traits of leadership.
- The application of the above traits of leadership can also assist the cooperatives members to manage organisations effectively. This process will assist the cooperatives members to achieve the intended objectives of their organisations.

5.3.2 Findings from emperical study

- Forty-five (90%) of the respondents disagreed that most of the cooperatives board members in the area of study do not have managerial skills.
- Forty-two (84%) of the respondents confirmed that most of the cooperatives board members do not have good corporate governance in the area of the study
- Thirty-seven (74%) of the respondents claimed that Muyexe art and craft cooperatives do not have financial support.
- Forty-one (82%) of the respondents confirmed that cooperatives board members in the area of the study have not acquired necessary skills to run cooperatives.

- Forty-one (82%) of the respondents agreed that most of the cooperatives members do not have formal education above grade 12.
- Thirty-one (62%) of the respondents believed that the majority of cooperatives board members from Muyexe art and craft cooperatives do not understand cooperatives policies.
- Forty-six (92%) of the respondents believed that most of the cooperatives members in Muyexe art and craft cooperatives do not have knowledge about the seven cooperatives principles.
- Thirty-five (70%) of the respondents concurred that cooperatives in the area of study are not monitored by institutions that support these cooperatives.
- Thirty (60%) of the respondents concurred that cooperatives members in the area of study have not worked with cooperatives for the past five years.

5.3.3 Findings from the structured interviews.

The researcher conducted an interview amongst the tenants of cooperatives. This was done to understand the factors that impact negatively on the sustainability of cooperatives in the area of the study. The following responses emerged from the ten (10) interviewed cooperatives board members.

➤ Lack of cooperative governance.

The majority of the respondents believed that lack of cooperative governance cause lack of sustainability of cooperatives.

➤ Inadequate developmental programmes.

Most of the respondents indicated that inadequate developmental programmes are one of the challenges that cause unsustainability of cooperatives in the area of the study.

➤ Lack of managerial experience

Most of the respondents claimed that lack of managerial experience is the cause of lack of sustainability of cooperatives in the area of the study.

➤ **Lack of management of conflict.**

The majority of the respondents believed that lack of knowledge in managing conflict always causes the unsustainability of cooperatives.

➤ **Lack of ownership.**

Most of the respondents interviewed, believed that lack of ownership impacts negatively on the sustainability of cooperatives.

5.4. Recommendations

On the basis of the findings from primary data, the following motivated recommendations are made:

- The cooperatives members should be encouraged to attend courses related to managerial skills.
- Cooperatives board members should be encouraged to attend training on corporate governance.
- Both government and other agencies should be encouraged to provide financial assistance so as to maintain the sustainability of cooperatives in the area of the study.
- The cooperatives members should be encouraged to further their studies. This will assist them in improving the sustainability of cooperatives in the area of the study.
- The policy makers should be encouraged to empower board members on issues related to policy implementation.
- The cooperatives members should be encouraged to master the seven principles of cooperatives. This will assist them to manage cooperatives in a professional manner.
- Policy makers and agencies should be encouraged to monitor cooperatives. This process will assist the cooperatives to be sustainable.
- The members of the cooperatives should be encouraged to attend courses related to conflict management. Proper management of conflict can always contribute to the sustainability of cooperatives.

- The policy makers and agencies should be encouraged to develop enough developmental programmes that will enhance the sustainability of cooperatives in the area of the study.
- The policy makers should allow board members to have ownership of their cooperatives, so as to improve sustainability in the organisation.
- Cooperatives members should be encouraged and empowered to work in the cooperatives sector above five years in order to improve the sustainability of cooperatives.

5.5. Recommendation for further research

Every research is intended to suggest further research because there is no research which is complete in itself. The following topics are suggested for further research:

- The perception of board members on cooperatives governance.
- The impact of resources on the management of cooperatives.
- The role of board members on employees' performance in the cooperatives.
- The effect of training towards the effectiveness of cooperatives.
- The role of financial institutions towards the sustainability of cooperatives.

