THE CHALLENGES FACED BY THE MASIZAME BAKERY AS A CO-OPERATIVE IN STEYNSBURG AIMED AT ALLEVIATING POVERTY

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THE CHALLENGES FACED BY THE MASIZAME BAKERY AS A CO-OPERATIVE IN STEYNSBURG AIMED AT ALLEVIATING POVERTY

By

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DECLARATION

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

Signature

Date 01/04/2014
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ABSTRACT

This study investigated the challenges faced by the Masizame Bakery as a co-operative in Steynsburg. The co-operative sector, tracing back to the 1800s, has become recognised as a key vehicle for community development and poverty alleviation. According to the Department of Trade and Industry (2012), international practices show that countries which have achieved economic development also have a vibrant and a dynamic co-operative sector, contributing substantially to the growth of their economies. The sector’s international success and foundations in agriculture have found resonance with the post-apartheid government in achieving social transformation and alleviating poverty in South Africa. The co-operative model in South Africa proved a success during the apartheid era in the agricultural sector with a turnover of about R22.5 billion. Post-1994 the government hopes to achieve the same level of success through the sector to transform the country’s socio-economic landscape. The co-operative sector’s principles of self-help and self-reliance have become synonymous with democratic South Africa’s government plea to active citizenry in development – Vuku’zenzele.

Some South Africans have responded to this call to change their economic conditions through co-operatives. However, investment in the co-operative sector has found varying degrees of success and failure across South Africa’s provinces, with the Northern Cape, the Eastern Cape, and Free State experiencing the highest mortality rates. The areas’ rural hinterland has been attributed to this high failure rate, thus posing the need to investigate the challenges faced by co-ops in small towns such as Steynsburg. The study provides an overview of the sector’s history, including its growth in countries across the world. The role of co-ops in poverty alleviation has also been discussed. This role was interrogated in discussions held through interviews and focus groups with both members of the Masizame Bakery and other projects in the area, including public officials involved in both community and SMME development in the Gariep region.

The study’s findings identified challenges not too different from those highlighted by the Department of Trade and Industry’s Strategy for Cooperatives report. These included the lack of funding to start and maintain co-ops, lack of access to markets,
lack of co-ordination between state institutions involved in co-operative development, limited knowledge of the co-op concept by both state officials, especially at local level, and the funded members, and, lastly, a lack of commitment from members to persevere in the face of adversity.

Co-ordination among state institutions for the monitoring of this sector and concerted investment in its growth are some of the key recommendations for its growth. The economic value, as demonstrated by countries such as Kenya and India, of this sector has been proven across the world and South Africa has the potential to explore this sector for the benefit of its communities. Failure to effectively deal with the identified challenges will result in the continuation of unaccounted for co-operatives as well as the vicious cycle of poverty in the country’s rural areas.
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CHAPTER 1
RATIONALE AND RESEARCH DESIGN

1.1 INTRODUCTION

The focus of the research was on the challenges faced by co-operatives, as poverty alleviation tools, in small towns. The research specifically focused on the Masizame Bakery Co-op in Steynsburg in the Eastern Cape. According to the National Development Plan (NDP) [2011:27], the country is faced with the triple challenges of poverty, inequality and unemployment. Therefore, the country is seeking solutions to reduce poverty and advance social transformation. According to the Reconstruction and Development Programme (1994), “No political democracy can survive and flourish if the mass of its people remain in poverty, without land, without tangible prospects for a better life”. Attacking poverty and deprivation must, therefore, be the first priority of a democratic government. Thobile Mhahlo, former MEC for Safety Liaison, Roads and Transport, once stated that “None of the great social problems the country has to solve is capable of resolution outside the context of the creation of jobs and the alleviation and eradication of poverty” (2007). This means that “the struggle to eradicate poverty has been and will continue to be a central part of the national effort to build the new South Africa” (Polity.org.za 2007: para 1). Poverty levels across the country are, however, disproportionally reflected across the different provinces. According to the 2011 Census, the Eastern Cape has the highest unemployment rate at 51.2%. “If poverty was defined only by income the Eastern Cape and Limpopo could be classified as the poorest provinces in the country”. For every 100 people aged 14-65 in the Province, almost 55 people have no income (Census 2011).

These poverty levels then beg evaluation of the strategies and plans introduced by government to deal with inequality, one of them being the co-operative model. Various plans and strategies, for example the Local Economic Development Model (1990s), the Expanded Public Works Programme (2003), the Anti-Poverty Strategy (2008) and the New Growth Plan (2010) among others, have been introduced by the state post-1994; however, from the statistics above it is evident that they have not had the desired impact. The co-operative model is a community development
strategy that has been part of the South African development scene for decades, especially in the agricultural industry; however, it was not racially inclusive in the past. The value of the co-operative sector was recently highlighted by the United Nations’ declaration of 2012 as the year for Co-operatives – an initiative that celebrated, across the world, both the economic and social significance of the sector. South Africa’s agricultural industry’s roots in the co-operative sector date back as far as the 1980s. According to Amin & Bernstein (1995 in Jara & Satgar, 2008:5), in the 1980s the white agricultural co-operatives had a membership of 142,000, total assets of some R12.7 billion, total turnover of some R22.5 billion, and annual pre-tax profits of more than R500 million. Co-operatives encourage a collective effort between community members, encouraging citizens to take responsibility for their own development. According to former President Thabo Mbeki, South Africans need to ‘*wake up and do for themselves - Vuku’zenzele*’. Co-operatives are important vehicles for community development as they mobilize local resources into a critical mass and their structure allows them to be more community-oriented (Fairbairn *et al.* 1991; Wilkinson & Quarter 1996 in Zeuli & Radel, 2005:1).

Therefore, it is important to interrogate the success rate of co-operatives as they operate today, specifically focusing on Steynsburg. This research analyses the challenges faced by these co-operatives, and looks at providing strategies for their survival. The focus on Steynsburg has been largely influenced by the researchers’ upbringing in the area. In having observed the stagnancy of some of these co-ops and projects, the researcher’s interest was piqued. Upon follow-up through research the following statement by the Eastern Cape Department of Social Development (2008), further validated the importance of the research, “…*some of the projects funded are doing well while others are limping and the rest have collapsed*”. In a recent study (2012:38) released by the Department of Trade and Industry (DTI), the Eastern Cape showed evidence of a struggling co-operative sector with a mortality rate of 93% and a survival rate of 7% of registered co-ops.

### 1.2 PROBLEM STATEMENT

The co-operative sector in South Africa plays a significant role in the economy; statistics attesting to this are provided more in depth in Chapter 2.
Funding for these co-ops is obtained from various sources - for example, the Departments of Education, Agriculture, Trade and Industry, and Social Development and different development agencies. The Department of Social Development in its poverty alleviation strategy, which focuses on women, the youth and the disabled, has identified co-operatives as one of the vehicles to achieve this. The intentions with co-operative development have been good; however, reality has proven a less than desirable result for the Department. In their 2008 strategic report the Eastern Cape Social Development Department (ECDSD) admitted that, while some of the projects were doing well, a number of these were limping while others had collapsed (Eastern Cape Department of Social Development 2008:23). This statement was supported by a 2009 data baseline study conducted by the DTI, which showed that out of a total of 4244 co-ops registered in the Eastern Cape 287 of those were still operational while 3957 were dead. This showed a 93% mortality rate of co-ops in the Province and a 7% survival rate (2012:38). According to the study the provinces affected by the highest mortality rate are those largely in rural areas, e.g. the Eastern Cape, Northern Cape and Free State (DTI Strategy 2012:39).

The provincial Social Development Department funded an amount of R250 000 towards the establishment of the Masizame Bakery. The Bakery was established in 1998 by a group of 15 unemployed women. They started a baking project with each member paying R40 as a joining fee. Through this they bought baking ingredients to sell fatcakes to the local community. Because of the lack of jobs in the town, the demand for the fatcakes varied from month to month with demand levels high only on pension days. The income obtained from these sales was not enough to ensure a monthly salary for the individual members and this resulted in nine of the members abandoning the project. Some of the women that left the project obtained jobs as domestic workers in the area while others left town to look for employment elsewhere. The remaining six members, all women, persevered in their plight and tried to obtain funding for their business proposal. Whenever possible (based on the availability of income) the members continually travelled to the offices of the Department of Social Development in Aliwal North to submit their business proposal and seek feedback on its outcome. Due to an administrative backlog within the Department, the Masizambe members had to wait awhile for feedback on their proposal. It was only in August 2007 when the ECDSD approved funding for the
Bakery to the amount of R250 000. The proposal was approved based on the following condition: a community development practitioner would be assigned to the project to monitor the finances and also assist with the required purchases of the Bakery to ensure its continued growth (Rwicila 2009).

While awaiting funding the members approached the Gariep Local Municipality for facilities to operate from. The Municipality availed to them an old civic office in the area for rental at R50 per month. The members already had a place to operate from when Social Development approved funding for their project. In January 2008, the Bakery’s doors were opened for business. From the onset the members agreed not to earn monthly salaries until they had saved a minimum of R100,000. The amount seemed large enough to cover both salaries and daily expenses. However, what the members had not counted on was how the growth of the Bakery would also result in other needs such as a delivery van and the need to extend the building to increase production and for more space. Instead of a monthly salary the members then agreed to divide the profits every six months, while continuing to save for the new requirements for the Bakery. The money was divided. There was no set percentage in such a manner as to ensure that enough remained for the Bakery to continue with its operations for the next few months and beyond. Month to month the members continued to depend on their social grants (Rwicila 2009).

1.3 AIM OF THE RESEARCH

The aim of the research was not to motivate for the utilisation of co-operatives as the only vehicle through which community development can be implemented. Rather it was to investigate the challenges faced by these co-operatives, specifically the Masizame Bakery in Steynsburg. The limited data available on co-operatives operating in the Eastern Cape was an issue for concern. The Provincial Department of Economic Development and Environmental Affairs’ Strategy and Programme for Co-operative Development and Support (2008:5) has found that with more than 3000 registered cooperatives in the Eastern Cape little is known about their organisation and functioning. A 2008/9 baseline study of cooperatives conducted by the Eastern Cape Socio Economic Consultative Council (ECSECC) in the Province showed that there were at least 1100 registered co-operatives dispersed across the province. The
disparity in these numbers shows the lack of organisation of the sector in the province.

Through this research the challenges faced by the Masizame Bakery are identified and general recommendations are provided, which can be used as possible solutions in dealing with the identified challenges. The achievements of the Bakery are also highlighted, as possible growth strategies for some of the other projects in the area.

The research question that arose is thus:

**How effective has the Masizame Bakery co-op been in alleviating poverty in Steynsburg?**

1.4 **OBJECTIVES OF THE STUDY**

The main objective of the study was to identify the challenges faced by the Masizame Bakery as a co-operative in a small town. The specific objectives of the study were:

- to examine how the Masizame Bakery has grown as a co-operative in Steynsburg;
- to critically examine the management strategies (financial, marketing, etc.), in place to ensure the growth of the Bakery;
- to identify the challenges the Bakery faces as a co-operative in a small town;
- to identify the level of local government involvement in the co-op and its effectiveness; and
- to determine the level of support from local businesses towards the Masizame Bakery co-operative.

The research was aimed at understanding the challenges faced by co-operatives in small towns and how, if effectively implemented, they could become vehicles of poverty alleviation in the Eastern Cape’s small towns.
1.5 LITERATURE REVIEW

1.5.1 Community development

The practice of what may loosely be called ‘community development’ probably dates back to the history of early civilizations when mankind initiated actions from which groups or parts of groups benefited in some or other way (Midgley in de Beer & Swanepoel 1998:1). The more recent origin of community development is attributed by some American authors to the practice of agricultural extension, instituted in 1870 in some Midwestern states of the United States (Brokensha & Hodge in de Beer & Swanepoel 1998:2). In agricultural extension the aim was primarily to transfer knowledge regarding agricultural practices and techniques and, later on, also to promote self-help projects in rural areas (Cornwell in de Beer & Swanepoel 1998:2). Evidence of this can also be traced to South Africa during the apartheid era, where white farmers formed co-operatives as important instruments of agricultural commercialisation and successful rural development. The popularity of community development reached a peak during the 1950s and 1960s. This period coincided with the time of the so-called Cold War: a period during which the United States regarded community development as a tool through which democracy could be established (Holdcroft in de Beer & Swanepoel 1998:3). By the early 1960s community development programmes were in place in more than sixty countries; in more than half of those countries the community development programmes represented the national development efforts (Holdcroft in de Beer & Swanepoel 1998:3).

During its peak in the 1950s and 1960s community development was not popular in South Africa. One can even say not encouraged, especially among the non-white groups in the country. This was mainly because of scepticism and mistrust in government circles (apartheid regime) about its potential for political change. The scepticism stemming from the government was merely fear of the strength that could result from the formation of these groups, especially those of the racially oppressed, and the consequences thereof. They saw it as a potential tool that could be used by these groups to build strong networks that could eventually be used to overthrow the then government. As a result of this, community development in South Africa only made headway in evangelical missionary circles and in the Black Consciousness
Movement (De Beer & Swanepoel 1998:14). The aim of these missionaries was to improve the poor standards of living of South Africans in the country’s townships. Through the help of international organizations and individuals many women were able to come together as groups working towards solving some of the daily challenges they faced. One such example involves a group of women in the Zoutpansberg area who clubbed together to campaign against gastro-enteritis which had taken on epidemic proportions in their community. With the help of various professionals, these women divided themselves into groups to build latrines around their area to deal with the epidemic (Khuzwayo 1985:176). Another example is the formation, through a private donor, of the Maggie Magaba Trust, which strived to achieve the following: to maintain and promote the women’s self-help movement in Soweto; and to give financial assistance to women faced with very challenging situations within their immediate families – situations which make it totally impossible for such women to take regular gainful employment. The first significant assignment of the Trust was to send two delegates to London to observe the involvement of women in community self-help programmes (Khuzwayo 1985:235).

Views on community development have altered over the years, mostly because practice has shown the necessity for such changes. The shifting of views has followed the main trends in development thinking in general. The outcome of this is that there are very marked differences in the thoughts on community development of a few decades ago from those maintained at present. According to De Beer & Swanepoel (1998:1), a number of key themes stand out through the history of community development: participation, institutions, project management, training, community, funding and the influence of politics on community development. Some of these will be discussed more in depth in the upcoming chapters, specifically pertaining to the Masizame Bakery. According to Swanepoel & De Beer (2006:10) community development is only successful through the full participation of the local people in development. It is really grassroots-oriented in the sense that the main role-players are just ordinary and usually poor people.

The members of the Masizame Bakery were unemployed, and dependent on social grants and family members for their daily needs. At this point it is difficult to state whether all the members, including those who left, were more grassroots or poor.
This is mainly due to the fact that poor people have their own understanding and interpretation of their social reality, which is often removed from the outsider's perspective and the jargon sometimes used by academics and politicians (Davids, Theron, Maphunye 2009:37). What is clear is that based on a common need, which in this case was employment, these women took the initiative to try and change their circumstances. Batten (1957:1) and Swanepoel & De Beer (2006:25) define this as a process during which people in the small community first thoroughly discuss and define their wants, and then plan and act together to satisfy them. Such an activity deals with human problems and needs and is a voluntary action. Having recognized that no further economic opportunities would arise in their town, the Bakery members decided to take matters into their own hands. According to Batten (1957:1) without a need or the perception of a need, community development cannot take place. This need or perception of a need must be heartfelt among the people who must participate in the project.

1.5.2 The role of co-operatives in community development

The implementation of community development differs from country to country. According to Kenny (1994:16) because of the diversity of immediate contexts in which community development takes place, different forms of community development are required for different settings. The ‘project’ has for many years been used as one of the ways through which community development can be pursued. From it communities obtain two sources of satisfaction: the one, the completed project; the other, enjoyment of the process of working together which renews each member’s feeling of the significance and value of his group (Batten 1957:224). Through these projects the economic and social progress of communities is accelerated (Midgley, Hall, Hardiman & Narine 1986:13). According to Hettne (1995 in Willis 2005:93) self-help projects ensure that the benefits of economic development ‘trickle down’ to help poor people. In 1998 De Beer & Swanepoel acknowledged project management as one of the key themes that has formed debating points around which the ‘idea’ of community development has evolved and developed (1998:1). Long (2001:63) also stated that during the early years in which donor agencies undertook the practice of participation of the poor, their efforts were focused almost exclusively on projects. Each project encourages the development of
resources, skills and opportunities for ordinary people (Kenny 1994:7). They not only lead to skills development but also to improvement in health, education, child care, sanitation and housing.

Community development also finds form through co-operatives, which also encourage a collective effort between community members. Zeuli & Radel (2005:1) once stated that the evolution of community development theory has not yet generated a parallel advance in implementation strategies. In the same breath the authors recommended co-operatives as one of the strategies through which community development can be achieved. According to Fairbairn (et al. 1991; Wilkinson & Quarter 1996 in Zeuli & Radel 2005:1) co-operatives are viewed as important vehicles for community development because they mobilize local resources into a critical mass and their structure allows them to be more community-oriented. Murray & Rice (2005:368), define co-operatives as “member-owned businesses that have strong commitments to the local community and its social and economic development”. Co-operatives often have different objectives than pure for profit businesses. According to Murray et al. (2005:368), their objectives are commonly related in concept to member well-being as well as the good of the local community at large. Based on this it is apparent that the objective of both co-operatives and projects is a common one – the upliftment of communities. However, the co-operative is more structured in its organisation.

The International Co-operative Alliance (ICA) defines it as, “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” (Ortmann & King 2007:41). To further structure the sector the ICA introduced seven principles through which co-ops can be recognised: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community (Ortmann & King 2007:41). The South African government has adopted this framework to govern its co-operative sector. The aim is not to differentiate between the two strategies, co-operatives and projects, but rather to highlight that regardless of how they are
implemented both are significant vehicles for the achievement of community development.

