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University of Witwatersrand
Wits School of Governance
Johannesburg, South Africa

The sustainability of cooperatives in KwaZulu-Natal

Richard Themba Mthembu
Student Number: 762166

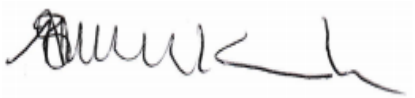
Supervisor: *Prof. Punday Pillay*

Masters in Management in the Field of Governance & Leadership

DECLARATION

I, RICHARD THEMBA MTHEMBU declare that this thesis is my own, unaided work. The thesis was never been submitted for any other degree or examination before, at the University of Witwatersrand or any other university or institution of higher learning.

I declare that I have acknowledged all the direct quotations and paraphrased ideas and content correctly. A complete alphabetised reference list is provided, and complies with the American Psychological Association (APA) Sixth Edition (2010) guidelines.

Signed:  Date: 21 November 2021

DEDICATION

I dedicate this work to my family, my wife and children.

ABSTRACT

The current study focused on the sustainability of black owned cooperatives in Durban, KwaZulu-Natal, South Africa. The study setting was constitutive of both rural and peri-urban Durban. It uses a qualitative research design and an interpretivist paradigm to elicit and make sense of participants' views regarding the challenges and opportunities inherent in cooperative enterprises located within KwaZulu-Natal. The study adopted a multi-method data collection approach and uses in-depth interviews and document analysis to illuminate the topic. Using the two qualitative methods constitutes data triangulation. In terms of the in-depth interviews, participants were purposively selected and snowball sampling techniques were used to lead the researcher to the next participant. A total of 16 interviews were conducted with both male and female participants involved in agricultural cooperatives such as vegetable production, poultry and piggery. Interview data were complimented with that extracted of relevant literature through document analysis of government policies and white papers drawn from government archival materials particularly from the Department of Trade and Industry (DTI) and Department of Agriculture (DOA). Overall, data were analysed using thematic analysis. Findings from the study bring to the fore three broad themes which are Black Economic Empowerment, contributing factors to the failure of cooperatives, and factors hindering co-operative sustainability.

Key words: **BBE, Black, cooperative, sustainability, sustainable livelihood approach**

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LIST of ACRONYMS

AEE	Afrikaner Economic Empowerment
BEE	Black Economic Empowerment
CIS	Co-operative Incentive Scheme
DOA	Department of Agriculture
DTI	Department of Trade and Industry
SLA	Sustainable Livelihoods Approach

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CHAPTER ONE: INTRODUCTION

1.0 Introduction

This study seeks to investigate the sustainability of cooperatives in KwaZulu-Natal, South Africa. South Africa is faced with the triple challenges of inequality, unemployment and poverty. These challenges have got historical significance in South Africa and are largely due to years of colonialism and racial segregation. These triple challenges have continued to cause social-economic instability and amongst the most affected regions is the province of KwaZulu-Natal (Mzamo, 2007). One of the strategies that has been widely employed in addressing these challenges in the country is the use of cooperative enterprises. Cooperatives can play an important role as the economic engine for creating jobs and increasing income, alleviating poverty and contributing to national economic development (Hazen, 2000). Even if cooperatives have historically been a part of the South African business and economy, it can be acknowledged that they mostly benefited the white population (Ortmann & King, 2007).

It is assumed that by stimulating economic conditions through the cooperative sector, the problems associated with poverty and unemployment among black South Africans can be alleviated. This is because cooperatives have proven to offer various economic solutions (Philip, 2003). The benefit of collective action not only contributes to lower purchasing prices and operating costs, but also increases social capital amongst stakeholders. In terms of marketing cooperatives can achieve a more sustainable supply of products, especially when dealing with contracts with large businesses. Members can increase their marketing capacity by pooling production outputs. Larger contracts can be negotiated and members can even enter the export market (Steensma & Weaver, 2000; Masurel & Jansen, 1998). When using cooperatives, own resources can be accumulated, which enable members to survive independently from external support and to compete in relevant markets (Von Ravensburg, 1999). Cooperatives can also facilitate technical change by making it easier for the government to provide the infrastructure needed to support higher level of technologies and by encouraging the adoption of new products and processes (McCormick, 1999).

In South Africa the cooperative sector was established by the Cooperative Act (91/1981). It is now regulated by the new Cooperatives Act (No.14 of 2005), based on international cooperative principles, which was signed into law by the South African government. This Act

sees a major role for cooperatives in promoting economic and social development, "in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty" (Republic of South Africa, 2005, p. 2). It is administered by the Registrar of Cooperatives. Any new cooperative must be recorded at the Registrar, who should keep the register of all cooperatives. Although the cooperatives register hasn't been updated recently, the 2010/11 status report on cooperatives shows that KwaZulu-Natal has the highest number of cooperatives in South Africa tallying to over 300 (Republic of South Africa, 2011). Although many cooperatives are formally registered in the province, the majority are inactive. And of those that are operational, most of them are struggling to be sustainable. Therefore, it appears that apartheid driven factors such as limited access to land and capital, spatial and commercial segregation, political exclusion, commercial suppression and the resulting inferior education have in many ways continued to disadvantage black people.

1.1 Background

The government of South Africa is promoting the use of cooperatives as part of the Black Economic Empowerment (BEE) policies to level access to resources and enhance the development of the previously marginalised population groups. In 2001, Cabinet resolved that the mandate for the development and promotion of co-operatives be transferred from the Department of Agriculture to the Department of Trade and Industry, to ensure that co-operatives are given recognition and allowed to flourish in all sectors of the economy.

Under the ambit of BEE, a number of equity driven policy and legislative instruments were put in place. These include the Co-operatives Development Policy of 2004 and the Co-operatives Act, No. 14 of 2005. In August 2005, new cooperative Act (No.14 of 2005) was signed into law. It is based on international cooperative principles (Orton & King, 2007). The Act recognises the major role that cooperatives have in enhancing economic and social development, particularly through creating employment that generates income. Such employment would subsequently facilitate broad-based black economic empowerment (Republic of South Africa, 2005).

The Department of Trade and Industry (DTI) realised the existence of a dual co-operative movement in South Africa. On the one hand is a highly developed co-operative sector operating in what is conceptualised to be the first economy. On the other hand is a weak, mostly black-owned movement operating in what is defined as the second economy (Department of

Trade and Industry, 2010). As such, the need for government intervention to assist those cooperatives within the second was pertinent.

A substantial number of supportive initiatives have emerged since 1994, specifying various support mechanisms for co-operatives within the public sector (Department of Trade and Industry, 2012). This necessitated the crafting of strategies such as the Co-operative Incentive Scheme (CIS) whose goal was to reinforce the initiatives of government towards the development and promotion of co-operatives, as a viable form of enterprise. The CIS is one of government's support measures towards realising the 2004-2014 objectives presented in the Government's Co-operatives Development Strategy. However, despite this whole mosaic of policies and legislative instruments, black cooperatives continue to struggle.

1.2 Research problem

There is high failure rate of co-operatives in South Africa, particularly in KwaZulu-Natal province which is reported to have the highest number of cooperatives in the country. Despite the resources committed to the development of cooperatives, it is this high failure rate that makes cooperatives unsustainable.

South Africa's apartheid past has far reaching consequences on almost all the spheres of life of its people and all places within its borders. Spatial segregation by race became a reality of life in South African urban areas including Durban (Popke, 2003). In fact, as Maylam (1990) suggests, Durban was a template that other regions emulated in urban apartheid practice. However, the early segregation in Durban was aimed at the Indians who were competing with whites for space, place, trade and political influence. On the contrary, blacks were seen as a passive threat (Swanson, 1993). This perceived Indian threat triggered a threefold response from the whites: political exclusion, residential segregation and commercial suppression against them (Swanson, 1993). The most successful component of the three was the commercial suppression component through the 1897 Licensing Act that gave municipalities arbitrary powers in the issuance or withdrawal of trading licenses (Maylam, 1990), allowing European-led municipalities to deny non-whites licenses for business. So, the 1897 Licensing Act became a tool for business segregation based on race.

The apartheid state used extensive regulatory power to promote Afrikaner capital (Nattrass & Seekings, 2010). With the coming to power of the National Party (NP) in 1948, the Afrikaner

nationalists begun the process of rapid Afrikanerisation by which state revenue resources were methodically deployed to advance and promote the capitalist class of Afrikaners. Among other things, apartheid economically advantaged the white minority population at the expense of the majority black and other races such as the coloureds and Asians. Through direct employment and procurement, state business was directed towards the advancement of Afrikaners in the post, communications, transport and electricity areas (Ponte, Roberts, & Sittert, 2007). The NP government actively, through procurement and through state business, helped promote Afrikaner entrepreneurs with the aim of having the national economy controlled by Afrikaners (Ponte, Roberts, & Sittert, 2007). Apartheid also ensured that important and lucrative business centres were the preserve of the white population. The role of black people was imagined to be as cheap labour rather than entrepreneurs. Along with inferior education they also had limited access to land and capital (Iheduru, 2004).

The repeal of the Group Areas Act in 1991, followed by democratic elections held in 1994, ushered in a new era of freedom for all South Africans, regardless of race. Spaces that were once restricted to certain races have now been opened, allowing all South Africans regardless of race to pursue their business and economic aspirations without restraint. But the government also, following the principle of restitution, embarked on a broad-based BEE and Employment Equity in an effort to level the playing field for the previously segregated people. In passing this legislation (Employment Equity Act, No. 55 of 1998), government noted that "disparities (caused by apartheid) create such pronounced disadvantages for certain categories of people that they cannot be simply addressed by repealing discriminatory laws" (Republic of South Africa, 1998). Therefore, it appears that apartheid driven factors such as limited access to land and capital, spatial and commercial segregation, political exclusion, commercial suppression and the resulting inferior education have in many ways continued to disadvantage black people. This study investigates how these influences have had a bearing on the management and sustainability of black cooperatives.

While much has been written on cooperatives in South Africa, the particular focus of this study is to investigate the experiences of black cooperative stakeholders in relation the sustainability of their cooperatives in Durban in the context of black economic empowerment. As such, the study examines the nature and form of cooperatives and the factors influencing their sustainability.

1.3 Purpose of the study

Cooperatives as a form of business are generally found in many different sectors. However, they were initially associated with the agricultural sector. Therefore, in as much as there are many non-agricultural cooperatives registered in South Africa (der Walt, 2005), the current study focuses on agricultural cooperatives.

The population of KwaZulu-Natal province is still largely rural-based and large areas of the province are relatively isolated and are located far from major metropolitan areas. Many of the communities are living in poor conditions. Most of the businesses are still white owned. By stimulating economic conditions, these problems can be alleviated.

The study explores the process of economic transformation. In doing so, it investigates the nature of cooperatives and factors influencing their sustainability from the perspectives of black cooperative members. This is against the assumption that BEE initiatives have levelled the economic opportunities for all demographic groups in South African. Thus, the need for this study stems to understand the factors behind the failures of the cooperatives.

The study intends to determine the nature of black cooperatives and factors influencing their sustainability. The identification of these issues can assist policy makers in creating an environment conducive to cooperative development. It is acknowledged that black communities must become self-sufficient and cooperatives can play an important role in enhancing the living conditions. By addressing these and addressing the problems it is hope that a climate conducive for cooperatives can be created. Thereby, cooperatives can make a highly needed contribution to economic development. Therefore, the study is guided by the following research questions:

1.4 Research questions

1. What factors contribute to the high failure rates of cooperatives in Durban, KwaZulu-Natal?
2. What are the challenges and opportunities faced by black cooperative stakeholders in Durban in relation the sustainability of cooperatives?

1.5 Objectives of the Study

1. To establish the factors that contribute to the high failure rates of cooperatives in Durban, KwaZulu-Natal.
2. To identify the challenges and opportunities faced by black cooperative stakeholders in Durban in relation the sustainability of cooperatives.

1.6 Literature Review

1.6.1 Socio-economic landscape

Nearly half of the six billion people in the world are living on less than two dollars per day, (Wanyama, Devetere & Pollet, 2008). This has created challenges to poverty alleviation among many societies. In this regard, South Africa is not exempted. In response to this, various development actors such as the UN, ILO, EU and ICA have proposed many different models in an effort to alleviate poverty. Among the many proposed models, cooperative enterprises emerged as one. However, their contribution to reducing poverty in Africa has largely been focused on their potential role than the actual impact (Wanyama et al., 2008). Furthermore, the success of cooperatives particularly in South Africa has been compromised due to the lack of connectivity in ensuring that cooperatives know who is doing what, where and how (Raniga, 2017; Twalo, 2012).

South Africa's economic history shows that the formation of cooperatives by the Afrikaner Economic Empowerment (AEE) in empowering the once poor Afrikaner volk was crucial (Mzamo, 2007). The AEE policy of the National Party strategically devised models that were successful in ensuring that all the volk community were politically and economically independent, and financially stable. At the core of these strategies were cooperatives. However, the Black Economic Empowerment (BEE) of the current government has seen high failure rates of the cooperatives even though cooperatives are part of the main strategies employed in an effort to contain the escalating increase in inequality, unemployment and poverty.

1.6.2 State of cooperatives in South Africa

This study focuses on agriculture cooperatives in South Africa and in particular case studying their sustainability particularly in Durban, KwaZulu-Natal. Agricultural cooperatives are ideal

institutions of people to create employment and empower people in improving their socio-economic conditions. Individual farmers cannot consistently and reliably control the prices that they receive for their agricultural products or the prices they pay for the inputs required to produce these goods. Agricultural cooperatives help in tackling rural poverty by increasing the productivity and income of smallholder farmers by helping them collectively negotiate better prices for seeds, fertiliser, transport and storage. I argue that cooperatives further help farmers expand market access and capture more of the value chain by getting involved in agro-processing activities.

The status of the cooperatives has been reported in the Annual report of Agricultural Cooperatives (2010), using the Cooperative Analysis System (CODAS). CODAS indicates that 36% of the registered cooperatives in South Africa are in KZN. A further zoom into the statistics indicates that 50% of members of cooperatives in KZN are adult female, 40 % are male and 10 % of cooperative members are the youth. However, according to the Department of Trade and Industry (2013), only 17.1 % of black females and 14.7 % black males are skilled, nationally. Furthermore, 54.3 % of the blacks have less than matric and youth unemployment of nearly 39%. It is possible that the low educational levels which lead to low capacity in agricultural cooperatives is the main reason for weak management, poor governance and inability to effectively run their enterprises on sound business practices.

In August 2005, the South African government signed into law a new cooperative Act (No.14 of 2005) which is based on international cooperative principles (Orton & King, 2007). The Act recognises the major role that cooperatives have in enhancing economic and social development, particularly through creating employment that generates income. Such employment would subsequently facilitate broad-based black economic empowerment (Republic of South Africa, 2005b:2). On the other hand, the development of the cooperative Act and cooperatives in South Africa should also be viewed in the context of mechanisms in the form of laws and regulations that were passed to favour white commercial farmers. For instance, blacks were removed from designated white areas by the land Acts of 1913 and 1936, thus consolidating black homelands. Further supplemental measures to support the white commercial farmers were put in place. This included the provision of subsidized loans to farmers through the establishment of the Land and Agricultural Bank in 1912, the control of marketing products through the Marketing Act of 1937 and many others. This Act for instance allowed the use of various policy instruments in controlling the marketing of agricultural

produce, giving them regional monopoly power (Piesse, Doyer, Thirtle, & Vink, 2005). As a result, these agricultural cooperatives were very successful under these conditions.

Be that as it may, when black agricultural cooperatives emerged post 1994, they did not enjoy the deliberate support that their white counterparts enjoyed in the previous government (Mzamo, 2007). Furthermore, most of the land that is or was utilised by these black agricultural cooperatives was either not fertile, meaning that it needs more farming inputs such as fertilizers, hybridized seeds to survive drought conditions and hostile land, heavy mechanisation, etc. which were not at subsidized prices or are or were far from a now more competitive market, a market they do not enjoy monopoly power over as their white counterparts did, and many other challenges which are thought to be dictating their continuous failures in mitigating the racial economic and social crisis that South Africa is currently facing.

