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THE SUSTAINABILITY OF COOPERATIVES IN PERI-URBAN AREAS OF NELSON MANDELA BAY MUNICIPALITY

BY

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DECLARATION:
In accordance with Rule G4.6.3, I hereby declare that the above-mentioned treatise/dissertation/thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

SIGNATURE : .................................................................

DATE : .................................................................
ABSTRACT

This research study focuses on investigating the sustainability of cooperatives in the peri urban areas of Nelson Mandela Bay Municipality.

The researcher described a cooperative concept, identified and explained a research problem. Research study addressed literature extensively on the local and international scenes; looking at cooperative case studies of India, California, United Kingdom, Ghana, Bangladesh and South Africa. The researcher used a qualitative research methodology using structured and semi structured questionnaires that were distributed to thirty identified cooperatives in Walmer Location and external stakeholders supporting cooperatives. Face to face and telephonic interviews were used during research in three identified funded cooperative members, registered cooperative members and external stakeholders supporting cooperatives.

Research findings confirmed unequitable age distribution in cooperatives. Young people constituted 10% of cooperatives' membership which led to non-transference of knowledge and experience from the elderly to the young; dominance of women in cooperatives who joined or registered cooperatives with the intention of receiving a sustainable income so that they could support their families; poor governance in cooperatives caused cooperatives to fail. Eighty percent of registered cooperative members during research confirmed that they do not have access to the markets, while 2% confirmed that they have access to the markets although they are unable to secure contracts; research confirmed that the majority (59%) of Walmer Location registered cooperative members do not have matric (grade 12) while 25% of cooperative members have matric and 16% have a post-matric qualification; research findings confirmed a decrease in the survival rate of cooperatives after registration without receiving financial support; research findings confirmed that cooperative members do not receive all training programmes that would ensure cooperatives' sustainability; other cooperative challenges include lack of cooperation among cooperatives, lack of monitoring and evaluation systems, high crime rate and
continuous service delivery protests and lack of integration among stakeholders supporting cooperatives.
ACKNOWLEDGEMENT

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- My classmates (Mr L. Mmangweni and Mr T.Nyengule) who motivated me during my research.

- The external stakeholders working on cooperative development and registered cooperatives of Walmer Location especially the three funded cooperatives who responded to my questionnaires immediately. The sample of cooperative members interviewed accommodated and responded to my clarity seeking questions.

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M. Mabaleka
# TABLE OF CONTENTS

List of tables and figures .................................................................11
Abbreviations and acronyms..............................................................12

**Annexures**

Annexure A: Interview schedule for cooperatives (participants) ..............113
Annexure B: Letter to conduct a research...........................................122
Annexure C: Interview schedule for external stakeholders ......................123
Annexure D: Turnitin report...............................................................129

## CHAPTER 1

1. BACKGROUND AND CONTEXT

1.1 Introduction ..................................................................................15
1.2 Background ..................................................................................15
1.3 Research problem and research question ......................................22
1.4 Research aim and objectives.........................................................23
1.5 Scope and scale of research..........................................................24
1.6 Research outline ...........................................................................24
1.6 Summary.......................................................................................25

## CHAPTER 2

2.1. Introduction....................................................................................27
2.2. Theoretical framework/ literature review .......................................28
2.2.1. Description of cooperatives....................................................28
2.3 Sustainability and situational analysis of cooperatives............................................29

2.3.1 Global analysis of cooperatives.............................................................................29

2.3.1.1 Status of cooperatives in India.........................................................................29

2.3.1.2 Case study of cooperatives in California.........................................................30

2.3.1.3 Case study of cooperatives in United Kingdom...............................................31

2.3.1.4 Status of cooperatives in Bangladesh............................................................32

2.3.1.5 Status of cooperatives in Africa.......................................................................32

2.3.1.5.1 Case study of Ghanaian cooperatives.........................................................34

2.3.1.5.2 Status of cooperatives in South Africa.......................................................36

2.4 Summary..................................................................................................................50

CHAPTER 3

3.1 Introduction...............................................................................................................52

3.2 Research design.......................................................................................................52

3.3 Research methods...................................................................................................53

3.3.1 Qualitative research method..............................................................................53

3.3.1.1 Quantitative research designs.......................................................................54

3.3.1.2 Collecting data in qualitative research.........................................................56

3.3.2 Quantitative research designs............................................................................56

3.4 Population and sampling.........................................................................................61

3.4.1 Convenience non-probability sampling.............................................................62

3.4.2 Purposive non-probability sampling..................................................................63

3.5 Sources of data used...............................................................................................64

3.5.1 Primary sources..................................................................................................64
CHAPTER 5

5.1 Introduction

5.2 Research recommendations

5.2.1 Training and incubation programme

5.2.1.1 Pre-establishment training

5.2.1.2 Training on governance and service standards

5.2.1.3 Training on supporting documents

5.2.1.4 Community based training and experiential learning programmes

5.2.1.5 Incubation and business support centres

5.2.2 Access to Markets

5.2.2.1 Marketing plan

5.2.2.2 Development of cooperative value chains

5.2.2.3 Advertising strategies

5.2.2.4 Profit maximization strategies

5.2.3 Support structures

5.2.3.1 Emerging cooperatives’ support programmes

5.2.3.2 Development forum and coordinating centres

5.2.3.3 Interdepartmental forums for cooperative support

5.2.3.4 Cooperatives’ Association

5.2.4 Cooperative tools and amenities in peri-urban areas

5.2.4.1 Situational analysis and feasibility study

5.2.4.2 Operating sites

5.2.4.3 Project plan/ work plan/ implementation plan

5.2.4.4 Monitoring and evaluation tools
5.2.4.5 Production plan...........................................................................................................105
5.2.5. Funding criteria for peri-urban cooperatives.................................................................105
5.2.5.1 Budgetary processes..................................................................................................105
5.2.5.2 Funding and funding checklist..................................................................................106
5.2.5.3 Assessment and due diligence report .................................................................106
5.3 Summary...........................................................................................................................107
5.4 Bibliography......................................................................................................................108

LIST OF TABLES AND FIGURES

TABLES

Table: 1.1: Provincial breakdown: status of cooperatives ..............................................18
Table: 1.2: Walmer Location registered cooperatives......................................................20
Table: 2.1: Provincial Incentive Scheme allocation.........................................................39
Table: 2.2: Challenges faced by South African cooperatives...........................................43
Table: 2.3 Research findings by Institute for Cooperatives in Eastern Cape........48
Table: 3.1: Interview schedule for respondents in cooperative development and a sample of cooperatives...........................................................................................................58
Table: 3.2: Steps in evidence validation .........................................................................65

FIGURES

Figure: 2.1: Trends in cooperative registration and de-Registration..........................38
Figure: 2.2: Overall provincial percentages of registered cooperatives in RSA .......38
Figure: 2.3: Percentage Survival and Mortality of Cooperatives per Province.......39
Figure: 4.1. Cooperative member’s age distribution.....................................................69
Figure: 4.2. Cooperative member’s gender distribution ..........................71
Figure: 4.3. Cooperatives’ access to market ......................................77
Figure: 4.4. Cooperative members’ education levels ............................80
Figure: 4.5. The survival rate of cooperatives without financial support ......81
Figure: 4.6. The cooperative members’ training ....................................87

ABBREVIATIONS AND ACRONYMS

ACSA : Airport Companies of South Africa
Agri SETA : Agricultural Sector Education and Training Authority
BBBEE : Broad Based Black Economic Empowerment
CBDSP : Cooperatives Business Development support programme
CBP : Community Based Plans
CIPC : Companies and Intellectual Properties Commission
CIPRO : Companies and intellectual Property Registration Office
CIS : Cooperative incentive scheme
COGTA : Cooperative Governance and Traditional Affairs
COOPS : Cooperatives
DAFF : Department of Agriculture Forestry and Fisheries
DHED : Department of Higher Education
DOC : Department of Communications
DOH : Department of Health
DoL : Department of Labour
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPW</td>
<td>Department of Public Works</td>
</tr>
<tr>
<td>DSD</td>
<td>Department of Social Development</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>EC</td>
<td>Eastern Cape Province</td>
</tr>
<tr>
<td>ECDC</td>
<td>Eastern Cape Development Corporation</td>
</tr>
<tr>
<td>ECPDF</td>
<td>Eastern Cape Provincial Development Fund</td>
</tr>
<tr>
<td>EEDD</td>
<td>Empowerment and Enterprise Development Division</td>
</tr>
<tr>
<td>EMIA</td>
<td>Export Marketing and Investment Assistance</td>
</tr>
<tr>
<td>FS</td>
<td>Free State Province</td>
</tr>
<tr>
<td>FSDC</td>
<td>Free State Development Corporation</td>
</tr>
<tr>
<td>GAU</td>
<td>Gauteng Province</td>
</tr>
<tr>
<td>GEP</td>
<td>Gauteng Enterprise Propeller</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
<tr>
<td>IDP</td>
<td>Integrated Development Plan</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>KZN</td>
<td>Kwazulu Natal Province</td>
</tr>
<tr>
<td>LED</td>
<td>Local Economic Development</td>
</tr>
<tr>
<td>LIBSA</td>
<td>Limpopo Business Support Agency</td>
</tr>
<tr>
<td>LIMP</td>
<td>Limpopo Province</td>
</tr>
<tr>
<td>MAFISA</td>
<td>Micro-Agricultural Financial Institute of South Africa</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
</tbody>
</table>
MOA : Memorandum of Agreement
MOU : Memorandum of Understanding
MP : Mpumalanga Province
NC : Northern Cape Province
NEP : National Empowerment Fund
NMMU : Nelson Mandela Metropolitan University
NT : National Treasurer
NW : North West Province
NYDA : National Youth Development Agency
SARS : South African Revenue services
SEDA : Small Enterprise and Development Agency
SLA : Service Level Agreement
SMME : Small Medium Micro Enterprises
WC : Western Cape Province
WEF : Women Entrepreneur Fund
WSU : Walter Sisuzu University

TERMINOLOGY:

Second Economy: refers to the country’s economy which combines the financial capital, labour and other resources among the masses of the people which then rebuild the communities and engage people in their own development through sustainable economic activities.
CHAPTER 1

1. BACKGROUND AND CONTEXT

1.1 INTRODUCTION

This chapter focuses on the cooperative background where cooperative concept is introduced. It explains how South Africa had shifted its focus towards cooperative development as a poverty eradication strategy. The status of cooperatives in South Africa is tabulated, research problem and outline is explained and a list of thirty identified cooperatives interviewed is tabulated.

1.2 BACKGROUND

In this study the researcher investigates the sustainability of cooperatives in peri-urban areas of Nelson Mandela Metropolitan Municipality.

A cooperative is defined as an autonomous association of persons united voluntarily to meet their mutual economic, social and cultural needs. In South Africa they have been identified by the government as a critical and viable means of alleviating poverty (www.dti.gov.za: 26 August 2013). In 2001 Cabinet of South Africa approved a new mandate for cooperative development and this was transferred from the Department of Agriculture to the Department of Trade and Industry (www.gautengonline.gov.za: 1 September 2013). This was followed by South Africa signing the International Labour Organization (ILO) recommendations. In 2004, a National Development Policy was developed and adopted by the minister of Trade and Industry. This lays the basis for the development of the legislation, strategy and other support interventions for cooperatives. The South African Cooperative Development Policy Act No 14 of 2005 was published in 2005, focusing on stimulating economic growth by all tiers of government (www.dti.gov.za: 26 August 2013).

A cooperative starts when a group of people who share common cultural aspirations have a common need, which will then lead to a common goal (www.dti.gov.za: 26 August 2013). Once there is a common goal these people will voluntarily group
themselves to achieve this goal. Everything performed or done within a cooperative is guided by seven governing principles. These are member democratic control, voluntary and open membership, autonomy and independence, educational training and information, cooperation among cooperatives, concern for community and member economic participation. During the formation of a cooperative, the chairperson reads a business plan which outlines the aims and objectives, as well as the business prospects in a meeting. After that questions are answered and then people are invited to join and complete a form confirming their membership. Following this a meeting is held where the objectives, operating site, finances and operation plan are discussed (www.dti.gov.za: 10 September 2013).

Once a cooperative is formed, it works as a distinct form of enterprise that provides services and products to its members. During provision of these services surpluses known as profits are generated and are divided among members of the cooperative (www.cipro.co.za: 24 February 2014).

Cooperatives experience problems of non-compliance to Cooperatives Act, membership conflicts, lack of cooperation among cooperatives, poor governance and lack of access to the markets, these occur before cooperatives are funded and even after funding, the researcher aims to investigate whether the above problems are causes of unsustainability of cooperatives in peri-urban areas. This is because cooperatives are formed with the purpose of creating an appropriate form of enterprise for black economic empowerment. Merret and Walzer (2001:5) identified two critical issues that need to be seriously considered when formulating a cooperative. These are cooperative financing and keeping the members interested in participating, and they are key for the sustainability of the cooperative.

The Department of Trade and Industry (DTI) started coordinating cooperative development by establishing national interdepartmental and provincial committees. The following twelve national departments formed interdepartmental committees; Department of Labour (DOL), Department of Public Works(DPW), Department of Social Development (DSD), Department of Communications (DOC), South African Revenue Services (SARS), National Treasurer (NT), Department of Higher Education
(DHED), Cooperative Governance and Traditional Affairs (COGTA), Department of Forestry and Fisheries (DAFF), Department of Sport and Tourism (DST), National Youth Development Agency (NYDA), and Department of Health (DOH). These committees were formed to coordinate cooperative development activities and programmes (Briefing on the development and support programmes for cooperative: Empowerment and enterprise Development Division (EEDD) by DTI (25 August 2012).

In 2007 the South African government kept the cooperative thrust on the policy agenda with reference to interventions required to stimulate the second economy. Second economy refers to the country’s economy which combines the financial capital, labour and other resources among the masses of the people which then rebuild the communities and engage people in their own development through sustainable economic activities (www.dti.gov.za; 25 November 2014). In that regard it mentioned four crucial areas of policy intervention that have a direct bearing on the implementation of the Cooperative Development Policy and Cooperative Act (www.dti.gov.za; 27 November 2013). These are practical actions for micro-finance including widening the Reach Apex Fund and MAFISA, ensuring the proper functioning of SEDA (which is the main policy implementation vehicle for cooperatives at national level); youth cooperative programmes and supporting the implementation of the Communal Land Act through various methods as they form part of cooperative development (www.dti.gov.za; 27 November 2013).

Besides the above given support systems that were developed by South African Government there is a Cooperative Bank Development Agency that was established to regulate and supervise the cooperatives’ banks. The Cooperative Bank was also formed to promote, register and regulate cooperative representative bodies, and promote funding for education and training to financial institutions. The Cooperative Bank offers cooperative credit, regulates support organisations, provides liquidity support to registered cooperatives and manages a deposit insurance fund (www.treasury.gov.za; 26 February 2014).
The South African government gave mandate of cooperative development to DTI who conducted a baseline study using Cooperative and Policy Alternative Centre (COPAC). This baseline study brought insights on the trends within a cooperative sector and challenges facing cooperative development in South Africa. The baseline study led to the development of research report which was used as a guide towards formulation of national development strategy (www.copac.org.za; 13 November 204). Research report was presented in a briefing on the development and support programme for cooperatives in 2010 by Empowerment and Enterprise Development Division of DTI. This is where there was a breakdown of performance of cooperatives in all provinces which shown a no of cooperatives registered per province, no of survivals national, no of dead cooperatives per province, survival and mortality rate of cooperatives per province. This breakdown is shown in the table 1.1.

**TABLE: 1.1:**

Status of cooperatives in South Africa, 25 August 2010

<table>
<thead>
<tr>
<th>Province</th>
<th>CIPRO: registered Data</th>
<th>National Picture: No of Survivors</th>
<th>No of Dead Coops</th>
<th>%Survival Rate</th>
<th>%Mortality Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>KZN</td>
<td>8697</td>
<td>1044</td>
<td>7653</td>
<td>12</td>
<td>88</td>
</tr>
<tr>
<td>EC</td>
<td>4124</td>
<td>287</td>
<td>3957</td>
<td>7</td>
<td>93</td>
</tr>
<tr>
<td>WC</td>
<td>1003</td>
<td>69</td>
<td>934</td>
<td>7</td>
<td>93</td>
</tr>
<tr>
<td>NC</td>
<td>798</td>
<td>20</td>
<td>778</td>
<td>2.5</td>
<td>97.5</td>
</tr>
<tr>
<td>Limpopo</td>
<td>1779</td>
<td>405</td>
<td>1474</td>
<td>22</td>
<td>78</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1396</td>
<td>187</td>
<td>1309</td>
<td>12.5</td>
<td>87.5</td>
</tr>
<tr>
<td>Gauteng</td>
<td>2265</td>
<td>394</td>
<td>1971</td>
<td>17</td>
<td>83</td>
</tr>
<tr>
<td>Free State</td>
<td>850</td>
<td>71</td>
<td>829</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>North West</td>
<td>1208</td>
<td>167</td>
<td>1090</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>National Total</td>
<td>22030</td>
<td>2644</td>
<td>19386</td>
<td>12</td>
<td>88</td>
</tr>
</tbody>
</table>

**SOURCE:** CIPRO-Briefing on the development and support programme for cooperatives: 25 August 2010.

The statistics in table 1.1 show that there is a crisis in all South African provinces when it comes to the mortality rate of cooperatives. The table shows that there is an
increase in the number of cooperatives that are registered, accompanied by high mortality in all provinces. The statistics show that Eastern Cape is one of the top four provinces with a high mortality rate. In this province which is predominantly dominated by rural areas, there is still a high poverty level. The statistics indicate that a cooperative strategy to be implemented by the South African Government should be investigated further, so that the gaps identified will be minimized. Survey of 2007 confirmed that in the Eastern Cape 58.33% of the population is living in poverty. The Eastern Cape Development Corporation fund manager stated that the keys to the success of cooperatives are business skills, understanding of cooperatives precepts and matching cooperative products produced to market needs. The cooperative’s access to the market relies on quality and standards but these are currently lacking within the cooperative sector (www.getnews.co.za:24 May 2011).

Shenxane Thabo is a manager of Imvaba Eastern Cape Provincial Cooperative Development Fund (ECPCDF). He heads up the R50 million cooperatives fund that supports cooperatives within the Eastern Cape. This fund is controlled primarily by the Eastern Cape Provincial Cooperative Strategy. Shenxane confirmed that thousands of cooperatives fail every year because members do not understand the laws that govern the enterprise and that there is limited access to market. This problem causes people to remain in cooperatives as members when there is no financial backing from outside. The mentality is that cooperatives are established in order to access grants. Shenxane identified cooperatives as key to social entrepreneurship and further added that cooperatives are integral to social entrepreneurship as a means of dealing with economic challenges. The challenges they face are enormous and a conducive environment should be created to support them, given that government saw fit for them to be recognised as a legal entity through the Cooperative Act of 2005 (www.getnews.co.za: 24 May 2011).