The co-operative business model has a long history locally and internationally, which will be discussed later in the study. According to Ortmann & King (2007:45), the history of co-operative development in South Africa has been documented by several authors (e.g., Van Niekerk, 1988; DTI, 2003; Piesse et al., 2003; RSA, 2005a). Over the years the South African government has created an enabling and supportive environment for this sector through the introduction of legislation, the appointment of a body to monitor its progress and the availing of funding. However, even with all of the above support, co-operatives continue to struggle to be sustainable in some parts of the country.

1.6 RESEARCH DESIGN

In an attempt to address the objectives of the research, the following procedure was followed:

- A literature study consisting of books, journals, articles and electronic sources was conducted to provide a conceptual framework for the study.

- A mixed method approach to data collection was used for the study. The triangulation method was used focusing on both qualitative and quantitative research methods. This is based on the view that ‘no single method ever adequately solves the problem of rival causal factors’. According to Denzin (1978 in Jennings 2010:151), each method reveals different aspects of empirical reality.

- Both questionnaires and interviews (semi-structured and focus group) were used to collect the data. Respondents included the six members of the Masizame Bakery, the relevant officials from both the Gariep Local Municipality and the Eastern Cape Department of Social Development, local businesses in the area and members of other operating projects in Steynsburg.
1.7 CHAPTER OUTLINE

The report is divided into five chapters. Chapter 1 provides details on the reasons for the study, the objectives and the research design.

Chapter 2 focuses on the use of co-operatives as tools in the alleviation of poverty, specifically focusing on Masizame Bakery in Steynsburg.

Chapter 3 provides a detailed discussion of the research design and the data collection methods used for the study.

Chapter 4 presents the major findings of the empirical study.

Chapter 5 consists of a summary of the study and lists the conclusions and recommendations following from both the literature and empirical findings.
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CHAPTER 2
LITERATURE REVIEW

2.1 INTRODUCTION

The co-operative movement dates back to 1844 in Rochdale England and, even though the structure of the model has changed with time, its popularity in economic development circles has not waned. Its evolution also extended into the Americas, Europe and Africa. Its principle of self-help and self-reliance became an essential feature for poverty alleviation on these continents. According to Hoyt (1989 in Ortmann & King 2007:43), the co-operative originated as a self-help method to counter extreme conditions of poverty. With its growth different types of co-operatives and related businesses have emerged serving a variety of needs and markets (Murray, Rice & Lavoie 2005:370). All these different types of co-operatives have found varying levels of success across the globe, as will be discussed later in the chapter. However, this has not proven to be a similar occurrence in South Africa.

The co-operative movement in South Africa dates back to 1892 with the registration of the first consumer co-op. The first Co-operative Act was passed in 1908 resulting in the registration of several agricultural co-ops (Ortmann & King 2007:45). This was followed by the Co-operative Societies Act No. 28 of 1922, which focused on agricultural activities. Over the years the Act has been continuously amended to ensure sufficient representation of all the different types of co-ops. Currently the co-operative sector in the country is regulated under the 2005 Co-operatives Act No.14, which is based on the International Co-operative Alliance (ICA) principles. The sector was initially under the management of the Department of Agriculture; however, this changed in 2001 when the responsibility was passed onto the Department of Trade and Industry (DTI). This resolution from Cabinet was to ensure that co-operatives are given recognition and are allowed to flourish in all sectors of the economy (DTI 2012:7).

The role of the DTI is to promote and co-ordinate all efforts pertaining to co-operative development in the country. These efforts will be pursued through the implementation of its Integrated Strategy on the Development and Promotion of Co-
operatives, an integrated effort with other stakeholders at national, provincial and local levels of government including those outside of government (DTI 2012:7). However, with all of these efforts from government there seems to be a gap between theory and practice. In a 2009 DTI baseline study, it was found that out of 22 030 co-operatives registered only 2 644 of these could be confirmed as operational. This indicates a 12% survival rate and an 88% mortality rate of co-operative growth in the country. The statistics in the Eastern Cape are dire with the mortality rate standing at 93% and the survival rate at 7%.

The government’s efforts in creating an enabling environment, through legislation and the institutionalisation of co-op development, has not produced the envisioned results on the ground. This then begs the question, Where are we failing in obtaining maximum returns on investment in the co-operative sector? Can the blame for the sector’s limited success be laid at government’s door? Is the fault with funded members who lack the experience in running enterprises? Or do we go back to the apartheid ‘blame game’, which in this case may be a justified blame, and how it continues to haunt the development efforts of the current government? According to Jara & Satgar (2010:7), in 1994 South Africa had about 1 400 agricultural co-operatives producing a turnover in excess of R20 billion per annum. The majority of these co-ops were white-owned and also enjoyed extensive support from government. Post-1994 government institutions are struggling to keep track of operational co-ops, let alone their contribution to the economy. Co-operative development has been identified as a mechanism through which poverty can be alleviated in the country, especially for those residing within the second economy. The second economy is mainly informal, marginalised, unskilled, populated by the unemployed and those unemployable in the formal sector. Can the same amount of success, as previously evidenced by agricultural co-ops, be achieved with the co-operative sector within this second economy? Whether the blame lies at government’s door or influences from the past is something worth investigating. Steynsburg is part of the Eastern Cape’s second economy.
2.2 EASTERN CAPE SOCIO-ECONOMIC OUTLOOK

Since the country’s democratic transition in 1994 the Eastern Cape Province has acquired the title of being one of its poorest provinces. According to the Provincial Growth Development Plan (PGDP), the socio-economic realities of the Province are as a result of historical processes of underdevelopment and institutionalised racism (2004:4). The ramifications of the Province as a labour reserve during the apartheid era have locked its economy into a dependent status with income inflows from remittances. Even 19 years into democracy the socio-economic landscape of the Province still bemoans the challenges of the past. The province continues to struggle in generating its own revenues – 98% of provincial government revenue receipts are supplied by the national government (DEDEAT 2011:20). During 2010 the Province produced only 7.8% of the national Growth Domestic Product (GDP) although some 13.5% of South Africans reside here. The per capita gross value added is, therefore, among the lowest in the country (ECSECC Development Indicators 2012:15). This highlights the need for alternative industries in the province that will result in its own revenue generation. The economic opportunity presented by the co-operative sector, based on its success in agriculture prior to 1994 in the country, is worth exploration for the province’s socio-economic transformation.

The Eastern Cape remains by and large undeveloped, with economic activity well below economic potential (DEDEAT 2011:20). High levels of unemployment and poverty persist in the Province, particularly in the rural areas where two thirds of the population resides. Poverty in the province coincides with racial, gender and geographical determinants – with poverty mostly affecting African people. Women and children (particularly in female-headed households), people with special needs, and those living in rural areas, informal settlements and on farms, are most at risk. The former Bantustan economies, where the two thirds of the population reside, in the province remain underdeveloped to this day. With its dual economy the poverty in the Province remains widespread and deep. The two urban industrial manufacturing centres (Nelson Mandela Bay and Buffalo City municipalities) have first-world components, while the rural hinterland, particularly in the former homeland areas of the Transkei and Ciskei, is characterised by poverty and is generally underdeveloped (ECSECC Development Indicators 2012). According to ECSECC of
the 22 million people living in poverty in South Africa, nearly 3.9 million live in the Eastern Cape. This means that 44% of South Africa's population and 57% of the province's population live in poverty (ECSECC Development Indicators 2012:20). Hence the statement by the MEC for Planning and Finance in the Province, Phumulo Masualle, that “the Eastern Cape Province houses the second poorest South African population” (ECSECC 2011:15). This calls for urgent action to find solutions that will result in the effective alleviation of these high poverty levels in the province.

According to DEDEAT (2011:76), the growth of the provincial economy has failed to address the socio-economic imbalances characterised by a high incidence of poverty and inequality. The prevailing environment in the province is that of poor levels of service delivery and underdevelopment, problems which are compounded by rising HIV/AIDS deaths. The growing investment in co-operative development across the country offers economic opportunities for rural areas in the province, especially for the formerly marginalised group of women, youth and the disabled. Agriculture within the province is an industry ripe for exploration through co-operative development. However, these opportunities will not be fully realised with the current infrastructural challenges and underperforming state institutions in the province. The Eastern Cape cannot continue being known as the poorest province in the country. It is imperative that the state urgently responds to the service delivery backlogs in the province, while considering alternative forms of industry to deal with the triple-helix challenges facing the province and country. Efforts to address these challenges extend to state institutions that have not adequately met their mandates and also pose a challenge to citizens to become active in the development of their communities and country.

2.2.1 Steynsburg

Steynsburg falls under the Gariep Local Municipality, which also includes the towns of Burgersdorp and Venterstad. The area has a population of at least 4,727 residents, with the majority of residents being women (54.14%) (Gariep Local Municipality 2011 Annual Report). It has a large representation of Black Africans (69.90%), who mostly speak isiXhosa (61.25%) [Census 2011]. Steynsburg is surrounded by farming areas and has no economic opportunities in terms of industries available to absorb the bulk of the population. Welfare grants are a
significant source of income for a large number of households, with an average of 75% and above of households within the income category of R1000 per month and below (Gariep Municipality ISDP, 2008:2). The Gariep Local Municipality struggles with a high unemployment rate with only 28% of the population employed. The educational attainments of the population are very poor, with the majority (65.3%) of residents having never attended school or completed primary school. As a result only 6% of the population has completed matric (Gariep IDP 2012). The above educational profile raises a question on the preparedness of the population to effectively operate successful co-operatives. Are funded members adequately trained, without the benefits of business education, by funders to run sustainable co-operatives?

The Gariep economy is based heavily on unskilled and semiskilled employment. This impedes the development of more advanced industries which rely on semi-skilled and skilled labour. The labour pool is made up of very few skilled professionals. The economy is skewed towards non-productive economic sectors, mainly government and community services. The main characteristics of the sectoral employment are a declining agricultural and trade sectors. The labour intensive agricultural sector is the second most important employer and the single largest private sector employer in Gariep. The predominance of agriculture is in line with the low levels of skills and training in the Gariep Municipal area. The community and government service sectors are important employers, with the majority of the areas of employment in the public sector. This is a negative characteristic as it indicates a dependence on government initiatives and an under developed private sector (Gariep LED 2009). The question here is whether there is opportunity for agricultural co-operative investment and development in the region.

The limited industrial opportunities in the Gariep area, as outlined above, highlight the need for investment in alternative industries, such as the co-operative sector. The value of the co-operative sector in towns such as Steynsburg extends beyond the economic but also into the social and environmental spheres. Co-operative development can also lead to improvement in health, education, child care, sanitation and housing. According to Swanepeol & De Beer (2006:8), community
projects create jobs which can have a direct bearing on overcoming crime and antisocial behaviour.

The role of the Bakery in alleviating Steynsburg’s poverty levels might not be easy to pinpoint. However, its continued growth over the years has come to the attention of a second funder - DEDEAT. In 2012 the Bakery obtained additional funding from the Department of Economic Affairs, Environment and Tourism to the value of R800 000. The money will be used to expand its premises and purchase a delivery van. This might bring the Bakery closer to its objective of seeing the livelihood status of the Steynsburg community enhanced by March 2017. The old adage of ‘hard work pays’, comes to mind in this instance. The members’ journey over the years, which is not yet over, has been hard and Kenny’s (1994) view of ‘not romanticizing community development’, has proven true with their experience. The challenges the members encountered along the way can discourage many and has with the members who left. However, a clear vision (creating job opportunities and assisting in the fight against poverty in Steynsburg) and the changes it will bring to Steynsburg are what have kept these women going.

2.3 CO-OPERATIVES AND POVERTY ALLEVIATION

2.3.1 Poverty

Poverty is difficult to define as it means different things to different people. According to Smith & Ross (2006:6 in Wanyama, Develtere & Pollet 2008:16), poverty is a multi-faceted phenomena that hinders the satisfaction of basic life requirements – it is not as simple as merely not having money. It is a condition that deprives the individual the basic necessities for existence like food, water, shelter and clothing as well as other fundamentals to life like health, education, security, opportunity and freedom (Spence 2005 in Wanyama, Develtere & Pollet 2008:17). This definition of poverty is reiterated in the Eastern Cape’s PGDP (2004:27): “Poverty is linked with hunger, unemployment, exploitation, lack of access to clean water, sanitation, health care and schools, vulnerability to crisis, and homelessness”. According to the PGDP (2004:27), there are many variables which contribute to a high poverty rate and the magnitude of these may differ from place to place. Swanepoel & De Beer (2006:8), further state that poor people suffer from ill-being because they find themselves in a
deprivation trap. In a poor community disease is prevalent, the infant mortality rate is still high, school dropout figures are still high, the incidence of malnutrition is rife and there is a lot of ignorance. For the purpose of the study ‘poverty’ will be defined as a consequence of a range of inequalities – of resources, power and opportunity - and addressing poverty is about addressing these underlying issues. It is essentially about the inability of individuals, households or communities to command or mobilize sufficient resources to satisfy their basic needs and thus unmet ‘rights’ define this approach to poverty (Poverty, Vulnerable Groups and Basic Service Delivery Report 2006:2). The Eastern Cape remains trapped in structural poverty that shows in all aspects of its demographic, health and socio-economic profile (Makiwane & Chimere-Dan 2010:15).

The structural nature of the Province’s economy has significantly different consequences for how poverty is experienced and lived within the various human settlements (PGDP 2004:11). The experiences of poverty in the Province are influenced by factors relating to gender, race and spatial location. As previously mentioned, this extends to black women, youth, and the disabled in mostly rural areas. The fact that people experience poverty differently means that statistics will never fully capture the reality of poverty. They can only provide a sense of the magnitude of the problem, which is not reassuring.

The variables contributing to these high levels of poverty in the Eastern Cape have been inherited from the apartheid regime and range from an anti-poor economic structure to a deliberate denial of access to basic services and infrastructure, assets, education and training as well as settlement patterns that placed the poor far from economic opportunities and that discouraged the establishment of opportunities in poor areas (Bhorat & Kanbur 2006). These structural challenges need to be dealt with to ensure the effective implementation of co-operatives. However, that is not the case as infrastructural backlogs in the Eastern Cape’s second economy continue to hinder its developmental progress. The slow response to address the above variables can serve to nullify any economic development attempts to these rural areas and small towns. Co-operation and integration between the various state institutions mandated to deal with these challenges is essential for the sustainability of the co-operative sector. The sector cannot be expected to fully thrive in an
environment where former apartheid policy influences continue to dictate the living arrangements and mobility of communities.

2.3.2 Co-operatives

Co-operatives can be defined as “member-owned businesses that have strong commitments to the local community and its social and economic development” (Murray et al, 2005:368). The International Cooperative Alliance (ICA, 2005), the organisation that represents co-operatives worldwide, defines a co-operative as “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”. These definitions clearly show the value of co-operatives in local economic development. The potential value of the co-operative sector in addressing the socio-economic needs of Eastern Cape communities should not be missed. The following principles are the definers of a co-operative: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training, and information; cooperation among cooperatives; and concern for community (Zeuli & Radel 2005:45). The seventh principle, which proposes that “co-operatives work for the sustainable development of their communities through policies approved by their members”, was added in 1995 in recognition of the link between co-operatives and community development (Wilkinson & Quarter 1996 in Zeuli & Radel 2005:45).

The value of the co-operative sector to economies and communities across the world has been proven with time. The co-operative sector’s principles of self-help and self-reliance have enabled many a community to take development into their own hands, changing the destinies of many. The 2005 Co-operative Act No.14, acknowledges that a “viable, autonomous, self-reliant and self-sustaining co-operative movement can play a major role in the economic and social development of the country, in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty” (p.2). This statement is supported by the DTI’s Co-operative Strategy (2012:19) that states “co-operatives as a form of business tend to contribute enormously to the world’s economic growth and development, as compared to other forms of business”. For example, the revenue of
the world’s top 300 co-operatives exceeds US$1 trillion, equal to the world’s tenth-largest economy. Co-operatives cover 25% of the world’s market in insurance and supply 33% of the world’s dairy products (DTI Strategy 2012:19). Based on the above the potential for economic transformation through co-operative development within South Africa’s poor areas is immense, provided that the necessary resources and infrastructure are in place.

Co-operatives, as previously defined, meet more than the economic needs of a community. The social and cultural needs met through these co-operatives find strong resonance in the multi-faceted definition of poverty. When surrounded with desolateness people can become poor in spirit. In a town such as Steynsburg where economic opportunities are limited for some it becomes easy for people to lose heart and either drop out of school, spend their days drinking or commit petty and sometimes vicious crimes to either while away boredom or because of other more sinister reasons. The opportunities provided by co-operative development beyond the economics provide an opportunity for such areas to see beyond the desolateness they’ve come to expect daily. Co-operative development brings hope to communities such as Steynsburg that the future will be different for the next generation. It restores dignity to those who previously couldn’t look after their families, bringing with it a sense of pride to the men and women who once again can stand on their own without relying on others. It restores confidence and empowers communities to see possibilities beyond the current circumstances. It revives the dreams of many that were once forgotten. Through co-operatives the Eastern Cape government might have a way of changing the condition of ill-being of individuals and communities to that of well-being.

2.3.2.1 Historical Overview

Co-operatives are an integral part of how community development is achieved and have over the years played a significant role in poverty alleviation across the world. The co-operative business model was formally developed in 1844 in Rochdale, England. The co-operative movement extended beyond England in the 1800s and found its way into Canada in the 1860s. Here it was implemented by the ‘the well-to-do and the intellectuals’ to help ‘the poor and the ignorant’ escape from the socio-economic ills which industrialization and urbanisation had brought upon them
Eastern Nova Scotia saw an extensive network of local co-operatives over the years with an initial wave of co-operative development in fish, lumber and soapstone carvings. Over the years this has, however, been supplemented by a round of diverse co-operative investments in community financial services, retail and hotel operations (Murray et al. 2005:369). The co-operative movement also grew across Canada, and saw a number of different types of co-operatives and related businesses emerging that served a variety of different needs and markets. According to Zeuli & Cropp (2004:45), the model has never remained static and has been continuously amended with the introduction of new laws and applications.