Co-operative organisations have often been viewed as agents of change (Okem, 2016). As such, a pertinent argument often cited in favour of the cooperative mode of organisation is that they promote both economic and social aspirations, there are certain inherent disadvantages (Godfrey, Muswema, Strydom, Mamafa, & Mapako, 2017). For example, the democratic element in the cooperative model tends to complicate the decision making process (Gyllstrom, 1991). As such, the individual's aspirations are stifled in the process. It is against this background that some are opposed to the cooperative model.

1.7 Theoretical framework

This qualitative study uses the sustainable livelihoods approach (SLA) as the overarching conceptual framework. The SLA is not a theory per se, but rather an approach to development. However, it provides the lenses through which the sustainability of cooperatives in the Durban Metro and its hinterland may be examined. The several assumptions and concepts function as the window through which to view the social world. Secondly, the complexity of the study warrants the deployment of triangulation of theory since a labyrinth of factors from human to socio-economic are envisaged to militate against the sustainability of black South African cooperative societies. The following succinctly describes the various assumptions and concepts within the ambit of the sustainable livelihood approach that are relevant to this particular study.

1.7.1 The sustainable livelihoods approach

The sustainable livelihoods approach (SLA) is made of five tenets. These are the human, financial, natural, social, and physical capital (Serrat, 2003). It is a proactive way of focusing on the objectives, scope, and priorities for development and programmatic interventions. This approach is based on evolving thinking about the way the poor and vulnerable earn their living and the importance of policies and institutions in providing an enabling environment. The SLA is critical to the formulation of development activities and programmes that are people-centred, responsive and participatory (Serrat, 2003). Furthermore this approach is appropriate for multilevel activities that are dynamic and sustainable, as well as those implemented through partnerships between both the public and private sectors.

Of particular importance to this study is the concept of social capital. Woolcock and Narayan (2000) define social capital as the norms and networks that enable people to work collectively. Social capital pertains to economic development and identify building. It is premised on four distinct approaches which are: communitarian, networks, institutional, and synergy. A central notion of social capital is that "a person's family, friends, and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain"(Woolcock & Narayan, 2000, p.226). In the same vein, groups are not exempted from this reality. As such, those communities characterised by a diverse stock of social networks and civic associations are better equipped to confront poverty and vulnerability.

1.7.2 Application of the SLA to the study

As highlighted earlier, the South African black population has a history of being both socio-economically and politically marginalised through the apartheid system. The legacy of apartheid thus inadvertently rendered this particular population poor, and vulnerable. It is against this backdrop of poverty that the democratic government of 1994 prioritised equity oriented economic policies such as the Black Economic Empowerment (BEE) and Growth Employment and Redistribution (GEAR) strategy (Mather & Greenberg, 2003). These macroeconomic policies were meant to correct colonial economic imbalances, and subsequently uplift the standard of living for the previously disenfranchised black citizenry. Below is an application of the sustainable livelihood approach outlined above.

The SLA is relevant to the study since most of the concepts can relate to this study's primary participants who are black South African cooperative stakeholders in Durban. As Serrat (2008, p.1) puts it, "the sustainable livelihoods approach improves understanding of the livelihoods of the poor. It organises the factors that constrain or enhance livelihood opportunities and shows how they relate". Both historically and contemporaneously, cooperatives constitute a key strategy for economic empowerment (Mzamo, 2007). Be that as it may, the sustainable livelihoods approach (SLA) provides an appropriate framework within which the sustainability of black cooperative societies can be examined.

The various tenets of this overarching framework such as the different forms of capital which are the human, financial, natural, social, and physical perfectly fit into the scope of this particular study. The SLA emphasizes the significance of understanding institutions by mapping the institutional framework and linking the micro to the macro and the formal to the informal. Consequently, the SLA calls for a new style of policy appraisal that moves from universal prescriptions to context-specific approaches that allow alternative, local perspectives to reveal themselves in the policy framework. It is envisaged that use of the SLA approach in this study provides an opportunity for a critical analysis of both the BEE and GEAR strategy. Therefore, the study examines human, financial, natural, social and physical capital in the context of sustainability of black cooperatives.

On the other hand, at the centre of the concept of social capital is the significance of collective effort. Similarly, cooperative societies an often envisaged a sustainable way of enhancing sustainable economic community empowerment through pooling of both economic and human resources. This particular study focuses on examining the sustainability of black South African cooperative societies. Overall, the SLA is used as a window through which the challenges of sustainability of cooperatives in Durban may be explored. The three fundamental tenets namely: the assets, context, and outcomes. Because the study focuses on the sustainability of cooperatives, the context and the outcomes are more appropriate. This is so because the question of sustainability meshes into outcomes.

1.8 Methodology

This study examines the factors associated to the failures or successes of cooperative in Durban. It explores the experiences of black cooperative stakeholders in Durban in the context of Black

Economic Empowerment (BEE). It seeks to identify the reasons of the high failure rates of agriculture cooperatives. It seeks to identify the obstacles/barriers black South African cooperatives perceive. Through the experiences of black South African cooperative stakeholders, the study examines the role played by BEE in the success or failure of cooperatives.

1.8.1 Study design

This study uses a qualitative design using in-depth interviews. In this vein, the study seeks to explore subjective views of cooperative stakeholders in Durban in relation to factors that lead to failure or successes of cooperatives. Qualitative research sees things from the participants' perspectives and allows for the creativity and advocacy on the part of the researcher. This kind of enquiry allows one to focus on individual meaning (Creswell, 2009; Neuman, 2014).

A qualitative approach is useful for exploring what is relevant for the participants and how they make sense of their world using their own language (Lester, 1999; Taylor, Bogdan, & DeVault, 2015). It is about collecting and analysing information rather than identifying, isolating and controlling variables as is the case with the quantitative approach (Terre Blanche, Durrheim, & Painter, 2006; Neuman, 2014). Additionally, qualitative research aims at understanding complex issues that may elude structured quantitative research (Bryman, 2001; Creswell & Poth, 2017). However, a qualitative design is useful in the current study because it provides more insight into the successes and failures of cooperatives through the experiences of black stakeholders in Durban.

1.8.2 Study sample

Purposive and snowball sampling techniques were used to identify and locate participants, who are black cooperative stakeholders in the case of this study. Purposive sampling, according to Davies (2007:57), "invites the researcher to identify and target individuals who are believed to be 'typical' of the population being studied…" This method is suitable when a researcher already knows the type of sample needed for the study. The study purposively selected the city of Durban and further delineated them into urban and rural categories. This entails that the study consists of two research settings: (1) urban Durban; (2) rural Durban. Focus was on rural and urban agricultural cooperatives. It was anticipated that this may provide more detailed and

comparative information in relation to the challenges and opportunities between urban and rural cooperatives. The study recruited 16 participants for in-depth interviews. Eight participants were selected from each category. The researcher tried to be gender sensitive regarding the composition of the sample, thus both males and females were equally included. Quota sampling therefore used to recruit participants. This is because it was assumed that gender representation in the study sample would make the study richer by incorporating both male and female perspectives in relation to the factors that influence the sustainability of cooperatives. Participants were chosen to meet the following criteria: (1) must be black (2) must be stakeholders in any of the agricultural cooperatives in the research settings above.

Snowball sampling was used because it is a technique for locating participants by asking others to identify individuals with special understanding, knowledge and association with a phenomenon (Ulin et al., 2005). This method is suitable when a researcher needs a sample of people who are of the same background, characteristics or same trade as the ones first contacted who in turn refer the researcher to their kind (Biernacki & Waldorf, 1981; Neuman, 2014). This means that if cooperative stakeholders were difficult to find for the study, a snowball sampling method would be useful in that the first few participants would provide contact details of their fellow black stakeholders.

1.8.3 Data collection instruments

The study uses a multi-method approach comprising document analysis and in-depth interviews. Using data from two sources constitutes data triangulation (Neuman, 2014). Importantly, data triangulation enhances the trustworthiness of the findings (Shenton, 2004). Data collection entailed in-depth interviews with black South African cooperative stakeholders. The in-depth interviews were guided by an interview schedule with open-ended questions that were developed from a thorough literature search. Open-ended questions were used because they allow the researcher to source data in greater detail by remaining conversational and situational (Ulin et al., 2005). The added advantage of open-ended questions is that the answers "can provide richer, more sensitive insights into the views and activities of respondents" (Deacon, Pickering, Golding and Murdoch, 1999:79). This is important in order to contrast themes, experiences and perceptions from different respondents. Open-ended questions also allow a two-way communication between the researcher and the participants, which also allows for better exploration of themes of the study in a focused manner. Digital

voice recorders were used to record the data from interviews, with the permission of the participants for later transcription.

These interview sessions were held at convenient venues identified by the participants. Research interviews were conducted in isiZulu and English over duration of 45 to 60 minutes. Prior to each interview, the nature and aims of the study were explained to each participant who was then asked to fill in an informed consent form. The interviews were audio recorded and later transcribed in English.

1.8.4 Documentary analysis

The study also uses documentary analysis to complement the data produced through in-depth interviews. As a form of data collection, documentary analysis entails a detailed examination of documents such as written text or visual images (Wharton, 2008). It is an approach that be adopted to scrutinise public records such as policy papers, newspapers, letters or even diaries (Harding, 2013). In this proposed study, policy papers from relevant government ministries were analysed. Search terms including agricultural cooperatives, sustainable agriculture, and failure of cooperative in South Africa used on such search engines as Google scholar. The researcher also accessed Department of Agriculture (DOA) and other relevant government departments such as Department of Trade and Industry (DTI) archives for relevant policy documents on the subject. Discourse analysis is then used to make sense of the findings.

1.8.5 Data analysis

Data analysis is the process of systematically scrutinising and arranging the field notes and interview scripts in order to present the finding to others (Bogdan & Biklen, 1992). Thematic analysis is used to analyse the data in the current study. According to Braun and Clarke (2006), thematic analysis is a method used to identify, analyse and report patterns or themes within the data. This type of analysis is inductive in that the researcher does not predetermine the themes but they emerge from the data.

Furthermore, a thematic analysis method is used because it is flexible and it allows for the exploration of the context and meaning of the participants (Ulin et al., 2005). The data analysis process involves five steps as presented by Braun and Clarke (2006). The first step requires the

researcher to familiarise with the data by reading and re-reading the transcribed data. The second step involves generating initial codes. All the data extracts were coded using highlighters in order to distinguish one code from the other. The identified codes are then be grouped together based on their meaning. Searching for themes in the coded data is the third step. Step four involves breaking down and coding of the data themes. The final step is putting together the interpretation of the data (Terre Blanche et al., 2006).

1.8.6 Ethical considerations

According to Babbie and Mouton (2001), when undertaking social scientific research, it is necessary to be aware of the general agreements among researchers about what is proper and improper in the conduct of scientific enquiry. Therefore, permission to conduct this study was sought from the University of Witwatersrand's Research Ethics Committee. The ethical considerations include voluntary participation and ensuring no harm to the participant as a result of their participation (Neuman, 2014). This is so because as Bulmer (2008:152) observed, information, in today's modern industrial society bound by social ties, has become a commodity, as such "keeping control of information about oneself and deciding what to release and to whom is often key means by which one's privacy is protected and control is maintained over what others can learn about you." In assuring the participants in the study of ethical considerations to be adhered to by the study, they were requested to sign the informed consent form together with the researcher. The ethical issues in the informed consent form were also discussed verbally with the participants for purposes of clarity. Participants were informed that they can stop the interview at any time they wish, without any negative consequences (Creswell, 2005). The researcher also explained the use of the digital voice recorder for the purposes of data collection and participants were assured of privacy in handling and storing of the data in that only the researcher would have access to the raw data.

1.8.7 Limitations of the study

One of the prominent challenges of social research is that of data accessibility. Identifying information rich sources is one of the most daunting of tasks especially in qualitative research where data may contain falsehoods or not be detailed enough. To ensure honesty in participants when contributing data, several tactics were used. For example, each individual who is approached shall be afforded an opportunity to refuse to participate in the study so as to ensure

that the data collection sessions involve only those who are sincerely willing to participate and prepared to volunteer data. Secondly, the selection of participants was not be left to chance, e.g. by using purposive sampling as opposed to convenience sampling. Thirdly, use of triangulation was used to ensure that data quality was not compromised. Triangulation entails the use of different methods in data collection in order to ensure study rigour (Neuman, 2014). The use of different methods in concert tends to compensate for their individual limitations and exploits their respective benefits (Brewer & Hunter, 1989; Neuman, 2014). The current study uses interviews and document analysis.

Another of the apparent limitations of this study is its scope. The study only covers blacks limiting it to colour as opposed to the broad definition of the term as put forth by the 1993 BEE Act which states black as inclusive of Indians and coloureds (all non-whites). This would be an important area of further enquiry, but the researcher was not be able to take this on here, in order to try to keep a focus on the topic. Furthermore, this is a small sample with no pretence to objective representativeness. To get a holistic and much richer sense of the effectiveness of cooperatives in Durban, experiences of all stakeholders in the region regardless of their race (Africans, Indians, Whites or Coloureds) would be critical. For each demographic group has both a stake and perspective, and taking on board the unique experiences of each as dynamic and diverse as they are within each group would further raise the understanding and deepen the knowledge, experiences and perspectives on the failure of cooperatives.

1.9 Proposal outline

The outline of the dissertation and the various aspects that are discussed under each individual chapter are presented as follows

Chapter 1: Introduction

This introductory chapter focuses on the background to the study, its aims and objectives, the study rationale and the key research questions.

Chapter 2: Literature Review

The literature review chapter is an overview of the literature relevant to the study. It focuses on previous documented research related to cooperatives. Literature pertaining to cooperatives and the factors which contribute to their sustainability are also presented. Furthermore, the

overarching conceptual approach which informs this particular study, the sustainable livelihoods approach is presented in this chapter. The conceptual framework provides the lenses through which the experiences and perspectives of black South African cooperative stakeholders can be viewed guided both the collection of data and its analysis.

Chapter 3: Methodology

This chapter provides a thick description of the in-depth qualitative research study based on the lived experiences and perspectives of black South African cooperative stakeholders. It also describes the research approach used in the current study. The chapter further provides justification for adopting a qualitative design, describes the research setting, selection of participants, data collection instruments, data collection process and analysis. It also provides a clear explanation of how ethical issues were handled.

Chapter 4: Presentation of Findings

Chapter Four is a presentation of the study findings. As such, the views of the various participants are logically presented in a manner that allows the reader to put the data from the interviews in context. To do this, the researcher succinctly introduces and interprets each quotation in order to establish coherence in the chapter.

Chapter 5: Discussion of Findings

Chapter Five provides an in-depth and highly nuanced analysis of the findings. The findings are analysed through strategically making relevant reference to literature, and this is important as it helps to ensure that the findings are interpreted within the context of relevant literature. In so doing, the researcher strives to establish a thread linking the findings with the literature review, which subsequently answers the study's key research questions. Furthermore, novel findings are adequately explored, thereby setting the scene for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

The idea of people working together is the basis of the cooperative model, which dates back to the nineteenth century, when the first cooperative movement was launched (Zeuli, 2004). The model was envisioned to bring people together, with the aim of tackling common issues, for the betterment of the members. This model is continuing to develop, thus reflecting changes in society and more directly the interest of its members. Factors affecting success and failure of the cooperatives have been widely documented. However, there could be spatial and temporary variations. According to the International Cooperatives Alliance (ICA) 1995, a cooperative is defined as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly and democratically controlled enterprise." According to a United Nations (UN) (2009) report, cooperatives are intended to be organisations or enterprises, which are highly democratic and self-governing and which rely on self-help and their own responsibility to meet goals that include not only economic but also social and environmental ones: in addition, they encourage social integration.

2.2 Socio-economic landscape

Nearly half of the six billion people in the world are living on less than two dollars per day, (Devetere, 1993). This has created challenges to poverty alleviation among many societies. In this regard, South Africa is not exempted. In response to this, various development actors such as the UN, International Labour Organisation (ILO), European Union (EU) and the ICA have proposed many different models in an effort to alleviate poverty. Among the many proposed models, cooperative enterprises emerged as one. However, their contribution to reducing poverty in Africa has largely been focused on their potential role than the actual impact (Osterberg & Nelsson, 2009). Furthermore, the success of cooperatives particularly in South Africa has been compromised due to the lack of connectivity in ensuring that cooperatives know who is doing what, where,how and when (Twalo, 2012).