Policy makers and researchers have a responsibility for recognising the challenges faced by cooperatives which cause them to fail in achieving their objectives. The researcher would like to apply this to the proposed study by taking responsibility to work for cooperative sustainability that will assist in the satisfaction of community needs, one of the focus areas of cooperatives.
South Africa is not the only country experiencing the challenge of the lack of sustainability in cooperatives. Griffiths (2003 and 2004) stated that cooperatives in Australia fail as cooperatives when they cease practising cooperatives values and principles. This failure is associated with non-recruitment of new members, lack of cooperative education and training for directors, managers, staff and poor marketing plan (www.australia.coop:6 February 2014).

The national Cooperative Development Policy of Uganda identified insufficient financial resources as one of causes of failure of cooperatives in Uganda. The main sources of finance are members share capital, entrance fees, annual subscription fees and retained earnings. The failure of the members to raise meaningful capital compels societies to take loans at interests’ rate of up to 29% per annum to run a cooperative business (www.tralac.org: 18 June 2014).

A survey to check status of cooperatives in Walmer Location was done by an investigator and community development worker in Walmer Location on 11 October 2012, 9 November 2012 and 24 January 2013. About 30 registered cooperatives in Walmer Location were identified. These cooperatives were registered to do different activities, table 1.2 states the name of an identified cooperative and a core business it was registered to do.

**TABLE 1.2: Walmer Location registered cooperatives**

<table>
<thead>
<tr>
<th>Name of cooperative</th>
<th>Core business</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intsindabadala Cooperative</td>
<td>Building and construction</td>
</tr>
<tr>
<td>• Intlalo Building Construction Cooperative</td>
<td></td>
</tr>
<tr>
<td>• Imbumba Cooperative</td>
<td></td>
</tr>
<tr>
<td>• Siyazama Construction Cooperative</td>
<td></td>
</tr>
<tr>
<td>• Luyolo Cooperative</td>
<td></td>
</tr>
<tr>
<td>Cooperative</td>
<td>Activity</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Kubalulekile Cleansing Cooperative</td>
<td>Cleaning and waste management</td>
</tr>
<tr>
<td>Siyacoca Community Based Cooperative</td>
<td></td>
</tr>
<tr>
<td>Sihlambesinye Cooperative</td>
<td></td>
</tr>
<tr>
<td>Lothukela Cooperative</td>
<td></td>
</tr>
<tr>
<td>Sodlasonke Cooperative</td>
<td></td>
</tr>
<tr>
<td>Mbubesizwe Cooperative</td>
<td></td>
</tr>
<tr>
<td>Gqebera ward 4 Cooperative</td>
<td></td>
</tr>
<tr>
<td>Vuk’uzimele Cooperative</td>
<td></td>
</tr>
<tr>
<td>Ncedolwethu cleaning cooperative</td>
<td></td>
</tr>
<tr>
<td>Sonwabise Cooperative</td>
<td>Multi-purpose (do all activities)</td>
</tr>
<tr>
<td>Siphakamile Cooperative</td>
<td></td>
</tr>
<tr>
<td>Amagqiyazana Cooperative</td>
<td></td>
</tr>
<tr>
<td>Galelebhayini Cooperative</td>
<td></td>
</tr>
<tr>
<td>Sihlangene kulendawo Cooperative</td>
<td></td>
</tr>
<tr>
<td>Litha Cooperative</td>
<td></td>
</tr>
<tr>
<td>Gqebera ward 4 Cooperative</td>
<td></td>
</tr>
<tr>
<td>Maxhosandile Cooperative</td>
<td></td>
</tr>
<tr>
<td>Sinenjongentle Cooperative</td>
<td></td>
</tr>
<tr>
<td>Vakasha Tour Cooperative</td>
<td>Touring services</td>
</tr>
<tr>
<td>Ikhaya Lethemba Cooperative</td>
<td>Soup Kitchen</td>
</tr>
<tr>
<td>Emerging Farmers’ Cooperative</td>
<td>Agricultural activities</td>
</tr>
<tr>
<td>Walmer hydroponics Cooperative</td>
<td></td>
</tr>
<tr>
<td>Saqala Sewing and dress making Cooperative</td>
<td>Sewing services</td>
</tr>
<tr>
<td>Limanyene Cooperative</td>
<td>Bakery services</td>
</tr>
<tr>
<td>Strike a woman Cooperative</td>
<td>Catering services</td>
</tr>
<tr>
<td>Kololo Cooperative</td>
<td></td>
</tr>
</tbody>
</table>
A survey confirmed that there are only two cooperatives that are currently operating in the location, Sodlasonke Cooperative and Intlalo Building Construction Cooperative. Both cooperatives are currently supported by government. Sodlasonke is funded by Nelson Mandela Bay Municipality and Intlalo is funded by the Department of Social Development and Special Programmes under community development sub-directorate which is responsible for promoting development though community projects. The sustainability of these cooperatives after government funding received is not guaranteed. It was also confirmed that all the above mentioned cooperatives are registered as primary cooperative which is a cooperative formed by a minimum of five persons whose objective is to provide employment or services to its members and to facilitate community development; there are no secondary cooperatives registered in the location which is a cooperative formed by two or more primary cooperative to provide sectoral services to its members, and may include juristic functions (www.cofisa.co.za: 23 September 2013).

1.3 RESEARCH PROBLEM AND RESEARCH QUESTION

Research problem

The research will look at why there is lack of sustainability in cooperatives operating in the peri-urban areas of Nelson Mandela Bay Municipality, focusing on Walmer Location.

In “The Provincial Status of Cooperatives in South Africa by CIPRO, 25 August 2010” it was shown that Eastern Cape has a 93% mortality rate. This is despite the fact that there are so many cooperative support programmes, policies and acts developed by the South African Government whereby various government departments are assigned the task of supporting and developing cooperatives as a poverty alleviation strategy through the generation of income.

Research Question

Why are cooperatives in peri-urban areas of Nelson Mandela Bay Municipality not sustainable?
Problem questions

(a) What are the challenges faced by cooperatives that hinder the cooperatives’ sustainability?
   o How do members’ ages influence the sustainability of a cooperative?
   o How members’ gender influences the sustainability of a cooperative?
   o How does an education level of cooperative members influence the cooperatives sustainability?

(b) How cooperatives are governed?
   o What steps do cooperatives follow when nominating the executive?
   o How often are meetings convened?
   o Do the executive members understand their roles and duties in a cooperative?
   o Do cooperatives have board of Directors?
   o Do cooperatives have bank accounts and savings in their bank account whether from subscriptions or grant fund?
   o Do co-operatives submit the annual financial statements and convene annual general meetings?

(c) Do cooperatives have access to markets?

(d) What is the survival rate of cooperatives without financial support?

(d) What factors and tools cooperatives have to ensure sustainability?

(e) What are the training programmes cooperative members have attended and how they assisted a cooperative in its sustainability?

1.4 RESEARCH AIM AND OBJECTIVES

The research aims to:

Investigate the lack of sustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality, focusing on Walmer Location.

Research objectives

• Investigate whether there is any causal relationship between the time when a cooperative is registered and the time when it receives financial support.
• Identify the challenges faced by a cooperatives that hinder sustainability, comparing them with support programmes offered by government
• Compare two funded cooperatives in Walmer Location through cost benefit analysis in order to assess their sustainability.

1.5. SCOPE AND SCALE OF RESEARCH

The research study will be conducted in Nelson Mandela Bay Municipality which is made up of Uitenhage, Despatch and Port Elizabeth in the province of the Eastern Cape, consisting of about 1.1 million people. The focus area is Port Elizabeth (Walmer Location) which is a peri-urban area next to Port Elizabeth Airport. In this area about 80% of the people live in RDP houses while the rest live in an informal settlement known as Airport Valley.

Research on sustainability of cooperatives in peri-urban areas would be conducted through the use of questionnaire that will be distributed to thirty identified cooperatives and external stakeholders working on cooperative development. A qualitative research methodology will be used. Tools that will be used for gathering data will be guided by semi and structured qualitative questionnaires. Sources that will be used will be primary and secondary sources. In conducting a research both face to face and telephonic interviews will be used. Information gathered will be analysed. Findings obtained will be noted. Recommendations and conclusions will be drawn by researcher.

1.6 RESEARCH OUTLINE

Chapter 1: chapter one focuses on the general background to the research that includes the problem statement, the rational of the study and an overview of the research methodology.

Chapter 2: chapter two deals with the literature review, focusing on primary and secondary literature and material that deals with cooperatives and how they were interpreted by various theorists.
Chapter 3: chapter three outlines the research methodology and describes the identified research tools, collection of data and methods of data analysis and interpretation.

Chapter 4: chapter four focuses on the findings of structured and semi-structured open ended questions using qualitative research approach methods.

Chapter 5: Chapter five provides conclusions based on the findings and discussions and gives recommendations.

1.7. Summary

The Eastern Cape is currently experiencing serious challenges in ensuring that cooperatives are registered and are sustainable so that the second economy identified above can grow. In the investigation, findings on sustainability of the cooperatives are identified and recommendations made. These recommendations will focus on measures that can be taken to assist cooperatives in their development.

Chapter two looks at the literature review. It focuses on the primary and secondary literature material that deals with cooperatives globally and looks at interpretations made by various theorists on the sustainability of cooperatives in South Africa and Eastern Cape.

This chapter would be followed by chapter three that will outline the research methodology; describe the research tools, how data will be collected, and methods of data analysis and data interpretation. The research would be a systematic process of collecting, analysing and interpreting information gathered from a sample of cooperatives interviewed and external stakeholders supporting cooperatives for understanding the sustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality.

The investigation on sustainability of cooperatives will be conducted through the use of face to face and telephonic interviews. The findings would be obtained from the use of structured and/ or non-structured open ended questions using qualitative
research approach methods. Then recommendations and conclusions will be suggested by the researcher based on findings obtained during research.
CHAPTER 2

2 LITERATURE REVIEW

2.1 INTRODUCTION

This chapter focuses on defining and description of a cooperative concept; reasons for the formulation of cooperatives are discussed. A literature review is done which focuses on the success stories or failures or challenges of cooperatives globally.

Cooperative development has been identified by various countries like India, California, United Kingdom, Bangladesh, Ghana and South Africa as one of the strategies of reducing poverty in countries, where people were encouraged to group themselves and do activities that would assist them in lowering the poverty levels in their communities. South Africa emphasized the importance of cooperative development in 1999, in the parliamentary address of the 25th June 1999 former president Thabo Mbeki stated that “The government will also place more emphasis on the development of cooperative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activities”.

Cooperatives were encouraged to register as legal entities so that they could access funds which would be used as start-up capital in their projects or businesses. According to Cooperative Act No 6 of 2013 cooperatives should operate as other businesses by having audited reports, independent reviewed report or annual report which could be circulated to all members fourteen days before the annual general meeting( www.saica.co.za; 24 April 2014).

Anchel, Brennon and Smith (1969) confirmed that cooperatives existed since the early days of civilization where working together was promoted. As a result cooperatives are recognised as another form of business enterprise that enables a group of individuals, partnerships or cooperation to combine for the purpose of producing, buying or selling a commodity or service. The objectives of cooperatives are generally not achieved as indicated above, due to the many problems they
encounter as discussed later. This chapter focuses on different case studies, research interviews and interpretations done by various researchers regarding the cooperatives’ success stories and cooperatives’ failures.

2.2 THEORETICAL FRAMEWORK/ LITERATURE REVIEW

2.2.1 DESCRIPTION OF COOPERATIVES:

A cooperative is distinguished by being an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise, organized and operated on cooperative principles (www.dti.gov.za: 23 August 2013). Cooperative comes from the word ‘co-operate’, meaning working together to reach a common goal whether cultural, economic or social as they are stated above. Ndumo (2012) stated that cooperatives can be used as a business model to effectively empower South African communities by creating employment and helping in eradicating poverty. Economically, cooperatives are a good successful model of creating employment and elimination of poverty (www.southafrica.info: 17 May 2014).

Anschel, Brannon and Smith (1969:14) confirmed that cooperatives have been in existence since the early days of civilization. The establishment of cooperatives was based on the belief that individual farmers can work together to enhance their economic position while at the same time influencing the marketing system positively. The responsibility of a cooperative is to ensure that members work together and that they buy as a group and support each other. Hannah and Stirling (1988:37) stated that there must be co-operation between cooperatives with the aim of unity of action by co-operators throughout the world.

Roux, Murray and Hill (2010:2) further explained cooperation as an involvement of parties actively working together for mutual benefit, where there is deliberate interaction driven by a common purpose higher than coordination because each realises the other has something to offer. This effective cooperation develops over time and relies heavily on learning through participation. This is a concept related to learning networks and communities of practice.
Bardeleben (1973:11) identified the essential principle of a cooperative the promotion of cooperating members. It was stated that this leads to equality in membership. It occurs when there is cooperation in decision-making. A cooperative is an association of other economic formations and takes the form of institutionalized associations having the objective of promoting the interests of its members through a business organization in which members enjoy equal rights.

United Nations identified cooperatives as business enterprises owned and controlled by the members that they serve. Cooperatives are member driven in their nature. The decisions made by a cooperative are in pursuit of profits and needs of members and community (www.socialun.org; 2 November 2013).

The Small Business Development Corporation in Australia identified the advantages of a cooperative. These include less expenses in registration, all member participation, equal vote for all members, members do not have responsibility of cooperative debts not unless they due to negligence; Small Business Development Corporation (2014).

2.3 SUSTAINABILITY AND SITUATIONAL ANALYSIS OF COOPERATIVES

2.3.1 GLOBAL ANALYSIS OF COOPERATIVES

2.3.1.1 Status of cooperatives in India

Helsinki (2006:72) identified the pitfalls of cooperatives in India after economic liberation in a new economic environment where cooperatives at all levels were making efforts to re-orientate their functions according to market demand. Cooperatives had a responsibility for tackling the problems of poverty alleviation, food security and employment generation. They had to deliver goods and services in areas where both state and private sector had failed. These cooperatives failed due to poor infrastructure, lack of quality management, over-dependence on government, dormant membership, failure to conduct elections, a lack of any strong human resources policy, and an absence of professionalism.
The slow progress of cooperatives in India was caused by government interference, where cooperative institutions were treated as if they were part of the administrative set-up of government. Cooperatives were mismanaged and manipulated. The power structure of cooperatives was controlled by money that was accumulated by farmers, where the top posts of chairman and vice-chairman usually went to the richest farmers, even though the majority of farmers had only small or medium-sized holdings. Another problem was the lack of awareness where people were not informed of cooperative’s movements. The contribution cooperatives made was to build society through rules and regulations but these were not known since institutions were used as a means of obtaining facilities and concessions from the government. They were restricted in coverage as the size of these societies was restricted, with few members. Cooperative operations were extended to only one or two villages, causing limitations in accessing resources that would enable them to expand. For these reasons these cooperatives could not take a total view of the people seeking help, nor could they analyse and solve problems from different angles (Helsinki: 2006).

Another problem was functional weakness; the cooperatives movement had suffered from lack of trained personnel right from its inception, caused by a shortage of training institutions. This weakness was also a result of the unsatisfactory working of cooperative institutions; efficient personnel did not feel attracted or motivated by cooperatives. Other weaknesses included unsatisfactory keeping of records, no adequate provision for the return of loans, factional politics in management, lack of coordination among various divisions of the cooperative structures, too much dependence on outside sources of finance and a lack of adequate auditing ;Helsinki (2006).

2.3.1.2. Case study of cooperatives in California

Keeling (2004) conducted 412 interviews in a survey to determine the cause of failure of RGA in California, a cooperative that had been producing rice for eighty years up to August 2000, when it was closed. The interviews covered cooperative attitudes, cooperative issues, members’ reasons for joining the cooperative and causes of its
failure. The survey confirmed that members were extremely dissatisfied with the cooperative with the majority of respondents having had negative experiences. However about 77% thought that agricultural cooperative had a future in California. Failure of these cooperatives, according to the survey was caused by poor management.

Keeling (2004) survey also focused on the identification of reasons for the members to join cooperatives and the causes of failure. Reasons for joining were increased agricultural income, benefits from price pooling, reduced marketing risk, an appealing differentiated product strategy and an increased voice in agricultural issues. One of the reasons for failure was the gap between what members expected and what was borne out in reality. Poor decision-making by management on differentiated product strategy also contributed to the failure. Another failure was caused by the high costs of the cooperative’s assets and contracts with California rice transport. Lack of attention by the board of directors was reported as another cause of failure; the board of directors was passive and ill-equipped to scrutinize business decisions and also lacked cooperative governance and control abilities.

2.3.1.3. Status of cooperatives in the United Kingdom

Davidmaan (1996) identified the causes of failure and guidelines for success of cooperatives. The report looked at the reasons why members of established cooperatives were dissatisfied with what they were getting from their cooperatives. It also looked at why mutual societies and building societies were converting to public companies and why there was so little appreciation of what co-operators aimed to achieve. This report was based on a series of eight studies of cooperatives and mutual societies which was undertaken to determine the causes of cooperative failure and the reasons for successes, to see how these enterprises were controlled and managed so that learning from mistakes could occur.

The case study report concluded that cooperatives and mutual societies retained most of their profits and that members did not receive what they were entitled to receive. A member who does not get back money from the enterprise arising from his or her share of the profits will not continue being a member of the cooperative. In the
report it emerged that there were flaws in the cooperative system in which cooperative members were seen as much worse off than company shareholders. The report concluded that consumer cooperative members in the United Kingdom received little because cooperatives were not as profitable as they should be and because the cooperatives were keeping most of the profits. The profit available for re-allocation was taken after cooperative expenses were paid.

2.3.1.4 Status of cooperatives in Bangladesh

Nyambe (2010) confirmed that cooperative development was also adopted and promoted by the state of Bangladesh and it formed an integral part of rural development and poverty alleviation. Although this model was adopted by the state, challenges were identified. These included lack of cooperative managerial skills, lack of education among cooperative members, lack of access to capital, presence of some 'living-dead' cooperatives, failure to repay some loans by cooperative members of the credit union and a lack of related knowledge among cooperative members and the communities in general.