In the late 19th century the co-operative movement found its way into Europe. According to Hoyt (1989 in Ortmann & King 2007:43), co-operatives spread to other industrializing countries within the continent as a self-help method to counter extreme conditions of poverty. This business model continues to be implemented in various countries across the world to this day. According to the DTI Co-operative Strategy (2012:18), co-operatives have a long and successful tradition around the world and have proven to be flexible in meeting a wide variety of social and economic human needs. This points to the role co-ops can play in addressing the multifaceted dimensions of poverty in South Africa.

2.3.2.2 Co-operative Global Development

The growth and economic contribution of co-operatives across the world has been immense. According to the DTI, countries that have achieved economic development also have a vibrant and dynamic co-operative sector, contributing substantially to the growth of their economies. Examples of this success include, amongst others, Kenya, New Zealand, Spain, Italy and India. In Kenya the co-operative sector contributes 45% of the Gross Domestic Product (GDP) and 31% of the total national savings and deposits. Co-operatives control 70% of the coffee market, 76% of the dairy market and 95% of the cotton market. In New Zealand, 22% of the country’s GDP is generated by co-operative enterprises. In addition, co-operatives are responsible for 95% of the dairy market and 95% of the export dairy market. They
hold 70% of the meat market, 50% of the farm supply market, 70% of the fertiliser market, 75% of the wholesale pharmaceuticals and 62% of the grocery market. In Spain, the co-operatives movement produces more than €70 billion in turnover and the majority of these co-operatives are worker co-operatives. (IDT Strategy 2012:18).

The Italian co-operative movement is also among the most successful in the world. With its origins in the mid-1800s, the country’s social co-operatives have contributed revenue of more than €3 billion (DTI Strategy 2012:22). The Indian co-operative movement has also become one of the largest in the world. Sixty-seven percent (67%) of households and 99% of rural communities are involved, in one way or another, in the co-operative sector (DTI 2012:25). Co-operatives in the country have emerged in all sectors of the economy, including the finance, agriculture, livestock, housing, transport, construction, and manufacturing and consumer sectors. The most successful co-operative sectors are agriculture and finance. (DTI 2012:25)

Looking at these numbers one can argue that these countries have been in the co-operative business a lot longer than South Africa and this has allowed them sufficient time to revise and refine co-operative development and management. Current co-operative efforts, besides agricultural co-ops, in the country have been introduced post-1994 and can be termed as being in the infantile stage of development. Such a statement can be met with much debate, especially after 19 years into democracy. However, regardless of the debate, the key issue is to address the current state of minimal economic returns from this sector into the country’s economy. With examples such as Kenya and India, it is imperative that South Africa scrutinises its co-operative sectors and find models of best practice that can be replicated within the country. The variety of businesses that find representation through co-ops can provide opportunities for niche sectoral development across the Eastern Cape.

2.3.2.3 Types of Co-operatives

Co-operatives operate and exist at three levels – primary, secondary and tertiary. Primary co-operatives are formed by a minimum of five natural persons whose objective is to provide employment or services to its members and to facilitate community development (Co-operative Act 2005:11). Secondary co-operatives are formed by two or more primary co-operatives to provide sectoral services to its
members, and may include juristic persons (Co-operative Act 2005:12). Tertiary co-operative members are secondary co-operatives whose objective is to advocate and engage organs of state, the private sector and stakeholders on behalf of its members, and may also be referred to as a co-operative apex (Co-operative Act 2005:12). Based on these definitions the Masizame Bakery can be classified as a primary co-operative. The Bakery was formed by its members with the primary purpose of creating employment opportunities and assisting in the development of their community.

The Act also recognises the following types of co-operatives: housing, worker, social, financial services, agricultural, co-operative burial society, consumer, marketing and supply and service co-operatives (Co-operative Act 2005:15). The Act acknowledges other forms of co-operatives that are not part of this list. These different types of co-operatives provide a diverse range of opportunities for communities. Agricultural co-ops have already shown their success rate prior to 1994 and provide an opportunity for the Eastern Cape’s agricultural sector. Burial societies and stokvels have been around for centuries, even with the limited empirical evidence showing this, and have sustained a number of black families. Their value to these communities has not waned with time. A 2003 study conducted by the University of Cape Town’s Unilever Institute of Strategic Marketing, found that black adults in South Africa invested approximately R12 billion a year in stokvels, burial societies and saving blocks (Wits Business School 2009:1).

In a 2007 study conducted by the Registrar of Co-operatives it was found that the majority of co-operatives in the country are worker and multi-purpose sector co-ops (59%) followed by agricultural co-ops at 27% (Jara & Satgar 2008:8). This is attributed to emerging opportunities where all spheres of government seek to procure various services from co-operatives. According to Attwood (1988 in Satgar 1999:2), co-operatives can also be classified as either formal or informal. This distinction largely relates to the legal status of a co-operative. A formal co-operative is by definition legally registered in terms of co-operative legislation and has to comply with certain statutory requirements. An informal co-operative normally operates outside the ambit of the law but works with the values of a co-operative,
has co-operative practices and might even have a voluntary constitution (Satgar 1999:2).

The South African government also acknowledges the existence, relevance and value of less formal, traditional co-operative type organisations (Co-operative Development Policy for SA 2004:11). The Masizame Bakery is a formal co-op, registered with DTI and has a constitution to govern its operations. The Bakery’s operations are also monitored by an official from the Department of Social Development. Informal co-operatives are a common part of the sector in South Africa. The collection of accurate data on the amount of operational co-operatives in the country continues to be a challenge as a result of these. Over the years the Registrar of Co-operatives has readily admitted to the inconclusiveness of its data as a result of non-registration by all operational co-operatives in the country. In its 2008 Strategy for Co-operative Development, DEDEAT also reiterated this challenge. According to the Department there are more than 3000 registered cooperatives in the Eastern Cape; however, little is known about the organisation and functioning of these cooperatives. They are largely small and with marginal impact on the economy.

In its 2009 Baseline Study the DTI also referred to the difficulty it continues to face in locating all co-operatives as a number of these do not comply with legislation by submitting the required financials and up to date contact details (DTI 2012:39). This puts pressure on the government and the relevant departments, mandated to support co-operative development, to make more of an effort in the creation of co-operative networks that will ensure the organisation of their activities; or create a central point of control for co-operative development for more effective planning and co-ordination.

2.3.2.4 South Africa

The co-operative movement in South Africa dates back to 1892 with the establishment of the first consumer’s co-operative. The early 1900s saw the establishment of the National Co-operative Dairies Limited with several more co-operatives, particularly agricultural co-operatives, registered under the Companies
Act until 1908 when the first Co-operative Act was passed. During the apartheid era, white farmer co-operatives were used as important instruments of agricultural commercialisation and successful rural development. In the 1980s the white agricultural co-operatives had a membership of 142,000, total assets of some R12.7 billion, total turnover of some R22.5 billion, and annual pre-tax profits of more than R500 million (Amin & Bernstein 1995 in Jara & Satgar 2008:5). According to Jara & Satgar (2008:5), the success of today’s commercial agriculture was built on a century of state support. State-controlled and regulated marketing, subsidies and incentives and co-operatives were central in this system. Notwithstanding the problems and inefficiencies of the apartheid-era agricultural policy and its related systems, the relatively successful experience of white agricultural co-operatives testifies to the importance of the state in creating an environment conducive for the development of co-operatives.

Other forms of co-operative survival activity have also long been a feature among pre-colonial Southern African societies. Organised development of modern co-operatives also took root in black communities in the aftermath of mining-led industrialisation and urbanization (Jara & Satgar 2008:5). Those formed in the homelands struggled to survive as they did not enjoy sufficient legislation and economic support from the state (Consolidated Report 2003 in Kanyane 2009:1130). However, the urban and rural poor have sustained various hybrids of cooperative-type savings entities: stokvels, burial societies and savings clubs from that period (Jara & Satgar 2008:5).

The South African government has committed itself to creating a conducive environment for the co-operative sector. In 2004 the government introduced the Co-operative Development Policy which provides a clear outline of its approach to defining co-operative enterprises as well as the policy instruments that will be used to achieve outlined objectives (Cooperative Development Policy 2004:4). In 2005 the Co-operative Act No.14 was promulgated and this saw an increase in the number of co-operatives in the country. According to the DTI (2012:34), 19 550 new co-operatives were registered from 2005 to 2009 in various sectors, representing a growth rate of 86%. The majority of these co-operatives are black, woman-owned with youth co-ops also emerging in the country. The main reason for this growth is
attributed to an enabling environment through legislation, support measures and procurement from all spheres of government. Other departments and agencies have also been mandated by government to support co-operative development in the country. Some of them include the following: Small Enterprise Development Agency; Co-operative Incentive Scheme: The Enterprise Organisation; Provincial Departments; Department of Labour, Department of Public Works and Cogta; Co-operatives Bank Development Agency; Ithala Development Finance Corporation; Eastern Cape Development Corporation and the Gauteng Enterprise Propeller (DTI 2012:13).

In March 2009 the Registrar reported that a total number of 43 062 co-operatives were registered in the country. The majority of these were registered in KZN (26%), Gauteng (20%), Eastern Cape (16%), Limpopo (12%), Mpumalanga (8%), North West (7%), Western Cape (5%), Free State (4%), and the Northern Cape (2%) (DTI 2012:35). Co-operatives in the agricultural sector continue to dominate as they constitute 25% of registered co-ops. This is due to there still being a strong association of co-ops within the sector and that in rural economies the only opportunities available are in agriculture. Some of the emerging co-operatives include the services sector (17%) and multiple sectors (14%). According to the DTI (2012:37), there are many other sectors that are emerging with the new wave of co-operatives, including trading (which entails the buying and selling of goods and equipment); manufacturing; mining; construction; social; fishing; bakeries; arts and culture; medical; environmental; financial; consumer; housing; tourism; transport; agro-processing; clothing and textiles; marketing and supply; retail, and food and beverages. The number of registered co-ops in the country is impressive; however, their mortality rate is quite high (DTI 2012:37).

In a 2009 DTI baseline study, it was found that out of 22 030 co-operatives only 2 644 of these could be confirmed as operational. This indicates a 12% survival rate and an 88% mortality rate. However, with all these findings it is important to remember their inconclusiveness as a result of the inadequacy of the data (DTI 2012:39). The provincial breakdown points to the fact that provinces affected by the highest mortality rate are those largely in rural areas. These include the Northern Cape with a 97.5% mortality rate, followed by the Eastern Cape with 93%, and the
Free State with 92%. Due to its urbanised area the Western Cape is the exceptional case with a 93% mortality rate. When contrasted with the four noted provinces, the remaining provinces tend to fare better. However, they are also registering high levels of mortality rates, ranging from 88% to 78% which is the lowest. Even the developed provinces, such as Gauteng and KZN, do not fare well when it comes to co-operatives, pointing to the need for sharper policy interventions to turn the picture around.

According to the DTI (2012:39), the low survival rate of co-ops can be attributed to the lack of a dedicated agency designed primarily to support co-operatives on a focused basis, thus resulting in untargeted and unco-ordinated support, characterised by poor mentorship; minimum investment dedicated to co-operatives; and a sense of neglect among all spheres of government and their respective enterprise development agencies. On the other hand, co-operatives themselves have not been formed on a genuine basis. They tend to be established for the purpose of accessing free money (Co-operative Incentive Scheme (CIS) grant), instead of genuinely building a co-operatives movement. Testimony to this is an ongoing conflict among co-operative members over issues of money and the usage and ownership of assets, coupled with poor management and lack of co-operation. (DTI 2012:39)

2.3.2.5 Challenges faced by Co-operatives in South Africa

According to Jara & Satgar (2008:31), there are several key challenges facing South African co-operatives and these require decisive state intervention without the state interfering inside the co-operatives. In addition to the ones mentioned above, the following have also been identified as some of the key challenges facing co-ops in the country:

(a) **Underdeveloped areas**

As previously stated in the chapter, most co-operatives in the country are based in rural areas. These areas are characterized by poor infrastructure, poor transport systems, poor accessibility and a lack of access to technical support in outlying areas (Jara & Satgar 2008:31). Steynsburg may not be on
the outskirts of the province but the town is largely underdeveloped. Infrastructure is poor in the area with a limited number of tarred roads and issues with the drainage system. Accessibility to markets is an issue as the town is a distance from bigger towns such as Queenstown and Cradock.

(b) Small market population
According to Jara & Satgar (2008:31) co-ops are also faced with the challenge of poor undeveloped local markets and external markets which seem impenetrable. The majority of the population in Steynsburg depends on social grants for their daily living. This poses a challenge for the demand of products which varies and is mostly high on pension days. Even local markets can be impenetrable at times as consumers are already loyal to other brands and can be quite resistant to change to a new one. The Bible talks about how Christ was rejected in His hometown of Nazareth, where people knew Him as the carpenter’s son and failed to acknowledge Him as the Messiah, and He left performing only a few miracles because of their unbelief - to their loss (Matthew 13 verses 54-58). The same attitude can sometimes be found among locals, in turn influencing their level of support towards co-ops, where locally produced products can be seen as inferior to those already in the market in view of who produced them.

(c) State control
Weak intra-governmental coordination has been identified as a hindrance to the potential growth of co-operatives in the country. Various state institutions are in partnership with DTI for the funding of co-ops; however, this creates confusion and largely influences the collection of statistics on the operations of these co-ops. Lack of alignment of policies and development goals has also proven to be an issue. According to Jara & Satgar (2008:31), failure to link land reform with the cooperative model, and the confusion brought to bear by the notion of Black Economic Empowerment (BEE) are also challenges to the effective development of the co-op sector.
(d) **Finance**

Lack of access to finance is a key challenge for co-operative development. A large amount of projects operating informally are those operating without funding from state institutions. Budget constraints, fruitless expenditure and corruption limit investment into the co-op sector.

(e) **Human capital**

Most unfortunately co-operatives are often started with unemployed people, often with low skills levels, and no prior business experience in economically marginal areas. Like all business, it is under these circumstances that they have the least chance of success if this business literacy challenge is not attended to with the urgent attention it deserves (Kanyane, 2009:1134; Phillip 2003:20). Capacity building and training is necessary for co-operative members. However, this should also apply to government officials and other stakeholders (Jara & Satgar 2008; Ortman & King 2007). Most challenges are experienced at local levels, as there is a lack of knowledge about the co-operative concept by the officials themselves (DTI 2012:45).

(f) **Commitment**

Co-operatives require time and dedication, especially in the case of grass-root bottom-up approach start-ups. In a number of instances one finds that community members are already struggling to meet their basic needs and do not have the time or energy to engage in activities that do not contribute to their immediate well-being (Zeuli & Radel 2005:51). This can result in either disinterest or members quitting projects. This is a classic example of what occurred with the Bakery members. Membership decreased from 15 to 6 as a result of no salaries – members went and sought income generating employment.

The challenges faced by co-ops are not limited to the above. In its 2012 Co-operative Strategy the DTI identified the following as challenges facing the South African co-operative sector, especially from the government side: inadequate economic and social impact statistics on co-operatives; recognition of co-operatives as a unique business form and diversity in public and private market remains very
low; accessibility of co-operative registration to local communities; limited promotion and awareness; avoidance of formalization by informal self-help groups; limited access to finance (p. 46). The following are the common internal challenges faced by co-operatives: poor management and technical skills; limited trust and social cohesion; democratic decision-making skills within the co-operatives remain low; limited co-operation among co-operatives; appreciation of collective interest above individual interest is still a challenge; embracing self-reliance as a principle within co-operatives still remains a challenge; compliance with the Co-operative legislation among new co-operatives is still a challenge (DTI 2012:46).

This status quo, therefore, calls for an integrated approach to the development and support of co-operatives, where all the services, including the facilitation of registration, and the provision of financial and non-financial support, can be carried out under one roof, with branches in all provinces, districts and local municipalities. On this basis the DTI calls for the establishment of a single, identifiable Co-operative Development Agency. All support programmes aimed at assisting co-operatives would thus be implemented through this Agency and, in turn, the co-operatives would enter into contracts with national departments, provinces and municipalities (DTI 2012:46).

2.4 STAKEHOLDERS IN CO-OPERATIVE DEVELOPMENT

A stakeholder in poverty alleviation is a person or a group that performs a certain task. They may be actively doing something or may have an untapped potential to perform a function. Swanepoel & De Beer (2006:29) identify community development stakeholders at the following levels: government, private sector, non-governmental organizations and community sector stakeholders. This research specifically focused on the roles of the following stakeholders: the community, public sector, and civil society as some of the important stakeholders in community development in South Africa. Some of these were chosen based on their involvement in the establishment of the Bakery, while the rest in acknowledgement of the role they play in co-operative development.
2.4.1 Community

Community development, in whatever form, is all about the community. The role played by the local people in their own development remains critical. Local people identify the need for development and take the required steps to meet the particular need. Masizame Bakery was formed by a group of unemployed women who saw a need in their lives that would not change, due to the lack of economic opportunities in their town, unless they took matters into their own hands. Their process of development is aligned to the following description by Batten (1957:1), “community development as a process is when people in a small community first thoroughly discuss and define their wants, and then plan and act together to satisfy them”. According to Rwicila (2009), the establishment of the Bakery was on the basis of job creation and assisting in poverty alleviation in the town.