The ideologies that are considered as vital to genuine and effective cooperative practice, according to the report of the ICA Commission on cooperative principles (1966) include but are not limited to:

1. Open membership: membership should be voluntary and open to all persons, who can make use of the services without restraint.
2. Democratic organisation: the final power of the cooperative should be retained by the members. Members of the cooperative should enjoy equal right of voting and participation in decisions, regardless of the size of their shareholding or volume of trade with the cooperative.
3. Surplus or savings arising from the operations of a society belong to the members and should be distributed to members, according to transactions. The main aim of a cooperative is to provide services and not to make profits; however, being a business enterprise, it may have surplus income which should be returned to members as refunds or rebates.
4. The cooperative societies should make provision for the education of the members and allow for cooperation with other cooperatives.

2.3 Agricultural cooperative

In agriculture, cooperatives have been renowned to benefit their members, especially in cases of imperfect market situations. An example of this situation are the cooperatives in North America, which were organised to move products to markets and to influence price and other terms of trade, consistent with market supply and demand conditions, whilst providing fair treatment, other services and more protection from exploitative opportunism (Torgerson, Reynolds & Gray, 1998). Cooperatives, as member owned businesses, help to aggregate the market power of people, who on their own could achieve little to nothing (Christy, 1987; Hong, 2015). The common types of cooperatives in agriculture include input supply, marketing and processing cooperatives.

2.4 Reasons for formation of cooperatives

Recent studies continue to document several factors that have warranted the creation of cooperatives. One of the factors, which has been noted as a major justification for the inclination of individuals to non-profit organisations (over traditional business corporations) is

market failure (Hong, 2015; Valentinov, 2007). Harris and Carman (1983:52) defined market failure as "possible instances in which the ideal conditions for a market success do not hold."

These types of market failures include imperfect competition, due to fewer buyers or sellers of the product; anti-competitive conduct, such as collusion and predation; and imperfect information, which can be due to a lack of information and asymmetric information and information costs (Harris & Carman, 1983). Centner (1988, p. 96) stated the significant types of market failures as being "oligopoly, asymmetric information and restricted bargaining with a hold-up problem." Hong (2015) defined oligopoly as a situation where there are many sellers and few buyers: the identical situation, which has been common in agriculture, where there are few buyers of the product and many sellers. This creates market power imbalance and results in farmers generally being price takers. The second problem facing producers relates to the accessibility to market information.

Asymmetric information as a type of market failure, is seen in two forms, which are described by Hong (2015, p. 16) as the "lemons problem" and "moral hazards". The author described the first one, as a time when a buyer is not able to differentiate between quality and non-quality products and consequently, the sellers may not have the incentive to provide quality products. Whilst the latter applies to when there are opportunities for one person to break a promise on the quality, whilst the costs are borne by another. The third type of market failure is restricted bargaining. Buyers would take advantage of the production period in agriculture and they may 'hold-up' producers, by offering lower prices or threatening to stop buying the products, in order to force the producer to lower the price (Wessels, 2014). Cooperatives may provide a guaranteed market and some balance of market power (Ortmannn & King, 2007; Philip, 2003).

Apart from the stated conditions, market failure (in most developing countries) is also due to lack of infrastructure and geographical seclusion, due to poor roads or communication systems, which lead to high transaction costs (Shiferaw, Obare, & Muricho, 2006). Usually, there is a tendency for collusion and price fixing in most traditional rural markets, due to there being few players at each level of the chain: and marketing costs are also high (Mathias *et al*., 2017). In such cases, small farmers are the worse victims, due to asymmetric information (Grashuis, 2017).

The second reason for the formation of cooperatives is that individual producers need an institutional mechanism, in order to bring economic balance under their control (Hooks *et al.*, 2017; Puusa *at al*., 2016). The cooperative enhances the bargaining strength of farmers with input suppliers and the buyers of farm products. Christy (1987) noted that the most common and widely accepted rationale for farmer cooperatives in the USA is the 'competitive yardstick' school of thought, which was developed by Professor Nourse. He viewed the cooperative role as helping to provide a checkpoint on other business and forcing them to be more competitive (Grashuis, 2017). In addition, cooperatives have mainly been to by-pass the investor-owned firms, thus enhancing prices and in general pursuing the Sapiro goals of increasing margins and avoiding market power (Cook, 1995; Royer *at al*., 2016). However, since the early 1990s, producers have been organised with the primary objective of value adding to their assets, which has been viewed as an offensive approach to cooperative formation or continuance (Birchall, 2013).

The third philosophy within cooperative formation is that they act as self-help organisations, in order to address the desire for an organisation that responds to social and human needs. A cooperative is a social organisation, which is different from other types of businesses that help the members. Cooperatives were established from the requirement of household economic development, supporting the development of household economy (Hong, 2015). On the same breadth, Christy (1987) described this ideology as placing a greater emphasis on the social aspect of development (human and community). The majority of the emerging cooperatives in developing countries have been formed for this reason, apart from the other reasons stated, considering the importance of agriculture to rural communities, which are largely poor. The cooperatives in these countries have a high percentage of low income members. Christy (1987, p. 27) further stated the three ways in which these cooperatives differ from other cooperatives:

1. The major resource each member contributes is labour;
2. Membership consists largely of former sharecroppers and low income, limited resource farmers.
3. Despite being largely organised for economic goals, they also tend to have social goals.

Recent research has also argued that excessive transaction costs, discriminatory treatment of contract growers and increased monopoly in buyer markets, are conditions which lead to group action by producers (Birchall, 2013; Eising & Shexane, 2010; Nonkovic, 2012). In developing countries, cooperative formation is a strategic intervention by governments, in order to promote

farmer participation in the supply chain. Birchall (2013) urged that farmers' cooperatives were promoted by colonial governments, mainly as structures for mobilising rural people to facilitate the extraction of produce. Royer *et al*. (2016) asserted that the reasons for farmers joining farmers' organisations in South Africa included access to credit inputs and product markets and also technical advice.

2.5 Role of cooperatives in the world economy

A cooperative is a widespread and important governance structure within the agricultural sector. The cooperative sector worldwide comprises approximately 800 million members in over 100 countries and it is estimated to account for more than 100 million jobs around the world: 20% more than multinational enterprises (Hong, 2015). Agricultural cooperatives, in particular, account for 80 to 99% of milk production in Norway, New Zealand and the United States; 71% of fishery production in the Republic of Korea; and 40% of agriculture in Brazil (ICA, 2007). Cooperatives are an important organisational structure in many agricultural markets. For example, in the EU, cooperative firms account for over 60% of the harvest, handling and marketing of agricultural products, with a turnover of approximately 210,000 million Euros (Hong, 2015). Furthermore, over 50% of global agricultural output is marketed through cooperatives (UN, 2009). Kadzola (2009) urged that cooperatives have a great potential to improve the living conditions of the poor if they can gain power in the marketing of their produce.

2.6 Agricultural cooperatives in developing countries

Compared to the developed world, where cooperatives receive a great deal of support and there are numerous examples of successful small-scale cooperatives, in developing countries, cooperatives have been received with mixed reactions and there was more support during the colonial periods (Birchall, 2013). However, during the post-colonial era, cooperatives were perceived in different ways, from nation to nation. In some countries, support for cooperatives increased and they were given a high profile within the economic planning for these states (Philip, 2003), whilst in other countries, such as South Africa, they were perceived as a political threat to the government and hence, agricultural cooperatives were closed and replaced by parastatal organisations (Twalo (2012). During this period, when cooperatives were still considered as a development strategy, followed what Wessels (2014, p. 41) called, a "populist-nationalist cooperative strategy." This meant that the cooperative model was adjusted to suit

government priorities. The conclusion of this strategy was that the cooperatives were no longer autonomous organisations (as they were intended to be) but instead they were integrated into arrangements and principles, which had not been developed to meet the interest of the members, but to serve the political and economic imperatives of the states (Ortmann & King, 2007).

However, after these structural transformations, cooperatives were observed once again as being organisations that could be built on orthodox forms, but as an alternative to capitalism (Birchall, 2013), due to their compatibility with local traditional values and social habits (Wessels, 2014). The emergence of what Puusa *et al*. (2014, p. 27) called the "new cooperative movement", especially in Africa, has seen a change in government cooperative policies, in order to ensure that they operate as 'real' cooperatives, based on cooperative principles. Examples of such change are the establishment of the 'Cooperative Act 2005' in South Africa (Ortmann & King, 2007) and the 'Cooperative Societies Act No.36 1998' and the 'Cooperative Societies Regulations 2002' in Malawi (Kadzola, 2009).

Therefore, the focus on the success or failure of agricultural cooperatives, in the current study, would therefore be based on the new cooperative movement, whose operations are based on cooperative principles. There are numerous notable success stories that have been noted about agricultural cooperatives, both in developed and developing countries. However, there are also many examples of cooperatives in decay or in financial calamity or insolvency; and recently there has been de-mutualisation to investor-owned businesses. In order to sustain progress, cooperatives will have to greatly depend on the capability of their participants to resolve conflicting demands from both internal and external stakeholders, within a dynamic environment (Rankin, Dunne, & Russell, 2007). The literature has pointed out several factors as contributing to the success or failure of agricultural cooperatives.

2.7 State of cooperatives in South Africa

South Africa's economic history shows that the formation of cooperatives by the Afrikaner Economic Empowerment (AEE) in empowering the once poor Afrikaner volk was crucial (Mzamo, 2007). The AEE policy of the National Party strategically devised models that were successful in ensuring that all the volk community were politically and economically independent, and financially stable. At the core of these strategies were cooperatives. However, the Black Economic Empowerment (BEE) of the current government has seen high failure rates

of the cooperatives even though cooperatives are part of the main strategies employed in an effort to contain the escalating increase in inequality, unemployment and poverty.

The current study focuses on agriculture cooperatives in South Africa and in particular case studying their sustainability particularly in Durban, KwaZulu-Natal. Agricultural cooperatives are ideal institutions of people to create employment and empower people in improving their socio-economic conditions. Individual farmers cannot consistently and reliably control the prices that they receive for their agricultural products or the prices they pay for the inputs required to produce these goods. Agricultural cooperatives help in tackling rural poverty by increasing the productivity and income of smallholder farmers by helping them collectively negotiate better prices for seeds, fertiliser, transport and storage. I argue that cooperatives further help farmers expand market access and capture more of the value chain by getting involved in agro-processing activities.

The status of the cooperatives has been reported in the Annual report of Agricultural Cooperatives (2010), using the Cooperative Analysis System (CODAS). CODAS indicates that 36% of the registered cooperatives in South Africa are in KZN. A further zoom into the statistics indicates that 50% of members of cooperatives in KZN are adult female, 40 % are male and 10 % of cooperative members are the youth. However, according to the Department of Trade and Industry (2013), only 17.1 % of black females and 14.7 % black males are skilled, nationally. Furthermore, 54.3 % of the blacks have less than matric and youth unemployment of nearly 39%. It is possible that the low educational levels which lead to low capacity in agricultural cooperatives is the main reason for weak management, poor governance and inability to effectively run their enterprises on sound business practices.

In August 2005, the South African government signed into law a new cooperative Act (No.14 of 2005) which is based on international cooperative principles (Orton & King, 2007). The Act recognises the major role that cooperatives have in enhancing economic and social development, particularly through creating employment that generates income. Such employment would subsequently facilitate broad-based black economic empowerment (REPUBLIC OF SOUTH AFRICA, 2005b:2). On the other hand, the development of the cooperative Act and cooperatives in South Africa should also be viewed in the context of mechanisms in the form of laws and regulations that were passed to favour white commercial farmers. For instance, blacks were removed from designated white areas by the land Acts of 1913 and 1936, thus consolidating black homelands. Further supplemental measures to support

the white commercial farmers were put in place. This included the provision of subsidised loans to farmers through the establishment of the Land and Agricultural Bank in 1912, the control of marketing products through the Marketing Act of 1937 and many others. This Act for instance allowed the use of various policy instruments in controlling the marketing of agricultural produce, giving them regional monopoly power (Piesse, Doyer, Thirtle, & Vink, 2005). As a result, agricultural cooperatives were very successful under these conditions.

Be that as it may, when black agricultural cooperatives emerged post 1994, they did not enjoy the deliberate support that their white counterparts enjoyed in the previous government (Mzamo, 2007). Furthermore, most of the land that is or was utilised by these black agricultural cooperatives was either not fertile, meaning that it needed more farming inputs such as fertilizers, hybridised seeds to survive drought conditions and hostile land, heavy mechanisation, etc. These inputs were not at subsidised prices, are/ were far from a now more competitive market, a market they do not enjoy monopoly power over as their white counterparts did, and many other challenges which are thought to be dictating their continuous failures in mitigating the racial economic and social crisis that South Africa is currently facing.

Co-operative organisations have often been viewed as agents of change (Okem, 2016). As such, a pertinent argument often cited in favour of the cooperative mode of organisation is that they promote both economic and social aspirations, there are certain inherent disadvantages (Godfrey, Muswema, Strydom, Mamafa, & Mapako, 2017). For example, the democratic element in the cooperative model tends to complicate the decision making process (Gyllstrom, 1991). As such, the individual's aspirations are stifled in the process. It is against this background that some are opposed to the cooperative model.

2.8 Benefits of cooperatives to farmers

There are several benefits that farmers receive from being part of a cooperative organisation. Among these are access to markets, bargaining power, and cooperatives as poverty reduction strategy. These are detailed in three subsequent paragraphs:

2.8.1 Access to markets

Cooperatives are helpful in overcoming access hurdles to assets, information, services and input and output markets. For example, Hooks *et al*. (2017) identified that Armenian farmers, in milk marketing cooperatives were able to pool products of a specified grade and quality and

therefore they were better able to market milk to large scale buyers. The authors further argued that cooperatives were able to move their products to distant markets and thereby broadening their opportunities for milk sales. Agricultural cooperatives have played an important role in helping small-scale farmers to cope with competitive and unstable markets and high transaction costs as well as helping to achieve economies of scale, through bulk selling, in order to meet market demand (Philip, 2003).

Agricultural cooperatives have also ensured that farmers are easily identified by traders and this has helped to reduce the cost of market search, because it easily links them to the traders (Ortmann & King, 2007). Hooks *et al*. (2017) found that cooperatives are helpful when it comes to farmers overcoming access barriers to the marketing of high value products: and large quantities. Many businesses prefer to buy from larger farmers, rather than small-scale farmers because the small-scale farmer's produce is not reliable, when it comes to producing the correct quantities (Puusa, Hokkila, & Varis, 2014). This provides farmers in cooperatives with better opportunities to participate in the supply chain and to also be able to compete with larger farmers, for market opportunities.

2.8.2 Bargaining power

Agricultural cooperatives are helping farmers to gain a competitive edge and hence, this increases their opportunities to participate in the market. Cooperatives have also increased the bargaining power of farmers, since they all speak with one voice (Twalo, 2012; Wessels, 2014). Due to economies of scale (or other factors that limit competition), a cooperative has market power, which would be an incentive for the farmers to become part of the organisation and thereby avoid price exploitation. Cook (1995) indicated that cooperatives, in such cases, would help to increase margins and provide market assurance, and can also play the role of 'competitive yardstick'. For example, Kodama (2007), when analysing coffee cooperatives' activities in Ethiopia found that the existence of cooperatives in the coffee market had led to improving the purchasing price offered by private traders, due to competition with the cooperatives. All these measures tend to increase farmers' incomes.

2.8.3 Cooperatives as a poverty reduction strategy

In relation to the social aspect of development, a cooperative presents an important model, which can address the problem of the social exclusion of the poor and disadvantaged who lack access to opportunities in a liberalised market economy (Birchall, 2013). Cooperatives

encourage local participation and inclusion which is central to poverty reduction. This has been reflected in the UN guidelines, related to cooperatives in social development, as quoted by Nonkovic (2012, p. 71):

> *Governments recognise that the co-operative movement is highly democratic, locally autonomous but internationally integrated, and a form of organization of associations and enterprises whereby citizens themselves rely on self-help and their own responsibility to meet goals that include not only economic but social and environmental objectives, such as overcoming poverty, securing productive employment and encouraging social integration*.

From this discussion it can be noted that cooperatives represent a powerful development strategy, which can enhance the competitiveness of small-scale farmers and also address challenges related to market failure. Cook (1995) observed that USA farmer cooperatives' aggregate market shares had been increasing steadily, thus agreeing with Hogeland's (2015) forecast that cooperatives would become the farmers' integrating agency, as the industrialisation of agriculture continues to evolve.