2.3.1.5 General status of cooperatives in Africa

Galor (2004) focused on the failure of cooperatives in Africa by showing that cooperative practitioners associated failure of cooperatives with an inherent disequilibrium in their annual balance sheets, failure between the financial equities and reserves (shares, savings and non-dividend earnings) and failure in capital accumulation (loans demand and cash). In short there was a lack of the financial resources needed for their functioning. The focal point here was the reasons why cooperatives failed and the reasons why they did not have enough financial resources. It was identified that most cooperatives failed because there were no economic enterprises founded by members and belonging to the members. It was stated that most cooperatives in Africa, as well as in other parts of the world do not belong to the members, hence they fail. It was noted that cooperatives practically belonged to members on an indivisible basis and did not belong to all members.
The cooperatives’ failure was also associated with services that should be rendered at a lowest possible cost. This means that cooperatives were working not to generate profits, but instead to generate surpluses to enable the head of the cooperative to show members at the annual general meeting that they were successful in creating wealth, not forgetting that this wealth comes from the members’ pockets. Another identified failure of cooperatives was the incorrect financial structure when members requested loans; these were rejected for various reasons such as lack of available funds or illiquidity of the cooperative. This occurred because members brought their money to the cooperative, then the cooperative put this money in the members shares or account. Members could not withdraw money deposited as shares as long as they were members of the cooperative. These shares practically were very long deposits which a cooperative member loaned to the cooperative with interest for a limited pre-determined period of time; Galor (2004).

The portfolio committee on trade and industry in Kenya have seen cooperatives as one of the instruments that contribute to economic development by addressing unemployment and poverty (www.pmg.org.za). They have also contributed to sustainable development and competitiveness of small agricultural producers. They were also used as a strategy for creation of wealth and poverty reduction. The legislative framework and policy were developed. A minister responsible for promotion of cooperative was appointed, who developed partnership between cooperatives and government, provided specialized training and financial support through Cooperative Bank of Kenya, also provided conflict resolution systems for cooperatives (www.pmg.org.za: 20 September 2013).

The national Department of Agricultural Indaba in South Africa identified five critical support mechanisms for cooperatives. These include creating effective financial support systems to small holder cooperatives for profit maximisation, cooperative marketing, agro processing and value adding, training and development of small holder cooperatives; national agricultural cooperative indaba (2012)

The DTI recognized cooperatives as a business entity with the following advantages: achieves what one cannot achieve as an individual, provides easy access to needed
services, pools resources where each member pays less input, markets, distributes and sells produce (www.smetoolkit.org: 11 November 2014).

In order to strengthen the market access of agricultural cooperatives, South African government assigned National Agricultural Marketing Council (NAMC) a responsibility of linking agricultural cooperatives to the market. NAMC provides emerging farmers with information regarding access to the market (www.namc.co.za: 17 November 2014).

The Cooperative Development Bank Agency in South Africa was also developed to professionalise the cooperative landscape. The agency regulates, promotes and develops cooperative banking including deposit-taking and cooperative landing. All this is done in partnership with Bank Sector Education and Training Authority (BSETA). It also facilitates capacity building and development to members (www.bankseta.org.za: 15 October 2014).

2.3.1.5.1 Case study of Ghanaian cooperatives

Cazzuffi and Moradi (2010) conducted a research on why Ghanaian Cocoa Producer’s Society cooperatives failed. Ghana set up these cooperatives with the intention of improving the quality and yield of cocoa and reducing the indebtedness of cocoa farmers. The generally accepted unit was the village, with officers of the Department of Agriculture that supported the chiefs and visited villages to explain the aims and rules of cooperative organisation. These cooperatives were formed with the dual purpose of marketing as well as offering loan facilities. Annual audit reports were also done by the Department of Agriculture; Cazzuffi and Moradi (2010).

Ghanaian cooperatives became unsustainable because of open membership that impeded capital accumulation by exacerbating free-rider problems. Iliopoulos (2005: 16) stated that the cooperative existing members could not appropriate the full value of the benefits derived from the investments of cooperatives after funding and this problem was more serious in larger societies of Ghana. Members were unable to sell their ownership rights; they discovered that it is unprofitable to invest in long-term projects which generate return over a period of time. Another challenge was the
members who defaulted on loans. Members of cooperatives took loans that were in excess of their share capital on the guarantee of two other members who had unallocated share capital. These cooperatives failed because of the long periods before they received repayments, while at the same time they were running low on money. This caused members to sell cocoa to brokers that were paying on the spot, which was regarded as a breach of society rules. Members could be expelled from the society and faced a penalty for every load of cocoa sold illicitly; Cazzuffi and Moradi (2010).

Cazzuffi and Moradi (2010) further analysed the role of membership in the survival of cooperatives, where it was identified that cooperatives were at a high risk of exiting within the first two years of operation. This was mostly linked to the firm size (in terms of capital and revenues), profitability, market attributes and aggregate economic conditions; Agarwal and Gort (1996). It was also confirmed that cooperatives with less than ten members were likely to exit. The sustainability of these cooperatives was determined by the amount of capital invested and sales of cocoa, which in turn was influenced by members.

Cazzuffi and Moradi (2010) further investigated the role of group size on cooperative performance. It was confirmed that a large membership base helped to realize economies of scale, while on the other hand it created group interaction problems. Membership size had a negative effect on per capita subscription, though by expanding membership, cooperatives experienced an increase in capital aggregate. In the analysis of survival, it was discovered that larger membership improved the chances of cooperative survival. The size at which Ghanaian cooperatives were operating was still too small to be able to benefit from an increased membership. The blame was put on the general environment under which cooperatives were operating.
2.3.1.5.2. Status of cooperatives in South Africa

(a) Cooperative Sector: 1922-1994 (historical context)

The cooperative sector started in the early 20th century; from 1922 to 1981 cooperatives were not regulated by any principles. They started as agricultural cooperatives that were owned by whites and were developed into powerful business ventures. These cooperatives were supported by the Land Bank Act of 1912, the Land Settlement Act of 1913, the Cooperatives Societies Act of 1922 and the tax exemptions to agricultural cooperatives (www.dti.gov.za.Integrated strategy on development and promotion of cooperatives 2012-2022).

In 1970 and 1980, black-owned cooperatives were promoted by government, but they did not enjoy the same support as was provided to white agricultural cooperatives and they remained weak and underdeveloped. All cooperatives were later required to be registered, including black-owned cooperatives; (www.dti.gov.za.Integrated strategy on development and promotion of cooperatives 2012-2022).

(b) Cooperative Sector: 1995-2004 (historical context)

In the period 1995 to 2000, the South African government developed legislation and support programmes for all types of cooperatives. This led to the development of the National cooperative sector. Communities were made aware of the benefits of self-help and self-reliance using cooperatives as a vehicle to empower themselves. This later led to a mandate of cooperative development, with responsibility to be moved from the Department of Agriculture to the Department of Trade and Industry. In 2002 South Africa became a signatory of ILO recommendation 193 of 2002 for the promotion of cooperatives. The growth and development summit of 2003 prioritised cooperative development as one of the drivers of economic development for the country. This led to the development of Cooperative Development Programme by the DTI. It included the cooperative development unit and cooperative policy for cooperative regulations and registration processes (www.dti.gov.za.Integrated strategy on development and promotion of cooperatives 2012-2022).
(c) Cooperative Sector: 2005-2009 (current situation)

Registration and de-registration trends

The Cooperative Act No 14 of 2005 resulted in a boom in the registration of cooperatives. The Companies Intellectual Properties Commission (CIPC) responsible for registration of companies, cooperatives and intellectual property rights (trademarks, patents, designs, copyright and maintenance of these registers, inclusive of the Close Corporation Register (www.zaip.org; 23 September 2013). CIPC registered 19,550 from 2005 to 2009 in various sectors. The reason for this boom was an enabling environment created by legislation, support measures and procurement from all spheres. These support programmes became available from most enterprise development agencies. Although most cooperatives were registered, most of them were failing to submit their reports showing compliance and they were subsequently de-registered.

Cooperative registration processes are currently also facilitated by private service providers through CIPC. The resulting institutions assist cooperatives with registration by assisting in filling in forms and carrying out follow-ups from CIPC; this has resulted in an increase in the registration of cooperatives in South Africa. Various government departments that are involved in cooperative development and support programmes are also encouraging communities to register as cooperatives as this will assist them in accessing financial assistance offered by the government departments.

Figure 2.1 shows the trends in registration and de-registration of cooperatives in South Africa. It shows the number of cooperatives that were registered between 1922 and 2011. It also shows the rate of de-registration.
Figure 2.1: Trends in cooperative registration and de-registration

Source: Registrar of Cooperatives, Statistics in South Africa: 1922-2012

Figure 2.2 shows a steady increase in the number of cooperatives that have been registered due to the many institutions that are facilitating the registration processes as indicated above.

Figure 2.2: Provincial percentages of registered cooperatives in South Africa

Source: CIPC Register 1922 – 2011
The survival rate indicates that, although there has been an increase in the number of cooperatives that are registered, the mortality rate is also gradually increasing per province hence there is a need for this research. Table 2.1 and figure 2.3 shows the statistics of cooperatives’ mortality and survival rate in percentages.

**TABLE 2.1: Cooperatives’ survival and mortality rate per province**

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>SURVIVAL</th>
<th>MORTALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>KZN</td>
<td>12</td>
<td>88</td>
</tr>
<tr>
<td>EC</td>
<td>7</td>
<td>93</td>
</tr>
<tr>
<td>WC</td>
<td>7</td>
<td>93</td>
</tr>
<tr>
<td>NC</td>
<td>2.5</td>
<td>97.5</td>
</tr>
<tr>
<td>LIMP</td>
<td>22</td>
<td>78</td>
</tr>
<tr>
<td>MP</td>
<td>12.5</td>
<td>87.5</td>
</tr>
<tr>
<td>GAU</td>
<td>17</td>
<td>83</td>
</tr>
<tr>
<td>FS</td>
<td>8</td>
<td>92</td>
</tr>
<tr>
<td>NW</td>
<td>13</td>
<td>87</td>
</tr>
</tbody>
</table>

**Figure 2.3: Survival and mortality rate of cooperatives in South Africa**

DTI Base line study: 2009 survival and mortality rates of cooperatives per province
(d) Situational analysis of cooperatives and case studies

Mhlaba (2011) identified failure in cooperatives as a problem mainly caused by politicians who forced cooperatives on to population. It was highlighted that by politically grouping people together under the name of cooperative, entrepreneurship was not nurtured and it became a vehicle for accessing and exploiting public funds and self-aggrandisement, resulting in disenfranchisement of the youth and further economic alienation. South African youth grouped into cooperatives found themselves begging public funds (www.feintandmargin.com: 22 August 2013).

King and Ortmann (2007) in the book written by Cook (1995) identified five core problems inherent in conventional cooperatives. The first problem is the free-rider problem; this emerges when property rights are untradeable. This occurs because rights to residual claims in traditional cooperatives are linked to patronage instead of investments; new members receive the same patronage and residual rights as existing members although the new members are not required to make up-front investments proportionate to their use. The second problem is the horizontal problem. This arise 'when a member’s residual claim on the net income is generated by an asset that is shorter than the productive life of that asset; King and Ortman in the book written by Cook (1995:1156). The third problem is the portfolio problem that occurs because members invest in the cooperative in proportion to their use and because equity shares cannot be freely purchased or sold. This leads to suboptimal investment portfolios. The fourth problem is the control problem that occurs when organization and ownership are separate, leading to divergence in interests between principal cooperative members, the board of directors and the managing agent. The fifth problem is the influence cost problem where costs are associated with the activities of members or groups within the organization attempting to influence the decisions affecting the distribution of wealth or other benefits within an organization. These costs include the direct costs of influencing activities and the costs of poor decisions in terms of misallocation of resources. If the above problems are not explained to cooperatives, they are likely to fail. Their adaptability is also infected by a rapidly changing environment characterised by technological change (http://ageconserrch.edu.com: 12 November 2013).
The National Department of Agriculture (2000) through University of Free State research studies on cooperative sustainability identified a number of reasons for cooperative unsustainability. One reason is the over-dominant or overambitious chief executive officer who takes decisions which have not been approved by the board, meaning that problems arise because the duties of chairperson of board are not separated from the duties of the chief executive officer. Cooperatives also fail because boards are not well informed about the duties of directors and what is expected of them. Boards are thus always given the opportunity of improving their skills and knowledge, whenever training opportunities arise. Another reason is a lack of financial controls. The cooperative’s money is mostly spent without approvals, leading to fruitless expenditure. Most cooperatives lack adequate business plans which can be a yard stick for any expansion of expenditures. This leads to inadequate budgeting and poor financial controls. Another factor is inadequate control over stock. Insufficient stock on site leads to poor customer service and customer dissatisfaction. Bad credit control by the cooperative leads to write-offs and losses and may sink the cooperative. Heavy reliance on borrowed money or loans can also place a crippling burden on a cooperative. Too rapid expansion in an activity can also land a cooperative in trouble. For example if a cooperative tries to offer too many services too quickly it will over-extend its resources (http://library.ufs.ac.za; 13 April 2013).

Nyambe (2010) conducted a survey in four cooperatives located in Gauteng, Ivory Coast, Mamelodi, Heatherly Landfill and Carolina in Mpumalanga. This survey was focused on the issues relating to cooperative prerequisite training, good leadership, financial leadership, financial record keeping and general management of the business. Identified barriers to the sustainability and success of the cooperatives included a lack of organised markets, lack of access to financial institutions for borrowed capital, lack of leadership skills at management level, theft of business assets like computers, lack of transport to the factory or market, lack of scales to weigh products for sale, lack of safety measures to avoid accidents, lack of electricity, lack of bailing machines and scales, misunderstandings among members, in-fights, restrictions by municipalities on operating at profitable centres, lack of commitment of
some members, low quality bread, inadequate stock for sale and a lack of government support.

Nyambe (2010) concluded the research by giving performance rating scores in a Carolina baking cooperative where there was a future judgement on the cooperative performance. The judgement was based on a member’s institutional memory of the performance history of the entity. The results confirmed that cooperative members are very sceptical about the future of their cooperatives. The research concluded that when financial benefits are not forthcoming and the use of the business financial resources are not clear and members are not frequently updated on what is happening in the account, they tend to become discouraged. Elected management could easily cause serious dissatisfaction and have a negative impact on the members’ commitment. Carolina Baking Cooperative had a difficult time settling the loan received for baking equipment. Income received from the sale of bread and confectionery was inadequate to meet outstanding costs. The reasons for the failure to settle the outstanding loan were attributed to a lack of economies of scale and poor bread quality.

Derr (2013) identified a challenge in the South African Cooperatives’ system that causes lack of financial independent control and auditing in cooperatives which is important for their sustainability. To address this South African government included independent auditing in the 2012 Cooperatives Amendment Bill (www.rosalux.co.za: 23 November 2013).

The integrated strategy on the development and the promotion of cooperatives in South Africa from 2012 to 2022 identified four challenges faced by South African cooperatives that impeded their sustainability. These challenges were government-related challenges associated with its support of cooperatives, cooperative management challenges, market challenges and organisational structural challenges.

Table 2.2 indicates the challenges that were identified by the Department of Trade and Industry which led to the development of cooperative strategy which started in 2012 to 2022, each province had this strategy
<table>
<thead>
<tr>
<th>Challenge</th>
<th>Cause</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government Challenges</td>
<td>Inadequate economic and social impact statistics on cooperatives</td>
<td>In South Africa there are no regularly updated statistics on the full spectrum of the cooperative sector and its social impact, resulting in insufficient market transparency and poor appreciation of the cooperative as a business model.</td>
</tr>
<tr>
<td>Poor coordination</td>
<td></td>
<td>There is lack of clarity about the roles and contributions of different spheres of the public sector.</td>
</tr>
<tr>
<td>Limitation of current support</td>
<td>Support offered by enterprise development agencies for cooperatives</td>
<td>Support offered by enterprise development agencies for cooperatives is negligible, unfocused, uncoordinated, unsystematic and unsustainable.</td>
</tr>
<tr>
<td>Recognition of cooperatives as a</td>
<td></td>
<td>Most policy interventions are tailor-made to target other segments and sectors excluding cooperatives.</td>
</tr>
<tr>
<td>unique business form</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessibility of cooperative</td>
<td>The decentralisation strategy used by CIPC is not conducive to cooperatives, for example cooperatives spend money trying to access the services of the registry.</td>
<td></td>
</tr>
<tr>
<td>registration to local communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited promotion and awareness</td>
<td>The public sector including State Owned Enterprises (SOE’s), private sector and society in general do not understand the cooperative model and its inherent value.</td>
<td></td>
</tr>
<tr>
<td>Limitation of current support from existing enterprise development agencies</td>
<td>Support offered by enterprise development agencies for cooperatives is negligible, unfocused, uncoordinated, unsystematic and unsustainable.</td>
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<tr>
<td>Recognition of cooperatives as a unique business form</td>
<td>Most policy interventions are tailor-made to target other segments and sectors excluding cooperatives.</td>
<td></td>
</tr>
<tr>
<td>Accessibility of cooperative registration to local communities:</td>
<td>The decentralisation strategy used by CIPC is not conducive to cooperatives, for example cooperatives spend money trying to access the services of the registry.</td>
<td></td>
</tr>
<tr>
<td>Avoidance of formalization by informal self-help groups:</td>
<td>Some self-help groups like stokvels remain informal because of the perceived problems associated with registration of cooperatives, tax liabilities and lack of information on the benefits associated with formalization.</td>
<td></td>
</tr>
<tr>
<td>Limited access to finance</td>
<td>Emerging cooperatives still find it difficult to attract and retain equitable capital. The democratic operation of cooperatives and their surplus profit-sharing make them less attractive to venture capital, for example private sector financial institutions often do not understand the structures of cooperatives which results in limited support provided, difficulties in retaining earnings and increasing capital requirements.</td>
<td></td>
</tr>
<tr>
<td>Challenge</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Limited access to technology</td>
<td>Most cooperatives are unable to access appropriate technologies for their businesses to improve efficiency and output levels. This results in poor quality of goods or services produced, which then leads to lack of penetration of markets.</td>
<td></td>
</tr>
<tr>
<td>Limited access to critical business infrastructure:</td>
<td>The lack of critical business or development structural facilities in the areas where cooperatives are active has resulted in an inability to operate effectively.</td>
<td></td>
</tr>
<tr>
<td>Management challenges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor management and technical skills</td>
<td>Many cooperatives are initiated by unemployed people with low skill levels, with no prior business experience in economically marginal areas and this reduces the chances of the cooperative’s success.</td>
<td></td>
</tr>
<tr>
<td>Limited trust and social cohesion:</td>
<td>The fact that cooperatives rely on trust between members leads to an absence of shared vision and financial trust.</td>
<td></td>
</tr>
<tr>
<td>Democratic decision-making within cooperatives remains low</td>
<td>Democracy is often accompanied by a lack of clarity or consensus on the scope of decision-making authority.</td>
<td></td>
</tr>
<tr>
<td>Limited cooperation</td>
<td>Cooperatives find themselves isolated and perform poorly since they miss out on opportunities to learn from one another.</td>
<td></td>
</tr>
<tr>
<td>Appreciation of collective interest above individual interest.</td>
<td>A cooperative's interest is always in placing a collective interest before individual interest. This causes too many free-riders, greediness, corruption and self-interest.</td>
<td></td>
</tr>
<tr>
<td>Cooperative self–reliance</td>
<td>Cooperatives are created on the principle of self-sufficiency, which is difficult to achieve</td>
<td></td>
</tr>
</tbody>
</table>
| Cooperatives compliance | The percentage of cooperatives that submit financial reports is below 1%.

| Market challenges | Under-developed networks and economic value chain | Limited cooperation, limited partnership actions between cooperatives and insufficient interaction between cooperatives and non-cooperative enterprises, either as trading partners or to access financial support or other services, are an impediment to the success of cooperatives. This is compounded by limited value chains that link cooperatives operating in different sectors. |
| Limited access to market | Cooperatives are unable to access markets due to poor understanding and appreciation of them. |

| Organizational challenges | Lack of strong and viable cooperative associations or organizations | There is no existing apex organization for cooperatives in South Africa, so they are not promoted. Cooperatives emerging in South Africa are financially weak and they are not accustomed to |
Cooperatives in the Eastern Cape

Monyai (2013) conducted training needs analysis on cooperatives in Eastern Cape. A total of twenty-eight cooperatives were interviewed in Alfred Ndzo, it was found that 26 had registration certificates and two were not registered. Twenty confirmed that they had business plans, eight did not have business plans and five did not have tax clearance certificates. Four cooperatives in Chris Hani were registered and one was not registered. In Nelson Mandela Bay it was found that all secondary cooperatives were registered, as well as all primary cooperatives under the cooperative forum. The indications are that there are many unregistered cooperatives, since not all present had tax clearance certificates and this is an indication of non-compliance.