A key issue that requires mention in co-operative development in South African communities is that of gender. As previously stated that the study would not be examining the role of women in co-operative development, it is, however, important to raise the following. Poverty in the Eastern Cape is not only racial but is also gender discriminatory. According to the Department of Social Development (2012:4), more than 51.4% of female-headed households are poor. The Department’s Social Profile of Vulnerable Groups (2002-2010) in the country indicates that children, youths and women continue to be affected by poverty. Moreover, 62.1% of children live in households with per capita incomes of less than R579 a month, and 57% of youths aged 15–24 live in low-income households. This has resulted in the Department targeting these groups for co-operative development; however, not to the exclusion of their male counterparts. The aim of community development is to help communities to mobilise themselves and develop the capacity to participate fully in the South African economy and society. Co-operative development provides this opportunity to these marginalised groups. The Masizame Bakery is run by six women, who are dependent on social grants for their daily needs, and their journey of struggle over the years has shown that there is nothing romantic about community development.

Their commitment to their vision speaks to the resilient spirit found in women. The actions of these women are a testimony to the fact that community development is
committed to the idea that people can and should take more responsibility for identifying their own needs and managing their own welfare, resources and directions. Their example proves true that community development is primarily a process in which ordinary people play the leading part, with government, experts and the elite playing a facilitating role.

2.4.2 Public sector

The public sector plays a very important role in development. The economic policy framework, introduced by government, of a country can either encourage development at a local level or limit it. The laws made within a country’s parliament attempt to promote development according to the prescriptions of the constitution. According to DeFilippis & Saegert (2008:26) it is unrealistic to expect a revival in poor communities without both federal resources and direct public provision. Supporters of community participation argue that state involvement is not only desirable but necessary. Hakim (1982 in Midgley et al. 1986:38) claimed that community participation is dependent on ‘services that only government can provide’. Similarly, UNICEF (1982 in Midgley et al. 1986:38) believes that community social development programmes are often ineffective without government support. According to Brokensha & Hodge (1969:113) in very few circumstances is community development likely to have long-term effects unless it works closely with a fairly continuous agency which has some sort of institutionalized structure, ideally local-government units. If such structure is lacking, the community development process may create units or agencies responsible for achieving development. All these sentiments are echoed in this statement by Kofi Annan, “for the co-operative movement to fulfil its potential, governments need to develop and sustain a supportive environment that allows autonomous co-operatives to grow. The values of co-operation – equity, solidarity, self-help and mutual responsibility – are cornerstones of our shared endeavour to build a fairer world” (2001 in A Cooperative Development Policy for SA 2004).

The truth of these statements is supported by former President Thabo Mbeki’s statement (1999) that, “the government will place more emphasis on the development of a co-operative 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 activity” (A Cooperative Development Policy for SA 2004). The South African government has created a favourable legal, economic, administrative and institutional environment for co-operative development in the country. Even though co-operatives are not government organisations, the state will intervene through designing supply and demand support measures to grow this sector and utilise the existing institutions and programmes available. These include efforts in ensuring that co-operatives access markets, and government and private sector contracts (DTI 2012). Some of the institutions that have been mandated by government to encourage the promotion and development of co-operatives, especially those that have had a direct involvement in the establishment of the Masizame Bakery, will be discussed below.

2.4.2.1 Department of Social Development

The National Department of Social Development, among many other departments in the country, has been tasked with the mandate of poverty alleviation. The Department has been at the forefront of poverty alleviation from the onset of democracy as it relates to both adults and children (Annual Report 2008). The Departmental mandate is derived from Section 27 (1) (c) of the Constitution of the Republic of South Africa Act 108 of 1996: “Everyone has the right to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance” (South African Constitution 1996:9). Reducing poverty, unemployment and inequality remain South Africa’s greatest challenges, and the Department’s policies and programmes are aimed at making a significant contribution to the government-wide fight against poverty which affects millions of South Africans, including children, youths, families, women, people with disabilities and elderly people. The Department has also responded to the government’s call to strengthen SMMEs, and have committed to particularly focus on those in rural areas. To this end the Department intends to develop and implement a strategy for supporting rural SMMEs and co-operatives (Strategic Plan 2009-2013:8). The Department acknowledges that in meeting the above will require partnerships with other government departments, the non-governmental sector, the private sector and the international donor community.
The Eastern Cape Department of Social Development (ECDSD), as a branch of the national department, plays a catalytic role in addressing the problem of poverty in the province. In response to the President’s call for a more targeted, integrated and focused poverty reduction approach, the Department has developed an Eastern Cape poverty reduction programme that seeks to systematically address the issue of poverty (Strategic Plan 2008). The ECDSD’s strategic goal is to ensure that communities and poor households in the Eastern Cape are empowered with the necessary capacities and access to services that allow them to sustain and improve their livelihood status and ultimately contribute to their own socio-economic development. Programmes introduced include food security projects, and income generating women and youth co-operatives. The Masizame Bakery is one of the many co-operatives that have been funded by the Department. According to the ECDSD (2008) these programmes have the potential to create jobs and also have a multiplier effect in terms of households implementing food gardens. The main aim is to create sustainable livelihoods. To ensure the sustainability of the Bakery the Department has appointed an official to monitor its progress. The value of the state’s role in community development cannot be overly emphasised especially in creating a conducive environment for the growth of the co-operative movement.

2.4.2.2 Gariep Local Municipality

The Gariep municipal area is located in the west of the Joe Gqabi District Municipality. The Gariep Local Municipality comprises three main urban centres, namely Burgersdorp, Steynsburg and Venterstad (Gariep IDP 2011:3). The Masizame Bakery is based in Steynsburg. According to the website, Province of the Eastern Cape Social Development & Special Programmes (n.d.), the Joe Gqabi District is considered to be one of the 13 poorest and most poverty stricken districts in South Africa. The 2001 Census, undertaken by Statistics SA, indicated that over 86% of the residents of the area live in poverty. This is based on the annual household income which is below the basic annual substance level of R19 200 per year. The 2003 Census found that the areas with the deepest poverty in the district were Mt. Fletcher (76%), Maclear (72.2%) and Steynsburg (71.1%) (Province of the Eastern Cape Social Development & Special Programmes, n.d.). A study conducted
by ECSECC (2010), found that the poverty rate in the district is at 52%, in a population of 326 072 people, with 169 787 of them living in poverty.

Every municipality in South Africa has the mandate to encourage local economic development by providing an enabling environment and the basic resources necessary for communities to thrive. The Joe Gqabi District has committed itself to the fight against poverty by stimulating the economy. The municipality will attempt to create an enabling environment for the growth and development of the district through meeting basic needs, improving the quality of services provided and supporting local municipalities (IDP 2010). The Gariep Municipality has played a significant role in the establishment of the Bakery. Through the municipality the Bakery members were able to obtain the premises for their project. The Local Municipality offered them an old civic office in the area, which had not been in use for years. In their first year of operating the Municipality did not charge any rent. It was only in the following year, 2008, in which the Bakery had to start paying a monthly fee (R50) for services such as water and waste removal. The support of local municipalities is important for effective co-operative development. Grassroots development occurs at this level and without the local support community development can flounder. According to the DTI (2012:45), most of the challenges experienced by co-operatives occur at the local level, especially where officials themselves lack knowledge of the co-operative concept. Such attitudes can easily become hindrances to local economic growth.

2.4.2.3 Department of Trade and Industry

In 2001 the mandate for the promotion and development of the co-operative sector was transferred from the Department of Agriculture to the Department of Trade and Industry (DTI). The DTI’s mandate is to bear the overall responsibility for legislative framework, policy and strategy, coordination as well as administration in consultation with key national and provincial departments, including other stakeholders for the co-operative sector (DTI 2012:44). A Co-operative Enterprise Development Unit was established in 2004 within the DTI’s Corporate and Intellectual Property Registration Office (A Co-operative Development Policy for SA 2004:15). The Unit is tasked with policy-making; creating applicable legislation; devising and implementing strategies;
developing financial and non-financial support for co-operatives; establishing and supporting the Co-operative Advisory Board/Council; and executing special projects (DTI 2012:44).

The Department has partnered with various other institutions, as previously mentioned, in the promotion of co-operative development. In total, at national level, there are less than fifty officials supporting co-operatives, among other responsibilities. At provincial level, all departments of Economic Development have started some work on co-operatives, including policies, strategies and support programmes, with varying degrees of success (DTI 2012:44).

2.4.3 Civil Society Organisations

The achievement of successful economic development is a shared responsibility between government, civil society, the private sector and local citizens. The role of civil society in any country should not be undermined. Pre-1994 civil society was not only at the centre of the political struggle but also at the centre of pursuing people-centred development. According to Qholosha (2011:3), many civil society organisations worked tirelessly to meet the deprived basic needs of the majority of the people. These organisations became a beacon of hope and inspiration for the oppressed majority.

After 1980, in South Africa, in response to widespread retrenchments as the crisis of the apartheid economy deepened, the trade union movement played a key role in promoting the concept of producer co-operatives as part of the anti-apartheid struggle. According to Philip (1997 in Jara et al. 2008:6), these co-operatives were often established without much critical examination of the success or failure record of co-operatives in developing countries, or of the real capacity of co-operatives to deliver fundamental changes in the lives of members. A few NGOs also emerged to provide support services, an example of which was the National Union of Mineworkers (NUM) which assisted in the establishment, between 1988 and 1992, of 30 co-operatives in the Eastern Cape, Lesotho, Swaziland, Northern Province and Mpumalanga. Some of these survived as a result of both the capital and technical
support services that were mobilised with the support of the NUM (Philip 1997 in Jara et al 2008:6).

Over the years various NGOs and associations have emerged in support of the co-operative movement in the country. These include the National Co-operative Association of South Africa, Co-operative and Policy Alternative Centre, Dora Tamana Co-operative Centre, SACCOL, YEBO Co-operative, and the National Co-operative Association of South Africa to name a few. The role of these organisations in the sector varies and includes support through training and research, and implementing curricular and non-curricular co-operative education programmes (DTI 2012:51). Regrettably, some of these organisations have capacity challenges and are not embedded within the co-operatives movement itself, thereby not allowing them to tap into existing resources and make a greater impact. These bodies tend to rely only on donor funding, the levels of which fluctuate (DTI 2012:43).

2.4.4 International Co-operative Alliance

The International Co-operative Alliance (ICA) is the global apex body representing co-operatives in the world. The ICA was established in 1895 to advance the co-operative model. It works with inter-governmental and nongovernmental organisations to promote co-operative development; with countries to advocate for a legal and regulatory framework that recognises the unique and specific needs for co-operatives to flourish; and with its members to encourage inter-co-operation (International Cooperative Alliance 2012). The South African government repealed the 1981 Co-operative Act and replaced it with the 2005 Act that was aligned with co-operative standards as outlined by the ICA. The Act recognises the identity and values of co-ops as set out by ICA’s statement of co-operative identity. The South African government’s promotion of co-operative development is also based on the seven ICA principles (ICA 2012).

The United Nations marked 2012 as the International Year of Co-operatives. The theme for the year was ‘Co-operative enterprises build a better world’. The year was marked as monumental to provide a platform to educate the public on the strength and socio-economic value of co-operatives. Over the course of 2012, co-operatives around the world joined together in a series of events to raise awareness of the
impact and importance of the co-operative model on societies and economies around the world, as well as promote their growth (ICA Americas 2013). As part of the celebrations the ICA launched its latest Global 300 Report, which announced the largest 300 co-operative enterprises in the world and their collective revenues of USD 1.6 trillion, which is comparable to the GDP of the world’s ninth largest economy (ICA Americas 2013). The aim was to relay the economic value of co-operatives to the rest of the world. According to the ICA (2012), the resilience and stability of the sector provides an alternative in the diversification of the global economy.

2.5 POLICY FRAMEWORK FOR CO-OPERATIVE DEVELOPMENT IN SOUTH AFRICA

Community development, in whatever form it’s implemented, requires sound policy and legislation. It is essential that a conducive environment, both economically and politically, be created to achieve the desired goals set forth in adopted policies. International studies reveal that countries which have created an environment conducive to promoting co-operatives, by developing legislative instruments, supportive programmes and delivery institutions, grow rapidly and contribute positively to economic development, employment creation, economic ownership by local communities, and human resource development (DTI 2012:20). “The South African government is committed to providing a supportive legal environment to enable co-operatives to develop and flourish” (Co-operative Act, No.14 2005:p.3). To show this commitment the government has mandated various departments, as previously mentioned, to provide support to co-operative development and promotion in the country. One of these is the Department of Social Development, which has played a significant role in the establishment of the Masizame Bakery. Government has also formulated a number of policies and strategies that have a bearing on aspects of collective entrepreneurship and the co-operative development strategy. Key to these policies and strategies are the Accelerated and Shared Growth Initiative for South Africa (AsgiSA), the National Industrial Policy Framework (NIPF), Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, Regional Industrial Development Strategy (RIDS) and the Anti-Poverty Strategy (DTI
The following policy documents also have a bearing on co-operative development in the country.

2.5.1 Constitution of RSA Act 108 of 1996

The Constitution of the Republic of South Africa (Act No. 108 of 1996) brought about a new expanded role for municipalities. According to the Department of Constitutional Development (1998:3), “Municipalities must now lead, manage and plan for development, their task together with national and provincial government is to eradicate poverty, boost local economic development, job creation, and carry forward the process of reconstruction and development”. Consequently, local communities are to be involved in decision-making processes of local government. The Constitution of the Republic of South Africa (Act 108, of 1996: Chapter 7) states that it is the objective of local government to “encourage the involvement of communities and community organizations in the matters of local government” (p. 54). This highlights the importance of the relationship between local government structures and their communities in the development journey. This relationship is important for the formulation of a shared vision, and the provision of the necessary resources, for local economic development in these communities.

2.5.2 The 1997 White Paper on Social Welfare

“South Africans will be afforded the opportunity to play an active role in promoting their own well-being and in contributing to the growth and development of our nation” (p.2). Social welfare policies and programmes developed in the country have prioritised poverty alleviation and the development of people’s capacity to take charge of their own circumstances in a meaningful way (p.13). The policy recognises that, while poverty is wide spread throughout South Africa, African people are most affected. Women and children (particularly in female-headed households), people with special needs, and those living in rural areas, informal settlements and on farms, are most at risk and will be assisted (p.13). Most co-ops in the province are run by women, including the Masizame Bakery. Through its programmes the Department seeks to create strategies that will promote self-sufficiency and independence. Innovative strategies will be designed for vulnerable individuals and
families to increase their capacity to earn a living through employment creation, skills development, access to credit and, where possible, through facilitating the transition from informal to formal employment (p.13). The Department continues to pursue this mandate through various nutritional projects, food security programmes and co-operative development.

2.5.3 The 1998 White Paper on Local Government

This Paper gives effect to the new vision of local government entrenched in the Constitution. The second section of the White Paper puts forward the vision of a developmental local government, which centres on working with local communities to find sustainable ways to meet their needs, improve the quality of their lives and to have an input on the way services are delivered (South African Government Online 2011). Local government has a great influence over local economies. The paper requires that Municipalities have a clear vision for the local economy, and work in partnership with local business to maximise job creation and investment (p.24). Local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities. The Gariep Local Municipality played a significant role in its provision of a site for the operations of the Bakery.

2.5.4 Co-operative Act No. 14, 2005

The Act recognises the co-operative values of self-help, self-reliance, self-responsibility, equality and social responsibility. It also recognises that a viable, autonomous, self-reliant and self-sustaining co-operative movement can play a major role in the economic and social development of the Republic of South Africa, in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty. Through this Act the government is committed to providing a supportive legal environment to enable co-operatives to develop and flourish in the country (p.3).
2.5.5 Co-operative Development Policy 2004

The policy statement deals with the promotion and support of developing/emerging co-operative enterprises. These include small, medium, micro and survivalist co-operative enterprises (p.4). The Co-operative Development Policy applies to all types of co-operatives, in all sectors of the economy. The policy recognises that a viable, dynamic, autonomous, self-reliant and self-sustaining co-operative movement can play a major role in the economic, social and cultural development of South Africa, through effective and efficient services extended by co-operative enterprises to their members. By doing so, co-operatives contribute to the creation of jobs, income generation, resources mobilization, and broad-based economic empowerment, thereby enhancing sustainable human development in South Africa (p.4).

The co-operative model can enhance the competitiveness of small business nationally and globally in accessing opportunities through its comparative advantage of economies of scale, synergies, increased bargaining power, joint innovation, member involvement and stability (p.11). Through the policy the Government acknowledges the specific potential of co-operatives, as enterprises and organizations inspired by solidarity, to respond to members’ needs and ensure greater black participation in the mainstream economy, especially persons in rural areas, women, persons with disability and youth. According to the policy the Government shall continuously engage with stakeholders in the youth and women sectors to design appropriate support programmes (p.11).

2.6 Conclusion

The chapter focused on the history of the co-operative model, and its role in poverty alleviation. It also looked at the challenges faced by co-ops in the Eastern Cape, specifically focusing on the Masizame Bakery in Steynsburg. The poverty levels in the Eastern Cape’s small towns such as Steynsburg call for alternative industries, thus the focus on the co-operative sector and the potential economic benefits it can provide these areas. The history of the co-op model as a tool for economic development dates as far back as the 1800s and its success rate across the world has made it an attractive tool for poverty alleviation. The model is embedded on the principles of self-reliance and self-help, which are strongly aligned to the South
African government's call to active citizenry. In the words of former President Thabo Mbeki, South Africans ‘Vukani nizenzele’ (wake up and do it yourselves). This call was heeded by the members of the Bakery who decided to try (masizame) and see what results their efforts would yield. Through policy, legislation and institutionalisation an environment conducive to the promotion and growth of the co-operative sector has been created in South Africa. However, these measures have not yielded the anticipated results in the Eastern Cape’s communities.