2.9 Factors affecting success or failure of cooperatives

Different parameters have been applied, in order to measure the success and failures of cooperative enterprises. Hong (2015) identified three key factors necessary for the success of agricultural cooperatives as being organisational, financial and operational. The author, after surveying 61 agricultural cooperatives in the USA, identified factors, such as open membership, accepting non-member business and employing fulltime management correlated with self-understood success. Hooks *et al*. (2017) for instance, conducted an empirical survey with 62 Polish farmer cooperative organisations whose main aim was to organise joint sales of output produced individually by their members. The authors identified four factors that contributed to cooperatives success as leadership strength; group size; business relationship amongst members and a member selection process during the group's formation. Hogeland (2015) identified in terms of financial performance, such as net margins, member commodity prices, return on equity and sales growth (Royer *et al*., 2016). The success or failure factors of cooperatives have been classified as external and internal to the cooperatives.

2.9.1 Internal factors

The internal factors that would affect a cooperative's success or failure are the ones that arise internally and these include governance, leadership and managerial skills.

2.9.1.1 Governance structure

Governance has been extensively defined by different scholars, depending on the context. For example, Papadopoulos (2003) indicated that governance included the need to counteract the centrifugal dynamics of interest division. Governance encompasses networking and assumes an accommodative orientation within such networks with a shared willingness to learn from each other. Rhodes (2007) expounded governance from the viewpoint of public administration, as governing with and through networks. In the current study, governance in a cooperative is simply defined as involving decision-making processes and the capacity to implement decisions (Chibanda, Ortmann, & Lyne, 2009), which should represent the interests of the group of people.

Cooperatives, as member-owned business enterprises, have their own governance structures, which makes them different from corporate firms or investor-owned firm. They follow at least some of the principles listed by the International Cooperative Alliance principles, as outlined in an earlier section of the current chapter. Hong (2015) also emphasised the unique characteristics of cooperatives, relative to other businesses, as being user-owned and user-controlled, where policy decision are made by the members, based on a 'one member one vote' basis, regardless of any member's investment in the cooperative.

Collective decision-making follows democratic principles (such as following a majority decision, but ensuring that minority preferences and opinions are respected). It is one of the important governance issue within cooperatives (Mathias *et al*., 2017). The principles adopted from the Rochdale pioneer cooperative movement are intended to represent the prudent business practices followed by cooperatives. Governance of member organisations, such as cooperatives, can be very challenging, but it is also very important for the continuity of the cooperative. Hooks *et al*. (2017) examined the conflicting roles of board members, by using various theories: agency theory, stewardship theory, resource dependency theory and managerial hegemony theory. The authors argue that the governance of cooperatives is a complex, inherently difficult and problematic activity. The boards of cooperatives face conflicting roles in trying to control and provide direction to the running of their organisation. An example of this contrast is the conformance role, as in agency theory, and the performance role, as in stewardship theory (Mathias *et al*., 2017). These roles would involve the boards behaving in a different way. The conformance role requires the board to ensure that the organisation acts in the interest of its members, but, in contrast, the performance role requires

them to improve the organisation's performance, through value adding to the organisation's strategies and decisions (Grashuis, 2017). In addition, these conflicts can be worsened by other wider contextual factors, such as agricultural industrialisation (Cook, 1995) and government policies.

Considering the complexity of governance, one would question the ability of lay board members to successfully supervise managers, ensure integrity and guard the interests of members and other stakeholders. Cooperative management faces the difficulty of matching the conflicting interests of members and market needs: and yet the expectation is that the board should perform according to the expected standards for cooperative organisations (Cook, 1994). The challenge within cooperatives, especially those developed with a traditional structure, which is still a common cooperative form in most developing countries, is that they suffer from a number of disadvantages.

The problems inherent in the traditional cooperatives include free-riders, horizon, control and influence cost problems (Cook, 1995). These problems have given rise to doubt about the sustainability of these cooperatives. Valentinov (2007) described these as incentive problems and hence the institutional disadvantages of cooperatives. The free-rider problem, also referred to as the 'common property' problem by Royer *et al*. (2016, p. 16) is

> *a type of common property problem that emerges when property rights are not tradeable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create*.

The horizon problem may lead to a cooperative concentrating on short-term benefits, at the expense of the long-term viability of the cooperative (Zeuch, 2004). This would act as a deterrent for existing members to invest in it. The decision-makers in a cooperative need to be aware of these problems and an analysis of the competitive role of the cooperative should be undertaken, in order to make some long-term strategic decisions.

The nature of cooperatives, as business enterprises, also requires a democratic process of governance. This requires the active participation of the members in important decision making processes. Empirical studies have shown how governance can positively, or negatively, affect the cooperative's success by affecting member participation and commitment (Kadzola, 2009; Ortmann & King, 2007; Twalo, 2012; Wessels, 2014).

2.9.1.2 Member participation

The activities that embrace member participation in a cooperative include attending meetings; serving on committees; involvement in recruiting others; and patronage (Hong, 2015). The participation of members in the governance of a cooperative is what separates cooperatives from other business organisations, such as investor owned firms. Participation would be an important indicator in developing farmers' understanding and appreciation of a cooperative's organisation (Kachule & Dorward, 2005). Several studies have revealed the effect of un-democratic processes on member participation. Nonkovic (2012) found that there was significantly higher member disloyalty, when members were dissatisfied with their cooperative's management. Twalo (2012) reported that a member is seen to be more loyal to decisions in which s/he has participated actively, rather than decisions which were forced on him/her. Osterberg and Nilsson (2009) observed that members considered democratic control to be more crucial, and further argued that this indicates that members regard the cooperative as a social institution, as much as an economic one. This shows the importance of having a well-functioning democracy within cooperative governance. The more members participate in their cooperative, the more they will be committed to their cooperative.

2.9.1.3 Member commitment

Members of cooperatives are also clienteles, that is, they are suppliers or buyers: but at the same time they are owners of the organisation. Their decisions to increase or reduce volumes (and even withdraw from the cooperative) have great implications on the cooperative's survival. Therefore, member commitment is very important for the successful performance of a cooperative (Wessels, 2014). Philip (2003, p. 134) defined member commitment as "preference by members for something that is offered by the cooperative and not by other alternative organizations."

There are several factors that contribute to members' commitment, such as the benefits that members receive from the cooperative (Osterberg & Nilsson, 2009); participation in the governance of the cooperative; and the cooperative's ability to translate members' needs into decisions (Eising & Shaxane, 2010). The other challenge in cooperative governance is the heterogeneity amongst members, which would affect their decision making, since it would be more difficult for management to consolidate the diversity in the member's interest — for the benefit of all (Cook, 1995). This may bring non-participation of those who feel that their needs are not being addressed (Osterberg & Nilsson, 2009). A number of studies have pointed out

that excessive heterogeneity of membership has contributed to a breakdown in cooperative action (Cook, 1995). Wessels (2014) noted that member commitment is linked to the cooperative's ability to develop a reputation, as an effective agent for the members. Members should be able to see the cooperative as addressing their needs. Ortmann and King (2007) concluded that cooperatives must be increasingly aware of these feedback effects and manage them accordingly. The authors noted that the success of the cooperative, as being an effective agent for members, is likely to result in increased member commitment.

2.9.1.4 Leadership

Leadership play an important role in influencing the direction of an organisation. Leaders are meant to initiate, promote and defend the policies, by which the organisation operates (Birchall, 2013). Leadership involves interpersonal relationships between the leader and the led and it aims to motivate a group of people, to act towards achieving a common goal (Chibanda, Ortmann & Lyne, 2009; Kodama, 2007; Twalo, 2012). In a cooperative set-up, leadership involves a process of realising compromise and then following through with the group's choice. Internal leadership is, therefore, crucial in the implementation of policies and activities, which continually enhance the operations of the cooperative. The cooperative, although being a democratic organisation, may experience leadership problems, which can lead to organisational failure (Twalo, 2012). Nonkovic (2012) defined organisational failure as a time when the organisation fails to adopt the most efficient policies for its members. The same author further stated that leadership problems occur when the cooperative fails to select the leader that has proposed the most efficient policy for the organisation: and where efficiency is defined in terms of what is best for the members. This would lead to poor performance and the cooperative, in this case, is more likely to be 'pushed out' of the market, by other more efficient organisations or players. This would call for the election of visionary leaders and a transparent election process, without candidates getting votes by manipulation (Hong, 2015).

Competent leadership will encourage members to make decisions, based on their values and it should be able to balance the internal and external tensions, in order to create enduring groups. This would also call for empowerment of the people, in order to maintain the transparency and accountability of the leaders. Empowerment, according to Hogeland (2015, p. 64), is defined as "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives." Creation of strong groups can also be developed through the building of interpersonal relationships, as a source

of strength (Mathias *et al*., 2017). However, members will participate if they are involved and motivated through efficient communication skills. Competent leadership should be able to engage the group in an efficient communication process to ensure members express their views.

2.9.1.5 Communication

Communication involves the conveyance of information through different means, such as speech, writing or behaviour. An efficient communication process would encourage member participation and ensure the members are conscious of what is going on in the cooperative and that they feel they are a part of the organisation. Competent leadership would ensure an efficient transmission of information from the cooperative organisation to its members: and the inverse is equally true. Grashuis (2017) found that the more the farmers identified themselves with their cooperative, the more confidence they had in the management of their cooperative. An efficient communication process would also enhance leadership accountability, which is an important factor in the establishment of a strong and independent cooperative (Royer et al., 2016).

2.9.1.6 Managerial skills

The other important factor identified in the literature as contributing to success or failure of cooperatives is the managerial skills. These include the hired staff as well as the board members. Hong (2015) noted that there is growing evidence that the NGOs projects, which promote farmers' cooperation, do not always produce cooperatives which are viable. The underlying factor is that the level of organisation and managerial capacity of these cooperatives do not match the skills of management required (Philip, 2003). Cook (1995) identified the principal reason for the difficulties in managing agricultural cooperatives, as the challenge to bring into line conflicting membership interest, in addition to being responsive to the market, which is a unique characteristic of cooperative enterprises. The author further suggested that this requires more organisational, communication, resource allocation and other leadership skills. Twalo (2012) identified two forecasters of leaders' effectiveness, as being managerial motivation and skills.

Most leadership roles would require a person to have the technical, conceptual and interpersonal skills (Hong, 2015). It is, therefore, necessary for the leadership to have skills and knowledge of business enterprise, because the management of cooperatives relies heavily on their expertise. Studies have shown that a lack of adequate skills in management has contributed to cooperatives' failure. Keeling, Carter and Sexton, (2004) conducted a study of

the Rice Growers Association in California and found that the closure of this organisation was primarily due to a lack of board oversight and education, coupled with ineffective management and passive membership. Birchall (2013) identified that successful cooperatives had staff and a management committee, with relatively higher qualifications than the unsuccessful cooperatives. Management with required skills will be able to strategise on business volume; type of product and product quality; and for competing with other players in the market.

2.9.1.7 Business volume

The motivation for a cooperative's type of business strategy is constructed, in order to attain large volumes of business and thereby reap economies of scale. This is because, as the volume increases, the cost of transaction per unit item is expected to decrease. The decline in costs would consequently lead to an increased amount of earnings available for distribution to its members, hence increasing their income (Osrerberg & Nilson, 2009). It is therefore essential for cooperatives to be handling sufficient business volumes in order to reduce costs and remain economically viable. Nyoro and Ngugi (2007) conducted a study on dairy and coffee cooperatives in the Central Province of Kenya and their qualitative analysis found that the cooperatives, which had more members and handled large volumes, were the more successful ones.

2.9.1.8 Type of product and product quality

The ability to select the type of product is also an important skill for any business manager. The type of product with which the cooperative is dealing may affect its success. High value products offer greater returns than staples, which are low value (Hooks *et al*., 2017). However, the high value crops, which are often perishables, also require greater technological, marketing and handling skills. On the other hand, cooperatives involved in producing staples have the advantage of bulk buying inputs and accessing storage, as the benefits of being in a cooperative, however, the incremental benefits may not be sufficient to offset the transaction costs (Hooks *et al*., 2017).

2.9.1.9 Competitive edge

The main incentive to form cooperatives has been to address market failure. However, as time passes, new players emerge which result in increased competition. The success of the cooperatives will eventually depend on their competitive strategies. Empirical research has found strong evidence that market orientation is the key to a firm's long-term competitive position (Pauuusa *et al*., 2014). This would also apply to a cooperative as a business enterprise. Torgerson, Reynolds and Grey (2014) argued that being market orientated involves being competitor orientated; customer oriented; and having inter-functional coordination efforts. A cooperative's success and sustainability will be influenced by its ability to acquire information about its competitors and customers in the target market, apart from its internal coordination functions (Hong, 2015). A strong business focus contributes to the sustainability of cooperatives (Grashuis, 2017). This can be in the form of commercial relationships between cooperatives and formal markets; non-price factors, such as reputation; and commercial efficiency.

Cooperatives that are involved in alliances with other cooperatives or firms have a higher chance of success. Research has suggested that alliances generate competitive advantage (Dyer & Singh, 1998). Dyer and Singh (1998) further noted that some of the factors that contribute to this competitive advantage include information sharing and the lowering of transaction costs, rather than competitor alliances due to effective governance mechanisms.

However, the alliances would also depend on the cooperative's commitment to maintaining the alliance. Several studies have indicated the importance of trust and commitment in such relationships (Zeuchi, 2004). Harris and Carman (1983, p. 82) defined trust as a "willingness to rely on an exchange partner in whom one has confidence." The author further indicated that trust has been viewed as an action that reflects a dependence on a partner and also being vulnerable on the part of trustee.

Royer *et al*. (2016) found that behaviour uncertainty negatively affected the firm's trust between supply-chain partners. Examples of opportunistic behaviour include withholding or distorting information and failing to perform according to the agreed plans (Eising & Shexane, 2010). Trust amongst partners can help reduce transaction costs, such as information searches, verification and inspection and certification by their partner and hence, it will result in improved efficiency and effective performance (Hong, 2015). Trustworthiness on the part of

cooperatives would enhance their business relationships with other players that cooperatives depend on.

However, power disparity becomes another challenge which has to be observed. The problem of power disparity is that it can make the coalition inherently risky, for small cooperatives seeking alliances with larger players (Birchall, 2013). The author suggested that this can be mitigated by carefully drawing up a contract that would restore a balance. Marketing agreements are important in assisting cooperatives secure business volume commitment from their members, and this helps to reduce some risks and remove barriers to market entry (Kachule & Dorward, 2005).

Fulton *et al*. (1996) explored joint ventures and strategic alliance agreements, in which local cooperatives in eastern Colorado were involved in using insights from the 'prisoners' dilemma' and 'assurance problem' models in game theory. The authors concluded that, whilst it is necessary to have control of the financial and operational components of the business agreements, "interpersonal dynamics are at least as important, and may be more important, than the operational logistics" (Hogeland, 2015, p. 17).

The other strategy a cooperative can use, to improve its returns, is through vertical or horizontal integration. Several studies in the literature point at the importance of vertical integration in strengthening cooperatives' market position, over purchasers and suppliers (Hong, 2015). Hooks *et al.* (2017) argued that (by integration), cooperatives can enforce volume to a marketing stage, where significant economies of size exist and fix assets are a barrier to entry. Nyoro and Ngugi (2007) found that the cooperatives in Kenya experienced increased returns and hence increased payout rates, after vertically integrating into the processing of coffee and dairy products. The authors further noted that the cooperatives, which had been integrated to this processing, were able to survive the liberalisation epoch, when new millers broke into the monopoly of coffee processing. This concurs with Hong's (2015) argument that the main factor responsible for a decision to integrate is transaction cost economising. Therefore, the overall success of cooperatives is dependent on their ability to adapt to a variety of demand changes for their products (Wessels, 2014). These changes may be due to political, technological and/or economic changes.

2.9.1.10 Risk management

Agricultural production is prone to several risks, such as price instability and natural disasters. Natural disasters include drought, floods and the outbreak of pests and diseases. Strategies to mitigate the risks associated with the production and marketing of agricultural produce will prevent cooperatives from sinking or losing a year's margin. Twalo (2012) proposed three strategies, which cooperatives can use to mitigate price and through-put risks. Firstly, cooperatives can strive for larger, more diverse and geographically dispersed memberships. Secondly, they can diversify their product line in order to avoid relying on the supply and revenue of one raw product. Lastly, they can go into joint ventures and strategic alliances.