Monyai (2013) further researched the level of education among cooperatives in the Eastern Cape and it was found that Alfred Ndzo and Chris Hani had the largest number of cooperative members with less than matric or no education, while in Nelson Mandela Bay; over 60% of cooperative members in the forum were professionals with post-matric qualifications.

Table 2.3 shows the research findings by the Institute for cooperatives development in the Eastern Cape which is led by the University of Fort Hare.
**TABLE 2.3: Research findings by Institute for cooperatives’ development in Eastern Cape**

<table>
<thead>
<tr>
<th>Finding</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>It was confirmed that the majority of cooperative members received training of an average of two to three days from LED, SEDA, Agri SETA, NMMU, WSU or Fort Cox and sector departments. They knew more about their own constitution than they knew about the Cooperative’s Act and cooperative values and principles. Only Nelson Mandela Bay secondary sector cooperatives had internal formal training processes in place on agriculture, waste management and textiles. Time to be away from production and transportation costs to training centres. Nelson Mandela Bay secondary cooperatives lacked suitable courses at intermediate and advanced levels. The duration of the course was also identified as another limiting factor to learning. They were too short and they were never repeated to help cooperatives grasp the content and apply it in their workplaces. The conventional learning approach of talking and writing leads to forgetting once the course is over. Cooperative members are unable to differentiate between various critical concepts. Examples were the understanding of the difference between a cooperative and a project, knowing what a workshop is, sustaining the cooperative, and how to run a meeting. Lack of accountability, understanding content but with no intention of implementing what they have learnt, and</td>
</tr>
</tbody>
</table>


understanding the Cooperative Act.

<table>
<thead>
<tr>
<th>Threats identified included cooperatives being used for individual enrichment, interference of municipal councillors in cooperative operations for their personal gain, political interference of state employees, failure by local government in allocating production sites for cooperatives in certain land demarcations, lack of coordination of support given to cooperatives by cooperative supporters (this at times led to duplication) and lack of commitment.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing</strong></td>
</tr>
<tr>
<td>Rural cooperatives did not have the knowledge to develop and implement a good market strategy, which is critical to their strength and survival. This made them vulnerable to competition and losses.</td>
</tr>
<tr>
<td>Last minute marketing of the product which then caused them to keep their produce for longer than the optimum time. For example broiler producers keep their birds on feed for more than the maximum profitable 42 days, which lowers the cooperative’s profitability.</td>
</tr>
<tr>
<td>Lack of proper organizational structures for marketing in many cooperatives, especially in cooperatives headed by older community members with minimal or no formal education.</td>
</tr>
<tr>
<td>Cooperatives lack prior experience in marketing of produce. They do not incorporate all financial and economic aspects of marketing their produce. Cooperatives do not understand contractual agreement documents used in the selling of produce, especially between small scale retailers and state institutions and schools.</td>
</tr>
<tr>
<td>Cooperatives do not have reliable extension services to help them in finding a good market. Most produce is</td>
</tr>
<tr>
<td>Poultry producing cooperatives produce fewer birds in a batch, and the volumes tend to be lower than what most institutions require. Most produce is received poorly prepared, for example breast cuts. These cooperatives do not have proper refrigerated transport to ferry produce to markets, thus relying on buyers who often dictate prices once the animals are slaughtered.</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Distance to market was identified as a major problem since some cooperatives are located deep in rural areas. Only a few poultry breeding cooperatives had knowledge of mobile vending, where frozen produce is ferried to market.</td>
</tr>
<tr>
<td>Broiler cooperatives do not have abattoirs; they are practicing backyard slaughter as there are no abattoirs near their communities.</td>
</tr>
<tr>
<td>It was established that cooperatives sell their produce through middlemen. This leads to many defaulters, while others delay their payments causing cash flow problems.</td>
</tr>
</tbody>
</table>

**2.4 SUMMARY**

Above are some of the problems faced by cooperatives which cause them to be unsustainable. The information confirms that a lot is being done by the South African government and other countries in developing and supporting cooperatives. However, the statistics available show that there is still underlying problems that cause the cooperatives to fail. Gunn (2011) confirmed that cooperatives function in market economies, but they are not always served well by the markets. Therefore there is a need for further research to be done to develop solutions to some of the problems faced by cooperatives as a poverty alleviation strategy for developing countries.
In chapter three a researcher will outline the research methodology; describe the research tools, how data will be collected, and methods of data analysis and data interpretation.
CHAPTER 3

3.1 INTRODUCTION

In chapter two a literature review, focusing on primary and secondary literature on cooperatives’ sustainability has been outlined in detail. It has been confirmed that further research studies on sustainability of cooperatives should to be conducted. This chapter outline the research methodology; describe the research tools, how data had been collected, and methods of data analysis and data interpretation.

Leedy and Ormrod (2005: 2) defined research as a systematic process of collecting, analysing and interpreting information in order to increase our understanding of the phenomenon about which we are interested or concerned. In this research the aim is to understand the reasons why most cooperatives are unsustainable in the Eastern Cape. In order to accomplish this, various instruments or techniques will be used to collect, analyse and interpret data and present the research findings.

Data collected will be analysed and the results will be presented in the form of tables, percentages and graphs.

3.2 RESEARCH DESIGN

Researcher conducted this study through the use of questionnaires that were distributed to thirty identified cooperatives in Walmer Location and external stakeholders supporting cooperatives. Follow up telephonic interviews were also be made so that detailed information could be obtained. Funded cooperative members and external stakeholders had been interviewed face to face in the cooperative sites. Those stakeholders that could not be obtained face to face interviewed telephonically. After data had been gathered, the researcher analysed the data. Blumberg (2011:147) defined research design as a blueprint for the collection, measurement and analysis of data. Research design includes experiments, interviews, observation, analysis of records and simulation, or some combination of these variables. It is further described as the plan and structure of the investigation, so conceived as to obtain answers to research questions. The plan is the overall scheme or programme of research. It includes an outline of what the investigator will
do, from writing hypotheses and defining operational implications, through to the final analysis of data. A structure is the framework, organization or configuration of the relations among variables of a study. A research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence relating to the problem Blumberg (2011).

Research had been conducted through qualitative research method using structured and semi-structured questions that assisted the researcher in probing more information from the interviewees about the sustainability of cooperatives in peri-urban areas. The questions asked focused on the structure of each cooperative (age distribution and gender), cooperatives’ financial support, cooperatives’ access to markets, cooperatives’ governance and general administration, training programmes and any other matters that assisted cooperatives towards their success or hindered the success of cooperatives in the peri-urban area.

Following this research, paradigm tools were used in the collection of data and the data analysed accordingly.

3.3 RESEARCH METHODS

3.3.1 Qualitative research method

The qualitative research method was found to be effective for this research. Leedy and Ormrod (2005:133) stated that qualitative research focuses on the phenomena that occur in natural settings, that is the real world, and it simplifies what researchers observe.

Blumberg, Cooper and Schindler (2011:144) stated that qualitative research follows the interpretivist approach that acquires knowledge by developing an understanding of phenomena through deep level investigation and analysis of those phenomena.

Bryman (1992: 61-68) stated that qualitative research expresses commitment by viewing events, actions, norms and values from the perspective of the people who are being studied. It assists the researcher in providing a detailed description of the social setting under investigation. Qualitative research is flexible and lacks structure,
allowing the researcher to come across entire unexpected issues which may be of interest.

According to Leedy and Ormrod (2005:7) the qualitative research approach is advantageous because

- It reveals the nature of certain situations, settings, processes, relationships, systems and people.
- It enables a researcher to gain new insights about a particular phenomenon, develop new concepts or theoretical perspectives about the phenomenon and discover the problems that exist within the phenomenon.
- It allows the researcher to test the validity of certain assumptions, claims, theories or generalizations within a real world context.
- It provides the means through which a researcher can judge the effectiveness of particular policies, practises or innovations.

The use of qualitative research assisted the researcher in obtaining new insights about the sustainability of cooperatives in peri-urban areas. This occurred because the researcher did not know the area as a result unexpected issues on sustainability of cooperatives were obtained. These unexpected issues developed the researchers’ interest and more probing was done which then caused more data collected. A sample of registered cooperatives shared their practical experiences with the researcher without being guided causing validity and reliability in the data collected. During the study the researcher identified common themes in people’s description of their experiences which made analysis of data easy. This occurred because of the flexibility of qualitative semi-structured questionnaire.

3.3.1.1 Qualitative research designs used

(a) Case study

Leedy and Ormrod (2005: 135) confirmed that this research is suitable for learning more about little known or poorly understood situations. It investigates how an
individual or programme changes over time, perhaps as a result of certain circumstances or interventions.

Method: Two previously funded cooperatives known as Sodlasonke Primary Cooperative and Intlalo Building Construction Primary Cooperative were interviewed with the help of past records. The researcher spent extended time on cooperative sites, observing and interacting with the cooperative members.

Data analysis: The information about the sustainability of the cooperative, for example the formulation, management, market operations and factors ensuring sustainability were organized in logical order. After that, data was categorized and clustered into meaningful groups. It was linked to the sustainability of the cooperative. The patterns were identified by scrutinizing the underlying themes or problems that characterize the case, rather than a single piece of information. Synthesis and generalization were done. This is where the overall portrait of the case was constructed; and then conclusions were drawn. These had implications that gone beyond the specific case that has been studied. After that a report was compiled from the information gathered through case studies.

(b) Phenomenological study

Phenomenology is defined as a study that attempts to understand people’s perceptions, perspectives and understandings of a particular situation; Leedy and Ormrod (2005:139). For example the researcher studied the experiences of members of a registered cooperative, both operational and non-operational. This assisted because the researcher works with cooperatives by facilitating the registration processes, ensuring cooperative compliance and offering grant funds to registered cooperatives.

Method: According to Leedy and Ormrod (2005:139), phenomenological researchers depend almost exclusively on lengthy interviews, perhaps one to two hours in length. Thirty identified registered cooperative members from registered cooperatives were interviewed. The interview questions were unstructured, where the researcher and participants worked together to arrive at the heart of the matter. In this case the
sustainability of cooperatives in the peri-urban areas of Nelson Mandela Bay Municipality will be addressed. During interviews the researcher listened closely as participants describe their everyday experiences relating to the cooperative’s sustainability, at the same time noting the participant’s expressions, questions and occasional side tracks. The majority of the talking was done by the participants; conversation was made more informal causing participants to be more relaxed. Leedy and Ormrod (2005:139) stated that throughout the data collection, the researcher must suspend any preconceived notions or personal experiences that may unduly influence what the researcher hears.

Data analysis: During the study the researcher identified common themes in people’s description of their experiences (Barrit, 1986). After completing the interviews, the researcher identified the statements that relate to the topic, meaning that relevant information was separated from irrelevant information, and then the relevant information was broken into small segments that each reflected a single specific thought. Group statements were grouped into meaningful units; these units were categorized according to various aspects or meanings of the phenomena as experienced. The researcher also considered the various ways in which different people experience the phenomena. Finally, the researcher used various interviews identified to develop an overall description of the phenomena as people typically experienced it, and conclusions were drawn.

3.3.1.2 Collecting data in qualitative research

Blumberg, Cooper and Schindler (2005: 258) identified the importance of open-ended interview questions by stating that the questionnaire assists the researcher when the case study research is conducted, where the informants provide valuable insights into the case issues and can also point the researcher towards other sources of evidence, such as relevant documents, archival surveys, or an existing internal survey or study. Qualitative research accommodates semi-structured questions where interviews are used in the case study research. The researcher arranged interviews with two previously funded cooperatives in Walmer Location. These are cooperatives that possessed relevant information on the sustainability of
cooperatives in peri-urban areas. These interviews had two main objectives: to receive new perspectives on the sustainability of cooperatives, and to confirm an issue already known by the researcher.

This research study involved acquiring information about one or more groups of people, covering characteristics, opinions, attitudes or previous experiences by asking structured questions and tabulating the answers; Leedy and Ormrod (2005: 183). In this survey the researcher posed a series of questions to members of willing cooperatives in Walmer Location. The responses were recorded with percentages and then inferences were drawn about the sustainability of cooperatives in the peri-urban areas of Nelson Mandela Bay Municipality. In doing that the researcher relied on self-report data where cooperative members were telling what they believed to be true.

Questionnaires: When conducting the research, paper-pencil questionnaires were sent to thirty identified registered cooperatives in Walmer Location. Leedy and Ormrod (2005:185) stated that this questionnaire is advantageous because participants can respond to questions with the assurance that their responses will be anonymous and so they may be more truthful than they would be in a personal interview, particularly when they are talking about sensitive or controversial issues. Face to face interviews were conducted to two identified funded cooperatives (Sodlasonke Cooperative and Intlalo Building Construction Cooperative Limited).

The external stakeholders working on cooperative development were interviewed using paper questionnaires and follow up questions were done telephonically. External stakeholders interviewed includes, the Department of Social Development and Special Programmes, Small Enterprise Development Agency, the Eastern Cape Development Corporation, the Department of Rural Development and Land Reform, Nelson Mandela Bay Municipality (Local Economic Development), Walmer Healing Hands Non-Profit Organization and Nelson Mandela Development Forum.
TABLE 3.1: INTERVIEW SCHEDULE FOR RESPONDANTS IN COOPERATIVE SUPPORT AND DEVELOPMENT AND A SAMPLE OF COOPERATIVES.

(a) External stakeholders supporting cooperatives: face to face and telephone interviews: structured and semi-structured questionnaire

<table>
<thead>
<tr>
<th>No</th>
<th>Name of interviewee</th>
<th>Role</th>
<th>Venue &amp; Date</th>
<th>No of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Local economic development officials from NMBM</td>
<td>Cooperatives support and community development</td>
<td>LED office in (28-30 April 2014)</td>
<td>08 (3 face to face and 5 telephonically)</td>
</tr>
<tr>
<td>2.</td>
<td>SEDA</td>
<td>Small enterprise development</td>
<td>SEDA offices (09 June 2014)</td>
<td>02 (02 face to face)</td>
</tr>
<tr>
<td>3.</td>
<td>Department of Social Development and Special Programme</td>
<td>Community development</td>
<td>Department of Social Development offices (12 to 22 May 2014)</td>
<td>15 (7 face to face and 8 telephonically)</td>
</tr>
<tr>
<td>4.</td>
<td>Healing Hands Non-Profit Organization</td>
<td>Community services</td>
<td>6 June 2014</td>
<td>02 (02 face to face)</td>
</tr>
<tr>
<td>5.</td>
<td>Nelson Mandela Cooperative Development Forum</td>
<td>Chairperson for construction cooperatives’ cluster and a member of agricultural cooperatives’ cluster</td>
<td>Councilor’s office (11 June 2014)</td>
<td>02 (02 Face to face)</td>
</tr>
<tr>
<td>6.</td>
<td>Department of Rural Development &amp; Land Reform</td>
<td>Rural Enterprise and Industrial Development and Rural development offices in</td>
<td>13 (04 face to face and 09 telephonically)</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Cooperative interviewed</td>
<td>Cooperative function</td>
<td>Venue &amp; Date</td>
<td>No of respondents</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------------</td>
<td>-----------------------</td>
<td>------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>1</td>
<td>Intlalo Building Construction Cooperative</td>
<td>Block making</td>
<td>Project site (10 July 2014)</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>Limanyene Bakery Cooperative</td>
<td>Bakery</td>
<td>Project site (15 July 2014)</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Sodlasonke Primary Cooperative</td>
<td>Cleaning and waste management</td>
<td>Project site (05 August 2015)</td>
<td>04</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

(b) Funded cooperatives interviewed: face to face-structured and semi-structured questionnaire

<table>
<thead>
<tr>
<th>No</th>
<th>Cooperative interviewed</th>
<th>Cooperative function</th>
<th>Venue &amp; Date</th>
<th>No of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Eastern Cape Development Corporation (ECDC)</td>
<td>Cooperative registration and cooperatives financial support</td>
<td>ECDC offices (8 July 2014)</td>
<td><strong>02</strong> (02 face to face)</td>
</tr>
</tbody>
</table>

TOTAL NO INTERVIEWED 44
(c) Non-funded cooperatives interviewed face to face and telephone interviews: structured and semi-structured questionnaire

<table>
<thead>
<tr>
<th>No</th>
<th>Cooperative interviewed</th>
<th>Cooperative function</th>
<th>Venue &amp; date</th>
<th>No of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Vakasha Tours Cooperative</td>
<td>Tourism services</td>
<td>Cooperative members’ house (7 August 2014)</td>
<td>07</td>
</tr>
<tr>
<td>2</td>
<td>Saqala Sewing Primary Cooperative</td>
<td>Sewing</td>
<td>Cooperative members’ house (11 August 2014)</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Emerging Farmers’ Cooperative</td>
<td>Poultry farming</td>
<td>Councilors’ board room (15 August 2014)</td>
<td>04</td>
</tr>
<tr>
<td>4</td>
<td>Amagqiyazana Primary Cooperative</td>
<td>Multi-purpose</td>
<td>Councilors’ board room (18 August 2014)</td>
<td>06</td>
</tr>
<tr>
<td>5</td>
<td>Galelebhayini Primary Cooperative</td>
<td>Multi-purpose</td>
<td>Councilors’ board room (21 August 2014)</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>Siyazama Primary Cooperative</td>
<td>Building and construction</td>
<td>Councilors’ board room (29 August 2014)</td>
<td>04</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

Table 3.1 shows a total of 111 face to face and or telephone respondents that were interviewed by the researcher. Eighteen registered cooperatives received two paper questionnaires to be filled and returned to the researcher in a period of 30 days. One
paper questionnaire to be filled by the chairperson or any executive member and the second one by any other cooperative member. All 111 members interviewed received paper questionnaires for additional information or other information. External stakeholders were emailed the questionnaires, some before interviews while others it was after interviews. These questionnaires were distributed in a cooperative meeting that was called by the researcher and community development worker in Walmer Location. Three registered cooperatives did not attend the meeting as a result they did not answer the questionnaire. A total of 157 questionnaires were distributed but only 106 returned back to the researcher.