The Eastern Cape has a co-operative mortality rate of 93%, thus the need to identify the challenges faced by co-ops. The co-operative sector’s contribution to the economies of countries such as India, Spain and Kenya highlight its value, thus the question of why South Africa’s co-op sector is struggling to see similar economic returns. The Masizame Bakery funded by the Provincial Department of Social Development and located in a small town provided the perfect case study to assess this. Some of the challenges identified included: limited access to markets, a small market population, limited access to funding, limited business skills among project members and a lack of commitment from some members due to the small and slow economic returns from co-ops. All the challenges identified through the research are not contrary to what the Department of Trade and Industry has also highlighted. Whether some of these challenges are unique to small towns or not requires further scrutiny? However, what is evident is that unless these are addressed the continued investment into the co-operative sector by the government will not yield the desired economic returns and the sector’s impact in the fight against poverty will remain minimal. Unless an integrated approach to the development and support of co-operatives, where all the service, including the facilitation of registration, and the provision of financial and non-financial support, can be carried out under one roof, with branches in all provinces, districts and local municipalities is adopted the sector will continue to hobble towards achieving the desired success and impactful change in communities. The call by the DTI for the establishment of a single and identifiable Co-operative Development Agency to support all programmes aimed at assisting co-operatives needs serious consideration towards addressing some of the challenges faced by the sector (DTI 2012:46).
REFERENCE LIST

CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter will be focusing on the research design of the study. It will discuss the following: methodology chosen, the data collection techniques, the sample size, how the data will be analysed and validated as well as the ethical considerations.

3.2 PURPOSE OF THE STUDY

The purpose of the study was to investigate the challenges experienced and faced by the Masizame Bakery as a co-operative in a small town. The Bakery was established in 2007 and is run by six women in Steynsburg. The research sought to identify the challenges, operational and otherwise, faced by the Bakery when it was established including those it faces on a daily basis and suggesting solutions to these.

3.3 RESEARCH ASSUMPTIONS

The following assumptions were based on the researcher’s knowledge of the area and observations from some of the community members about the area’s projects:

- The first assumption was that the local government had played a minimal role in assisting the Bakery members obtain the funds they needed to establish the co-op.
- The second assumption was that the Bakery would not be sustainable in the long-run. The mortality rate of co-operatives in the Eastern Cape is relatively high. Steynsburg is an underdeveloped town with high unemployment levels thus providing a small market base to support the Bakery.
- The third assumption was that the low level of skill, for example basic management and financial skills, of the co-op members to successfully run a Bakery in the town is not adequate. Most often co-ops are started by unemployed people with low skill levels and no prior business experience.
• The fourth assumption was that the availing of funding without the provision of training, on how to operate a business, to those funded is merely setting them up for failure.

• The fifth assumption was that the level of understanding of the co-operative model and how it is legislated in the country, by the Bakery members is limited. The Department of Social Development’s mandate on community development, specifically co-operatives, does not show alignment to the international principles adopted by the DTI on co-operative development.

3.4 TRIANGULATION METHOD

The research will follow a mixed method approach, both qualitative and quantitative. The quantitative element of the study is based on one of the data collection tools used being the questionnaire. The use of both qualitative and quantitative research tools in one study is also referred to as triangulation.

Triangulation is not a tool or strategy of validation, but an alternative to validation (Denzin & Lincoln 2005:5). According to Blaikie (1991:115 in Jennings 2010:151), triangulation is not used in order to correct any bias or to improve validity. The method is rather used because ‘no single method ever adequately solves the problem of rival causal factors … Because each method reveals different aspects of empirical reality, multiple methods of observations must be employed’ (Denzin 1978:28 in Jennings 2010:151). Denzin (1978:28) identifies various types of triangulation, one of them being methodological triangulation. Methodological triangulation involves researchers using several methods to gather data relevant to a study. For this study the researcher used a questionnaire (quantitative method), and conducted both semi-structured individual and focus group interviews (qualitative methods).

3.5 RESEARCH METHODOLOGY

The study followed the qualitative research approach. The focus of the inquiry was community development implemented through co-operatives in small towns. The research specifically focused on the challenges faced by the Masizame Bakery, a
co-operative based in Steynsburg. Qualitative research is based on the interpretive paradigm, which seeks to understand peoples’ lived experience from their perspective (Hennink, Hutter & Bailey 2011:14). It allows researchers to identify issues from the perspective of the study participants and understand the meanings they give to behaviour, events and objects. Through the qualitative approach the study sought to obtain better insight into the running of the Bakery and also gain an understanding of the member’s perspective on co-operative development.

Qualitative research is also about studying people in their natural settings, to identify how their experiences and behaviour are shaped by the context of their lives. The focus of the research was on the sustainability of a co-operative in a small town. To what degree are these effective in poverty alleviation and does the geographical location influence their success. Do they provide the expected returns to their members? The Bakery initially started with 15 members, with nine leaving as a result of slow economic returns. It will also be of interest to discover how the current members’ involvement in the co-op has changed their standard of living and their general outlook. The interpretive nature of the method will allow the researcher the opportunity to obtain more in-depth information both on a personal and professional level from the different respondents.

The relevance of the study and the methodology chosen can be summed up in the following statement by Flick (2007:6): ‘qualitative research is not restricted to the production of knowledge but also has the intention to produce knowledge that is practically relevant – which means relevant for producing or promoting solutions to practical problems’. Co-operative development has become a significant strategy for the up-liftment of communities in South Africa. The success of the co-operative sector in other countries, including its success in SA’s agricultural sector prior to 1994, has placed emphasis on its value for poverty alleviation in the country. The creation of sustainable livelihoods has become a priority for South Africa’s government with co-operatives identified as one of the mechanisms through which this can be achieved. Various departments and development agencies have made funding available for the development of co-ops in the country. The aim is for communities to be self-reliant and take development into their own hands. Based on this the relevance of the study and the in-depth approach to it is very significant. The
focus of the study is not merely on identifying challenges faced by co-operatives in small towns but also to propose possible solutions to some of these. The proposed solutions can be adopted, where applicable, by the co-operative to improve business and promote long-term growth.

3.6 QUALITATIVE RESEARCH METHODS

3.6.1 Explorative research

Much of social research is conducted to explore a topic. According to Hennink, Hutter and Bailey (2011:92), explorative studies are typically done to satisfy the researcher’s curiosity and desire for better understanding. This study was as a result of the researcher’s interest in community development and its feasibility when implemented through co-operatives in small towns. The focus was on the sustainability of such projects, specifically focusing on the challenges they face. The Department of Social Development has raised the issue of the unsustainability of some of these projects. DEDEAT (2008) reiterated the statement in their Co-operative Strategy: “there are more than 3000 registered cooperatives in the Eastern Cape, however little is known about their organisation and functioning”. These statements piqued the researcher’s interest to find out more about the challenges faced by these co-ops, especially in small towns. To narrow the study the research specifically focused on the Masizame Bakery in Steynsburg, however data collection also extended to other co-ops operational in the area. Steynsburg is a small town with an almost non-existent industry except for farming, with locals dependent on social grants to survive. The question is whether there is sufficient demand from locals to support such a project or not. Exploratory studies are also a valuable means of finding out ‘what is happening and to seek new insights and to assess phenomena in a new light’ (Robson 1993:42 in Saunders, Lewis and Thornhill 2000:97). The study sought to provide more accurate information to the researcher on Masizame in turn also providing a better understanding on the operations of such a project in a small area.
3.6.2 Descriptive research

Descriptive research seeks to portray an accurate profile of persons, events or situations (Robson 1993:4 in Saunders, Lewis and Thornhill 2000:97). According to Boeije (2010:32), it offers the opportunity for participants to describe the subject of study in their own words and on their own conditions. They may express views, give words to their experiences and describe events and situations. This further highlights the relevance of the qualitative method for this study as it will allow the Bakery members to provide a more accurate portrayal of their conditions and the challenges they face in running the project. According to Mouton & Marais (1996:43), descriptive research allows for the opportunity to collect accurate data and also provides a clear picture of the phenomenon under study. The study will therefore provide an opportunity for the researchers’ assumptions to either be confirmed or disproved.

3.6.3 Contextual research

The Oxford Dictionary (2012) defines the term context as ‘the circumstances that form the setting for an event, statement, or idea, and in terms of which it can be fully understood’. Therefore, considering any event in context ensures that it is considered together with the surroundings or circumstances. Burns and Grove (2003:32) point out that contextual studies focus on specific events in “naturalistic settings”. Naturalistic settings are uncontrolled real-life situations sometimes referred to as field settings. The research was conducted in the ‘natural settings’ of the Bakery. Findings on the challenges faced by the Bakery were obtained from its members. The participants interviewed included local businesses and public officials involved in the establishment and current operations of the Bakery. This provided the researcher with a more balanced view on some of the internal and external factors that influence the operations of the Bakery on a daily basis. The initial plan to interview former members of the Bakery however proved unsuccessful. The one member interviewed could not provide much information, with others unavailable for comment.
3.7 DATA COLLECTION METHODS

Data gathering is the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observation, focus group discussion, narratives and case histories (Burns & Grove 2003:373). It begins with the researcher deciding from where and from what data will be collected (Talbot 1995:472). For this study the data used was collected from books, the internet, and journals. Both focus group and individual interviews were conducted with the members of the Bakery as well as the state officials that were involved in the establishment of the co-op. It was of interest to discover the level of local government support towards co-operative development in the area. A questionnaire was also distributed to local businesses in the area to determine their support towards the Bakery and their views on co-operative development.

3.7.1 Nature of the Data to be collected

The data collected included the Bakery member's views on the challenges they experienced in establishing the co-operative and in running it. The views of the state officials involved in community development in the Gariep Municipal area and the challenges they encounter in establishing co-operatives were also captured.

3.7.1.1 Participants

Research participants included the following groupings:

- Bakery members
- Ward Councillor
- LED Officer
- Department of Social Development - Community Development Practitioner
- Department of Social Development – District Area Co-ordinator/Funding Official
- Members of the following projects in the area: Hlumisa Cleaning Material (focus group); Usizo Poultry (focus group); Vuku’ zenzele Sewing (two members); Masiphilisane Gardening (two members); Kwakhanya Sewing (one member); and Sibanye Piggery (one member).
- Steynsburg local businesses
3.7.1.2 Semi-structured interview

The semi-structured interview includes a list of topics or questions to be asked. Since qualitative researchers are often looking for a true understanding of what is happening, the interviews are usually not entirely pre-structured with respect to content, formulation, sequence and answers (Boeije 2010:62). This ensures that respondents are not restricted to set answers but can also speak freely on the subject being investigated. This point is stressed further by Corbetta’s (2003:269) definition of an interview: “it is an open instrument; it is flexible, adaptable to the various empirical contexts and can be shaped during the course of interaction”. Interviews were conducted both in isiXhosa and English to ensure that the researcher obtained the required information. The flexibility offered by interviews proved to be an advantage for the study as different people such as the Bakery members; ward councillor, LED officer, community development practitioner, funding official and members of other co-ops were interviewed. The questions asked during the interview process were categorised under different themes and were changed based on the individual being interviewed, with the themes mostly remaining the same. The guiding themes used included: roles and responsibility, co-operative development, funding criteria, inception, operations, local government support, social development, and future plans.

The other advantage to interviews is that they also facilitate co-operation from research subjects and access for immediate follow-up data collection for clarification and omissions (Marshall and Rossman 2006 in Greenfield 1996:169). This allows the researcher the opportunity to ensure the reliability of the data captured. Interviews are also important in uncovering the subjective side. According to Matthews (2005), researchers do not ask questions to elicit answers to specific questions but rather to make it possible for participants to talk about something in their own words (in Boeije 2010:63). The above advantages also proved true for this study. Research participants were not averse to the use of a recorder, as long as confidentiality was assured. This has enabled the researcher to capture comments by participants verbatim and within context. The researcher was also able to exchange contact details with the participants ensuring easier follow-up for any clarification required.
3.7.1.3 Questionnaire

The questionnaire, used in both quantitative and qualitative research, is one of the most widely used survey data collection techniques (Saunders, Lewis & Thornhill, 2000:279). However, researchers are cautioned on using this tool for exploratory research, especially in research that will require a large number of open-ended questions. According to Saunders et al (2000:280), it is always better to link questionnaires with other methods. For this study the questionnaire was used in conjunction with individual and focus group interviews. It was distributed among the local business owners in Steynburg, with the aim of finding out their views on co-operative development and promotion in the area. Through the questionnaire the researcher also sought to determine their level of support towards the Masizame Bakery. Out of 18 shops in the area only 12 completed the questionnaire. Out of the remaining six shops that were not interviewed three have one owner, resulting in one questionnaire being completed, and the remaining three were unwilling. In some instances language proved to be a challenge as most of the shop owners are Somalian. Out of the 12 questionnaires completed only two were self-administered, with the rest completed with the assistance of the researcher.

The questionnaire was divided into two sections (see Appendix B): section one focused on the business’ details, such as the type of business, the number of years it has been operational as well as the bread supplier it uses. Section two focused on its dealings with co-operatives in the area specifically the Masizame Bakery. The section included five open-ended questions, which specifically focused on whether the businesses had any dealings with Masizame. This line of questioning however proved to be a disadvantage to the study as most of these were left unanswered – most of the businesses did not officially use Masizame as a bread supplier.

3.7.1.4 Focus group

Focus groups are small structured groups with selected participants, normally led by a moderator (Litosseliti 2003:1). Through focus groups researchers are able to gather insights on a specific topic from various views. The interactive nature of the group, normally between six to twelve members, allows for participants to respond and build on the views expressed by others in the group. The researcher had initially
planned to arrange focus groups with members of the other co-ops in the area. However, this did not work out as planned due to the type of work done by the groups. Three focus groups were conducted with members of the Bakery, as well as members of the Hlumisa Cleaning Material co-op and the Usizo Poultry co-op. For the rest of the projects only individual interviews could be held with one member from each project. The aim of interviewing other co-ops was to determine whether the challenges they faced, even though the business focuses are different, are similar to those of the Bakery. The themes that guided the discussions were centred on funding, support, operations and monitoring – an appendix of the questions is attached.

3.8 SAMPLING
In qualitative research, only a sample of a population is selected for any given study. The study’s research objectives and the characteristics of the study population, such as size and diversity, determine which and how many people to select (Jennings, 2010:137). The sampled population for this study was narrowed down to the people that have had both a direct and indirect involvement in the establishment and continued operation of the Masizame Bakery. This population included the Bakery’s current members, local government officials, members from other operating projects in the area and local businesses in the area.

The snowball or chain referral sampling technique was used for the study. The technique involves identifying subjects for inclusion in the sample by referrals from other subjects (Corbetta 2003:222). The process begins with a small number of subjects who have the desired requisites, through whom further individuals with the same characteristics are identified. Participants known to the researcher were the Bakery members, local businesses, the community development practitioner, the ward councillor and the municipal manager. Referrals to the LED officer, funding official and members of the co-ops were obtained from the other parties.

One can argue that the sample for the study was too small to provide a true representation of the population on this particular subject. However, the qualitative method enables researchers to focus on smaller sample sizes, since the intent is to
3.9 DATA ANALYSIS

Data analysis is all about making sense of what the data says about your research topic (Altinay et al., 2008:167). It requires researchers making their own interpretations and highlighting patterns grounded in the data in a way that can be recognised and understood by readers. The interviews were conducted both in isiXhosa and English, all transcripts in isiXhosa were translated before the data was analysed.

The qualitative data was analysed using thematic content analysis. Thematic analysis is a coherent way of organising and reading interview material in relation to set research questions. In this study, the researcher analysed the data according to the themes that were developed. Coding was an essential part of the process for both interviews and the questionnaires. The interviews were transcribed from note format and were compared to identify common themes. The process involved sorting the information and formulating it into a story. The quantitative was analysed using descriptive analysis which was limited to frequencies of occurrence and percentages.

3.9.1 Identified themes

During the analysis of both the interview transcripts and the questionnaires themes were identified to clearly outline the common challenges faced by co-ops and establish the relationship between local business owners and co-operatives in the area.

*They included the following:*

Theme 1: **Co-operative Development** – the focus was on the co-operative movement in Steynsburg and its state.

Theme 2: **Social Development** – the focus was on the role of the Department in co-operative development in the area.
Theme 3: **Local Government Support** – the focus was on determining the support provided by the local municipality to co-operative development in Steynsburg.

Theme 4: **Masizame Bakery** – the focus was on the Bakery’s inception, growth and challenges.

### 3.9.2 Trustworthiness of the data

According to Jennings (2010:150), texts have moved away from using the terms ‘reliability’ and ‘validity’ with regard to qualitative research as the terms are more applicable to quantitative research. Terms such as trustworthiness, authenticity and ‘goodness of fit’ are utilised. Denzin and Lincoln (2005:24), refer to terms such as ‘credibility, transferability, dependability, and conformability’ for qualitative research. While Charmaz (2005 in Jennings 2010:150), utilises ‘credibility’, ‘originality’, ‘resonance’ and ‘usefulness’.

To ensure the trustworthiness of the data the researcher utilised a voice recorder while taking notes during the interviews. When transcribing the researcher ensured that the data was not lost and in some instances used verbatim quotes to keep the essence of the message conveyed. The recordings and the interviews of the other projects in the area provided the researcher with the opportunity to compare the data collected and identify similarities in the challenges mentioned. An advantage to interviews is that the interviewer can go back to participants seeking clarity on some of the points raised. With all the research participants contact details in place the researcher has that opportunity. With the questionnaire the researcher assisted most of the owners to complete these allowing for the opportunity to provide clarity where required.

### 3.10 ETHICAL CONSIDERATIONS

A basic concept in qualitative research is trust. Ethical behaviour in research is based on three principles: informed consent, privacy and confidentiality and anonymity (Boeije 2010:44). All the respondents were informed about the academic nature of the research and that it is towards fulfilment of the requirements of a
Masters Degree in Development Studies. According to Boeijie (2010:45) no data can be collected if participants are not informed about the requirements of the study, with a clear outline on what will be required from them. The respondents were informed that they will not be receiving any incentives from the research for their participation. The researcher also specified that no funding for projects would result from the study.