However, these strategies would have a cost attached to them and their importance will depend on whether the mitigation effects are valuable to the farmer members; and also the ease of implementation (Hong, 2105). Royer et al. (2016) argued that it is difficult for farmers, especially the poor, to pay for insurance, since their loans tend to be large, in relation to their income and assets and this may place them in a more calamitous situation of needing to finance the loan, without any increased assets or income from the venture.

2.9.2 External factors

The external factors, considered essential in the sustainability of a cooperative enterprise, include assistance that act as motivation for farmers in a cooperative, government policies, regulatory frameworks and market factors. An interplay of these factors can affect the competitiveness of cooperatives, especially in developing countries where cooperatives are still developing.

2.9.2.1 External assistance

Cooperatives in developing countries comprise resource poor farmers, which make external assistance necessary, especially in the formation process, for the group to achieve any economic gains. Hong (2015), in a study on the impact of external support, identified that support had significantly improved the rural livelihood of the community and it had facilitated cooperatives' access to markets for their produce. However, external interference in the organisation's management can have a significant impact on the sustainability of a cooperative. Twalo (2012) argued that cooperative policy and legislation, in Africa, is not participative, since the state is generally the promoter of cooperatives.

The above situation result in a small amount of ownership with minimal share contribution from members, and it is seen as being state controlled. The author further argued that such type of cooperatives finds it difficult to be competitive and attract qualified management. External assistance also can create a 'dependency syndrome' which can then affect the success and sustainability of the cooperative. Government or donor funding may compromise control, by the imposition of agendas and by politicisation and this may lower commitment on the part of members (Nonkovic, 2012). Philip (2003) argued that cooperatives are being pushed into different directions by interested stakeholders, including farmers, governments, business interests and various agencies. The author further argued that this may result in the interest of smallholders being lost in competitive rush-induced market activity. Studies have warned of cooperatives engaging in too many, or over-ambitious activities which encourage them to scale-up too quickly, in addition to interference that interacts with them as development agents, rather than as private enterprises (Ortmann & King 2007; Eising & Shexane 2010; Twalo, 2012).

In addition, assistance may also contribute to free-rider and adverse selection problems as this may attract members that are after the benefit and not committed to cooperative success. Wessels (2014) observed that some farmers were forming cooperatives as a way of accessing government grants other than forming a business organisation.

2.9.3 Contextual factors

Contextual factors are discussed under three sub-headings which are government policies, regulatory framework and marketing system and infrastructure. These are detailed in the subsequent paragraphs.

2.9.3.1 Government policies

In developing countries, most of the population is poor. In trying to address consumer needs, governments may come up with policies that may harm cooperatives. A government's policy and intervention may affect the pricing of products, depress producer prices which would have a negative effect on food production (Chibanda, Ortmann & Lyne, 2009; Papadopoulos, 2003;Wessels, 2014). Such policies include price ceilings, pan-territorial or uniform pricing, pan-seasonal pricing, marketing margin controls, high import and export taxes and parastatal

marketing monopolies (Wessels, 2014). The implementation of a pricing policy, especially in developing countries, has been undertaken with a variety of contradictory motives aimed at protecting consumers (as well as producers) from price instabilities (Twalo, 2012). The critics of government intervention in pricing argue that this may lead to a failure to realise the benefit of competition, by rewarding inefficient operations (Nonkovic, 2012). Philip (2003) claimed that uniform pricing for all economic regions would increase regional income differentials, by disadvantaging those areas with less favourable natural and infrastructural conditions and rewarding better endowed areas.

Another point of criticism is that government failure to set efficient prices, due to a lack of adequate information, may negatively affect producers (Osterberg & Nilsson, 2009). Those who argue for the interventions are more interested in the effects of food security, nutrition and economic growth (Rankin, Dunne, & Russell, 2007), which may be biased towards consumers, rather than producers.

2.9.3.2 Regulatory framework

Weak legal and regulatory frameworks, which hardly enforce contracts or punish those who break contracts, affect the farmers' cooperatives (Nyoro & Ngugi, 2007). This opens up to corrupt and unscrupulous behaviour. A weak regulatory environment also makes cooperatives vulnerable to exploitation by deceitful businessmen. Eising and Shexane (2010) identified that, due to weak formal contract enforcement mechanisms, there is a great deal of mistrust amongst the players. This increases the transaction costs, since business firms are tempted to screen every single firm or individual with whom they deal (Birchall, 2013). Puusa et al. (2014) argued that information asymmetry and opportunistic behaviour, which act as determinants of transaction costs related to contract enforcements, lead to enforcement of related costs. Kadzola (2009), in an extensive survey of traders in Malawi and Benin, found high incidences of contract non-performance, and up to 41% in Malawi. In addition, the author also identified that the lack of a supportive regulatory framework and disabling policies are amongst the issues that affect the development of market institutions, such as cooperatives.

2.9.3.3 Marketing system and infrastructure

The context in which a cooperative operates will have a greater impact on the participation of farmers within that cooperative. Evidence from the literature indicates that market failure contributed to the success of most agricultural cooperatives (Nonkovic, 2012). Cooperatives that operate under less competition are, therefore, more likely to succeed. Whilst some form of

market failure is essential condition for cooperative formation and success, the extent of that market failure can also be a deterrent to the cooperative's success. Depending on the type of market failure, especially in developing countries, the formation of a cooperative may not provide the solution on its own, without other interventions. A market which is not transparent and characterised by no price discovery mechanisms may be more complicated for a primary cooperative to pick up. Ortmann and King (2007) emphasised that 'getting the markets right' requires a plan, in which incentives, institutions and infrastructures, are aligned. Twalo (2012) identified several forces that shape agricultural markets, with financial crisis as the most significant.

The other factors include price and income volatility, due to reduced government involvement, an increase in competition and fewer and larger marketing firm sectors. As a result of these external forces, cooperatives would have to evolve with changing times and environment as argued by Cook (1995).

2.10 Conceptual framework

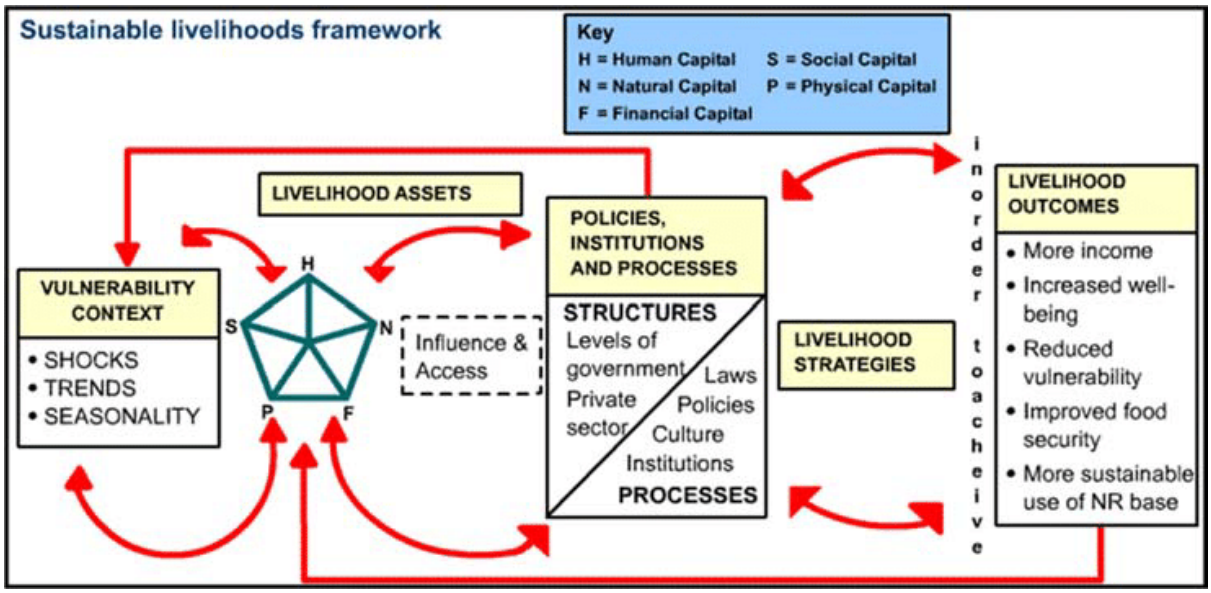
This qualitative study is based on the sustainable livelihoods approach (SLA) as the overarching conceptual framework. The SLA is not a theory per se, but rather an approach to development. However, it provides the lenses through which the sustainability of cooperatives in the Durban Metro area and its hinterland may be examined. The several assumptions and concepts function as the window through which to view the social world. Secondly, the complexity of the study warrants the deployment of triangulation of theory since a labyrinth of factors from human to social and economic are envisaged to militate against the sustainability of black South African cooperative societies. The following succinctly describes the various assumptions and concepts within the ambit of the SLA that are relevant to this particular study.

2.10.1 The sustainable livelihoods approach

The sustainable livelihoods approach (SLA) is made of five tenets. These are the human, financial, natural, social, and physical capital (Serrat, 2003). It is a proactive way of focusing on the objectives, scope, and priorities for development and programmatic interventions. This approach is based on evolving thinking about the way the poor and vulnerable earn their living and the importance of policies and institutions in providing an enabling environment. The SLA is critical to the formulation of development activities and programmes that are people-centred, responsive and participatory (Serrat, 2003). Furthermore this approach is appropriate for

multilevel activities that are dynamic and sustainable, as well as those implemented through partnerships between both the public and private sectors.

Figure 2.1 The Sustainable Livelihoods Approach



Source: Morse & McNamara, N. (2013) Sustainable livelihood approach: A critique of theory and practice.

Of particular importance to the current study is the concept of social capital. Woolcock and Narayan (2000) define social capital as the norms and networks that enable people to work collectively. It is premised on four distinct approaches which are: communitarian, networks, institutional, and synergy. A central notion of social capital is that "a person's family, friends, and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for material gain" (Woolcock & Narayan, 2000: 226). In the same vein, groups are not exempted from this reality. As such, those communities characterised by a diverse stock of social networks and civic associations are better equipped to confront poverty and vulnerability.

2.10.1.1 Application of the SLA to the study

As highlighted earlier, the South African black population has a history of being both socio-economically and politically marginalised through the apartheid system (Morse & McNamara, 2013). The legacy of apartheid thus inadvertently rendered this particular population poor, and vulnerable. It is against this backdrop of poverty that the democratic government of 1994 prioritised equity oriented economic policies such as the Black Economic Empowerment

(BEE) and Growth Employment and Redistribution (GEAR) strategy (Mather & Greenberg, 2003). These macroeconomic policies were meant to correct colonial economic imbalances, and subsequently uplift the standard of living for the previously disenfranchised black citizenry. Below is an application of the sustainable livelihood approach outlined above.

The SLA is relevant to the study since most of the concepts can relate to this study's primary participants who are black South African cooperative stakeholders in Durban. As Serrat (2008, p.1) puts it, "the sustainable livelihoods approach improves understanding of the livelihoods of the poor. It organises the factors that constrain or enhance livelihood opportunities and shows how they relate." Both historically and contemporaneously, cooperatives constitute a key strategy for economic empowerment (Mzamo, 2007). Be that as it may, the sustainable livelihoods approach (SLA) provides an appropriate framework within which the sustainability of black cooperative societies can be examined.

The various tenets of this overarching framework such as the different forms of capital which are the human, financial, natural, social, and physical perfectly fit into the scope of this particular study. The SLA emphasises the significance of understanding institutions by mapping the institutional framework and linking the micro to the macro and the formal to the informal. Consequently, the SLA calls for a new style of policy appraisal that moves from universal prescriptions to context-specific approaches that allow alternative, local perspectives to reveal themselves in the policy framework. It is envisaged that use of the SLA approach in this study will provide an opportunity for a critical analysis of both the BEE and GEAR strategy. Therefore, the current study examines human, financial, natural, social and physical capital in the context of sustainability of black cooperatives (Morse & McNamara, 2013).

On the other hand, at the centre of the concept of social capital is the significance of collective effort. Similarly, cooperative societies an often envisaged a sustainable way of enhancing sustainable economic community empowerment through pooling of both economic and human resources. This particular study focuses on examining the sustainability of black South African cooperative societies. Overall, the SLA is used as a window through which the challenges of sustainability of cooperatives in Durban may be explored. The three fundamental tenets namely the assets, context, and outcomes are examined. Because the study focuses on the sustainability of cooperatives, the context and the outcomes are more appropriate. This is so because the question of sustainability meshes into outcomes.

2.11 Conclusion

The current chapter focused on the history of, challenges posed, and opportunities offered by cooperative enterprises as a strategy to improving the socio-economic status especially of poor social actors. The chapter also presented the conceptual framework, the sustainable livelihood approach (SLA) which informs the current study. The next chapter is the Methodology which describes how the data relevant to the study was collected and analysed.

METHODOLOGY: CHAPTER THREE

3.1 Introduction

This chapter provides an in-depth description of the research approach that used to carry out the present study. It describes the qualitative research design adopted in the current study. The research strategy and methods that the researcher chooses are inherently reflective of the research philosophy of the particular researcher, and importantly, this must be clearly articulated for the benefit of the reader (Saunders et al. 2009). In this regard, the chapter presents the research design and paradigm, the study setting, entry into the field, selection of participants, data collection, and data analysis. The chapter concludes with a detailed description of the trustworthiness of the study, and ethical considerations that informed the study.

Table 3.1 Map of the study's methodology

Methodological outline	
Research design	Qualitative research
Research paradigm	Interpretivism
Selection of participants	Purposive, and snowball sampling
Data collection methods	In-depth interviews & document analysis
Data analysis	Thematic analysis
Trustworthiness	Four criteria: credibility, confirmability, dependability & transferability
Ethical considerations	Voluntary participation, informed consent, anonymity confidentiality, etc.

Source: Author

3.2 Research design

This study adopted a qualitative research design. Qualitative research seeks to explore and gain an understanding of the importance that particular individuals or groups give to a social or

human problem (Creswell, 2013). Unlike quantitative research which generates numerical data, qualitative research produces descriptive data – presenting participants' own written or spoken words as well as observable behaviours (Denzin & Lincoln, 2008; Taylor et al., 2015). As such, the qualitative approach was deemed suitable for this study because it permitted an understanding of perceptions informed by the experiences of selected members of agricultural co-operatives in Durban, South Africa. The ultimate aim is to establish factors that impact on the sustainability of agricultural co-operatives in KwaZulu-Natal, South Africa. Qualitative research has the potential to adequately nuanced data that answers the study's research questions. To achieve this, the selection of knowledgeable informants, posing open-ended questions about participants' experiences, coupled with inductive investigation of the responses provided relating to the challenges encountered as well as the important strategies adopted to mitigate the failure of cooperatives (Namey & Trotter II, 2015). Agricultural co-operative members were able to share their experiences regarding the sustainability of cooperatives in KwaZulu-Natal. The researcher was able to actively engage participants through the provisions of the qualitative research design. Qualitative research privileges the exploration of phenomena in its natural setting, often characterised by the interpretation of meanings in context (Denzin & Lincoln, 2008). As such, the researcher used participants whose experiences were relevant to KwaZulu-Natal. Polkinghorne (2005) calls such participants, information rich, or encultured participants whose suitability is enhanced by personal experiences relevant to the study.

3.3 Research paradigm

The current study is informed by an interpretivist paradigm. Guba and Lincoln (1994:107) assert that, "a paradigm may be viewed as a set of basic beliefs…that deals with ultimates or first principles…and which represents a worldview that defines, for its holder, the nature of the world, the individual's place in it, and the range of possible explanations to that world and its parts". According to these authors, any given paradigm that a researcher allegedly bases his or her study on, is further impacted by that particular researcher's answers to three critical questions, namely;

a) *Ontology* – what is the form and nature of reality?
b) *Epistemology* – what is the relationship between the knower and the would-be knower?
c) *Methodology* – how can the researcher go about finding out whatever she or he believes can be known?