3.4 POPULATION AND SAMPLING

In the research conducted in Walmer Location on the sustainability of cooperatives, a non-probability sampling research design was used. A total of thirty registered cooperatives were identified by researcher and community development worker in Walmer Location, researcher targeted two members (chairperson and secretary) from each registered cooperative who formed a sample of cooperative members interviewed. Blumberg Cooper and Schindler (2011: 193) stated that the non-probability technique is non-random and subjective in nature and is used where the probability of selecting population elements is unknown. This technique was useful because the researcher was not so much interested in the accurate size of an effect, but rather in whether there is a positive or negative effect. The non-probability technique met the sampling objectives satisfactorily. Another reason for choosing the non-probability technique was that it was less costly and less time consuming since the researcher did not allocate funds to call back selected sample members and where there is no time allocated to planning.

A carefully controlled non-probability sampling often gave acceptable results, so the investigator did not even consider probability sampling. The non-probability technique was a feasible alternative, since the relevant population was vague and difficult to define. For example in Walmer Location thirty registered cooperatives were identified as operational or non-operational using the cooperatives register at the office of the councillor in Ward Four (Walmer Location). It may happen that there are other
cooperatives that are available but not registered in the office of the councillor; hence this technique was suitable for the study of the sustainability of cooperatives in the peri-urban areas of Nelson Mandela Bay Municipality. This means that the thirty cooperatives identified may not be a full representation of all registered cooperatives in Walmer Location, hence there were difficulties in doing probability sampling.

In non-probability sampling the researcher had no way of forecasting or guaranteeing that each element of population would be represented in the sample. It was also stated that this was advantageous since some members of the population had little or no chance of being sampled; Leedy and Ormrod (2005: 206).

3.4.1 Convenience non-probability sampling

During research, readily available people from identified registered cooperatives and other external stakeholder were surveyed. Leedy and Ormrod (2005: 206) stated that this sampling is known as accidental sampling, because it makes no pretence of identifying a representative subset of a population. It takes people or other units that are readily available. This means that people who are found in the area who have knowledge about cooperatives like community based organisations (CBOs) and faith based organizations (FBO’s) had the opportunity of being interviewed as they arrived on the scene.

Blumberg, Cooper and Schindler (2011:194) stated that non-probability samples are unrestricted and they are the cheapest to conduct. The field workers or researchers have the freedom to choose whoever they find, hence they have convenience. While a convenience sample has no control to ensure precision, it may still be a useful procedure. The researcher took such a sample to test ideas or even gained ideas about a subject of interest. In the early stages of exploratory research when the researcher needed guidance, this technique became a useful approach. The results presented evidence that was so overwhelming that a more sophisticated sampling procedure was unnecessary. It is possible that the information obtained from the interviews with the external stakeholders, cooperatives and executive members of thirty identified registered cooperatives in Walmer Location will be one-sided and there will be no incentive to interview further.
3.4.2 Purposive non-probability sampling

Blumberg, Cooper and Schindler (2011:194) explained the importance of judgement sampling that occurs when a researcher selects sample members to conform to some criterion. In the study of cooperative sustainability in peri-urban areas of Nelson Mandela Bay Municipality, the researcher interviewed the stakeholders, executive and members of thirty identified registered cooperatives in Walmer Location since they had experience on the sustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality. Each cooperative had four members on average. So about hundred and twenty management committee members were interviewed. For its appropriateness this judgement sampling was appropriate for use at the earlier stages of the exploratory study.

A community development worker from Nelson Mandela Bay Municipality and a community development practitioner from the Department of Social Development in Walmer Location on the 11 October 2012, 9 November 2012 and 24 January 2013 identified the following registered cooperatives: Sihlangene Kulendawo Cooperative, Kololo Cooperative, Sonwabise Cooperative, Sihlambesinye Cooperative, Intlalo Building Construction Cooperative, Lothukela Cooperative, Vuk’uzimele Cooperative, Maxhosandile Cooperative, Kubalulekile Cleaning Cooperative, Limanyene Bakery Primary Cooperative, Intsindabadala Cooperative, Mbumbesizwe Cooperative, Siyacoca Community Based Cooperative, Ikhaya Lethemba Cooperative, Sinenjongentle Cooperative, Gqebera Ward 4 Cooperative, Sodlasonke Cooperative, Vakasha Tour Operating Cooperative, Litha Loyolo Cooperative, Strike Women Cooperative and Siphakamile Cooperative.

A Walmer Location cooperatives audit by the two officials given above confirmed that there are only two cooperatives that are currently operating in the area; these are Sodlasonke Cooperative and Intlalo Building Construction Cooperative. Both cooperatives are currently supported by government. Sodlasonke is funded by Nelson Mandela Bay Municipality and Intlalo is funded by the Department of Social Development and Special Programmes and these will be used as case studies during the research process.
3.5 SOURCES OF DATA USED

3.5.1 Primary sources

This is regarded as first-hand information, for example finding out the causes of unsustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality. The following are examples of primary sources:

(a) Respondents

Registered cooperative members in Walmer Location explained how they perceived the sustainability of their entities, and the assistance and other support programmes offered by various government departments or NGOs and cooperative agencies. This focused on the current practices, policies, laws governing cooperatives and other cooperative regulations.

(b) Stakeholders developing and supporting cooperatives in Port Elizabeth

These were interviewed through a questionnaire using structured and semi-structured questions and the use of a collective questionnaire. These departments include the Department of Trade and Industry, Small Enterprise Development Agency and the Eastern Cape Development Corporation. Data was analysed through extensive notes and comments as the information evolves, and then later fine-tuned and directed towards the question of sustainability of cooperatives.

3.5.2 Secondary sources

This refers to data which has already been collected and the researcher needed only to extract the required information for the purpose of the study. The following are examples of secondary sources. They include documents such as government publications on cooperatives like the Cooperative Amendment Bill, Cooperative Act No 14 of 2005, Cooperative Policy of 2007, and Cooperative Bank, census, cooperative statistics, cooperative economic forecasts and cooperative statistics registration. Other documents include earlier research on cooperatives. Information about cooperatives was gathered from previous research personal records from
historical and personal records of people who were involved in cooperative’ development and mass media (reports published on internet, magazines or newspapers, and literature (data collected from books).

3.6 DATA JUSTIFICATION/ EVIDENCE

Thematic analysis: Analysis was done by the researcher on the outcome from questioning the cooperatives about the problems they experience in sustaining their cooperatives. In the process the researcher made recommendations based on the literature and various cooperative documents.

3.7 EVIDENCE VALIDATION

Researcher followed the following steps identified in table 3.2 by Kumar (2011) to ensure evidence validation:

**TABLE 3.2: Steps in evidence validation**

<table>
<thead>
<tr>
<th>Evidence validation</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Face to face validity</td>
<td>Judgement from gathered information will be based on a logical link between questions asked and objectives.</td>
</tr>
<tr>
<td>• Interpretive Validity</td>
<td>The qualitative research will view points, thoughts, intentions and experiences that are shared by registered cooperatives and stakeholders dealing with cooperatives about sustainability of cooperatives.</td>
</tr>
<tr>
<td>• Construct Validity</td>
<td>Validation of information will be based on statistical procedures, where the greater the variance attributable to the constructs, the higher the validity of the instrument.</td>
</tr>
<tr>
<td>• Descriptive Validity</td>
<td>Data collected from research will be</td>
</tr>
</tbody>
</table>
factually explained after research has been conducted, arguments made will be based on the accuracy of the facts collected during interviews.

- Internal Validity (credibility)  
  Information gathered will be taken back to the respondents to determine whether or not the research findings are reflecting their opinions and feelings accurately.

Kumar: research methodology (2011:180-184)

3.8 ETHICAL CONSIDERATIONS

Kumar (2011: 242) defined ethics in terms of Collins Dictionary (1979:502) as the principles of conduct that are considered correct, especially those of a given profession or group. The researcher ensured that the principles of conduct are known and that in the judgement of the person who determines them they are considered to be correct. In this research the ethics of registered cooperatives of Walmer Location and cooperative funders were considered. This was done during data collection (time given by participant, consideration of impact of research to the location, so a need for respondents informed consent was requested prior research). Seeking of consent was done when information was collected from participants showing a willingness to give information. Identification of sensitive information and determination of any information that could cause harm to participants was done prior to the investigations. Lastly confidentiality was maintained at all times and information was reported appropriately and will be confirmed by the community before it is communicated for reliability and validity purposes.

3.9 SUMMARY

This chapter had described the research methodology followed to collect data as well as the tools that were used to analyse and interpret the data. Qualitative research methodology was used. Qualitative method explored the phenomena of the
sustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality. The chapter explained the method used during research. It further defined population, sampling methods and the research design used. The researcher confirmed that there was not so much interest in the accurate size of an effect, but rather in whether there is a positive or negative effect. The interest is on investigating the sustainability of cooperatives in peri-urban areas of Nelson Mandela Bay Municipality. Non-probability technique was used as it meets the sampling objectives satisfactorily while ethics were also described which ensured a good conduct during research.

In chapter four the researcher focuses on the findings obtained from structured and semi-structured questions using a qualitative research approach method.
CHAPTER 4

4.1 INTRODUCTION

This chapter focuses on the findings obtained from structured and semi-structured questions using qualitative research approach method. Findings will be discussed and analysed in details using diagrams, graphs and tables.

The investigation was conducted through the use of face-to-face and telephonic interviews. Both structured and semi-structured interview methods were used and focused on the following:

- Identification of the challenges faced by cooperatives that hinder the cooperative’s sustainability (biographical information analysed by looking at its impact on the sustainability of cooperatives).
- Determining a causal relationship between the time cooperatives are registered and their percentage survival rate.
- In-depth interviews conducted on funded cooperatives in Walmer Location to determine their sustainability without government support.

The researcher targeted two executive members (chairperson and secretary) from thirty identified cooperatives for interviews, but could not get all those executive members since some had left the cooperative. Only 30% of the cooperatives had active executive members during the research period as a result 70% consisted of cooperative members who are not in the executive. Face-to-face and telephone interviews were conducted with six cooperatives and three funded cooperatives, while eighteen were given paper questionnaires to fill. Members were given qualitative research questionnaires to complete and these were collected in thirty days. A non-probability sampling technique was used during this research.

A cooperative audit identified two cooperatives that were funded in Walmer Location in 2012 but the researcher later identified a third cooperative, known as Limanyene Bakery Cooperative, which was financially assisted in 2013. All cooperative members from the three funded cooperatives were interviewed face to face. Four cooperative
members were interviewed from Sodlasonke Primary Cooperative, eleven members from Intlalo Building Construction Cooperative and ten members from Limanyene Bakery Cooperative and all respondents from these three cooperatives completed paper questionnaires.

External stakeholders interviewed included officials from the Department of Rural Development and Land Reform, Walmer Healing Hands non-profit organization, Nelson Mandela Development Forum, officials from the Department of Social Development and Special Programmes, Nelson Mandela Bay Municipality. Local Economic Development, SEDA and ECDC were also interviewed using structured and semi-structured questions. The questionnaire is appended.

4.2 CHALLENGES FACED BY REGISTERED COOPERATIVES

4.2.1 Age distribution of cooperative members

Thirty five per cent of the members of registered cooperatives in Walmer Location are aged between 46 and 55 years, as indicated in figure 4.1.

From figure 4.1 the researcher noted that 35% of the membership of registered cooperatives constituted people aged between 46 and 55 years, while 10% were
aged between 18 and 35 years. Cooperative members felt that this occurs because most of the people who register for cooperatives are above 35 years. They are also the people who mostly attend community meetings. Cooperative members confirmed that this occurred because the councillor of Ward 4 once announced in a community meeting that government is in the process of assisting registered cooperatives, therefore community development workers were asked to assist with the registration process.

A Ward 4 community development worker confirmed that young people aged 18 to 35 do not attend community meetings and as result this age bracket constitutes only 10% of registered cooperative members. It was also noted that people who join or register in cooperatives tend to be retired people who do this with the purpose of keeping busy while they are out of work. Cooperative members interviewed felt that the low percentage of young people in cooperatives resulted in a low level of transference of knowledge and experience from the elderly to the young. This contributed to failure of the cooperative when the older founding members retired as the young people did not have the knowledge to run the cooperative. Respondents confirmed that young people look for sustainable incomes, and once there is no income forthcoming these people become passive members of the cooperative and start looking for other employment.

4.2.2 Gender distribution

In the sample of registered cooperative members in the Walmer Location, 70% were women while 30% were men, as indicated in figure 4.2.
As shown in figure 4.2, women constitute 70% of the members of identified registered cooperatives of Walmer Location while males represent 30%. Research confirmed that 40% of the women represented are widows, and they joined the cooperative with the intention of receiving a sustainable income. Women in the registered cooperatives informed the researcher that members later realised that no sustainable income was being generated by the cooperative and they therefore become passive. During interviews these women confirmed that they registered for the cooperative because they received information that they would only be able to access income from government once they register as a cooperative.

Other cooperative members confirmed that these women joined or registered with cooperatives with the intention of receiving a sustainable income so that they could support their families. The interviewees stated that other cooperatives failed because female cooperative members dominating cooperatives were forced to resign by their husbands since they did not bring any income from the cooperative. As a result 40% of registered cooperatives do not comply with cooperative membership requirements which stipulate that there must be a minimum of 5 members per registered cooperative, according to Cooperative Act No 14 of 2005.
Research confirmed that 100% of female cooperative members are people who are out of school and are unemployed or temporarily employed. Female cooperative members confirmed that this is a problem because they end up failing to pay the monthly membership fees since they do not have enough income, and the cooperative therefore fails. It was confirmed that 70% of Walmer Location cooperatives are owned by women.

The members interviewed confirmed that only 10% of cooperatives have female chairpersons in their cooperatives because females do not want to be the chairperson of the cooperative although they constitute 70% of cooperative membership in Walmer location; as a result once a chairperson resigns the cooperative fails. In all three funded cooperatives in Walmer Location covered in the research, women dominate by 90% and assist the cooperative in accessing financial assistance. From those cooperatives, two have male chairpersons and one has a woman nominated as a chairperson. In all three cooperatives women are nominated as secretaries. One chairperson from funded cooperative stated that when the executive of a cooperative was nominated all female cooperative members looked down and said they are not fit to be the chairpersons as a result they were not elected.

4.2.3 Governance for registered cooperatives

All cooperative members that were interviewed confirmed that they have executive members that were nominated by them. A cooperative is distinguished by being an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on cooperative principles (www.dti.gov.za:24August 2013). Cooperative members confirmed that there are no democratic processes in their cooperatives. This is because the person who had the original idea becomes the one who governs the cooperative and provides directions. Cooperative members confirmed that this becomes a problem because if a cooperative is not democratically controlled there will be individuals that bully other members and when they resign as governors the cooperative will cease to
exist. The members also confirmed that the formulation of cooperatives is not driven by the common idea stipulated in the cooperative formulation guidelines and therefore becomes unsustainable because members join because they are told to join. 50% of the respondents interviewed confirmed that the chairpersons dictate cooperative operations and once they leave the cooperative fails.

In administrative matters, 90% of cooperative members interviewed confirmed that meetings are only called when the chairperson feels that there should be a meeting. It was stated that in most cases this occurs when there is a cooperative event organised by various stakeholders working on supporting cooperatives within the area. The cooperative members stated that they did not see the need to have meetings since there were no cooperative programmes or activities outlined by any board of directors since the sample of Walmer Location cooperatives did not have them. 80% of the cooperative meetings are convened after 17h00 since in each cooperative 50% of the members are busy with their current temporary jobs or busy looking for employment.

Cooperative members confirmed that each cooperative has few activities since they are not supported and as a result members join other cooperatives in the same ward (Ward 4). Cooperative members stated that this problem of joining more than one cooperative result in cooperatives failing as the members do not give their full attention to one specific cooperative’s development. One cooperative member stated that the reason for them to join more than one cooperatives is to stand a chance of benefiting should one receives funding.

Cooperative members confirmed that they do not understand the roles played by the directors, cooperative members and executive members. This results in cooperatives failing to perform duties as stipulated in the constitution. Once there are no clear roles there will be confusion and clashes in the duties performed. For example it is the duty of a cooperative member to provide capital, and maintain and control the cooperative; while the role of a director is to ensure that good business decisions are taken, to enhance cooperative management, to promote the cooperative and to place cooperative members’ interests first. The cooperative members interviewed
confirmed that they do not understand the roles of these bodies and so the cooperative fails to be sustainable.

All cooperative members interviewed confirmed that they do not have a board of directors, whose responsibilities are to create suitable working conditions for cooperative management; ensure that operating policies are carried out by cooperative management; carry legal responsibility to serve the best interests of the members; continuously inform members about cooperative activities; and ensure that there is equitable treatment for every cooperative member. On top of the above responsibilities, the board of directors’ duties include keeping records of board meetings, maintaining and approving membership records, hiring and firing cooperative managers, removing cooperative officers, employing auditors and selecting a cooperative accounting system. None of these duties and assigned responsibilities are carried out in the sample of cooperatives interviewed in Walmer Location. Three cooperative members from a sample cooperatives interviewed stated that they are hearing a word board of directors for the first time in cooperatives. Due to this lack of cooperative leadership there is poor administration, causing the cooperative to fail.

Eighty per cent of the cooperative members interviewed confirmed that annual general meetings are not convened. As a result it becomes difficult to change the cooperative’s management team even if their term of office has expired according to the constitution. Cooperative members said that if the current management is failing in a cooperative it will continue failing. They felt that since there are no annual general meetings held there will be no annual report presented, therefore members cannot be updated about cooperative progress or challenges. Only one funded cooperative (Intlalo Building Construction Cooperative) changed its executive in 2012 after it was registered in 2007, and although the executive was changed the cooperative discloser certificate still contains the original nominated executive names.

Eighty per cent of cooperative members confirmed that they have nominated finance secretaries (treasurer) who later revealed that problems were being experienced in
maintaining the cooperative’s bank accounts. Some have been closed since the cooperatives fail to make deposits that keep the bank accounts active due to non-payment of the membership fees. The members interviewed stated that once a bank account closes, the cooperative encounters difficulties in re-opening its bank accounts since some members named on the certificate relocate and cannot be contacted when the bank account needs to be re-opened. This happens because banks need signatures of all directors in the discloser cooperative certificate. This causes a cooperative to fail to submit audited financial certificates because for the accountants to put together the financial statements they always request the latest bank statements and these cannot be obtained if the account is closed. This statement should be accompanied by the source documents.