The respondents were also assured of their privacy and anonymity in the completion of the questionnaire and the interview. Anonymity was ensured with the questionnaire as participants were not required to include their personal details. Members were also assured of the confidentiality of the recordings taken during the interviews and that they will be solely used for study purposes and not be leaked to any external parties. Even though ‘the entire research enterprise is full of ethical pitfalls’ (Miles & Huberman 1994 in Boeije 2010:44), the identity of each respondent will be protected.

3.11 RESEARCH LIMITATIONS

- Co-operation from local businesses posed a challenge due to language and some refusing to complete the questionnaire.
- A significant amount of the open-ended questions in the questionnaire were left unanswered. This information was important in determining the value, as seen by the local businesses, of the Bakery to the area and its sustainability.

3.12 DELIMITATIONS OF THE STUDY AREA

- The study interrogated the role played by local government in the promotion and development of co-operatives in Steynsburg.
- The study did not fully evaluate the extent to which co-operatives have been integrated into the South African developmental framework in the move towards poverty alleviation in the second economy. However, it did look at the role played by the Department of Social Development in co-operative development in Steynsburg.
• The study did not focus on the role played by women in co-operative development. However, the majority of co-ops in Steynsburg are run by women.

• The study focused on the challenges faced by the Masizame Bakery as a co-operative in a small town. The challenges identified are similar to those experienced by other projects and co-ops in the area.

• The study did not compare the success rate between co-operatives in small towns and those in urban areas.

3.13 CONCLUSION

In conclusion, the chapter provided an outline of the study’s research methodology, research assumptions, sampling method and the tools utilised to collect the data. The nature of the research question resulted in the qualitative methodology being adopted for the study. The interpretive nature of qualitative research provided the researcher the opportunity to understand people’s lives from their perspective. It also allowed the researcher the opportunity to obtain better insight into the running of the Bakery and to also gain an understanding of the member’s perspective on co-operative development. Flick (2007), describes qualitative research as an approach that produces both knowledge and practically relevant solutions to problems. The high mortality rate of co-operatives in the Province continues to be a dilemma that requires relevant and immediate solutions, thus the need for a better understanding of the challenges these co-ops face.

Various participants were interviewed during the data collection process and these included: the Bakery members, ward councillor, LED officer, the Department of Social Development’s officials, local business owners and members of other operating projects in the area. The participants were engaged through one-on-one semi structured interviews, focus groups and questionnaires. This allowed for the attainment of different aspects of empirical reality. The data collected was analysed through thematic content analysis where it was transcribed from note format and compared to identify common themes. The identified themes that encapsulated the research were: co-operative development, providing a background focus on the co-
operative movement in Steynsburg; social development, which focused on the role of the Department of Social Development in the area; local government support, which focused on the support provided by the local government to co-operatives and lastly; the Bakery’s growth and its continued challenges. The reliability of the data was ensured through a voice recorder and comparative note taking. In agreeing to the research the participants were duly informed of its confidential nature. Some of the challenges encountered during the research process were the language barrier and incomplete questionnaires, affecting the data collected. The delimitations of the study provide an opportunity for further research into this subject area especially on the role of women in co-operative development and its implications, including a comparative study on the success rate of co-ops in small towns and urban areas. The co-operative field offers various research opportunities and careful scrutiny of its woes in the Eastern Cape is required for the realisation of its economic benefits in the province’s small towns.
REFERENCE LIST

CHAPTER 4
RESEARCH FINDINGS

4.1 INTRODUCTION

The research study focused on the challenges faced by the Masizame Bakery as a tool for poverty alleviation in Steynsburg. The study was limited to a very small sample that included individuals who had both a direct and indirect involvement in the establishment and growth of the Bakery. The following research objectives guided the study’s interviewing process and sought:

- to identify the causes for the Masizame Bakery’s growth as a co-op in Steynsburg;
- to critically examine the management strategies in place to ensure the growth of the Bakery;
- to identify the challenges faced by the Bakery as a co-op in a small town;
- to examine the contribution made by local government in the co-op’s establishment and its role in its growth;
- to determine the level of support from local businesses towards the Masizame Bakery co-operative.

The researcher was able to secure individual interviews with the LED Officer from the Gariep Local Municipality, Ward Councillor for Steynsburg, and the Community Development Practitioner from the Department of Social Development including the district co-ordinator (also funding official). Focus group interviews were also held with members from the Bakery and two other operating co-ops in the area. Twelve questionnaires comprising thirteen questions were also distributed to the local businesses, specifically spaza shops, a restaurant and mini-supermarket in the area. This was to determine their awareness of the co-ops in the area and their level of support towards them.
4.2 QUESTIONNAIRE

4.2.1 Business Details

Table 1: Gender (N=12)

<table>
<thead>
<tr>
<th>GENDER</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

Out of 12 respondents, the men constituted 75% while the women made up the remaining 25%.

Table 2: Age (N=12)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25-31</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>32-38</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>39-45</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>46-52</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>53-59</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>60+</td>
<td>3</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

The majority of the business owners were between the ages of 32-38 years (25%) and 60+ (25%) respectively. The rest were between the ages of 25-31 years (17%), 39-45 years (17%) and 46-52 years (17%).
Table 3: Type of business (N=12)

<table>
<thead>
<tr>
<th>TYPE</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spaza shop</td>
<td>5</td>
<td>42</td>
</tr>
<tr>
<td>Mini-supermarket</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>Restaurant</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Take-away café</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The business complement in Steynsburg mostly comprises spaza shops at 42% in the township. The mini-supermarkets at 33%, take-away café at 17% and restaurant at 8%, all of which are based in town. The Bakery needs to target these spaza shops as potential sellers of their products, as they are more frequented and are closer to most of the locals than the shops in town.

Table 4: Years operational (N=12)

<table>
<thead>
<tr>
<th>YEARS</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
<th>Bread Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3</td>
<td>3</td>
<td>25</td>
<td>x2 Masizame</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>x1 Sasko</td>
</tr>
<tr>
<td>4-6</td>
<td>5</td>
<td>42</td>
<td>Sasko</td>
</tr>
<tr>
<td>7-9</td>
<td>1</td>
<td>8</td>
<td>Sasko</td>
</tr>
<tr>
<td>10+</td>
<td>3</td>
<td>25</td>
<td>Sasko</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

The amount of years for which a shop has been operational also indicates the amount of time it has been using its current bread supplier. At 42% the majority of the shops, operational for at least six years, have been using Sasko as their bread supplier. The 25% that have been operational for at least three years or less use...
Masizame as their bread supplier. The remaining 25% at 10 years or more and 8% at more than seven years also use Sasko as their bread supplier.

Table 5: Rating on bread supplier (N=10)

<table>
<thead>
<tr>
<th></th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Very Poor</th>
<th>TOTAL</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Service</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Quality</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Affordability</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>Variety</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>

The highest rating at 90% was on the favourable quality of Sasko’s bread, followed by the variety of their products at 50%. According to the business owners Sasko’s bread lasts longer and they also offer cakes, rolls and buns as other options in their product range. The reliability and service of the supplier were ranked at 40% respectively, with affordability at 10%. Two of the owners at 20% regarded Sasko as being reliable, with one at 10% regarding their prices as being poor – mainly referring to how high they were. Overall, the businesses expressed their satisfaction with Sasko as the supplier they will continue to use.

4.2.2 Co-operatives

Table 6: Awareness of operating projects in Steynsburg (N=12)

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

The majority of the respondents at 67% reported that they were unaware of the co-operatives currently operating in Steynsburg. The remaining 33% attested to their
existence. In response to the purpose that co-ops serve in the community, the business owners felt that they supplied lower income groups with affordable products; provided employment for a small minority and also allowed for skills development in the area. A key observation from local business though is that Steynsburg requires much bigger industry to assist in the relief of poverty and unemployment and to keep the town alive.

Table 7: Purchase from Co-ops (N=12)

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
<td>50</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

Half of the respondents at 50% purchase products from the Masizame Bakery, with the remaining half unaware of the products they offer.

Table 8: Purchases from Masizame Bakery (N=12)

<table>
<thead>
<tr>
<th>RESPONSE</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>67</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

The majority of the respondents at 67% do not purchase any products from the Masizame Bakery. The reasons for this include: businesses being satisfied with their current supplier, the businesses are also of the assumption that the Bakery does not have the capacity to cater for bigger shops while the others claimed not to be aware of the Bakery’s services. The remaining 33% purchases both bread and rusks from the Bakery.
### Table 9: Rating Masizame Bakery (N=2)

<table>
<thead>
<tr>
<th></th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Very Poor</th>
<th>TOTAL</th>
<th>PERCENTAGE (%) – TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Service</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Quality</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Affordability</td>
<td>1</td>
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Only two businesses are using Masizame as a bread supplier. Both at 100% have expressed their satisfaction with the Bakery’s service, level of reliability and affordability. At 100% the owners expressed that they were fairly happy with the quality of Masizame’s bread. In terms of the variety of Masizame’s product range the owners at 50% each have rated it as being good and fair respectively. This could mean different things based on what the businesses purchase from the Bakery e.g. either bread or both bread and rusks.

**Q13.1: Suggestions to improve the Bakery’s product range (N=4)**

This question was poorly answered due to the limited amount of businesses that purchase products from the Masizame Bakery. However, suggestions made on additions to the Bakery’s product range included: buns, sweet rolls, cakes and scones. It was also suggested that the Bakery increase the weight of its bread as it is currently too light.

**Q13.2: Suggestions for the Bakery to ensure its longevity in the market (N=4)**

The following suggestions were made as to how the Bakery can ensure its longevity as a business in Steynsburg:

- The Bakery needs to purchase a delivery van to be able to deliver products daily.
- They need to improve the marketing and advertising of their products. Branding is particularly a challenge as consumers would like to know whose
products they are purchasing. The Bakery’s products have not yet been branded.

- The Bakery’s breads’ freshness compared to Sasko’s does not last that long - this needs to be remedied or an expiry date needs to be included on the packaging so that consumers are better informed.
- The Bakery needs to make more of an effort to cater for larger businesses in the area, as this will likely bring favourable returns.

Table 10: Sustainability of Bakery (N= 6)

<table>
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<th>RESPONSE</th>
<th>NUMBER (f)</th>
<th>PERCENTAGE (%)</th>
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<tr>
<td>Yes</td>
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<td>100</td>
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<tr>
<td>No</td>
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<td>0</td>
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<tr>
<td>TOTAL</td>
<td>6</td>
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</tr>
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</table>

Only six of the respondents answered the question and provided the following reasons on why the Bakery will be sustainable in Steynsburg:

- The bread is affordable for poor community members.
- Its location in the township provides it with a market base that requires its services (bread is part of locals daily diet and therefore a necessity).
- There is opportunity for growth with the expansion of their facilities; they will be in a position to cater for larger businesses as Sasko only provides bread three times a week.
- The staff is very dedicated and hardworking.
- They produce quality products and need to broaden their market base.

4.3 INTERVIEWS AND FOCUS GROUPS

The interviews and focus groups provided a portrayal of the daily operations of co-ops in Steynsburg. The participants interviewed were open in their interactions and the accounts of their experiences show resilience that few people possess. Many of the co-operatives and projects in the area have been operational for more than 10 years, some having obtained funding while others have been operating without, yet
the hope for change continues to drive some of these members even in these circumstances of adversity. The lack of economic opportunities in the town motivates project members to continue with their operations in the hope that they will bring economic relief to the community. The vision of creating employment opportunities and assisting in the upliftment of the community is shared by many in these projects. The support offered by government institutions, even though limited at times as a result of budget constraints, is also encouraging towards the development of co-ops in Steynsburg. The results of the interviews and focus groups are summarised under the following headings.

4.3.1 Co-operative Development

The co-operative movement, in the form of projects, in Steynsburg has been in place for a number of years with one of the co-ops established in 1996. The project officially registered as a co-op in 2011; however lack of funding has continued to hinder its growth. The different projects and co-ops in Steynsburg include a bakery, gardening project, poultry project, piggery project, cleaning material project and two sewing projects. Out of the seven interviewed, four are registered as co-ops, have an organogram and operate under a constitution. Out of the registered four only two, Masizame & Hlumisa Cleaning Material, can report a profit. The rest are barely making ends meet with monthly contributions made by members to keep them afloat. The aim in establishing the different co-ops was to encourage some form of economic activity in Steynsburg. According to one respondent “Our town is dead, poverty is rife, our people are struggling” – through co-ops the vision is to create employment opportunities and assist in the economic upliftment of the town.

Even with support from local government and the Department of Social Development co-operative development has not done much for Steynsburg’s economy, more especially members of said projects. The members of co-ops that report a profit do not even earn monthly salaries but rather share a percentage of the profits every six months. Even that is dependent on the profit made and whether the balance will enable the co-op to carry on with its operations in the following month or year. The local municipality has supported the co-op movement by availing old buildings in the area for use. Some of the projects do not pay rent for the premises used and the municipality is responsible for any repairs required per building. However, the
municipality is very slow in responding to requests for repairs – citing budget constraints as the problem. The poultry project has been waiting upon the municipality to repair its water pump for more than six months. However, this should not take the focus away from the other forms of support provided by the municipality such as training. The municipality also arranges training workshops for project members and also facilitates support for funding and strategic partnerships at the various government forums.

The co-operative members identified twelve factors as challenges to their growth – some of these are common while others are unique to a project. They include the following:

- **Lack of salaries** – the situation slightly differs on whether a project operates at a profit or not. As previously stated those operating at a profit earn a salary on a profit sharing system, where roughly 5% of the profits are shared between members every six months. The money shared mainly depends on the profits obtained and whether the remaining balance will sustain the project beyond the six months. Others survive by contributing a certain amount, of at least R20 – R50, monthly to keep the business afloat. This has led to projects losing members, with some working in the Expanded Public Works Programme in the area.

- **Lack of funding** – out of the seven projects four have obtained funding from state institutions. The amounts obtained range between R8000 – R500 000. Others have not been successful in securing funding due to budget constraints. Support is also provided in the form of machinery (sewing projects) or seeds (gardening project) for others. Some of the members have admitted to having stopped sourcing for funding as a result of the negative responses. Funding is a key component to establishing a co-op and while some project members might be discouraged they will have to rally up and start knocking on doors again. In the meantime project members might have to sit down and re-evaluate their product offering. Do they need to completely scratch off the idea and start afresh or do they need to refine it and make it more attractive to potential funders? Members might need to consider pooling
their resources with other projects in the area. Funding from international donors might be another option available to projects.

- **Water scarcity** – this mostly affects the gardening co-ops. The water pump previously obtained from the municipality has broken down, thus slowing down the sowing activities of the co-ops. The projects will need to either source money for repairs or approach other departments for a new pump e.g. department of water affairs, agriculture or economic development.

- **Crime** – crime has been reported as a problem for the co-ops, where pigs are stolen or brutally killed for their parts. This has also resulted in the Masiphilisane Gardening Co-op no longer harvesting fruit due to vandalism and break-ins. A request to SAPS to increase night patrols can be submitted or the members could form a neighbourhood watch. Alarm systems cost money that some of the projects do not have and there is no security company in Steynsburg to respond timeously to any calls made.

- **Dilapidated facilities** – some of the premises provided by the Municipality to the projects are old, run down and not conducive for growth. Project members are prevented from renovating these facilities and have to wait upon the municipality to do so. In having acknowledged budget constraints as the main reason for the lack of upkeep of its facilities the municipality needs to re-evaluate its agreement with project members – giving them the go-ahead to renovate facilities and change them to suit the needs of the project. Inflexible attitudes will not be conducive to growth.

- **Poor market base** – Steynsburg has a very small population with the majority of the people reliant on social grants. This affects demand levels throughout the month and in turn the ability of a project to break-even. It also affects the pricing of products, which is mostly lower than what other businesses charge as projects seek to use price to draw in customers. Projects need to start targeting big businesses within and outside of Steynsburg and negotiate contracts for them to stock their products. This will require a stronger marketing and branding strategy for all projects.

- **Transport** – all of the projects and co-ops do not own a delivery van. This has affected their ability to deliver products on time and also to purchase the required materials out of town. Transport costs are also proving to be too high
for some of the projects to market their goods in surrounding areas. Some of the projects could approach a company to sponsor a vehicle.

- **Silo approach** – the level of support among projects in the area is limited. Each project operates on its own, for example, the two sewing projects operating and pursuing funding separately in the area. To partly address this, the municipality has established a Women’s Forum where members can discuss co-operative development in the area and look at ways of integration.

- **Elderly members** – the co-ops are mostly run by elderly women and men who are all close to retirement age. This has proven to be a problem in the past where members have left due to illnesses and with some dying. Project members with the Department of Social Development need to formulate a campaign to attract youth to the co-op sector. Young people in the area are uninterested in joining co-ops due to the slow and small economic returns. This campaign can involve an information session with exhibitions and speakers from other successful co-ops in the country. The DTI would need to be part of such an event to encourage the youth to join the co-op sector, by outlining the opportunities and resources available for the youth to establish successful businesses within the sector. Another solution would be investment into already existing co-ops in the area to establish them as anchor projects to create job opportunities and allow for the transition of skills.

- **No insurance** - none of the funded co-ops have insurance in place to cover incidents such as injury on duty and this can pose a problem.

- **Limited support from local businesses** – there has been limited support from local businesses in purchasing goods from some of the projects. There is opportunity to buy fresh produce, eggs and cleaning material locally but businesses continue to support external suppliers. The projects have to refine their marketing strategies and approach local businesses to negotiate for contracts. The projects can, together, arrange an exhibition where all local business owners are invited and provide samples of their products. The aim is not to replace other products in their stores but to offer cheaper and better quality alternative products to locals.