In this section, the researcher applies the salient tenets of interpretivism as an inquiry paradigm. According to interpretivists, there is no single reality, but rather a multiplicity of realities exists. Using the interpretivist lens, the researcher set out to answer the study's key research questions.

In this study on the sustainability of agricultural cooperatives in KwaZulu-Natal, the researcher was interested in selected participants' interpretations and constructions of the concept of sustainability in the context of cooperatives. Essentially, "interpretive approaches concentrate on meanings people mobilise to make sense of their world" (Deacon et al., 1995:10). Interpretivism is closely related to constructivism. Kvale (1996) juxtaposes the constructivist paradigm against its interpretivist counterpart through the miner and the traveller imagery. While the miner imagery views the researcher as a miner who digs for nuggets of data, the traveller sojourns with the participants and attentively listens to their narratives and how they interpret their multiple social realities. According to constructivists, meaning is purportedly *constructed* and not discovered, which implies that people construct their own meaning in different ways, even in relation to the same phenomenon (Kvale, 1996). Yet, "interpretive approaches concentrate on meanings people mobilise to make sense of their world" (Deacon *et al,* 1995:10). Furthermore, an interpretivist philosophical orientation is based on the belief that, "all knowledge is co-produced out of the multiple encounters, conversations and arguments (that researchers) have with the people they are studying" (Deacon *et al,* 1995: 6). The interpretivist paradigm contradicts the positivism which states that there is an objective reality 'out there'. Instead, this study is informed by an ontological view that acknowledges the subjectivity and multiplicity of reality.

Methodologically, the current inquiry is informed by the epistemological and ontological standpoints articulated above. As such, the study participants were given the space to voice their own interpretations, perceptions, and opinions relevant to the sustainability of cooperatives in KwaZulu-Natal. The overall approach to the study's data collection was being dialogic. According to Brazilian popular educationist, Paulo Freire (1970;1972), being dialogic is not being dictatorial, but it is about being attentive to the participant's articulations in a discussion calibrated by mutual respect for each other, and importantly, not imposing the researcher's privileged views. It is the researcher's estimation that is dialogic process yielded deeper insights into the topic of sustainability of cooperatives in KwaZulu-Natal, while at the same time, providing the study participants with a discursive space where their voices could be heard.

3.4 Study setting

This study is located in the district of eThekwini within the province of KwaZulu-Natal. Data were collected through interviews with members of co-operatives from the following areas within the district of eThekwini: Hamersdale, Molweni, Madundube, Umlazi, Mfume, Illovo, Adams, Maphephethweni, Ezimbokodweni, Inanda, Verulam, Ngcobo, Lamontville, Savvanah and Mngadi. Due to high unemployment rates, several agricultural cooperatives have emerged since 1994 as residents seek to earn a living. These range from piggery, poultry to vegetables.

3.5 Entry into the research field

To collect data in empirical studies, it is traditional that the researcher should negotiate access to study participants. In the majority of cases, a researcher may negotiate access through an 'insider' within the particular community, who serves as a gatekeeper (Harding, 2013). A gatekeeper is a person or organisation privileged with the right to provide access to the people being studied (Creswell & Poth, 2017). The location of the study in the district of eThekwini allowed me to use existing relationships between the office of the member of executive council (MEC) Agriculture, and the cooperatives in the above-mentioned areas where the current study was conducted. Entering the research site was not difficult due to the existing rapport between the office of the MEC, which I head and the various agricultural cooperatives in KwaZulu-Natal province. As such, access to information rich participants was easy.

As gatekeepers, the leadership of the KZN Agricultural Cooperatives Association (KACA) facilitated access to the cooperative farmers in the selected districts. I found it quite beneficial for me to be introduced to the community and to participants by the leadership of KACA because they have established and maintained a good rapport with cooperative farmers since they work together. An introduction by a respected member of the community or organisation increases opportunities for the researcher's capacity to effectively work in a community and thus it has the potential to improve the quality of the data obtained (Harding, 2013).

3.6 Selection of participants and materials

This section describes how participants who participated in qualitative interviews were selected. Secondly, because the study uses data triangulation comprising in-depth interviews and document analysis, it also describes how relevant documents were identified for analysis.

3.6.1 Selection of participants

In qualitative research, use of the word sampling is problematic mainly because it carries quantitative connotations, and suggests that participants selected are representative of the broader population (Polkinghorne, 2005). As such, this study uses selection of participants as an equivalence of sampling. The purpose of selecting participants in qualitative research is to broaden our understanding of a larger relationship or social scene (Neuman, 2014). As such, participants were purposively selected to suit the demands of the current study. According to Carter and Little (2007), qualitative research samples purposively. Purposive sampling is a type of non-probability sampling, often used when the researcher needs to explore a particular aspect of life with subject experts (Etikan et al., 2016). Participants that are purposively sampled are regarded as key informants. They are knowledgeable, observant, and reflective members of the community of interest who know much about the culture in question and are both willing and able to share their knowledge with the researcher (Robinson, 2014). It is common that qualitative researchers select a few participants to provide awareness and in-depth understanding of particular issues or relationships of interest in the social world (Neuman, 2014). Therefore, participants in the current study were purposefully selected agricultural cooperative members with the following characteristics: (1) they had to be black and, (2) they had to be stakeholders in their respective cooperatives.

3.6.2 Selection of materials

The study will also use documentary analysis to complement the data produced through in-depth interviews. As a form of data collection, documentary analysis entails a detailed examination of documents such as written text or visual images (Wharton, 2008). It is an approach that be adopted to scrutinize public records such as policy papers, newspapers, letters or even diaries (Harding, 2013). In this proposed study, policy papers from relevant government ministries will be analysed. Search terms including agricultural cooperatives, sustainable agriculture, and failure of cooperative in South Africa were used on such search engines as Google scholar. The researcher will also access Department of Agriculture and other relevant government departments such as Department of Trade and Industry (DTI) archives for relevant policy documents on the subject. Discourse analysis is used to make sense of the findings.

3.7 Data collection

In this section, focus is on the data collection method, data collection instruments, and data collection procedures. The study uses a multi-method approach through data triangulation using in-depth interviews and document analysis.

3.7.1 Data collection methods

The current study used a multi-method approach. The study triangulated interview data with data from document analysis. However, the primary method of data collection was using in-depth interviews. In qualitative research, the use of interviews has long been viewed as the 'gold standard' (Barbour, 2008:113). The benefit of using in-depth interviews is that the method enables the researcher to actively engage with the participants during the interview session and to ask probing questions and this helps the researcher to obtain clarity and deeper understanding (Harding, 2013). In-depth interviews, "are thus primarily used when seeking to capture people's individual voices and stories" (Hennink, Hutter & Bailey, 2011:110). This study seeks to understand the experiences of Durban based agricultural cooperatives. Therefore, use of in-depth interviews helped to produce rich and thick data that adequately answers the study's key research questions.

3.7.1.1 In-depth interviews

In-depth interviews were guided by an interview schedule with open-ended questions that were developed from the relevant literature. Open-ended questions were used because they allow the researcher to source data in detail by remaining conversational and situational (Ulin et al., 2005). Furthermore, open-ended questions are advantageous in that the answers "can provide richer, more sensitive insights into the views and activities of respondents [participants]" (Deacon, Pickering, Golding and Murdoch, 1999:79). This is important in order to contrast themes, experiences and perceptions from different participants. Open-ended questions also allow a two-way communication between the researcher and the participants, which also allows for the exploration of aspects relevant to the study in a focused manner. A digital audio recorder was use to capture the data during in-depth interviews. Permission to record voices was sought routinely from each participant prior to the beginning of the interview. Audio recording allowed the researcher to transcribe the interviews at a later stage.

The interview sessions were held at venues that were identified by participants within the district of eThekwini. Research interviews were conducted in IsiZulu and English, and they lasted between 50 and 60 minutes. Prior to each interview, the nature and aims of the study were explained to each participant who would then be asked to volunteer participation. Obtaining informed consent is not only an ethical requirement but it also helps to ensure that those who participate are free to volunteer their knowledge, which enriches the data and ensures trustworthiness of the findings (Shenton, 2004). Those who volunteered to participate were requested to fill in an informed consent form.

3.7.1.2 Document analysis

The study also used document analysis to compliment the data produced through in-depth interviews. As a method of data collection, document analysis entails a detailed examination of documents such as written text or visual images (Wharton, 2008). It is an approach that can be adopted to scrutinise public records such as policy papers, newspapers, letters or even diaries (Harding, 2013). In this study, policy papers from relevant government ministries were analysed. Search terms including agricultural cooperatives, sustainable agriculture, and failure of cooperatives in South Africa were used on such search engines as Google scholar. The researcher also accessed Department of Agriculture (DoA), and other relevant government departments such as the Department of Trade and Industry (DTI) archives for relevant policy documents on the subject. Document analysis is used to make sense of the findings.

3.7.2 Data collection instruments

This section identifies and describes the data collection instruments that were used in the current study. Three instruments were used and these are; the researcher as key instrument, an interview guide and an analysis sheet. These are described in detail below.

3.*7.2.1 Researcher as key instrument*

In qualitative research, the researcher is the key instrument for the data collection process (Kvale, 1996). The researcher plays an important role in that he/she is the one who generates the questions on the interview guide. Importantly, unlike in quantitative research, the interview guide needs to be endlessly interpreted as the researcher keeps probing the participants on the issues of interest raised during the interview process. As such, the researcher had to had to rehearse my questioning skills prior to the actual interviews so that the process of interviewing could yield the relevant data to answer the key research questions. I also had to acquaint myself

with skills to minimise researcher bias throughout the research process starting from the selection of participants to the framing of questions. This was important particularly in pursuit of rigour.

3.7.2.2 Interview guide

The researcher used an interview guide as an instrument for data collection. Harding (2013:36) asserts that, "despite the flexibility that is the hallmark of qualitative data collection, there is still a need to prepare an interview guide, even for unstructured interviews." The interview guide was designed after the researcher conducted a thorough literature review to identify knowledge gaps on the topic in question. The interview questions were largely informed by the gaps that were identified as existing in the literature in relation to South Africa and more specifically KwaZulu-Natal. In addition to that, the study objectives also informed the questions included on the interview guide. Some of the questions included were relating to the reasons why most cooperatives are failing as well as strategies that are adopted to ensure the sustainability of cooperatives.

The interview guide is an important instrument for qualitative data collection. King and Horrocks (2010) propose that the interview guide may include either full questions or alternatively, words or phrases, which save as memory aids or reminders of topics to be covered during interview sessions. In this study, the researcher used full questions because they present an advantage in that the researcher could think in advance in terms of the wording in order to avoid posing confusing or leading questions.

3.8 Data analysis

Data analysis is the process of systematically scrutinising and arranging the field notes and interview scripts in order to present findings to others (Bodgan & Bilken, 1992). To analyse the data in the current study, a method consistent with qualitative research was necessary. Analysis of the data generated through in-depth interviews was conducted using Thematic Analysis (TA), "a method for identifying, analysing, and reporting patterns within data and minimally organises and describes data set in detail" (Braun & Clarke, 2006:6). The data were analysed using manual Thematic Analysis, implying that no computer programme was used to conduct the analysis. Data were inductively coded and no attempt was made to fit them into any pre-determined coding frames (Braun & Clarke, 2006).

Since the in-depth interviews were conducted in the *isiZulu* language, the voice data were translated into English and transcribed simultaneously. Transcripts generated were read through, with the aim of identifying initial codes from the vast data, particularly identifying prominent features of the data that appeared interesting to the analyst (Braun & Clarke, 2006). The main aim was to utilise the initial descriptive, thematic and analytic codes to generate themes and sub-themes that could form the basis of data analysis. The emergent major themes and sub-themes were refined, and these therefore formed the basis for the analysis that made the argument in relation to the research questions, and the theoretical underpinnings of the current study. The researcher conducted Thematic Analysis at the latent level, meaning that the interest was in exploring "underlying ideas, assumptions and conceptualisations – and ideologies – that are theorised as shaping or informing the semantic content of the data" (Braun & Clarke, 2006:84).

Braun and Clarke's (2006) six-step process for thematic analysis was used. The recordings were initially translated into English and transcribed, since the interviews as were conducted in isiZulu. The transcripts were printed out and read iteratively to establish patterns and meanings emanating from the data. In the second phase, the researcher produced codes that identified some specific features of the data. Data analysis was theory-driven; hence the codes generated were in relation to the key constructs of the theoretical framework that informed the study (Sustainable Livelihoods Approach – SLA). Despite the analysis being theory driven, the researcher left a provision for some codes that could add deeper insight into the analysis to emerge from the data.

The third phase of the analysis process involved sorting the codes into potential themes. The researcher constructed a mind-map to visually represent the themes that emerged from the analysis. In the fourth phase, potential themes were reviewed and further refined through a process of merging and dismantling. Phase five involved further refinement of themes that would form the basis for the final report. Depending on the researcher's judgement, sub-themes were created for each major theme to ensure that all relevant aspects of the data were adequately captured. Presenting both themes and sub-themes makes it easy for the reader to identify the salient themes and sub-themes. The sixth and final step in the analysis process was the writing up of the analysis report. This was done in a way that would ensure that findings relate to both the research questions and the main constructs of the theoretical framework (SLA) that informed the current study.

Below is a diagrammatic representation of the thematic analysis process that was followed.

Table 3.2 Thematic Analysis steps followed

Phase	Description of the process
1. Familiarising yourself with the data	Data is transcribed, and perused, noting down initial ideas.
2. Generation of initial codes	Interesting features of the data are coded in a systematic fashion across the entire data set, collating relevant data to each code.
3. Searching for themes	Codes generated in Step 2 were collated into potential themes
4. Reviewing the themes	Themes are checked if they work in relation to the coded extracts and the entire data set, and a thematic 'map' of the analysis then emerged.
5. Defining and naming themes	There is an on-going analysis to refine the specifics of each theme, and the overall story the analysis tells, and clear definitions and names for each theme and its sub-themes were generated.
6. Producing the report	Vivid and compelling extracts from the transcripts were selected and analysed, with a focus on the research questions for the study, and in light of the theoretical framework for the study.

Source: Adapted from Braun and Clarke, (2006:87)

3.9 Trustworthiness of the study

In quantitative research, rigour is enhanced through canons such as validity and reliability. However, qualitative research designs use a different framework altogether. In qualitative studies, rigour is ensured through trustworthiness. Trustworthiness comprises four criteria namely; credibility, transferability, dependability and confirmability (Shenton, 2004).

Credibility is a criterion that addresses issues of accuracy in the study findings (Shenton, 2004). In the current study, credibility for this study was ensured through purposeful selection of study participants, thorough research on available literature to identify the gaps within the literature,

and careful alignment of study questions to the research topic and specific study objectives. Several other strategies were used to enhance credibility. The researcher reiterated to the participants that they had the freedom to refuse participation hence that strategy promoted the development of trust between the researcher and the participants. A good rapport between researcher and participants tends to increase opportunity for the collection of data that is reflective of participants' realities. Furthermore, the researcher used member checks, peer reviews and audit trails.

Contrary to qualitative research, qualitative research uses sample sizes that are small and specific to a particular context or population. As such, transferability is a challenge as the findings and conclusions cannot be generalised (Shenton 2004). However, the researcher has provided adequate contextual information regarding the individuals who participated in the study as well as their respective cooperative societies, the characteristics of the participants, and the data collection methods.

With regards to dependability, it is expected that if a study were to be repeated, the same findings can be attained and similar conclusions can be drawn (Shenton, 2004). However, because the study population or environment is not static, therefore the qualitative researcher cannot guarantee the same findings. Therefore, to ensure dependability, the researcher provided a clear research design, and a logical description of how the researcher implemented the research design.

Confirmability in a qualitative research relates to the elimination of the researcher's biases and objectivity (Neuman, 2014). To mitigate researcher bias, the researcher provided the supervisor with an "audit trail" which enabled the supervisor to trace the decisions and steps that the researcher took according to the research design. Thereafter, the researcher used the data-oriented approach of the "audit trail" to display how the researcher concluded with a set of recommendations.