From the sample of cooperative members interviewed, 90% confirmed that their cooperative does not submit annual financial statements and audited reports to CIPC. As a result they get de-registered. Cooperative members stated that the reason they are not submitting these reports is that they do not have sufficient funds to pay accountants to do the financial statements. The second reason given is that they do not have an accounting system or an auditor. One cooperative finance secretary stated that in the cooperative certificate there is an accountant written but they have never seen him/her or took their books to the assigned accountant. Secretary said the name of accountant was written by the cooperative registering institution and they were never told. As a result cooperatives get deregistered for non-compliance according to South African Cooperative Act No 14 of 2005.

The cooperative members also stated that due to a failure to submit annual financial statements they also end up failing to get tax clearance certificates which are needed if the cooperative is to be funded. If the cooperative does not have a tax clearance certificate it is disqualified by the bid adjudication committee if it applies for a tender. This weak governance causes poor administration and lack of financial management, leading to the cooperative’s failure. This means that if there is no bank account there are no financials submitted. If there are no submissions to CIPC there will be de-registration. Also if there is no current bank statements accompanying the funding
documents submitted to the funders there will be no funding available to that cooperative.

Eighty five per cent of the cooperative members interviewed did not know the cooperative principles that serve as a pillar for the formulation of a cooperative. These principles include member democratic control, voluntary and open membership, autonomy and independence, educational training and information, cooperation among cooperatives, and concern for community and member economic participation. Once the cooperative members do not understand these pillars the cooperative fails because it will not be governed according to Cooperative Act No 14 of 2005.

The external cooperative stakeholders in Walmer Location confirmed that weak governance in cooperatives caused them to spend 60% of their time in resolving cooperative conflicts among cooperative members which usually start when a cooperative receives financial assistance. Another stakeholder stated that some groups work well when they are not registered, once they register and receive financial assistance problems starts. This stakeholder confirmed that once they identify these individuals they are forced to register them so that they can access funds from their institutions. Meaning that it is officials that forces people to register and that is why after receipt of funds conflicts develops. As a result the services they are supposed to render towards cooperative support are sacrificed. This is the support that ensures that cooperatives are sustainable. If support to a cooperative is not offered the cooperative fails.
4.2.4 Access to markets

In Walmer Location 98% of the members of registered cooperatives say they have no access to the market, while 2% say they do have access to the market although they are unable to secure contracts. This is indicated in figure 4.3.

![FIG 4.3: ACCESS TO MARKET](image)

All cooperative members interviewed confirmed that they do not have a marketing strategy to ensure that their cooperatives access the market.

Cooperative members confirmed that Walmer Location is surrounded by many fully established business entities; these are businesses operating in Walmer Park Mall and the businesses operating in a mall in Sixth Avenue off Heugh Road. These are businesses that are about 10 km from Walmer Location. Cooperative members stated that the fact that cooperatives in Walmer Location are close to these industries means that they are forced to compete with these industries or businesses while they are still in their infancy or emerging stage and as a result they fail to sustain themselves.

Limanyene Bakery Primary Cooperative bakes bread and cakes in Walmer Location. Cooperative members confirmed that they are currently competing with Star Bread Company located at corner of Heugh Road and Seventh Avenue. This is an area which is within a radius of 5 km from the Limanyene Bakery Cooperative operating
site. Star Bakery delivers bread in Walmer Location, which is a challenge to the cooperative operating in that area. In the Sixth Avenue shopping complex there are Checkers, Pick ‘n Pay and Spar outlets producing the same bread and cakes that are baked by the cooperative. This cooperative fails to compete with these fully established businesses; hence there are difficulties in making a profit and ensuring sustainability.

The cooperative members confirmed that they easily get the raw materials or ingredients they are using in baking the bread and cakes from nearby businesses at cheaper prices. Limanyene Cooperative members confirmed that they buy ingredients for baking bread and cakes without paying transportation costs since there is a shopping complex close to the cooperative site. These members stated that it is an advantage to have these businesses but since they are producing the same products as these businesses they struggle to compete and are unable to supply them with their own goods since these businesses are also producing them.

Intlalo Building Construction Cooperative makes building blocks in Walmer Location and confirmed that it is intending to expand its operations into other construction activities; but it has difficulty in expanding its activities because there are big and fully established businesses, such as Rand Civils, Studavison and WHB Construction within a radius of 5 km that can offer the products at lower prices. Members of this cooperative confirmed that they have consulted the above-mentioned construction companies for experiential learning and mentorship but did not get any assistance. This cooperative fails to compete with these fully established businesses hence there are difficulties in making the profits needed to ensure sustainability.

The cooperative members interviewed confirmed that their cooperatives do not have advanced technological equipment that can assist in producing high quality products. Sodlasonke Primary Cooperative members confirmed that they approached Walmer Park Mall management in 2011 about the possibility of rendering cleaning services to the mall but could not get the business because they were asked the type of cleaning equipment they are using, which according to management was regarded as outdated compared to the equipment currently used by other cleaning companies. As a
result their request was rejected. All cooperative members confirmed that they do not have partnerships with other business entities.

The Intlalo Building Construction Cooperative confirmed that although it is unable to compete with these fully established businesses, it is able to receive raw material like cement bags without transportation costs. It also confirmed that it is able to buy cement bags that are on sale from any one of the surrounding businesses, and sometimes they are able to get raw material on credit or at discounted prices from the fully established businesses surrounding Walmer Location. Intlalo Cooperative members confirmed that when they buy cement in bulk from PPC Cement they are not charged for pellets so the cement bags can be bought at cheaper prices. Super Crush is the cooperative main supplier of grit and also offers discounted prices to Intlalo Cooperative. All cooperative members interviewed confirmed that before their cooperatives were registered no feasibility studies were conducted to check the viability of the business. This would have ensured that there was less competition between the cooperatives in Walmer Location and the fully established businesses operating in the area. Measurers should be taken by the cooperative members to ensure that the product cooperative sells and successfully competes with other homogeneous products sold by other companies.

The external stakeholders interviewed confirmed that cooperatives have difficulty in accessing the market due to lack of recognition of the cooperative as a business entity. According to the stakeholders this occurs because of a lack of commitment from the cooperative members. They stated that when cooperatives receive contracts they fail to adhere to the contractual agreement due to a lack of commitment from the cooperative members. All cooperative members interviewed confirmed that their cooperatives do not have adequate equipment to improve the quality of goods produced and increase outputs. The poor quality of goods produced leads to a lack of access to market.

The external stakeholders interviewed further confirmed that a lack of situational analysis and market research are other causes of a cooperative’s failure to penetrate the market. They stated that it is important for cooperatives to do market research
before they start registering their cooperatives so that a proper marketing plan can be
developed, and letters of intent can be obtained before the cooperative starts its
operations. This minimizes the competition between cooperatives and other fully
established business entities. A situational analysis will assist a cooperative in
understanding its current activities and other activities surrounding the cooperative
which can hamper or promote operations so that it can easily access the market.

4.2.5 Literacy and education levels

Investigation into the sustainability of cooperatives in peri-urban areas confirmed that
the majority (59%) of Walmer Location registered cooperative members do not have
matric (grade 12) while 25% of cooperative members have matric and 16% have a
post-matric qualification. This is shown in figure 4.4.

![Fig 4.4: COOPERATIVE MEMBERS EDUCATION LEVELS](image)

Sixteen percentage of cooperative members with post matric confirmed that they
joined cooperatives because they are still looking for permanent employment.
Cooperative members confirmed that the people without matric which constitute a
bigger per cent (59%) is a challenge because all documents such as Cooperative Act
of 2005, Cooperative Amendment Bill, Cooperative Constitution, that provides
guidance and ensures sustainability of cooperatives are written in English, and
although 98% of members understand verbal English they struggle to understand
certain concepts in these important documents that assist in ensuring sustainability since they are legal documents.

Cooperative members also confirmed that training manuals on cooperative development issued by SEDA are always printed in English while cooperative members consulted in Walmer Location have isiXhosa as their home language. Cooperative members stated that the language barrier also causes other cooperative members to be reluctant to attend training programmes ensuring the cooperative’s sustainability. They said that this occurs because training programmes are facilitated in English and some members do not understand English. This eventually causes a cooperative to fail because of a lack of knowledge. SEDA confirmed that all training manuals are still printed in English although they are currently considering translating them into other languages. SEDA also confirmed that in other courses, facilitators have difficulty in explaining cooperative concepts in other languages than English.

4.2.6 Survival rate of registered cooperatives without financial support

The scatter graph in figure 4.5 shows the survival rate of cooperatives after registration without receiving financial support.

FIGURE 4.5: SURVIVAL RATE OF REGISTERED COOPERATIVES WITHOUT FINANCIAL SUPPORT

Survival rate of cooperatives in years
Figure 4.5 confirms that when cooperatives are newly registered the rate of survival is strong or very high at 90%. Cooperative members interviewed confirmed that this is the time when members are still hoping for huge profits to be made by the cooperative, and at this stage all members pay their monthly membership fees and they attend cooperative meetings organised by the cooperative executive members. In the second year of operation 70% of cooperatives survive. Cooperative members interviewed confirmed that this percentage drops because member commitment drops. Some members start leaving the cooperative to look for employment, while other cooperatives fail to submit financial statements for compliance and get de-registered by the Cooperative Intellectual Property Association. In the third year without funding, the cooperative survival rate drops drastically from 70% to 40%; members stated that this occurs because cooperative members start realising that a cooperative is a distinct form of association which operates differently from other business entities.

Cooperative members confirmed that a lack of financial support in the fourth year leads to a failure to submit cooperative compliance documents to the Cooperative Intellectual Property Association. This occurs because cooperative members do not have money to pay accountants to do their financial statements. Figure 4.5 confirms that the longer the period a cooperative is not supported financially the lower the survival rate. The chairperson of one funded cooperative stated that if there is no money there is no cooperative.

Sixty per cent of cooperative members confirmed that they had heard about the cooperative incentive scheme from the Department of Trade and Industry and have submitted application forms, but never received responses whether negative or positive from the department; while 30% had never heard of the scheme and 10% had heard but have not submitted applications. All thirty cooperatives members that were interviewed lacked information on how to access the Micro Finance and Agricultural Micro Credit Fund which is used by the South African government as a vehicle for cooperatives at national level. All cooperative members interviewed confirmed that they do not know about the cooperative development agency
established to offer credit to cooperatives. Walmer Location is an area in the province of the Eastern Cape but 100% of cooperative members interviewed confirmed that they have never heard of the Eastern Cape Provincial Development Fund (Imvaba ECPCDF) which was formed to assist cooperatives in the Eastern Cape financially, as stated in the Eastern Cape Provincial Strategy.

Sixty per cent of Walmer Location cooperative members interviewed confirmed that they hear about tenders available in Walmer Location and have an interest in the tenders offered by Nelson Mandela Bay Municipality in Ward 4 but they are not awarded these tenders. This occurs because they do not apply for these tenders. Members stated that the reasons for them not applying are the specific requirements that are needed in tender documents, for example a valid tax clearance certificate. This is something they struggle to get because of non-submission of audited annual financial statements. A specific amount in the cooperative bank account is required when submitting a tender document. It was also indicated that they are struggling because they are unable to complete the tender documents due to poor understanding of the language and terminology used in those tender documents. The cooperative members interviewed confirmed that a cooperative’s financial support through accessing tenders would ensure that they are sustainable and they will be able to submit annual financial reports requested by the Cooperative Intellectual Property Commission. 30% of cooperatives members interviewed confirmed that they hear about and apply for the advertised tenders in Walmer Location but they are not awarded them, and they suspect that this is because they are registered as cooperatives. Only one cooperative in the sample was awarded a cleaning tender by Nelson Mandela Bay Municipality. Other cooperative members interviewed confirmed that they have never applied nor heard about the tenders available in Walmer Location.

Out of the cooperatives interviewed, three within Walmer Location confirmed that they have received financial assistance from government – Sodlasonke Primary Cooperative, Limanyene Bakery Primary Cooperative and Intlalo Building Construction Cooperative. Sodlasonke is funded by Nelson Mandela Bay Municipality and does cleaning and waste management in Walmer Location. They also confirmed
that they were awarded a tender from ACSA. This cooperative currently employs 44 community members on a contract basis.

Intlalo Building Construction Cooperative stated that the cooperative is always interested in sub-contracting to the contractors awarded tenders for building RDP houses in Walmer Location but have never been awarded a sub-contracting tender and no reasons have been given to them. Cooperative members stated that sometimes the companies operating in Walmer Location do not inform them about tender meetings because they say that there is no need for them to get other financial assistance since they are already assisted by the government.

Intlalo Building Construction Cooperative, which manufactures building blocks, is funded by the Department of Social Development and Special Programmes and temporarily employs a maximum of 4 people from the location. These jobs are offered when there is a higher demand or the cooperative is rushing orders through. This is mostly caused by weather conditions when the cooperative is unable make building blocks due to rain. These cooperatives do not have any strategy for expanding their operations so that they will be sustainable in future and they still maintain and sustain their cooperatives through government finances.

Limanyene Bakery Primary Cooperative, which bakes bread and cakes, is funded by the Department of Social Development and Special Programmes. This cooperative received funding in 2013 and it confirmed that it had not yet created any jobs for local community members. The cooperative uses cooperative members only since it is a worker-owned cooperative. This cooperative confirmed that it is currently selling bread and cakes in the location, mostly supplying churches during weekends.

All other 27 cooperative member representatives interviewed confirmed that they have never received financial assistance. Cooperative operations are carried out through the utilization of membership fees; this refers to the cooperatives that still have members that are paying membership fees.

The external stakeholders in Walmer Location also confirmed that limited access to finance is another cause of cooperatives’ failure. They stated that the democratic
operations of cooperatives and their surplus profit-sharing make them less attractive to venture capital. For example private sector financial institutions often do not understand the structures of cooperatives and this then results in limited support provided to cooperatives, difficulties retaining earnings and increasing capital requirements.

SEDA stated that it offers financial assistance to cooperatives but before they offer assistance there is a pre-funding assessment leading to the compilation of an assessment report, which most of cooperatives are failing. This assessment includes cooperative compliance, cooperative membership and other administrative matters. SEDA confirmed that in most cases it finds cooperative member conflicts which need to be solved before a cooperative can access funding. Other stakeholders funding cooperatives do not conduct a pre-funding assessment; all they confirm is the existence of the cooperative.

4.3. COOPERATIVE SUPPORT FOR SUSTAINABILITY

4.3.1 Training status

All cooperative members interviewed confirmed that they have not received pre-establishment training before the cooperative is registered. This is training that distinguishes a cooperative as a business entity different from other business entities. This would assist in ensuring that people register a cooperative because they know what a cooperative is. Cooperative members interviewed confirmed that one of the reasons for them not receiving that pre-establishment training is that other cooperatives are registered through private consultants who only understand the registration processes of a cooperative. Another reason is that the registering government entities do not have special people responsible for training before registration of a cooperative, and they only have people responsible for ensuring that cooperatives comply with Cooperative Act no 14 of 2005.

Fifty five per cent of cooperative members confirmed that they have received one to two days training offered by SEDA after they have registered a cooperative, but attendees do not usually share the information learned at training sessions with other
cooperative members. Cooperative members stated that when members leave the cooperative they do not share with other cooperative members the necessary information for making the cooperative sustainable. Most people who attend the training sessions are the cooperative chairpersons and secretaries. Members who attended these training sessions complained about the duration of training, which are too short for them to understand everything. A cooperative member interviewed highlighted that most trainings are done because officials have to account or have something to report in their Departments not to assist cooperatives. They stated that the training is once-off, there is no in-service training, and there is no follow-up made by the trainers to ensure that what they have learnt is implemented by the cooperative members who attended the training. Cooperative members interviewed stated that other training sessions they attended do not have training manuals for them to refer to.

SEDA confirmed that it conducts training on cooperative governance, bookkeeping, income and expenditure recording, but although cooperative members attend training programmes some members do not finish the training course. Some of the reasons given to SEDA include transportation costs to SEDA offices. Most training is conducted at SEDA offices due to a lack of training equipment at the cooperative’s site.

Officials from the Department of Social Development confirmed that they offer mentoring and coaching to their funded cooperatives and show them how to do income and expenditure recording, filing and bookkeeping, and allow the cooperative members to sign a service-level agreement before they start spending the grant fund. They confirmed that in most cases cooperative members do not adhere to what they have been taught and this leads to failure.

The Nelson Mandela Bay Municipality Local Economic Development Department confirmed that before cooperatives are funded they offer training on cooperative governance which includes the seven principles governing cooperatives, but cooperative members do not adhere to these principles and as a result the cooperatives fail to be sustainable.
The stakeholders supporting cooperatives all confirmed that the training they offer is conducted in preparation for funding of a cooperative. This means that cooperatives that are not funded do not get an opportunity to be trained.

4.3.2 Cooperative member training

Figure 4.6 shows the training programmes required for the cooperative members interviewed and graphically show the actual training attended by the sample of cooperatives interviewed. These are training programmes that were identified by the stakeholders supporting cooperatives as necessary for the cooperative’s sustainability.

Both external stakeholders and cooperative members interviewed stated that there are training programmes that should be offered to cooperatives to ensure that cooperatives are sustainable. The researcher further asked interviewees (cooperative members) what training was needed and allowed them to indicate from
the list of training programmes needed the training programmes they have accessed. Figure 4.6 confirms that there are training programmes that are needed by cooperatives but are not offered. The secretary of one of the interviewed cooperatives stated that they are not asked by the training institution the trainings needed by cooperative members as a result trainings are duplicated; at times they attend the same training three times.

The training programmes identified according to figure 4.6 are conflict management, completion of tax returns, tendering and filling of tendering forms. Only two training programmes had above 50% of respondents attending according to cooperative members interviewed. These were training programmes in secretariat functions and business management. All other identified training programmes attended had below 50% attendance, as indicated in figure 4.6. The cooperative members and external stakeholders mentioned the importance of team building sessions that assist cooperative members in working together and reduce unnecessary conflicts among cooperative members. All cooperative members interviewed in Walmer Location confirmed that they have never attended team building sessions. Failure to attend these training programmes and team building sessions causes the cooperatives to fail and contributes to member conflicts that lower production.