- **External suppliers** – projects are required to purchase the necessary ingredients from suppliers outside Steynburg for some as far as Port
Elizabeth. This is costly and can also be seen as economic leakage for Steynsburg.

The interviewees also admitted to constant feelings of discouragement; however the hope of change through consistent efforts pushes members to continue in their quest. Initial success of projects and examples of other thriving co-ops in the area and surrounds also serve as a form of encouragement. The ability to also assist locals in their times of need is also an encouragement for members to continue. For example, ‘We also take some of our produce to help out a sickly neighbour, especially the elderly’.

4.3.2 Masizame Bakery

Members of the Bakery envision creating employment opportunities and assisting in the fight against poverty and hunger in Steynsburg. One of the Bakery’s main objectives is to ensure that the livelihood status of the Steynsburg community is enhanced by March 2017. When starting the project the members dreamt of creating a bread ‘factory’ that will provide freshly baked products to the area and surrounds. The Bakery currently supplies bread, biscuits, rusks, cakes, and bread rolls. After the expansion the members are looking at diversifying their product range to also include wedding cakes. The Bakery’s name, which means let’s try, comes from an old isiXhosa adage - “that in trying one will get their just reward”. According to the members “We decided to try something different thinking that our efforts will bear fruit”. ‘We want to leave behind a legacy where people can say that the women of Steynsburg tried and from their efforts this was the end result – through perseverance and hard work one can achieve much’.

The Bakery is a registered co-op operating under the supervision of the Department of Social Development. It operates under a constitution and has an organogram with the following members in its executive: a chairperson, secretary, treasurer, organiser and additional members. According to the co-op constitution everyone in a co-op is equal and this also applies to the sharing of profits; however members can appoint an executive body to deal with certain responsibilities. Even though the chairperson, treasurer and event organiser sometimes have additional responsibilities this does
not result in an extra share of their income. This decision was taken by the members, resulting in sharing the profits equally, to avoid conflicts on money as this has been recognised as one of the many reasons projects fail.

The Bakery was funded by the Department of Social Development, as previously stated, with an amount of up to R500 000. The amount was initially R250 000, however the positive performance of the Bakery resulted in it being topped up with another two-fifty. The Bakery is required to submit a monthly report to the Department outlining its spending patterns and performance. Requisition forms, three alternative supplier quotes are some of the documents that are submitted when purchasing goods or repairing equipment. This ensures that money is spent responsibly. The Department with the assistance of SEDA and DTI also organises workshops to ensure that members are trained in the requisite business skills. Training in core business functions and bookkeeping were some of the skills transferred to members’ from the onset.

The Bakery’s continued growth has also resulted in the local municipality, through the LED’s office, facilitating funding for it from DEDEAT. In 2012 the Bakery obtained R800 000 from this department to assist it achieve its objectives. The money will be used to expand its facilities, purchase a delivery van and further invest in the co-op. The Bakery is also in the process of purchasing its premises from the local municipality and is awaiting a decision from Council. A proposal to purchase the building was submitted in 2011, and even though no formal contract has been signed a written agreement has been offered by the municipality for the Bakery to proceed with the renovations. With all the funding obtained over the years the Bakery is not yet in a position to provide its staff with monthly salaries. This has resulted in the use of the profit-sharing system among the members where 5% of the profits are divided equally every six months. Members are able to live off their social grants monthly and according to one member, “After all these years without an income this is not such a hardship when compared with what we seek to achieve”.

Access to the Bakery’s financial books was denied, however rough monthly estimates of its expenditure were provided. The Bakery normally purchases stock for a period of three months, especially the flour that is bought in East London. The
Bakery’s operational expenses also include rent at R500 a month, electricity, transport, sometimes repairs and salaries every six months. The electricity bill used to be the most expensive at R6000 a month; however this has been reduced to R2000. The high bill was due to inaccurate estimates made by Eskom without physically counting the watts used. The Bakery’s total expenditure per month can roughly add up to R5400; in the case where repairs and transport are added this amount can go up to R19500. The Bakery recently had to have one of its stoves repaired and this cost at least R13000 (R9000 labour & R4000 for parts). Whether the supplier was honest in their assessment of the damage or this was a complete rip-off is difficult to say based on the system used by the Bakery through the Department of Social Development to choose its suppliers.

The challenges identified by the Bakery members are similar to those faced by the other projects in the area. Recommendations to the following challenges have been provided in the following chapter:

- **Transport** – the lack of a delivery vehicle has resulted in the loss of external orders. However, with the recent funds from DEDEAT the Bakery is in the process of purchasing a van.

- **Local businesses** – the support from local businesses is minimal, with some buying products once in a while when the external bread supplier has not delivered. However, no formal contracts have yet been signed with any of the businesses appointing the Bakery as one of their formal bread suppliers.

- **Marketing** - the only form of marketing in place is word-of-mouth and signage boards supplied by the Department of Social Development at the different entry points in town. The Bakery’s products are not yet branded and this is a challenge also raised by the local businesses. The rusks and bread they supply do not have any form of identification, in turn making it difficult to advertise the co-op.

- **Security** – the Bakery’s fence needs to be repaired and the lack of security is a worry for the members. The Bakery was once broken into luckily the perpetrator could not get in, however this remains a constant worry for the members.
- **Small market base** - Steynsburg has a small population, which is mostly dependent on grants. As a result, demand for goods varies throughout the month with high demand mostly evident after pension or pay days.

The members are determined to see the Bakery succeed and move beyond the co-op stage into a formal business. “Our desire is to operate as a formal business where things such as first aid kits are in place; insurance for injury on duty is catered for and pension plan options are available to members”.

### 4.3.3 Department of Social Development

The mandate of the Department’s special programmes unit for community development is poverty alleviation through the creation of sustainable livelihoods. Community profiling is one of the tools used to identify community needs and suggest income generating strategies to deal with poverty and unemployment. A second approach is for community members to approach the department for funding of projects. They need to submit a business plan, lease agreement for premises, sign a service level agreement with the Department, provide a bank statement, provide a constitution, must be South African citizens and local community members, must be unemployed and have finished matric. The members are required to obtain their own premises for the operation of the project. The aim of community development for the Department is not merely poverty alleviation but it is also about: encouraging self-employment and breaking the chains of dependency on government; providing relief that would not be in place otherwise; capacitating communities and developing skills; building confidence and identity; and making communities functional (economically, socially and environmentally).

The Department assists project members with the drafting of their business plans, registration of the co-op, training and monitoring upon receiving funding. In the event of a limited budget, the community development practitioner advises projects on where to source alternative funds and lobbies other stakeholders for assistance (e.g. Health, Education, SAPS, and Justice etc.). The Integrated Government Relations (IGR) forum provides a good platform for such. Budget constraints proved to be the main reason for the delay in the approval of the Bakery’s funds. Seven years after
signing a service level agreement with the Bakery the Department continues to monitor its growth. The Bakery members have attended training in business functions, attended exhibitions where they could market their product and have also been linked with potential clients. Their daily operations are monitored and members are also required to hold meetings, where the minutes taken become part of their monthly report and are also used to back up decisions on purchases. Within these meetings the members are also required to report progress, met targets and any other operational items that require attention. The members also keep a book on the Bakery’s daily purchases to determine their most popular products and purchases every month.

According to the Department the Masizame Bakery is one of the better performing co-ops in Steynsburg. What sets the Bakery apart is the commitment of its members, their dedication and determination to succeed, the unity among them and their response to criticism, which they use to improve their offering. The members share a common vision for the Bakery and the profit-sharing system in place has allowed them to avoid the conflict that normally arises as a result of money. The Department has acknowledged the lack of documentation on co-op best practice models in the district. However, co-ops within other regions that are experiencing levels of success are used as models for benchmarking. One example is the Bakery in Hofmeyer that the Masizame members have been referred to for benchmarking.

When the district co-ordinator was questioned on how the department measures the success rate of the co-operative movement the response was as follows: ‘Government does not measure success with the same yardstick as the private sector. The aim of government through these projects is more about community upliftment than it is about profit’. This statement could be interpreted negatively in a number of ways, especially with regard to the performance levels of poverty alleviation strategies introduced by government. However, it is important to remember that mandates differ per government department and that of Social Development is about social welfare and not economic development. Therefore, their measure of success will differ to that of the Department of Economic Affairs. According to the official the success rate of co-ops is dependent on exposure to
markets and members’ willingness to persevere – commitment is essential to the greater vision.

In an attempt to address some of the challenges faced by the Bakery the Department will provide assistance in the formulation of a branding strategy; a responsibility that the members have been encouraged to take initiative on. The Department will also be working closely with the municipality to facilitate contracts for the Bakery with local businesses. A Co-operative Forum has also been established and sits SEDA, ECDC, Social Development, Human Settlements, Agriculture, DTI and DEDEAT. The members gather on a quarterly basis to discuss co-operative development in the Gariep area and look at ways for integrated planning as state departments and entities.

4.3.4 Local Government Support

The Gariep Local Economic Development Plan focuses on six pillars for development – agriculture, tourism, agro-processing, infrastructure, strategic partnerships and entrepreneurship (SMME development and co-operatives). The municipality has been very supportive towards the development of co-ops in all the towns. However, investment between the towns differs. Most investment flows into Burgersdorp, which is more developed than Steynsburg and Venterstad. This is not to say that the municipality does not prioritise development in Steynsburg. All the operating projects in the area have obtained their premises from the municipality. The municipality also supports projects by facilitating training opportunities, as well as by representing them, through the district office, at both EXCO and IGR forums. The role of the municipality is more facilitative and also involves assisting co-ops with registration, the formulation of their business plans as well as linking projects up with potential donors. The LED officer is part of the Social Development committee that evaluates business plans submitted by projects. Most of these are refined to suit the needs of the local community identified.

According to the ward councillor co-operative development in Steynsburg is not conducted in an integrated manner among the projects – more of a silos approach is followed. Members rarely meet to discuss ways in which to assist one another. An
example would be for project members to pool their resources through bulk buying, where applicable (e.g. sewing projects and gardening projects can converge and buy products together), and also identify common skills missing within the different projects and contribute money for the training of members. Realistically these suggestions might not be as straightforward as they sound due to the different stages at which projects find themselves. Instead of assisting one another this might take others backward and could even result in conflict. To address this silos approach the municipality has facilitated the establishment of a Women’s Forum where all project members can discuss their challenges and seek solutions to change their situations. The following were cited as some of the key challenges to economic development, in turn affecting co-operative growth, in Steynsburg:

- **Infrastructure development** – most of Steynsburg’s roads are still not tarred and the storm water drainage system needs to be fixed. Slow service delivery is a hindrance to the growth of the towns.

- **Equitable share** – the Gariep area receives a small equitable share due to its population and this is not sufficient for development in all three towns. The area is also further constrained by a limited revenue stream and is heavily reliant on the Municipal Infrastructure Grant for infrastructure investment. Budgets are also allocated per ward and in one financial year development might be contained within one ward, to the detriment of the others.

- **Technologically Illiterate** – most of the project members are computer illiterate and this can pose a challenge e.g. marketing, bookkeeping software, compilation of databases, sourcing information etc. – transferring techno skills to the elderly can be quite a challenge.

Based on the above it is evident that support from the local government in Steynsburg for co-operative development is in place. However, issues on the renovation of premises, effective service delivery and spreading economic development across the three towns require urgent attention. There’s a question of bias on the development of Burgersdorp versus the other two towns, however true or untrue that is it is clear that Steynsburg and Venterstad are fairly underdeveloped in comparison.
4.4 CONCLUSION

The chapter provided an outline of the research findings into the challenges faced by the Masizame Bakery as a co-operative in a small town. The study was limited to a small sample that included individuals who had both a direct and indirect involvement in the establishment and growth of the Bakery. The following objectives guided the interviewing process: identification of causes for the Bakery’s growth, management strategies in place to achieve growth, challenges faced by the Bakery, contribution by local government in the Bakery’s establishment and growth and the level of support from local businesses.

The feedback from the questionnaire indicated that the majority, at 67%, of local businesses in Steynsburg do not officially utilise the Masizame Bakery as a bread supplier. The Bakery’s services are merely used on an ad hoc basis, when the main bread supplier does not deliver. A small percentage of the businesses are aware of the co-ops operating in the area and as much as they recognise their economic contribution to the minority of people operating these, they attest to the need for bigger industry for the effective alleviation of poverty in Steynsburg. The following suggestions were made to the Bakery to ensure its longevity in the market: offer delivery services to potential customers, improve the marketing and advertising of services, improve packaging of products to ensure easier identification and expand services to cater for bigger businesses.

The responses from the interviews, where the questions largely focused on the growth of the co-operative sector in Steynsburg and the challenges encountered by the various co-ops, were corroborated by the various participants. Some of the projects in the area have been operating for more than ten years with marginal monetary success. However, the common vision shared by the various co-op members of creating employment opportunities and assisting in the upliftment of the community, continues to motivate and fuel the commitment of members to see these projects off the ground and demonstrate the envisioned economic and social returns. The challenges identified by the co-op members are both internal and external and are not unique to Masizame. Some of the internal ones are the lack of salaries, lack of business transport for the distribution of products, silo approach to development among projects, elderly project members, and no insurance and limited skills in
operating a project. The Masizame members are more fortunate, due to substantial funding from both the provincial Departments of Social Development and Economic Development and Environmental Affairs, as they are able to obtain a salary every six months while other project members have to donate from their own limited pockets to keep their projects afloat. Another challenge is the demographic profile of the members; the majority of the co-ops are run by elderly women. This poses a challenge to the continuity of projects as some members are sick on a regular basis while others have passed away.

The promotion of the sector and its economic returns, albeit slow in coming, need to be vigorously marketed to the unemployed youth of the area. The skills base of members requires strengthening, especially in the areas of project management, financial management and computer literacy. Members need to be innovative in their approach to operating the co-ops in order to obtain solutions to the challenges faced while ensuring the sustainability of the co-op.

Some of the external challenges faced by the Bakery require intervention from external stakeholders, such as state institutions and private sector, and also the establishment of partnerships with some of these. These challenges include lack or limited funding, water scarcity, crime, dilapidated facilities, a poor market base, limited support from local businesses, purchase of products from outside suppliers, and limited infrastructure development. Some of these challenges are relevant to other operating co-ops in the area. One of the key challenges facing the Bakery is crime, which can pose a riddling effect to its growth. A partnership between the Bakery and South African Police Services (SAPS) patrolling unit is required in this instance. The Bakery will need to be innovative on how to attract more customers and also build a relationship with local businesses to extend and strengthen its market base.

Even though the economic benefits and vision of the Bakery are yet to be fully realised, the value of the co-op sector to small towns cannot be disputed. To some the psychological benefits of the model far outweigh the economic returns. These projects have provided some members with a sense of purpose. Instead of merely sitting at home and idling the time away members have something to look forward to.
The co-ops also provide a sense of empowerment to these women. However, the challenges need to be addressed as some members find difficulty in seeing the positive contributions when going back home after work with little or nothing to show for it.

It is key to realise that the co-operative model is not the panacea to Steynsburg’s poverty challenges and the government needs to examine other industries appropriate for the town's development. The comments from local business owners and co-op members that -“Our town is dead, poverty is rife, and our people are struggling” – call for bigger and diversified industries to effectively address the socio-economic challenges of the area.
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CHAPTER 5
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION
The following chapter will provide a summary of the study, which focused on the challenges experienced by the Masizame Bakery as a poverty alleviation tool in Steynsburg. The conclusions of the research based on the findings will be outlined. Recommendations to the identified challenges as per the research topic are also provided, including recommendations for further research.

5.2 SUMMARY
The research study sought to identify the challenges faced by the Masizame Bakery as a co-operative in the small town of Steynsburg. The objectives of the study were to examine its growth, determine the level of local government support towards its development and growth and the level of support from local businesses in the area.

The literature review conducted focused on three key areas: community development, poverty alleviation and co-operative development. Community development has been implemented through various strategies as a method for poverty alleviation. As a result, defining the concept has not been easy. According to Swanepoel & De Beer (1998), there is no precise and generally accepted definition of the term and thus Smith (1979) states that it is “an Alice in wonderland world where words still mean what you want them to mean”. However, the term has come to encompass a range of different place-targeted interventions – one of these being co-operatives. Community development strategies promote self-reliance within communities, a principle upon which the co-operative sector is founded. Community development is about people with a mutual need or problem coming together and seeking a solution to addressing it. Through these formations the economic, social and environmental needs of a community can be addressed. The co-operative sector’s values are also embedded on that as it seeks “to meet the economic, social and cultural needs and aspirations of an association of people” (ICA 2005). In South Africa’s case, based on the country’s past of exclusion, the sector also seeks to not only create employment and generate income but to also facilitate broad-based black economic empowerment (2005 Co-operative Act No.14, p.2).
The success of the co-operative sector prior 1994 in South Africa’s agricultural sector has seen post-democratic government investing in it as a strategy for poverty alleviation and social transformation. The triple-helix challenges confronting the South African landscape require strategies that deal with poverty and unemployment at the grassroots level where people do not have the skills to enter the formal economy. The co-operative sector’s principles of self-help and self-reliance have become synonymous with democratic South Africa’s plea for active citizenry in development – Vuku’zenzele. However, after having institutionalised, legislated and provided funding for the sector, it continues to struggle. Co-operatives are closing down, some are limping and only a few are operational. Provinces with the highest mortality rate are those with a large rural hinterland such as the Northern Cape (97.5%), the Eastern Cape (93%), and the Free State (92%). However, data on the Eastern Cape may not be accurate due to the inconclusive statistics on the number of co-ops operational in the province. Some of the challenges confronting the sector include: lack of leadership and correct direction from provincial and national headquarters, lack of access to markets, limited access to finance, no central point of coordination for the effective operation of the sector, poor undeveloped local markets, lack of commitment from co-operative members, and lack of access to technical support in outlying areas, to name a few.