3.10 Ethical considerations

According to Babbie and Mouton (2001, p.520), when undertaking social scientific research, it is necessary to be aware of the general agreements among researchers about what is proper and improper in the conduct of scientific enquiry. Therefore, permission to conduct this study

was sought from the University of Witwatersrand's Research Ethics Committee. The ethical considerations include voluntary participation and ensuring no harm to the participant as a result of their participation (Neuman, 2014). This is so because as Bulmer (2008, p.152) observed, information, in today's modern industrial society bound by social ties, has become a commodity, as such "keeping control of information about oneself and deciding what to release and to whom is often key means by which one's privacy is protected and control is maintained over what others can learn about you." In assuring the participants in the study of ethical considerations to be adhered to by the study, they were requested to sign the informed consent form together with the researcher. The ethical issues in the informed consent form were discussed verbally with the participants for purposes of clarity. Participants were informed that they could stop the interview at any time if they wished, without any negative consequences (Creswell, 2005). The researcher also explained and requested the use of the digital voice recorder for the purposes of data collection and participants were assured of privacy in handling and storing of the data in that only the researcher will have access to the raw data.

3.11 Limitations of the study

One of the prominent challenges of social research is that of data accessibility. Identifying information rich sources is one of the most daunting of tasks especially in qualitative research where data may contain falsehoods or not be detailed enough. To ensure honesty in participants when contributing data, several tactics were used. For example, each individual who is approached shall be afforded an opportunity to refuse to participate in the study so as to ensure that the data collection sessions involve only those who are sincerely willing to participate and prepared to volunteer data. Secondly, the selection of participants will not be left to chance, e.g. by using purposive sampling. Thirdly, use of triangulation helped to ensure that that data quality was not compromised. Triangulation entails the use of different methods in data collection in order to ensure study rigour (Neuman, 2014). The use of different methods in concert tends to compensate for their individual limitations and exploits their respective benefits (Brewer & Hunter, 1989; Neuman, 2014). The study proposes to use interviews and document analysis.

Another of the apparent limitations of this study its scope. The study only covered blacks limiting it to colour as opposed to the broad definition of the term as put forth by the 1993 BEE Act which states black as inclusive of Indians and coloureds (all non-whites). This would be

an important area of further enquiry, but the researcher was not be able to take this on here, in order to try to keep a focus on the topic. Furthermore, this is a small sample with no pretence to objective representativeness. To get a holistic and much richer sense of the effectiveness of cooperatives in Durban, experiences of all stakeholders in the region regardless of their race (Africans, Indians, Whites or Coloureds) would be critical. For each demographic group has both a stake and perspective, and taking on board the unique experiences of each as dynamic and diverse as they are within each group would further raise the understanding and deepen the knowledge, experiences and perspectives on the failure of cooperatives.

CHAPTER FOUR: DATA PRESENTATION

4.1 Introduction

The current chapter focussed on the presentation, analysis and discussion of the data that emanated from the fieldwork. The study adopted a qualitative research design. Hence, the data is presented using thematic analysis. In view of this, the qualitative data were presented and analysed in themes that emerged from the raw data. The data is presented in line with the objectives of the study. Extracts from the data are presented and referred to as "Participant". The presentation of the data was thus guided by the research objective strategically divided into three main themes namely, Black Economic Empowerment (BEE), contributing factors to the failure of cooperatives as well as factors hindering cooperative sustainability. These themes were further divided into sub-themes that emerged from the data.

Table 4.1 Participants' demographic data

Name	Gender	Enterprise	Composition	Location
Participant 1	Female	Vegatable	5 members	Mfume
Participant 2	Female	Vegetable	6 members	Ngcobo
Participant 3	Female	Vegetable	7 members	Ezimbokodweni
Participant 4	Female	Vegetable	5 members	Mfume
Participant 5	Male	Vegetable	5 members	Umlazi
Participant 6	Female	Vegetable	5 members	Verulam
Participant 7	Female	Poultry	5 members	Inanda
Participant 8	Female	Vegetable	20 members	Molweni
Participant 9	Female	Vegetable	5 members	Hamersdale
Participant 10	Male	Vegetable	5 members	Hamersdale
Participant 11	Male	Vegetable	18 members	Umlazi
Participant 12	Male	Piggery	1 member	Madundube
Participant 13	Female	Vegetable	20 members	Inanda
Participant 14	Female	Vegetable	6 members	Umlazi
Participant 15	Female	Vegetable	15 members	Hamersdale
Participant 16	Female	Vegetables	10 members	Mfume

Table 4.2 Themes emerging from the data

Main Theme	Sub-Themes
Black Economic Empowerment	The positive perception of BEE Cooperative initiatives The negative perception of BEE cooperative initiatives Suggested improvement to BEE Agricultural cooperative initiatives
Contributing factors to the failure of co-operative	Water scarcity and incomplete fencing Inability at expansion Irregularity and unavailability of the market for agricultural produce Intangible factors
Factors hindering co-operative sustainability	Sleeping partners Lack of funding No youth engagement (no future and continuity) Lack of equipment Misappropriation of assets and funds Lack of savings Cooperation Lack of training Market

4.2 THEME 1: BLACK ECONOMIC EMPOWERMENT (BBE)

The current study on the sustainability of cooperatives in KwaZulu-Natal, sought as a research objective to find out how the Black Economic Empowerment embarked upon by the post-apartheid South African government meant to enable the participation of black people in the economy and transformation of the economy, contributes towards sustainability of black-owned co-operatives. This section of the chapter presents the views and experiences of the members of the cooperatives on the role the BEE initiatives does, doesn't or should do to contribute towards the sustainability of black-owned agricultural cooperatives. This section highlighted the a) the positive perception of BEE cooperative initiatives, b) the negative

perceptions of the BEE cooperative initiatives, and c) the suggested improvements to the BEE co-operative initiatives.

4.2.1 The positive perception of BEE Cooperative initiatives

The majority of the members of different black-owned cooperatives who participated in the study generally acknowledged and appreciated the BEE initiatives as being helpful and beneficial to their cooperatives. There are a variety of initiatives acknowledged by the participants that the cooperatives have benefited from. These range from assistance in the form of inputs, structures, fencing, chicken feed, agricultural advisers. The following selected quotes from the study participants affirm the important role played by BEE initiatives

> *We have gained from the tenders because even in terms of fencing it was a tender but it was done by a white person*. (Participant 6)
>
> *One brother of mine who is raising pigs was provided with machinery for producing pig feed and the and erecting the structure by the government…when we got the chicken feed from the government, that tender was given to one guy I know to supply us with chicken feed…yah we did benefit from that tender and the guy also benefited. The Agriculture Department came in and supported us with chicken feed and some of the chicks.* (Participant 2)
>
> *When we got the chicken feed from the government, that tender was given to one guy I know to supply us with chicken food. Yah we did benefit from that tender and he also benefited from that tender.* (Participant 1)
>
> *Yes, we can definitely say that and that the government has also provided us with the agricultural advisers who are very helpful in the project.* (Participant 16)

From the extracts above, this goes to show that a significant number of agricultural cooperatives within the study area which are largely owned by black Africans had in one form or the other enjoyed the dividend of the BBE initiative to varying degrees. However, as will be shown in the pool of comments and perceptions from other participants from the study, the positivity of the initiative cannot be generalised.

4.2.2 The negative perception of BEE cooperative initiatives

The study also found that while there is a general positive appreciation and acknowledgement of the role played by the BEE cooperative initiatives, there are some participants who hold views to the contrary. Those negative views are based on the observation that those who are selected or given opportunities such as tenders based on BEE to service the cooperatives, they

offer or produce sub-standard services that cost the cooperatives in the long run. The following quote makes that argument:

> *The government would provide a tender to a black person but you will find that they do not do justice. As you can see, our fencing, the guy did not do a good job; he took the money for nothing. For example, this fencing is very weak, people jump the fence and take as they please. I remember one time we made a loss because they (thieves) broke inside and took our products.* (Participant 3)

The other negative perception on the BEE cooperative initiatives is based on the argument that much as it may give black-owned cooperatives legs on which to start, that's where it ends. BEE initiatives do not include one of the most important crucial drivers of success in business, the market. The participants argued that the market is controlled by big business which is white-owned. Black-owned cooperatives are set for failure as they cannot fairly compete in a market that is white controlled. Below are some of quotes that speak to that argument:

> *The other issue is that we do not have the market where we can sell our products.* (Participant 6)

> *Let me put it this way. They can assist you in any manner. They can give you a farm that you have not paid anything for. But that farm, the ultimate goal is the need to produce pork and that pork needs to be bought by somebody. But by the time that thing happens the government is no longer there. I do not care how much they give you to go start up your farm, but you will survive under the same regulations and rules that are being placed by white monopoly capital.* (Participant 12)

Majority of the participants made the argument that, far from being black broad-based, it is white broad-based as the market is white dominated and controlled, simultaneously. They argued that the market is in the hands of the private sector controlled by a white monopoly that makes equal participation by blacks not possible as the government through BEE is not there. Participants further bemoaned that the whole BEE initiative does not set black-owned cooperatives or farmers to grow or participate in agriculture at the commercial level as the market is not open to them. Hereunder is the quote, one participant made to underpin the argument:

> *Coming to the concept of BEE, to us farmers that concept does nothing for us because, let me put it to you like this, the whole agricultural economy in South Africa is White. It is privately owned by the whites. For us to be on the commercial level in farming, it's difficult because we don't have initiatives which are government driven. Me and you we will actually… it should be the other way round. If it is BEE, black broad-based, it should*

actually be white broad-based, because for me if I need to participate I need to be white than being black. I don't know if you understand what I am saying. You would have a fair chance if you are white rather than if you are black. (Participant 9)

In most interviews, participants raised concern that the issue/ factor that is not addressed by the BEE cooperative initiatives is the question of collateral on land. The lack of collateral on land works against the ability by black-owned cooperatives to get loans or financing from banks and other institutions. The land is in the hands of whites who are, unlike blacks, barred by that roadblock if they want to access funding to help grow their business to commercial levels. Whites own land and farms that go many generations, are already established and get funding without having to worry about collateral, unlike blacks who would have to pay for the land they don't have. Whites have land they got without any payment. Farming is, therefore, an industry by whites and for whites. Most of the participants argued that farming is designed for white participation at least at the commercial level. Here is a long quote from one of the participants that elaborate on that argument:

It a very strict industry intended to benefit its own people. To give you a background, you and I will never participate in this fairly, the way the whites would. When we go to the banks to seek funding to do the same business, we need collateral security. A person like you and me from any university or any college, you have got nothing. Now you want to finance land which comes at a very, very expensive price that you cannot afford, plus the operation that you need to do there like... Those numbers, automatically you walk to somebody who knows numbers and figures. You want to finance land that repays a fortune and finance a project. Those numbers will never tie up in a sense of return investment because most of the money will go... Unlike the whites, they do not have to buy land because they own land. They will use the land that was... Most of the big guys in the piggery industry you will find out that they are third or fourth generation on the same farm. So the land was always there; they never paid anything for that. So they can always go to the bank and show collateral and assets they will be financed before you and I even finish our business plan. (Participant 12)

4.2.3 Suggested improvement to BEE Agricultural cooperative initiatives

The one specific suggestion made by some of the participants for improvement to the BEE Agricultural Cooperative initiatives to help in the growth and sustainability of black-owned agricultural cooperatives is the opening up of the market. The current BEE Agricultural Cooperative initiatives do not compel privately owned supermarkets, businesses and government-owned departments/entities to be BEE compliant in terms of purchasing of products for sale or use. There is, therefore, a need for reforms to the BEE Agricultural

Cooperative initiatives among which should be a deliberate stipulation that compels the opening up of the market to black-owned agricultural cooperatives for meaningful growth, participation and sustainability. Herewith, is the argument as put forth by one participant for fundamental reform in the market:

> *The concept of BEE has no room, it needs fundamental reform. If you want to implement BEE within agriculture, you as a government have to say that "I buy produce from the company that are BEE registered but currently, the government does not buy any produce. Unless the government changes and says tomorrow all our hospitals that are governed by the state are gonna be supplied by companies that are BEE registered. Then automatically that will be to Whites, to say in order for you to comply you need to partner with blacks. At the currently given platforms, you better if you white, because then you can go to Pick and Pay, and Spar to supply your produce. It a white thing, the whole concept of agriculture.* (Participant 1)

4.3 THEME 2: CONTRIBUTING FACTORS TO THE FAILURE OF COOPERATIVES

The data showed that most of the agricultural cooperatives within the study area particularly those specialising in poultry production have been renowned to benefit their members, especially in cases of imperfect market situations. However, the data collected from the various cooperatives reflected a number of problems that contribute to the failure of the cooperatives.

4.3.1 Water scarcity and incomplete fencing

One of the most prominent challenges faced by the community is water scarcity and lack of reliable water supplies which results in difficulties in terms of growing the plants. The sources of water for most of the cooperatives were rivers, dams, tanks and boreholes. This is aptly captured by Participant 4 stated that:

> *The other problem is water scarcity, we work with limited water every day and we end up using droplets of water which is not enough. The water issue is a big problem because it gets difficult to plant when the river is far from where we grow plants.* (Participant 4)

Participants pointed out that although water is a challenge, they have tried to come up with ways to improvise. Some of the solutions include saving water in a tank whenever it rains or use two (2) litres and fill them with water that they put upside down to infiltrate the soil for

plant growth as well as keeping the soil moist. Solutions, as implemented by farmers within the study area to keep the soil moist, have their own shortcomings.

> *The water issue is a big problem because it gets difficult to plant when the river is far from where we yield plants. We use two litres and fill them with water, then we put them upside down so they can infiltrate the soil so the plants can grow and be moist.*
> (Participant 10)

> *The only way we can get water is by Jojo tanks which store water when it rains, we need more of those tanks to help us yield more plants. Yes, boreholes can be implemented since we can also extract water from it to use on the plants. We can do with the help of implementing boreholes to minimize the water scarcity problem.*
> (Participant 7)

Most of the participants advocated for assistance from the Department of Agriculture with an irrigation machine to assist withdrawing water from the river. The literature showed that external assistance from the government or other departments tends to help in improving the livelihood of agricultural cooperatives (Hong, 2015). The following excerpts illustrate this point:

> *The municipality used to come with the irrigation machine that draws what from the river. But now we are not under their jurisdiction, they cannot provide water for us anymore.* (Participant 5)

> *Luckily, the municipality has given us pipes. Yes, we use pipes, we were given three 50 metre pipes. But now the pipes are getting old since they cross the road. They are damaged by cars.* (Participant 16)

> *We also have issues with the pump that drains water. The pipe draws the water from the mountain, but the problem is that the pipe is old and can no longer draw water properly. We need new pipes .* (Participant 5)

Even in instances where the municipality has provided free water, there are still restrictions in that the cooperative is given a limit on the amount of free water that they receive. In some cases, they had to go for months without the free water which resulted in damage to the produce as stated below;

> *We don't have enough water because there is a limit for free water. Sometimes they cut the water. In October and November, we had no water, all our produce where damaged. If we can have our own water maybe a borehole to generate water for us because we know some wet places here where boreholes can be sunk.*
> (Participants 15)

In addition to unreliable water supply, incomplete fencing was pointed out as another challenge. A number of cooperative member participants shared the same struggles with regards to fencing be it absence thereof or poor resistance of the fence which further leads to easy access to crops by different livestock. The excerpts below emphasis as stated,

> *Fencing is one of the issues that we are currently facing in our cooperative, and livestock graze and destroy what is planted.* (Participant 4)

> *The second issue is to do with fencing, they come and steal our fence, I think it will be better if I can have a concrete fencing.* (Participant 6)

> *The other issue is the fencing, I feel like it needs to be fixed since the pigs get in and damage our plant.* (Participant 16)

An analysis of the above problems shows that there has been a gap in external assistance which the cooperatives had been accustomed to. Twalo (2012) explains that while external assistance is necessary in some cases, it can also create a 'dependency syndrome' which can then affect the success and sustainability of the cooperative. In such cases as the one mentioned above, Participant 6, 15, 5, 16 and 4 have depended on the municipality or Department of Agriculture for assistance which has created a dependency syndrome in how they continue to ask for help. In instances where they have come with their own solutions, these are short-term solutions which have a ripple effect in the form of more problems. However, the data showed that most of the cooperatives tried the best that they could to mitigate the problems while waiting for external assistance. Participants explained how they have tried to come up with solutions to temporarily deal with the water and fencing issues. It was explained as follows:

> *We have tried to erect some fence on our own, to try and keep the livestock away from the vegetables we have planted. We also have tunnels that we made with our own hands with plastic, we also have a Jojo tank that we bought and a pump to draw water, the problem is that we can't irrigate because the water is too far. If the water was nearby, we could just take the pump and draw it ourselves with no hassles and fill the Jojo tank.* (Participant 4)

4.3.2 Expansion

The need for expansion of business and the unfortunate lack of capacity for expansion was identified as a fundamental contributing factor to the failure of black-owned agricultural

cooperatives within the study area. Some cooperatives complained about their need to expand poultry in order to generate more profit, however, their concerns seem to have fallen on deaf ears. One of the participants explained that:

> *One of the issues we have is that we have only one house and it is very small for keeping a larger amount of chickens and it takes time, about 8 weeks to raise chickens and we not making money with that. It's like we are lazy, we do have customers, it just that we are not making an expected amount of money since we do not have adequate space to expand our business.* (Participant 7)

The participants indicated that they were previously assisted by Social Welfare but they lacked a couple of items such as a chicken coop, chicken food, heat lamp, bedding, food dish, safe run and waterer, all essential items when breeding chickens. In addition, the existence of these items would help in the expansion of produce from agriculture to poultry as explained below:

> *It was the Social Welfare, if there were to provide another house, we would also like to get the trays, chicken food and other important things that are needed in raising chickens.* (Participant 11)

The participants did not express any effort on their part as a cooperative to generate money to buy the required poultry equipment. The limited space has resulted in less production output. However, the other cooperative requested chickens as a means of expansion since they were already planting crops on the fields. The following explanation was provided:

> *The other thing is that we requested for chickens I am not sure if agriculture considers such matters. But we went to Laurence with the matter but she dismissed the offer and said it was not going to be possible since we are surrounded by other residential houses which might be affected by the chicken project.* (Participant 6)

The above shows that in as much as the members of cooperatives are trying their best to expand to poultry as a means of generating profit , their concerns are not taken seriously by the mentors and municipality officials While the above problems exist, they are worsened by the slow or lack of markets to sell the harvested produce. This is discussed below.