SEDA, which is a leading cooperative training agent in Nelson Mandela Bay Municipality, stated that the training programmes outlined in Figure 4.6 are needed, but they are unable to offer all these training programmes because of the shortage of finance. SEDA stated that there are costs encountered during training programmes like catering and appointment of service providers if the training is outsourced. SEDA also confirmed that in other training programmes that are essential for cooperative sustainability, the training agent confirmed a lack of service providers capable of offering certain training programmes on their data base.
4.4 OTHER COOPERATIVE CHALLENGES

4.4.1 Cooperative cooperation among one another

Cooperative members confirmed that the cooperatives in Walmer do not work together. This lack of cooperation leads to poor sharing of the information among cooperatives that could assist in developing all cooperatives within a ward. Cooperation among cooperatives is one of the principles governing cooperatives. Once it is lacking, cooperatives will start failing since there is no support from other cooperatives. Cooperative members also stated that lack of cooperation leads to competition, factionalism and rivalry among cooperatives and affects cooperative sustainability since cooperatives are unable to complement one another. As a result there are no secondary cooperatives where two or more cooperatives combine and register a secondary cooperative.

From the sample of thirty cooperative members interviewed, only two cooperatives are members of Nelson Mandela Bay Cooperative Forum. In this forum cooperatives are clustered according to their areas of specialization. There is a social cluster, a construction cluster and an agricultural cluster. Cooperatives registered in the forum receive training in line with their areas of operation and they are always invited to an annual Nelson Mandela Bay Cooperative day organized by Nelson Mandela Bay Municipality, where cooperatives market their products. In Walmer Location, 60% of the cooperative members interviewed confirmed that they had heard about the forum but did not receive information about how to join a forum. The other 40% did not join because they thought it is only for the funded cooperatives.

4.4.2 Monitoring, evaluation and implementation strategy

All cooperative members interviewed confirmed that they do not have monitoring and evaluation systems in place; as a result they do not see any need for convening meetings to verify or check cooperative progress. Only three cooperatives keep records. These are the three cooperatives that are financially supported and they confirmed that they are assisted by the funders since they are forced to submit progress reports to the funders. Cooperatives fail if the monitoring and evaluation
Instruments are not in place because they are unable to identify challenges experienced by cooperatives early and address them immediately.

All cooperative members interviewed confirmed that their cooperatives do not have an implementation plan to assist in ensuring that cooperative activities are done in an orderly manner. This plan should have time frames allocated to it so that activities will be done on time. The implementation strategy is always based on a project plan. All cooperative members interviewed confirmed that their cooperatives do not have project plans. Failure to have these tools in place causes cooperatives to fail. All external stakeholders working on cooperative support and development confirmed that they had never introduced these instruments to their cooperatives.

4.4.3 Development hubs or operating sites

Twenty nine registered cooperatives confirmed that they do not have the business sites which are needed for the maximisation of profits because part of the profit generated has to pay the rent. Intlalo Building and Construction Cooperative is currently renting an operating site and pays a monthly rental. This cooperative is currently operating in a residential area which is not suitable for building block making and they confirmed that they are operating in that site temporarily and as a result they are unable to expand their business. Cooperative members confirmed that in 2013 they received a letter from the municipality threatening to close their activities since they are not environmentally friendly. Cooperative members interviewed stated that 60% of the land closer to the location is privately owned. As a result they are unable to get cooperative sites, while the other remaining 40% is planned for other developmental programmes by the municipality.

Limanyene Bakery Primary Cooperative confirmed that the cooperative is currently operating on a residential site belonging to one of the cooperative members. This cooperative stated that it had bought a baking machine that needs 3-phase electricity connections but the municipality refused to connect that electricity to operate that machine because it is operating in a residential area which is not suitable for 3-phase connections. Due to this problem the cooperative is using the machine manually,
causing it to fail to produce according to its full capacity, meaning less bread and cakes are produced per day.

Cooperative members interviewed confirmed that Walmer Location does not have arable land for crop production because methane gas was found in the area of Airport Valley. As a result 40% of registered cooperatives are registered as waste and cleaning cooperatives that compete against one another. The sample of cooperative members interviewed confirmed that they are interested in crop production but cannot do it due to the unsuitability of the arable land in some areas of Walmer Location. Cooperative members stated that crop production is only possible through the use of tunnels.

The Emerging Farmers Agricultural Cooperative confirmed that it started a poultry project in 2009 in Walmer Location but failed to succeed due to the noise made by aeroplanes from the airport which is within a radius of 4 km. The noise made by the aeroplanes disturbed the chickens. As a result the cooperative had to close and looked for a place in Green Bushes but did not succeed there due to the transport costs that were incurred by cooperative members.

4.4.4 High crime rate and continuous service delivery protests

Cooperative members interviewed stated that Walmer Location has a high crime rate and the prevalence of service delivery protests prevents cooperatives from operating in the location. Intlalo Building Construction Cooperative confirmed that the fencing that was purchased with funds received from the Department of Social Development and Special Programmes was removed during the night. This happened three months after the cooperative received funding and erected the fencing. Cooperative members stated that during service delivery protests all government vehicles supporting cooperatives are prohibited from entering Walmer Location until the protest is over. As a result scheduled cooperative meetings or training is postponed until the protest is over. Vakasha Tours Primary Cooperative, which renders tour services, confirmed that during protests they are unable to take tourists to Walmer Location until the protest is over. These protests usually take about a week. Cooperative members confirmed that during these protests all cooperatives operating
in Walmer Location are forced to close and as a result smaller profits are made during the month of protest, contributing to cooperative failure.

External stakeholders confirmed that during service delivery protests in Walmer, cooperatives are not supported because customers are unable to visit the area. They confirmed that during these periods all cooperative sites are closed, as protesters do not want to see government vehicles entering the location. The stakeholders confirmed that at times government loses money because of the contracts signed with the service providers, for example if there was training arranged during a service delivery protest. These protests mostly take place in the road entering Walmer Location.

4.4.5 Lack of integration among stakeholders supporting cooperatives

The external stakeholders supporting cooperatives acknowledged that they do not work together when they are supporting the cooperatives. This happens because stakeholders supporting cooperatives are not coordinated in one centre. Failure to work together causes duplication of services rendered to cooperatives. This duplication causes cooperatives to fail since they are not offered other services due to them by the stakeholders. One cooperative chairperson stated that government officials working on cooperatives compete one another as a result when they are visited some officials will talk to them about failures made to cooperatives by other departments.

The Cooperatives and Community Public Partnership Programme (CPPP) have a responsibility of promoting establishment of cooperatives and collectively owned enterprises in partnership with other stakeholders (www.seda.org.za:17 September 2014). This does not occur because all stakeholders interviewed confirmed that they do not work together.

4.5 SUMMARY

The research findings confirmed that 35% of the membership of registered cooperatives constituted people aged between 46 and 55 years, while 10% were aged between 18 and 35 years. Cooperative members felt that this occurs because
most of the people who register for cooperatives are above 35 years. They are also the people who mostly attend community meetings. It was also noted that women constitutes 70% of the total membership in a sample of registered cooperatives. These women confirmed that they registered for the cooperative because they received information that they would only be able to access income from government once they register as a cooperative.

Cooperative members and external stakeholders confirmed poor governance and administration, for an example 90% of cooperative members interviewed confirmed that meetings are only called when the chairperson feels that there should be a meeting. One hundred percent of cooperatives stated that they do not have a board of directors that can assist in governance. In a sample of registered cooperatives interviewed 98% confirmed that they do not have access to markets which causes unsustainability of cooperatives although they are surrounded by fully established businesses within a radius of five to ten kilometres. The low levels of literacy and education also hinders the success of cooperatives since documents supporting cooperatives are printed in English which other members find difficulties in reading them. A sample of registered cooperatives confirmed that the sustainability of cooperatives depend on financial support which twenty seven of them did not receive. Training programmes are scheduled for two to three days leaving members not grasping everything. Cooperatives members listed training programmes that can assist in the sustainability of cooperatives but they did not access those training programmes.

Other challenges faced by cooperatives in peri-urban areas included lack of cooperation among cooperatives, lack of cooperatives development sites, lack of monitoring and evaluation tools, high crime rate and continuous protests.

In the following chapter the researcher will list and critically discuss the recommendations from the findings that were obtained during this research.
CHAPTER 5

5.1 INTRODUCTION

This chapter focuses on the recommendations and conclusions of the research and records the findings from chapter 4, where structured and semi-structured questions were used for gathering information.

The findings confirmed that cooperatives are failing due to a lack of skills and training of cooperative members in various fields, as outlined below. Training and skills are broadly defined as core work skills, the general knowledge and industry-based, professional competencies that facilitate the transition from education into the world of work, and the lifelong learning that maintains an individual's skills and competences as work, technology and skills requirements change (www.ilo.org: G20 training strategy, November 2010). It is important that cooperatives should focus on different elements as they see relative strengths and weaknesses in their own skills development systems and as they learn more about innovations and experiences in other cooperatives, both within this country and worldwide.

During the research it was noted by the researcher, the stakeholders and the sample of cooperative members interviewed that Walmer Location is surrounded by many fully established businesses which could be advantageous to Walmer Location cooperatives. However, not all the cooperative members interviewed use this advantage. The recommendations suggest tools and other factors that can be used to sustain peri-urban cooperatives with the help of the fully established businesses in the surrounding area.

5.2 RESEARCH RECOMMENDATIONS

5.2.1 Training and incubation programmes

The findings listed in chapter 4 (paragraph 4.3) shows that 100% of the cooperative members interviewed have never received pre-establishment training before their cooperatives were registered. Fifty five per cent of cooperative members confirmed that they have received one to two days training offered by SEDA. In figure 4.6 both
external stakeholders and cooperative members interviewed stated that there are training programmes that should be offered to cooperatives to ensure that cooperatives are sustainable, but those trainings are not offered. This shows that there is a clear need for cooperative training and incubation programmes that can help cooperatives become sustainable. The following are some recommended training and incubation programmes.

5.2.1.1 Pre-establishment training

To achieve sustainability of a cooperative, the researcher recommends that all cooperative members should undergo an accredited pre-establishment training course before registration of the cooperative. This should be offered by SEDA and be acknowledged as a pre-requisite for registration of the cooperative. The pre-establishment certificate should always be attached to the application forms when a cooperative applies to the CIPC for a registration certificate. The modules to be covered in the training should include an introduction to a cooperative concept where cooperative members will be introduced to the overall concept of a cooperative, a description of a cooperative focusing on differentiating a cooperative from other business entities, cooperative pillars focusing on the seven principles governing cooperatives and formulation of a cooperative covering the democratic processes to be followed by all cooperative members when formulating a cooperative.

After this training, a cooperative should be awarded an accredited certificate that certifies that it meets the requirements to apply for a cooperative registration certificate.

5.2.1.2 Training on governance and service standards

In paragraph 4.2.3 findings confirmed that cooperative members do not understand the roles played by the directors, members and the executive. This results in cooperatives failing to perform duties as stipulated in the cooperative constitution. Researcher recommends that after receipt of the cooperative registration certificate all cooperative members should be offered non-accredited training by SEDA focusing
on cooperative sustainability. The training should include roles, duties and responsibilities of cooperative members and leadership roles, with the duties of members, directors, managers and board of directors being explained. A lack of training in this area was identified as a cause of failure of cooperatives in California. Keeling (2004) stated that the board of directors was passive and ill-equipped to scrutinize business decisions and lacked cooperative governance and control abilities and this led to the failure of the Californian rice growers’ cooperatives.

Other recommended training confirmed to be lacking in cooperatives are analysed in paragraph 4.3.2; this includes conflict management (members should understand that all members should be able to cooperate and assist in solving individual differences that may affect a cooperative); project management (members should understand the project management concept and project cycle since most cooperative operations start through projects); business management (the application of business principles that will assist in enhancing cooperative operations); income and expenditure record keeping; tendering; filling in of tax returns; financial management; team building sessions; and monitoring and evaluation. It is recommended that at least 50% of the targeted training programmes should be implemented at each cooperative since these contribute to the cooperative’s sustainability.

The researcher recommends that the above comprehensive training courses should be completed by all registered cooperative members a month after receipt of a cooperative certificate, with a minimum of one month attendance period, since the findings in chapter 4 confirmed that the two to three day training programmes offered by SEDA are not enough for cooperative members to understand the cooperatives’ concepts. Following this comprehensive training there should be in-service training courses to act as re-fresher courses. In-service training courses will help cooperatives to solve challenges and problems they are facing immediately on their sites through the assistance of facilitators or other attendees.

The cooperative members interviewed confirmed in paragraph 4.22 (figure 4.2) that only 10% of cooperatives have female chairpersons in their cooperatives, this
happens because females do not want to be the chairpersons of the cooperatives although they constitute 70% of cooperatives in Walmer location; as a result once the chairman resigns the cooperative fails. It is further recommended that there should be leadership seminars and management training programmes for women organized by the Department of Labour, which will empower women with leadership skills. This will assist in minimizing the fears women tend to have in leading cooperatives.

In paragraph 4.2.1 (figure 4.1) findings show that 10% of young people in cooperatives lead to non-transference of knowledge and experience from the elderly to the young people which then causes the cooperatives to fail should those founding members (elderly) retire from a cooperative. The researcher recommends that the national youth development agencies should always incorporate the cooperatives’ development concept during youth information sharing sessions because this will make young people fully understand how cooperatives work so that they will be able to assist elderly people in their own cooperatives. This will also make them willing to take over should their parents or elderly people resign or retire from the cooperatives. It is further recommended that the tertiary institutions should have courses specializing on cooperative development where young people will be able to choose careers focusing on the sustainability and development of cooperatives as a strategy for poverty eradication. Helsinki (2006) in India confirmed that cooperatives are supported in India as a means of tackling the problems of poverty alleviation, food security and employment generation.

5.2.1.3 Training on supporting documents

In the findings listed in chapter 4 (Figure 4.4), cooperative members confirmed that people without matric who constitute 59% of the sample present a challenge because documents such as Cooperative Act of 2005, the Cooperative Amendment Bill and the Cooperative Constitution, that provides guidance and contribute sustainability of cooperatives, are written in English. Although 98% of members understand verbal English, they struggle to understand certain concepts in these important documents that assist in ensuring sustainability since they are legal documents.
The researcher recommends that all documents and training mentioned above should be translated to vernacular or home languages so that all members will understand them. It is also recommended that the cooperative members be trained in the documents. Facilitators of all training programmes should be people who understand and are able to facilitate their presentations using vernacular or home language. In the case of Walmer Location this will be isiXhosa, since the sample of cooperative members interviewed was confirmed during the research to be Xhosa speaking.

Another recommendation is the cooperative development concept that should be included in the curriculum of the learners of South of Africa, even if it is not examinable.

5.2.1.4 Community based training and experiential learning programmes

The researcher recommends that community-based training programmes should be conducted by stakeholders supporting cooperatives, as stated in chapter four, so that cooperatives from the same ward will know the operations of each cooperative. This will boost the cooperation among cooperatives as they will learn how to assist each other and work together. The importance of cooperation was emphasized by Roux, Murray and Hill (2010:2) who explained cooperation as an involvement of parties actively working together for mutual benefit, where there is deliberate interaction driven by a common purpose higher than coordination because each realises the other has something to offer. This effective cooperation develops over time and relies heavily on learning through participation. This is a concept related to learning networks and communities of practice.

This community-based training with post-training support in entrepreneurship and access to credit and product markets will foster the local cooperatives. Pre-training investment literacy programmes within the community should be conducted to assist in the identification of products and services with growth potential.
5.2.1.5 Incubation and business support centres

The researcher recommends that cooperative members should be encouraged to visit and learn from other cooperatives and/or other fully established businesses in a radius of 10 km from Walmer Location; this will make it possible for these entities to mentor and coach the cooperatives, especially the emerging ones.

It is further recommended that the DTI re-align its programmes so that the CIS and training programmes led by SEDA, a leading training agent, develops a comprehensive one-stop-shop facility for a combination of cooperative support services and training. The scheme would be the ideal vehicle to fund incubation programmes facilitated by SEDA among emerging cooperatives that require advice with respect to managing finances, marketing and technical or production services in a sustainable manner.

The business support centres are recommended in order to inculcate a broader understanding of the art of entrepreneurship, and how to start and run successful and sustainable enterprises, including cooperatives. These outlets should be spread across all municipal districts and be backed by government funds, either from the DEDEA or the DTI.

5.2.2 Access to markets

From the findings listed in paragraph 4.2.4 (figure 4.3) 98% of the members of registered cooperatives say they have no access to the market while 2% say they do have access to the market although they are unable to secure contracts. This shows that there is a clear need for cooperatives to have access to markets. The following are recommended strategies for the cooperatives’ access to the markets.

5.2.2.1 Marketing plan

For cooperatives to be sustainable it is recommended that each cooperative should have a marketing strategy developed by cooperative members. This should be required by the cooperatives’ financing agents before it receives funding. This strategy should outline how a cooperative will market its product and how it will
compete with the industries producing the same products that have already penetrated the market.

### 5.2.2.2 Development of cooperative value chains

For the cooperative’s sustainability it is recommended that the value chain be developed. This happens when there is specialisation or division of labour by different cooperatives. For an example one cooperative might produce a raw material which is then sold to another cooperative to produce a semi-finished or final product. To ensure that there is maximum production in each sector there should be a board of directors or value chain steering committee that coordinates or steers the operations of the separate cooperatives involved in the value chain.

### 5.2.2.3 Advertising strategies

It is recommended that the cooperatives should have an advertising strategy which will be presented before it receives funding. It is further recommended that public institutions should always promote cooperatives by advertising them in public venues. This will help income-generating cooperatives to be recognized for tenders. The services offered by cooperatives should be advertised in business magazines, papers and other government publications. Success stories of cooperatives should be publicized in order to develop trust among business contractors. Additional points should be offered to cooperatives in the tender document guidelines so that it is easy for them to earn extra points and so be awarded tenders.

### 5.2.2.4 Profit maximization strategy

The researcher recommends that peri-urban economies should be developed to ensure that there is collective access to trade materials such as goods and services at discounted rates. It has been proved that bulk buying makes it possible to negotiate for substantial discounts on essential business materials and this is crucial for the profit maximization and sustainability of the cooperatives.

It is further recommended that co-operatives should be encouraged to form groups which aim at supplying bulk consignments to large retail outlets and state institutions
as this will help them penetrate large markets that are in a radius of 10 km from Walmer Location. This will make cooperative’s willing to sign memoranda of understanding (MOU), memoranda of agreements (MOA) or service level agreements (SLA). This should be possible because Walmer Location is surrounded by fully established businesses.

5.2.3 Support structures

From the findings listed in paragraph 4.4.1, sample of thirty cooperatives interviewed confirmed that only two cooperatives are members of Nelson Mandela Bay Cooperative forum. In paragraph 4.4.5, external stakeholders supporting cooperatives acknowledged that they do not work together when they are supporting the cooperatives. This happens because stakeholders supporting cooperatives are not coordinated in one centre. Failure in working together of stakeholders causes duplication of services rendered to cooperatives. This duplication causes cooperatives to fail since they end up not offered other services due to them by the stakeholders. These findings confirm need for additional cooperative structures that ensures cooperative sustainability. The following are some recommended structures for sustainability of the cooperatives.