5.6. Conclusion.

The purpose of the study was to investigate the challenges of lack of sustainability of cooperatives. The literature review and the primary findings have revealed some of the factors that cause unsustainability of cooperatives. The aim of the study was to make recommendations towards effective management and sustainability of cooperatives in Muyexe.

For policy makers to resolve the above challenges, they should organise relevant training programmes that will empower cooperatives members on issues related to the seven principles of cooperatives. This study is just an alert to all stakeholders, it is up to them to implement some of the recommendations and strategies stated by the researcher in this study.

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APPENDIX i: Questionnaire for beneficiaries of Muyexe art and craft cooperative.

This questionnaire is for collection of data towards a Masters degree at University of Limpopo (Turloop Graduate School of Leadership). The purpose of the survey is to find out the challenges of lack of sustainability of cooperatives. A perspective of selected art and craft cooperatives in Muyexe village. Cooperative members are requested to participate voluntarily.

Instruction: Respondents are requested to mark the appropriate boxes with an X.

1. Gender

| | |
|--------|--|
| Female | |
| Male | |

2. Age

| | |
|----------|--|
| 18-30 | |
| 31-39 | |
| 40-49 | |
| 50-59 | |
| Above 60 | |

3. Do cooperative board members have managerial skills?

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

3.1. If agree/ List skills below?

.....

.....

.....

4. Most of the cooperative board members practice good corporate governance.

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

If answer is agree in Question 4, please answer question 4.1 to 4.4.

4.1. How often does the cooperative board members communicate with other members?

.....

4.2. What are the roles and responsibilities of cooperatives members?

.....

4.3. When last did you attend cooperative meeting?

.....

4.4. When was your last annual general meeting?

.....

5. Most co-operatives have financial support.

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

If answer is agree in Question 5, please answer Question 5.1 and 5.2:

5.1. Type of support received by your cooperative

| | |
|----------------|--|
| Grant | |
| Loan | |
| Other: Specify | |

5.2. The name of the institution/s that supported the cooperative

.....

.....

6. Cooperatives board members do not have necessary skills to run cooperatives.

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

7. Most of the cooperative members do not have formal education above grade 12.

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

8. Most cooperatives board of directors understand cooperatives policies.

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

9. Cooperative members do not have knowledge about the seven cooperative principles

| | |
|-------------------|--|
| Agree | |
| Strongly agree | |
| Disagree | |
| Strongly disagree | |
| Uncertain | |

10. Cooperatives are not monitored by supporting institutions.

| | |
|--------|--|
| Yes | |
| No | |
| Unsure | |

10.1. If no, provide reason your answer.

.....
.....
.....

11. Cooperatives members have not worked with cooperatives for the past five years..

| | |
|--------|--|
| Yes | |
| No | |
| Unsure | |

Thank you for participating in this research.

APPENDIX ii: Interview guide

This interview guide is for collection of data towards a Masters degree at University of Limpopo (Turffloop Graduate School of Leadership). The purpose of the survey is to find out the challenges of lack of sustainability of cooperatives. A perspective of selected art and craft cooperatives in Muyexe village. Board of directors are requested to participate voluntarily.

The researcher is to complete the interview questions during conversation with respondents.

1. Lack of corporate governance affect sustainability of cooperatives.

| | |
|-----|--|
| Yes | |
| No | |

If yes, how does it affect sustainability of cooperatives?

.....
.....
.....

2. Adequate developmental programmes are available for managing cooperatives.

| | |
|-----|--|
| Yes | |
| No | |

If no, what do you recommend?

.....
.....
.....
.....

3. Managerial skills improve the sustainability of cooperatives.

| | |
|-----|--|
| Yes | |
| No | |

If no, what improves the sustainability of cooperatives?

.....
.....
.....

4. Cooperatives with lack of conflicts are sustainable.

| | |
|-----|--|
| Yes | |
| No | |

If yes, how can cooperatives minimize conflicts?

.....
.....
.....
.....

5. Cooperatives are owned by members who established them.

| | |
|-----|--|
| Yes | |
| No | |

If no, why members are not owners of their cooperatives?

.....
.....
.....
.....
.....

Thank you for participating in this research.