The challenges identified through this study are not unique to what the DTI has already identified in its 2012 Strategy for Cooperatives. This study merely confirms what has already been identified and this type of corroboration signifies a sense of urgency to addressing these challenges. The co-operative model’s economic value has been tested and proven across the world and provides immense opportunities for South Africa’s poor communities thus requiring urgent review and intervention by the responsible state institutions.
5.3 CONCLUSIONS

Conclusions drawn from the findings of the research are as follows:

Project participants are mostly unemployed and are reliant on social grants. Sharing profits only at the end of every six months does not provide the anticipated economic relief initially expected by members. It also places members in a position of dependency on family members and also poses the challenge of not always being able to provide for their families. This, therefore, does not address the issue of immediate economic relief through co-operatives.

According to the co-op constitution everyone in a co-op is equal and this also applies to the sharing of profits; however, members can appoint an executive body to deal with certain responsibilities. Members are equal in relation to their share in the value of the shares, but those who constitute the Board of Directors or the Managers have additional responsibilities which have to be paid for. Members need to be educated on this with the necessary changes, income wise, effected with the growth of the co-op. Members will need to be well informed on the above to avoid any conflicts that might arise as a result of money issues.

Even with the limited economic benefits, co-ops can also be seen to provide other psychological benefits to members. Through these benefits, member confidence is strengthened, dignity is restored to some and individuals are empowered to stand on their own and take responsibility for their own futures. As enriching as these benefits might be, they have, however, not proved to be as enticing to the youth co-operative sector in the area – youth are not interested in co-ops due to the slow economic returns. With the high unemployment levels among the youth in the province co-op state institutions, such as Social Development and DTI, need to either reformulate or refine their strategies to attract the youth to the sector. Investment towards exhibitions, road shows and seminars on co-op development and its economic value are needed to reach and entice the youth market.
Co-operatives provide hope to people based in small towns like Steynsburg that are lagging behind in economic development and growth. Their hope is that co-op development could result in bigger economic investment and activity in the area. As one member said, “Coming to these co-ops beats sitting in the sun all day and gives us hope for a better tomorrow for our children”.

The members’ vision to create employment opportunities in Steynsburg and uplift the community sustains members’ commitment to the co-op. The members seek to leave behind a legacy for future generations, with the message that even in adversity one can thrive through determination, effort, perseverance and focus.

The members are not computer literate and this can pose a challenge in the effective use of the internet for the growth of the Bakery. This medium can be used to market the Bakery’s products and also access information for ideas and funding opportunities. This skill deficit will need to be addressed in the member’s future training programme. The Bakery’s members have also so far only attended training in bookkeeping and financial management. Members need to also start looking at other business management short courses such as: project management, leadership skills, marketing and branding, conflict management, report writing and basic organisational skills.

Crime is a problem in Steynsburg, where local businesses have suffered as a result of break-ins. Presently, the Bakery does not have an alarm system and this could pose a major problem in the event of a break-in. With the expansion of the Bakery, new equipment is likely to be bought and the necessary safety measures will need to be put in place to ensure the safety of all the equipment.

Limited integration between stakeholders, directly and indirectly involved in co-op development, has continuously been raised as a challenge facing co-operative development in the country. There are various platforms in place where departments sit and supposedly look at integrating their activities (e.g. IGR forum) – and in Gariep the LED officer also sits on Social Development’s funding committee. The evidence of the effectiveness of some of these sessions is difficult to pinpoint on the ground where there continues to be a gap between infrastructure development and
economic development – there seems to be limited infrastructure in place to cater for any potential economic activity such as co-ops in towns such as Steynsburg.

The Bakery’s activities among some of the local businesses in the area are not well known and the members need to take the time to refine their marketing strategy and tools to make their presence known. The majority of the interviewed businesses purchase their bread from a supplier based in Bloemfontein instead of the Masizame Bakery. Various reasons were stated for the above and for this to change the Bakery will need to improve their advertising through pamphlets, posters, the telephone directory and directly approaching owners to discuss the possibility of securing contracts with their businesses. The Bakery also currently sits without a brand and this affects their credibility in the market. The Bakery might also need to diversify its product offering to more than just bread to offer to this market.

The challenges confronted by the Bakery are not unique to those faced by other projects in the area and across the province. Some of these are beyond the members’ control, for example service delivery (however, in this case through the Women’s Forum the members might need to hold government to account about its slow progress in this regard). However, other identified challenges will require more creativity and innovation to attract clients and increase their market share, especially with the small market population regarded as a challenge.

The Bakery is not yet at a stage to alleviate poverty in its area; however, it has proven to be of benefit to the small minority that are its members. According to one shop owner “The projects in the area only benefit a minority, for poverty to be alleviated Steynsburg needs big industry”. The Bakery’s sustainability over the years has also served as a motivation to other projects in the area – as it inspires hopes of success to these.

Co-operative development involves a lot of hard work and sacrifice. Expectations of instant profits and growth are misplaced, as with any start-up business. Kenny’s (1994) view on not romanticising community development rings true at this point. The Bakery’s members can definitely attest to this. Their journey and encounters along the way and the fact that they are not yet where they want to be as a co-op
clearly reflects this. The hardships they experienced are not unique to the Bakery as evidenced by the other projects operating in Steynsburg. Commitment, dedication, hard work, sacrifice and vision are some of the elements required to make a co-op work and this applies to any start-up business.

The support from the Department of Social Development to the Bakery has ensured its continued growth over the years. The Department has committed itself, as per its mandate, to community development in this region and continues to guide the growth of co-ops in the area. It is evident that its support of the Bakery has been one of the key factors to its sustainability.

One of the assumptions made at the start of the study was that support from the local municipality to co-op development in Steynsburg is limited. This was proven to be untrue as evidenced by the involvement of the LED office in co-operative support in the area. The municipality has availed facilities in the area to co-operatives and projects for their operations and assists in organising workshops and sourcing funding for some of the projects. The LED office was responsible for facilitating funding for the Masizame Bakery from DEDEAT to the amount of R800 000. Even with the number of problems identified pertaining to the municipality’s slow feedback to challenges experienced by co-ops, the municipality’s involvement in co-op development in the area is evident.

The Masizame Bakery has the potential to become an anchor project that can stimulate further economic development in Steynsburg. The commitment and vision of its members, among other things, has ensured the sustainability of the Bakery. The expansion of its premises offers opportunity for growth and the creation of employment opportunities; however, the Bakery will need to establish contracts with bigger clients to achieve these.

The current challenges facing the South African co-operative sector might not be with the co-operative model per se, or even the legislation regulating it. In addition to the challenges mentioned by the DTI’s Strategy, the following also need careful review: integration between state institutions on co-operative development, especially in connection to service delivery and its impact on co-operative growth;
the increase in funding availed for co-operative investment; instilling entrepreneurial values within co-ops to operate without supervision; the type of education and training offered to co-operative members needs improving; the relationship between state institutions and co-ops as business partners (departments not paying invoices on time) requires due respect; improvement in the data capturing method for co-op statistics; developing and compiling a best practice manual for co-op development in the country; and the establishment of a co-operative state institution with the sole responsibility of co-operative development and management for improved planning, co-ordination and accountability. A holistic overview of the sector might be needed including the role, directly and indirectly, played by both state and private sector institutions in the sustainability of the sector.

5.4 RECOMMENDATIONS

5.4.1 Initiative & Innovation
With the expansion of its premises the Masizame Bakery is in a position to widen its product range and possibly cater to a diverse market. At present the Bakery offers bread, cakes, biscuits, rusks and rolls. The expansion of the premises will allow for space to purchase other equipment that the members can use to make other products. This could include sweet pastries, pies, finger foods on request, and more. Purchasing recipe books and attending baking classes can be a step to achieving the above. The Bakery also needs to observe what other bakeries are offering and seek to set itself apart. The ultimate aim should be to penetrate markets beyond the Eastern Cape.

5.4.2 Strengthen marketing strategy
The Bakery urgently needs to establish a brand for its products; at the moment products are sold without any indication as to who makes them. According to Emerson (2013), brands are the most important assets that a business can own, as strong brands can ensure business continuity in times of difficulty. The Bakery’s profile among local businesses is very low and this also speaks to an ineffective marketing strategy. Recognition for future business is important and that is what a brand brings. Branding is an investment and should not be seen as a cost. The
Bakery is on a path of transitioning from a co-op to a small medium enterprise and needs to take the necessary measures that will set it apart as a business.

The members need to look at some of the following suggestions as possible ways of increasing their visibility in the local market:

- distribute price lists with an outline of their products at the various businesses in the area;
- develop telephone directory ads as another alternative for marketing;
- develop a website for their products; and
- arrange tastings with potential clients (e.g. schools, departments, retail shops) where they provide a ‘buffet’ of their products for marketing purposes and to try and secure long-term contracts with these potential clients.

5.4.3 Review of co-op model

This research on the challenges faced by co-operatives is not the first of its kind. Many similar studies have been conducted and published with almost the exact same challenges identified (e.g. Jara & Satgar 2008), yet there seems to be no measures yet introduced to thoroughly address these challenges. With the recently published co-op strategy by the DTI, it will be of interest to see how the government will deal with the identified challenges pervasive in this sector.

The DTI has proposed that a single institution be established to promote and manage co-op development in the country. This will ensure better co-ordination and planning of the sector. However, integration between this institution and all other responsible departments would need to be perfected to an art.

5.4.4 Economic development in Steynsburg

Economic opportunities within the town, where evident, need to be fully explored and exploited. Poverty levels in Steynsburg need to be addressed urgently and co-ops are only part of the strategy to address this. Successful co-operatives can be used as anchor projects to lure investment into the town. The following potential projects, should they happen, can pump new blood into the area and develop links with current co-operatives:
• The former Paul Kruger High School could be turned into a higher learning facility, offering catering opportunities for the Bakery.

• The potential renovation of old buildings in town could attract new industry, for example tourism opportunities, as Steynsburg’s location on the N1 provides tourism opportunities for exploration.

• The possible renovation of the Teebus resort (for both local and tourist recreational activities) also provides economic opportunities for the town and the Bakery.

5.4.5 Improved facilities for projects
The municipality has to either rebuild or renovate the facilities used by some of the co-ops in the area. With budget constraints constantly cited as a problem, the municipality will need to start looking at more creative ways of sourcing funding and dealing with the identified challenges. Seeking donations from external parties to renovate buildings and repair the broken water pumps for some of the projects in the area might be one way of addressing some of the issues. The municipality can also look at approaching other departments for equipment for some of the projects.

5.4.6 Strengthen business core competencies
The member’s business management skills need to be strengthened. Short courses are one of the mediums that can be used or inviting facilitators to train all co-ops. This is to develop members’ strengths to efficiently run the co-op on their own and develop an entrepreneurial mind-set where they also start taking calculated risks. Members need to strengthen their computer literacy, marketing skills, leadership skills, report writing and basic organisational skills.

5.4.7 Stipend
A stipend should be introduced for members to supplement their grant income. This will enable them to provide for their families and also serve as motivation for continued participation in the co-op. It could also serve as an incentive to attract the youth to be part of the project – instilling new blood and ideas to the running of the co-op.
Youth unemployment is a significant problem in the Eastern Cape. Stronger measures (such as campaigns, road shows, info seminars) need to be implemented to attract the youth to the co-op sector. The Gariep region is largely dominated by members with low skill levels, thus posing a challenge to their absorption into the formal sector. Some of these numbers will not be absorbed into the formal economy and alternative industries such as co-ops can be a solution in the fight to curb youth unemployment.

5.5 RECOMMENDATIONS FOR FURTHER RESEARCH

- The study only focused on co-ops in small towns. A comparative analysis between co-ops in small towns and urban areas needs to be conducted. This is to determine similarities and differences in identified challenges.
- The study can also be extended to profile success stories of co-ops in the province for some of the following purposes: database compilation and capturing of stats; identifying best practise models for benchmarking purposes; and it can be used as a marketing tool to attract citizens into the sector.
- The study can also profile the different departments involved in co-op development and investigate their systems of integration and the effectiveness of these.

5.6 CHALLENGES ENCOUNTERED IN RESEARCH

- Data, especially statistics, for Steynsburg is not easy to disseminate as it is clustered under the Gariep Municipality.
- Masizame Bakery’s financial books were out of bounds.

5.7 CONCLUSION

The chapter focused on summarising the conclusions of the study’s findings. It also provided recommendations to the challenges facing the Bakery, including recommendations for further research. Lastly, the chapter also described the challenges encountered by the researcher during the research process.
BIBLIOGRAPHY


APPENDIX A

FOCUS GROUP DISCUSSION
September 2013

PROGRAMME:

A. WELCOME
   • Welcome participants
   • Thank participants

B. INTRODUCTION
   • Purpose of the meeting
   • Participants chosen (why these)
   • Mention of Refreshments
   • 2 hour duration

C. OVERVIEW OF TOPIC
   The research is on the challenges facing co-operatives in small towns. This is in line with the role that co-operatives supposedly play in poverty alleviation. Are they successful in this endeavour and if not what are the reasons. The study narrowly focused on the Masizame Bakery as it was the only known project to the researcher at the time of inception. The study aims to also understand the role played by local government in support of co-ops in the area.

   The central research question: What role do co-operatives play in poverty alleviation in Steynsburg?

D. GROUND RULES
   • Mention tape recorder and ask permission from participants.
   • Let group decide on rules (e.g. one speaker at a time); give guidance

E. QUESTIONS
   The group will be asked to discuss and answer the following questions:

   Opening question
   Please tell us your name, the name of your co-op and your role in it, and two other things about yourself that you think we should know.

   Introductory question
   Can you tell us the story of your co-op and how it came about?

   Topic 1 – Funding
   • What gave you the idea of opening a co-op
   • What were the first steps to opening the co-op
   • Where did you obtain assistance with your business plan
- Where did you obtain the funding for the co-op
- Were you able to buy all the stock required with the funds
- Have you had to obtain more funds for the co-op

**Topic 2 – Support**
- From where did you obtain the premises you’re working from
- Did you obtain training on how to run the co-op
- Are there on-going workshops you attend on business management
- Did you seek any assistance from the local government office
- Is local government in any way involved (support) in the running of the co-op

**Topic 3 – Operations**
- Are you registered with DTI
- Does the co-op have a constitution
- Does the co-op have an organogram (who is who)
- Do your members earn a monthly income
- What operational expenses are you paying for
- Who is your targeted consumer
- Have you seen growth in your profit margins over the past two years
- How do you market your product
- How do you distribute your product
- Do you have a bookkeeper to watch over your accounts

**Topic 4 – Monitoring**
- Is the funder part of the running of the co-op
- Do you have plans to expand
- Where do you see this co-op going in the next three years

**F. CONCLUSION**
Briefly summarise the main points, seeking verification where necessary.
APPENDIX B

QUESTIONNAIRE: THE MASIZAME BAKERY CO-OPERATIVE

Please be advised that this questionnaire is private and confidential. It will be used for research purposes only and the answers will never be revealed to anyone unconnected to the research project.

SECTION A: BUSINESS DETAILS

Instructions: Please mark your response by making a cross in the box that corresponds with your reply.

1. Please indicate your gender.

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

2. Is your age group between?

| 18-24yrs | 25-31yrs | 32-38yrs | 39-45yrs | 46-52yrs | 53-59yrs | 60+ |
--- | --- | --- | --- | --- | --- | --- |

3. Please indicate the type of business you run.

| Spaza shop | Mini-supermarket | Restaurant | Take-away cafe | Other (specify): |
--- | --- | --- | --- | --- |

4. For how many years have you been running this business?

| 0 - 3yrs | 4 - 6yrs | 7 - 9yrs | 10+yrs |
--- | --- | --- | --- |

5. Which bread supplier does your business purchase from? .................................................................

6. For how many years have you been using this bread supplier for the business? ............................

7. Please rate your current bread supplier on the following elements:

| Very Good | Good | Fair | Poor | Very Poor |
--- | --- | --- | --- | --- |
(a) Reliability | 1 | 2 | 3 | 4 | 5 |
(b) Service | 1 | 2 | 3 | 4 | 5 |
(c) Quality of the bread | 1 | 2 | 3 | 4 | 5 |
(d) Affordability | 1 | 2 | 3 | 4 | 5 |
(e) Variety of products | 1 | 2 | 3 | 4 | 5 |
8. Are you aware of the co-operatives currently operating in Steynsburg?
   Yes  No

10. What purpose do they serve in the local community?

11. Does your business purchase products from these co-operatives?
   Yes  No

11.1 If you have answered yes to number 11, please indicate the co-operatives your business purchases from.

<table>
<thead>
<tr>
<th>Hlumisa Cleaning</th>
<th>Usizo Poultry</th>
<th>Masiphilisane Gardening</th>
<th>Kwakhanya Sewing</th>
<th>Sibanye Piggery</th>
<th>Masizame Bakery</th>
</tr>
</thead>
</table>

12. Does your business purchase bread from the Masizame Bakery?
   Yes  No

12.1 If yes, how often? ...........................................................................................................................

12.2 If no, why not? ...............................................................................................................................

13. If you have answered yes to number 12, please rate the Masizame Bakery on the following:

<table>
<thead>
<tr>
<th></th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Very Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Reliability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>(b) Service</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>(c) Quality of the bread</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>(d) Affordability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>(e) Variety of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

13.1 What other products would you recommend the Bakery offer?
............................................................................................................................

13.2 What can they improve to ensure longevity as a business?
............................................................................................................................
13.3 Do you think the Bakery will be sustainable in Steynsburg?

Yes  No

13.4 Please provide reasons for your answer.

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

Thank you for your time and assistance in completing this questionnaire.