5.2.3.1 Emerging cooperative support programmes

The researcher recommends that government should take responsibility for protecting small business enterprises such as co-operatives by strictly enforcing policies specified in the Co-operatives Development Policy of 2003 and Co-operatives Act of 2005. Such measures should include allocating 30% of state procurement to co-operatives so that they can access tenders as well as restricting cheap foreign imports so that cooperatives can export their goods and services.

5.2.3.2 Development forums and coordinating centres

The researcher recommends that the councillors’ offices should be used as the cooperatives’ coordinating centres. Centres should develop and list all registered cooperatives in the ward’s cooperative data base indicating the status quo of each
cooperative. This should be updated whenever a cooperative has received support in order to avoid duplication of services by stakeholders.

Cooperatives development forums are recommended at ward level. These forums should consist of all registered cooperatives residing and operating in a specific ward. They should hold meetings at consistent intervals, at least once a month, where the challenges faced by the cooperatives are discussed and presented to the ward interdepartmental forum discussed below. This forum should also have information sharing sessions either with or without the funding institutions, where funding criteria of different institutions are presented.

The registered cooperatives in the development forum should be clustered according to a particular cooperative’s area of specialization. This will assist when training agents organize training programmes that are core functions for each registered cooperative. The fact that the status quo will be updated each time a cooperative receives support will assist in ensuring that services rendered to cooperatives by stakeholders working on cooperative support are not duplicated.

5.2.3.3 Interdepartmental forum for cooperatives support

It is recommended that in each ward there should be an interdepartmental forum consisting of all stakeholders supporting the cooperatives. The executive of the forum should be democratically elected by all stakeholder members. This forum should have quarterly meetings where cooperative developments and challenges are discussed. The fact that the status quo is always presented to the forum by the local development officer from local municipality means that contributions made by each stakeholder will be shared among all stakeholders, including beneficiaries. This will assist in ensuring that both beneficiaries and stakeholders supporting the cooperatives are accountable. The duplication of services which is currently occurring will be avoided if these meetings are held. This forum should also assist in facilitating the multi-funding by different stakeholders, which is key to cooperatives’ sustainability.
The functionality of this structure will assist in ensuring that all cooperatives supported are addressing the needs stipulated in the CBP and IDP of Nelson Mandela Bay Municipality.

5.2.3.4 Cooperatives' Association

The researcher recommends the formulation of cooperatives’ association. All registered cooperatives should affiliate in a nationally recognized and registered association where all registered cooperatives will be represented in the business forums where their needs are tabled and addressed.

5.2.4 Tools and amenities in peri-urban areas

In chapter 4(paragraph 4.4), twenty nine registered cooperatives confirmed that they do not have business sites which are needed for the maximisation of profits because part of profit generated pays rent. From the findings listed in this paragraph there is a clear need for cooperatives' to have the tools and amenities to ensure sustainability. The following are recommended tools for cooperatives' sustainability.

5.2.4.1 Situational and feasibility studies

In paragraph 4.2.4, findings confirmed by the external interviewed that lack of situational analysis and market research are other causes of cooperatives’ failure to penetrate the market. The researcher recommends that a situational analysis should be conducted for each cooperative to be supported; this study will outline the available economic opportunities in the community that can add value towards cooperative sustainability. For example the analysis will state how Walmer Location cooperatives can effectively make use of the malls that are operating in a radius of 10 km from the cooperatives’ operating sites. This will assist in identifying the cooperative’s strengths, weaknesses, internal and external opportunities, threats and cooperative weaknesses. After completion of the study the documents should be made available at the councillors' office so that they can be accessed by all stakeholders supporting SMMEs, including cooperatives. The cooperative support programmes offered should be based on these documents, which will act as an annexures to a CBP and IDP.
5.2.4.2 Operating sites

One of the reasons cooperatives are failing in Walmer Location is a shortage of operating sites. In paragraph 4.4.3 cooperative members interviewed stated that 60% of the land closer to the location is privately owned as a result they are unable to get cooperative sites, while the other remaining 40% is planned for other developmental programmes by municipality. This forces them to allocate part of their profits to rental expenses at sites which are not suitable for expansion or which are not environmental friendly, causing difficulties in accessing additional funds or connecting three phase electricity needed for heavy machines. It is recommended that in each residing demarcated area, Nelson Mandela Bay Municipality should allocate development hubs for SMMEs, which includes cooperatives.

5.2.4.3 Project plan/work plan/implementation plan

All cooperative members interviewed in paragraph 4.2.2 confirmed that their cooperatives do not have implementation plans which assist which guides cooperative activities. It is recommended that cooperatives should develop project plans. All cooperatives operating in Walmer Location start their activities through projects but there are no project plans giving detailed information about the project background; the project cycle where the preparatory stage is cleared; the project initiation stage; monitoring and evaluation; and project hand over, which prevents agents from working on one project indefinitely. During exit a cooperative supporting agent should compile a project summary or closing report, which will be attached to the report on monitoring and evaluation tools. It is suggested that the plan should have time frames indicating when each project stage should be finished and it should be linked to the budget.

5.2.4.4. Monitoring and evaluation tools

Cooperative members interviewed in paragraph 4.4.2 confirmed that they do not have monitoring and evaluation systems in place; as a result they do not see any need for convening meetings to verify or check cooperative progress. The researcher recommends the use of monitoring tools, whereby all people monitoring the
cooperative use a summary report as stated in the project plan to see the cooperative milestones and track project progress so that when challenges arise, they will be dealt with immediately.

5.2.4.5 Production plan

The researcher recommends the development of a plan that assists the cooperative in developing a market strategy by showing how and when the production is going to be carried out by the cooperative. This assists the cooperative in obtaining the letters of intent from the buyers before production starts, which is crucial to profit making. With a production plan a seller (cooperative) can sign a contractual agreement with a buyer stating how much product will be supplied and when it will be sent to the buyer.

5.2.5 Funding and funding criteria

From the findings listed in chapter 4 (paragraph 4.2.6 and figure 4.5.) cooperative members confirmed that lack of financial support in the fourth year a cooperative registered leads to cooperatives’ failing to submit cooperative compliance documents to CIPC. Members of cooperatives stated that this occurs because cooperative members do not have money to pay accountants to do their financial statements. Figure 4.5 confirms that the longer the period a cooperative is financially unsupported the lower the survival rate. Sixty per cent of cooperative members confirmed that they heard about the cooperative incentive scheme from the Department of Trade and Industry (DTI) and have submitted application forms, but never received responses whether negative or positive from the Department. This shows that there is a clear need for cooperatives’ to be financially supported. The following are recommended pre-requisites for financially supporting cooperatives.

5.2.5.1 Budgetary processes

As mentioned in 5.2.4.3, it is recommended that all cooperatives’ should have a business plans and project plan before funding which includes the money for feasibility studies which is important for the success of cooperatives in peri-urban
areas. This was confirmed by lack of sustainability in three funded projects of Walmer Location.

5.2.5.2 Funding and funding check list

Findings in paragraph 4.2.6 (figure 4.5) confirm that when cooperatives are newly registered the rate of survival is strong or very high at 90%. Cooperative members interviewed confirmed that this is the time when members are still hoping for huge profits to be made by the cooperative, and at that stage all members pay their monthly membership fees. It is recommended that cooperatives should be prioritized for funding based on the number of years a cooperative had been registered so that cooperatives will be able to operate and submit their annual financial statements and avoid being de-registered by the CIPC. Funding institutions should make sure that cooperatives receive funding within a period of three years.

Recommendations for one standardized cooperative financial support checklist should be developed by the DTI and used by all government funding agencies to outline the requirements a cooperative should meet before it gains access to funding. These includes the training, the cooperative certificate accompanied by a discloser certificate confirming membership, the situational/feasibility study, the project/implementation plan and cooperative support tools, and proof of affiliation of a cooperative to cooperative structures.

5.2.5.3 Assessment and due diligence report

It is further recommended that after the check-list has been completed the funding institution should compile an assessment report stating all the available assets and drawing conclusions and recommendations. Before funds are disbursed, the funding institution should conduct in-service training in financial management. The funding institutions should conduct project visits for a minimum period of a year and compile reports that are presented in the interdepartmental forum.

All funding institutions interviewed confirmed that once-off funding does not contribute to cooperative’s sustainability because operational problems are experienced which need extra funds. Thus multi-year funding should be applied to
cooperatives and this must clearly outlined in the business plan with cash flow projections.

5.3 CONCLUSION

The fact that cooperative is an autonomous association means that it is independent, and if it is fully supported as recommended above it will be sustainable. This is possible if cooperatives are fully capacitated and equipped with all the necessary tools. The training programmes recommended will increase production and boost the GDP of the whole country. If cooperatives can be supported as recommended above, they will get access to markets, resulting in a lower mortality rate, shown in the provincial breakdown highlighted in chapter one (Table 1.1).

The increase in production depends on how many people are working and how productive they are. This in turn rests on the skills they have and how effective the skills are used, as skills are a foundation for decent work (www.ilo.org: 2010). The sample of cooperative members interviewed highlighted failure of cooperatives caused by lack of skills.

Financial support is important for a cooperative’s success but it should be done following the procedures stated above. The procedures includes; budgetary processes which involves business and project plan documents to be developed by a cooperative; standardised checklist to be used by funding agents; assessment reports confirming resources at the disposal of cooperatives; and a multi-year funding as another strategy cooperatives’ sustainability.

South Africa has adopted cooperative development as one of the strategies that should be used to alleviate poverty, hence cooperative support structures and documents governing cooperatives. Nyambe (2010), confirmed that cooperative development was adopted and promoted by the state of Bangladesh and formed an integral part of rural development and poverty alleviation.
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ANNEXURE A

TOPIC: THE SUSTAINABILITY OF COOPERATIVES IN PER-URBAN AREAS OF NELSON MANDELA BAY MUNICIPALITY

QUESTIONNAIRE TEMPLATE FOR COOPERATIVES

1. Biographical information of a cooperative

Mark the correct answer by an X in the box provided below.

1.1. Cooperative member’s age distribution

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Total no per category</th>
</tr>
</thead>
<tbody>
<tr>
<td>35 &amp; under</td>
<td></td>
</tr>
<tr>
<td>36-45</td>
<td></td>
</tr>
<tr>
<td>46-55</td>
<td></td>
</tr>
<tr>
<td>56 and Above</td>
<td></td>
</tr>
</tbody>
</table>

Is your cooperative age composition equitable? Yes/ no (circle the correct answer)

1.1.2 If no critically explain the effects of inequitable composition in your cooperative.

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1.2. Cooperative members’ gender distribution

1.2.1 Write an appropriate number of cooperatives’ gender in the space given in the table given below:

<table>
<thead>
<tr>
<th>Gender Distribution</th>
<th>Total no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females</td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td></td>
</tr>
<tr>
<td>Total no. of the Co-operative members</td>
<td></td>
</tr>
</tbody>
</table>

1.2.2 Is your cooperative membership gender equitable distributed? If no what are the effects (Positive/Negative) of gender imbalance towards the sustainability of the co-operative?

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1.2.3 Cooperative Members’ Education levels

Mark the correct answer using X on the appropriate answer and indicate the total no. of members in that category

<table>
<thead>
<tr>
<th>Education level</th>
<th>Mark with X</th>
<th>Total no of members with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Matric</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matric</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Matric</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.2.3.1 Discuss the effects of education levels towards the cooperative sustainability/ development.
2 Cooperatives’ governance

2.2 What processes/ steps did your co-operative follow in formulating or nominating the co-operative executive members?

2.3 How often are meetings convened? Substantiate/ Give reason for your answer.

2.4 Do the executive members understand their roles and duties in a cooperative? If no, what impact does that have toward the cooperative sustainability and development?
2.5 Does your cooperative have board of Directors?

YES/NO (circle the correct answer)

If no, explain what impact does that have towards cooperatives’ development and sustainability.

2.6 Does your co-operative have a bank account and savings in the bank account whether from subscriptions or grant fund?

YES / NO (circle the correct answer)

If no, what implications does that have towards a cooperative?

2.7 Does your co-operative submit annual financial statements and convene annual general meetings?

YES / NO (circle the correct answer)
If no, what implications does that have towards a cooperative?

3 The Market Access

3.2 Indicate with an X on the correct box whether the co-operative has access to the Market

| Have the market ☐ | Never had a market ☐ | Had the Market but collapse ☐ |

3.3 Does this (market access) have an impact in the sustainability or development of the co-operative and why? Give practical examples. Is there a strategy in place to address this if it exists?

3.4 What are the advantages and disadvantages of cooperatives operating in peri-urban areas which are close to other businesses?
4 The survival rate of cooperatives without financial support

4.1 Indicate the degree of survival status of a cooperative by writing an appropriate rating next to the survival rating of a cooperative after registration.

RATING SCORE GUIDE

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very high</td>
<td>High</td>
<td>Low</td>
<td>Very low</td>
</tr>
</tbody>
</table>

SCORE RATING

<table>
<thead>
<tr>
<th>Years</th>
<th>0-1yrs</th>
<th>1.1-2yrs</th>
<th>2.1-3yrs</th>
<th>3.1 – 4yrs</th>
<th>4.1 – 5yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</table>

4.2 Explain effects of financial support towards cooperative sustainability giving practical experiences.

5.1 Did your cooperative receives financial support and is it enough for the sustainability of a cooperative? Explain briefly

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5.2 Was there monitoring and evaluation done by the funder to ensure that funds had been utilized accordingly? Explain how do they monitor/ and evaluate the cooperative?

5.3 Are there plans to expand cooperative operations so that more profits will be generated?

5.4 Are there factors/tools in place to ensure sustainability cooperative after the grant fund ceases? (These include monitoring and evaluation tools).

4.3 Give and explain other cooperatives’ support a cooperative has received and its impact towards the cooperative sustainability.
5. Training

5.1 List the training programmes cooperative members have attended and what impact it has towards cooperatives’ sustainability?

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5.2 What was the duration of training if a cooperative have received it? And who was the training agent?

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5.3 What are other training programmes do you think a cooperative should have that could assist in cooperatives’ sustainability?

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5.4 Discuss any other challenges or benefits a co-operative has received after training

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5.5 Discuss any other challenges or benefits a co-operative has received after training

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6. Discuss any other benefits or challenges of being a registered cooperative
Dear Sir/Madam

RE: RESEARCH TO CONDUCT STUDY IN THE COMPANY OR DEPARTMENT

You are invited to participate in a survey aimed at investigating the sustainability of cooperatives in the per-urban areas of Nelson Mandela Bay Municipality. I am conducting a survey as I am a Master's Degree student in Development Studies at the NMMU, Port Elizabeth, South Africa. The University has agreed that I can conduct this research.

It would be greatly appreciated if you could complete the attached questionnaire. This questionnaire has been developed in such a way, that minimum time is required for the completion thereof. It is important to note that you need not record your name on the questionnaire, and that your response will be treated strictly confidential. I intend to make the findings available as soon as I have completed my studies.

Your kindly co-operation in this regard is highly appreciated. Kindly return the questionnaire to me before the 15 July 2014. Allow me to do follow up telephonically should I need a clarity pertaining to the answers you have given me.

Yours Sincerely

Mntuwekhaya Mabaleka (s212293400)
ANNEXURE C

TOPIC: THE SUSTAINABILITY OF COOPERATIVES IN PER-URBAN AREAS OF NELSON MANDELA BAY MUNICIPALITY

ANNEXTURE A

QUESTIONNAIRE TEMPLATE FOR EXTERNAL STAKEHOLDERS

1.1. Educational levels

1.1.1 Mark your education level next to the correct box

☐ No Education  ☐ Les than grade 10  ☐ Grade 10-12  ☐ Matric  ☐ University degree/Diploma and other

1.1.2 What is your area of specialization? Is it linked to cooperative development support? Explain the effects or impact your qualification has towards cooperative support and development.

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1.2. Cooperatives’ governance

1.2.1 Do cooperatives follow all the processes or steps during formulation or nominations of the co-operative executive members? Yes/No, what impact does that have towards cooperatives’ sustainability?

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123
1.2.2 How often do cooperatives convene their meetings and how do you know that a meeting was convened? Explain the impact of meetings towards cooperatives’ sustainability.

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1.2.3 Are all cooperatives having active executive members and do they understand their roles and duties in a cooperative? If no, what impact does that have towards the cooperative sustainability and development?

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1.2.4 Do cooperatives have board of Directors?

YES/NO (circle the correct answer)

If no, explain what impact does that have towards cooperatives' development and sustainability.

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1.2.5 Do cooperatives have bank accounts and savings in their bank account whether from subscriptions or grant fund?

YES / NO  (circle the correct answer)

If no, what implications does that have towards a cooperative?

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........................................................................................................................................
........................................................................................................................................
1.2.6 Do all cooperatives submit their annual financial statements and convene annual general meetings?

YES / NO (circle the correct answer)

If no, what implications does that have towards a cooperative?

1.3 The cooperatives’ market access

1.3.1 Indicate with an X on the correct box whether the co-operative has access to the Market

- Have the market [ ]
- Never had a market [ ]
- Had the Market but collapse [ ]

1.3.2 Does this (market access) have an impact in the sustainability or development of the co-operative and why? Give practical examples. Is there a strategy in place to address this if it exists?
1.4 Cooperative Members' Education levels

1.4.1 Mark the correct answer using X on the appropriate answer and indicate the total no. of members in that category

<table>
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<th>Total no of members with</th>
</tr>
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<td></td>
</tr>
<tr>
<td>Matric</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Matric</td>
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</table>

1.4.2 What are the effects of education levels towards the cooperative sustainability and development?

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2. Financial support

2.1. Indicate the degree of survival status of cooperatives by writing an appropriate rating next to the survival rating of a cooperative after registration.

RATING SCORE GUIDE

<table>
<thead>
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<th></th>
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<tr>
<td>Rating</td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>
2.2 Explain effects of financial support towards cooperative sustainability giving practical experiences.

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2.3 Is your institution currently financially supporting cooperatives? Is your support enough to sustain a cooperative?
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2.4 Do you have plans to expand cooperatives’ operations so that more profits will be generated?
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3 Training

3.1. List the training programmes cooperative members have attended, whether offered by your institution or other? For how long was training? What impact it has done towards cooperatives’ sustainability?
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3.2. Mention and explain any five training programs that can assist cooperatives in their sustainability. Give other training programs you think can assist or strengthen cooperatives’ sustainability.
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3.3.1 Discuss any other training challenges faced by the co-operative that have impact towards cooperatives’ sustainability

4. Cooperatives’ supporting tools or instruments

4.1 Do you have monitoring and evaluation instruments? Explain how do you monitor and evaluate cooperatives?

4.2 What other factors or tools does your institution have in place to ensure that cooperatives are sustainability?

5. What other challenges or benefits do cooperatives in peri-urban areas have?