4.3.3 Irregularity and unavailability of the market for agricultural produce

Although there can be crops and livestock to be sold, the presence of produce is irrelevant without markets to sell to. Agricultural cooperatives assist small-scale farmers to cope with competitive and unstable markets and high transaction costs as well as helping to achieve

economies of scale (Philip, 2003). The data showed that most agricultural cooperatives within the study area were faced with the challenge of securing a stable market for their farm produce. The data indicated that most of the agricultural cooperatives are faced with the challenge of unavailability of markets to sell the produce as well as the unavailability of vans to transport the goods to the market. In one of the interviews, the participant explained that,

> *We started this project 3 years ago and the issues we have come across is that the produce (Market) is above the limit. We planted cabbages because that's the only produce in the project for now. We are currently waiting for the tractor to turn the soil and plant potatoes and mix all other vegetables since we have another field that is empty where we can make more produce.* (Participant 5)

Another cooperative member participant reiterated that;

> *They give us a lot of crops but we have market challenges and the food ends up being stolen. The Department promised us some market and they do not update us. We cultivate more, we hire more people as the department promises us some market opportunities. At the end of the day we end up paying staff on our own, and we do not have a market. If the Department can help us with markets for our produce, things will improve.* (Participant 11)

> *The other issue is with the markets, we do not know where exactly we can sell our products, and we would like to find a market that will take our product from here since we do not have a car to take the products to the market. We used to have Mam Gumede who use to take our vegetables to the markets but she has since passed away.* (Participant 16)

This has led to some of the cooperatives creating their own markets. This is done by slaughtering their own pigs to avoid transport cost of driving to the abattoir. This then allows the cooperative to sell their meat at a low price, attract more customers and in that process, they create their own market where they regularly deliver the meat. For example,

> *We have started to establish our own nature markets. We got people to buy meat. What we do we sell meat to the abattoir or to a secondary cooperative and take some and supply to our own markets that make rage package better.* (Participant 12)

Further, participants indicated that they were confronted by challenges such lack of transport to transport produce to the market. The following was shared:

> *One last problem that we have is lack of transport, we don't have a van to transport the produce. If a van was provided, it would really help us to transport the produce to the market quickly but without one, our produce ends up rotting.* (Participant 5)

> *If they are assisted with a truck or van there will be competition within the cooperative on who is going to drive the vehicle and where it is going to park. You find that a person*

is allowed to take the cooperative vehicle home with him, they tend to take advantage and go anywhere else other than the field. (Participant 4)

The availability of a tractor was one of the concerns that were raised by the different cooperatives. Some of the participants expressed that:

We planted cabbages because that's the only produce in the project for now. We are currently waiting for the tractor to turn the soil and plant potatoes and mix all other vegetables since we have another field that is empty where we can make more produce. (Participant 8)

The tractor is important for us. If it rain, the weed grow faster. So we need a tractor for cultivation. And sometimes it's hot so we not able to continue with cultivation because of weather condition. But tractor will really help in such conditions. (Participant 11)

From the above analysis, it can be seen through the data collected that cooperatives in KwaZulu-Natal are currently struggling to stay afloat. KZN is the province in South Africa with most agricultural cooperatives increasingly facing sustainability challenges. There is a lack of knowledge/interest in the cooperatives at local levels which results in the limited action to solve problems. Most challenges are experienced at the local levels, as there is a lack of knowledge about the co-operative concept by the officials themselves. Although government enterprise development agencies have provided some support to co-operatives (through providing pipes, irrigation machines etc.), the challenge is that this support has been "negligible, unfocused, uncoordinated and lacks systematic and sustained targeting on co-operatives" (Department of Trade and Industry, 2012:17). In other words, the assistance is once off without regards to the fact that future success will be required by the cooperatives since they are already struggling to stay afloat. Participant 6 explained:

We even went to the councillor to ask for a mobile water tank but nothing seems to be successful because the last he did was to take our names to query the matter with the municipality and it ended there. (Participant 6)

But we went to Otilia (a member of the municipality- not real name) with the matter but she dismissed the offer and the said it was not going to be possible since we live close to a residential area. (Participant 9)

Highlighting the difficulties of selling their produce, most participants claimed that they have never received help from the municipality with regards to market access. However, some participants mentioned that:

> *Yes, we are very thankful to the government and some of the programmes that they have provided but we still have some few problems here and there. However, the government has also provided us with agricultural advisers who are very helpful in the project.* (Participant 16)

The above shows that some cooperatives have seen government's assistance as helpful while others have never received assistance in certain aspects of their projects. This lack of urgency to resolve problems could be attributed to inadequate staff working towards the growth and development of cooperatives. In total, provinces have just above 60 officials dedicated to providing support for cooperatives, 50% of which are from KZN. At the local government level, less than 100 officials are involved in co-operatives development work, among other focal areas, and more than 50% of which are extension officers (Department of Trade and Industry, 2012). While the entire economy of South Africa has less than 300 officials responsible for developing and supporting cooperatives in comparison to countries such as Kenya and Bangladesh, where there is an entire Ministry, with a specific Minister, responsible for co-operatives with more than 4 000 officials, fully decentralised in various regions (Department of Trade and Industry, 2012).

4.3.4 Intangible factors

The above sub-theme looked at tangible factors (physical equipment that can be touched) which have contributed to the failure of cooperatives based on the data collected. Theme 2 focuses on the intangible factors, factors that do not manifest themselves in ways that one can touch but are necessary to the running of a business such as education, skills, staff members, unity and trust issues. Unity, trust, transparency and respect were some of the main issues that kept being reiterated by members of different cooperatives. They emphasised on these three as necessary to the success or failure thereof of their cooperatives. In the presentation of *A Situational Analysis of Cooperatives in South Africa* by the Department of Trade and Industry in 2012, it was explained that "due to the unique nature of collective interest and participation, co-operatives rely on high levels of trust and unity between members" (Department of Trade and Industry, 2012:55). In this study, a number of cooperatives expressed this point as seen in the excerpts below:

> *I feel like unity is needed for a cooperative to function. . The second thing is respect for each other at the place of work. Everyone has a voice and decision-making power in this cooperative that is why we are still standing.* (Participant 6)

> *I think the other issue is unity, doing the project in unity helps with the pace of the project because sometimes the workload can be too heavy but when everyone is cooperating, it makes it a lot better.* (Participant 16)

> *I believe is that we get along very well and we are united, whatever we do we do it together. The other thing is that we divide tasks among each other, which make the work more effective.* (Participant 7)

In addition, open decision making was highlighted as important to the success of these cooperatives. Twalo (2012) reported that a member is seen to be more loyal to decisions in which s/he has participated actively, rather than decisions which were forced on him/her. Osterberg and Nilsson (2009) observed that members of cooperatives considered democratic control to be more crucial which makes a well-functioning democracy within cooperative governance important. This was highlighted in the data as Participant 6 added,

> *The second thing is respect for each other at the place of work. Everyone has a voice and a decision-making power in this cooperative that's why we are still standing.* (Participant 6)

> *Understanding each other is also important when we are working as a team because we all have our own differences. This will require us to sit down and deliberate on our differences two or three times before we decide.* (Participant 9)

While in other cooperatives, minimal contributions are made in making decisions. Minimal participation in decision making can later lead to conflicts within the cooperatives since some members will feel like their needs are not represented. Yet, a platform via meetings was presented for all members to have a say in all decisions.

> *When we have meetings you only find three people talking, or four and five, but we are twenty members here. Others are just quiet, they will play along. Those are the kind of challenges we have in our cooperative.* (Participant 13)

Further, members of different cooperatives complained about the level of commitment through issues such as limited skills, staff complications and lack of education as contributing to the failure of cooperatives. These were expressed as follows:

> *The other problem that we have is the limited staff which is the youth that help us in the projects, sometimes we can never rely on the youth since they sometimes don't pitch up at work, so we need to employ more staff to come and help us, and obviously, we need to pay them. When we are busy and working, we also need offices to take of the admin work because after all, we are a business/project.* (Participant 11)

> *The staff is willing to work for money not that they are passionate about the job. Sometimes we tend to have limited staff because some members are not committed to*

the work. I think that training needs to be implemented in our cooperative, maybe it will help with creating interest in the job. (Participant 5)

At a National Indaba for Agricultural Cooperatives in South Africa (2012:10), it was reiterated "that training and development have been found to be key constraints to smallholder cooperatives". Even in instances where training takes place, it is limited to a certain group or is not fully implemented. Some participants expressed that:

We were once invited to Pietermaritzburg at SIDARO. Because some project come up from Pretoria a number of about ten people were trained, they receive I do not know how many thousand a month. They were trained for about eight months. We complained at that meeting particularly that such projects are given to Afrikaners who already have the equipment and it goes down to Indians, you are lucky if you are black to benefit from such project. They say that such things do not happen.
(Participant 11)

Cooperatives are unable to strengthen their business operations due to lack of professional and qualified managers. "Membership in cooperatives is mainly instituted by the elderly who have the will to produce but lack the necessary skills and modern methods to produce" (Department of Trade and Industry, 2012:10). Some participants emphasised the issue of education amongst the young and elderly by stating:

Another issue is the education factor. Making people understand how to run a business. As you are working here it is a business. It's not a social thing or a hobby. "While I have nothing to do let me go and work there when it suits me then I have to go back home...", We are trying to change that mindset. But now with us, we are educated and now people feel inferior. And feel that this cooperative belong to us. But it, not ours".
(Participant 13)

In addition, most elderly members have personal responsibilities such as family and grandchildren to take care of such that they tend to put these needs ahead of being present at work on a daily basis. For example, in an interview with a member of Coop 13 which is a secondary cooperative with four primary cooperatives explained that:

Because of the members' different needs, commitment and other people are, as you can see most members are in their 60s. They have to go for a pension. Some of them have got grandchildren to bring up with no father and mothers, now got to take them to crèche to school, if the kid is not at school, he not there at work, and now with the people you working with, you become short staff. (Participant 16)

The above shows that younger people need to be employed in these cooperative since the inability to attract young professionals creates problems in smallholder cooperatives. It has

been shown that only a small proportion of students pursuing professional courses were unwilling to join cooperatives because of the negative image of the sector (Department of Trade and Industry, 2012). CODAS statistics show that 50% of members of cooperatives in KZN are adult female, 40 % are male and 10 % of cooperative members are the youth. According to the Department of Trade and Industry (2013), only 17.1 % of black females and 14.7 % of black males are skilled, nationally. Furthermore, 54.3 % of the blacks have less than matric and youth unemployment is nearly 39%. These statistics from the literature together with the data above show that education and training is a necessary factor which the government needs to consider enforcing.

Mentors have been provided by the municipality as intermediaries to assist with any problems being faced by the cooperatives. The data showed that there is still a lack of proper communication between farmers and the mentors. Competent leadership would ensure an efficient transmission of information from the cooperative organisation to its members: and the inverse is equally true Grashuis (2017). The excerpts below explain:

> *Mentors are also needed in a cooperative to guide the staff on what is wrong and what is good practice in a company, so that capital such as equipment belonging to the cooperative is not abused.* (Participant 4)
> *I will be honest I have never come across that issue before but what the government gave us was a mentor to help us and guide us along the way.* (Participant 5)
> *We even went to the councillor to ask for a mobile water tank but nothing seems to be successful because the last he did was to take our names to query the matter with the municipality and it ended there.* (Participant 6)

It would be imperative that cooperatives rely on information of the above challenges and that mentors take their concerns seriously. This would be important in making sure that cooperatives succeed.

4.4 THEME 3: FACTORS HINDERING COOPERATIVE SUSTAINABILITY

4.4.1 Sleeping partners

The sustainability of agricultural cooperatives is hampered by the situation of sleeping partners and free riding by members who are non-committed to work. This was echoed as a fundamental constraint within the study area as some members of the cooperatives are inactive hereby hindering the growth of the entire group. These views are captured from the extract by the participant as thus:

> *…they are mostly not here in the garden, it's only the three of us who are active in the garden. These are hindering factors for us.* (Participant 14)

> *…she is very irresponsible that one, she has not been available for the meetings and for relevant events.* (Participant 2)

Again, some participant however opined that the rationale for inaction and the non-commitment of members are hinged more on domestic factors. This is aptly captured as thus;

> *We are faced with lack of commitment of some members to themselves and to others. It easy for a person to say I will be absent because I am going somewhere else or my child is sick especially the women. The men like drinking alcohol. We get to argue about coming time and absent time. It lead to the failure of the cooperative.* (Participant 14)

4.4.2 Lack of Funding

Black-owned co-operatives are unable to get funding from banks as they do not property and land that banks look for as collateral security before authorising borrowing. This hinders small black-owned co-operatives from developing their enterprises. Hereunder, the quote explains the difficulties they face in accessing funding:

> *It a very strict industry intended to its own people. To give you a background. Me and you will never participate in this fairly. When we go to the banks to seek funds, to do the same business, but they need collateral security from us. Collateral security in the form of assets. Persons like me and you from any university or any college do not have anything to serve as collateral security; you got nothing. Now you want to finance land which comes at a very expensive price that you cannot afford, plus the operations that you need to do there. Those number, automatically you walk to some people who knows figures. You want to finance land that repay a fortune and finance project. Those numbers will never tie up for a return investment.* (Participant 12)

The above extract spoke to the issue of funding and capital as a fundamental constraint to the sustainability of agricultural cooperatives within the study area. This is not farfetched from the fact that residents within the study area are by and large economically disadvantaged hence, having little or no financial means of sustaining their cooperatives. Buttressing this further, some participants posited that comparatively, the lack of assets by farmers and cooperatives within the study area hindered the growth and sustainability of cooperatives as compared with farmers/cooperatives from more advantageous economic/historical background. This is aptly captured in the extract as thus;

We blacks are unlike the whites who do not have to buy land because they own it. They simply use the land…. they never paid for it. They will go to the bank and show collateral and assets, and they will be financed. You and I will never finish the business plan because we don't have anything to give as collateral security.
(Participant 12)

A lot of cooperatives produce because of the flow of capital. The staff are willing to work for money not that they are passionate about the job. (Participant 5)

Therefore, the lack of assets to secure bank loans as well as inadequate financial capital not only hindered the growth of most agricultural co-operatives but also affects the chance of their sustainability.

4.4.3 No youth engagement (no future and continuity)

Sustainability as had been established in the literature review section, cannot be achieved without the link between the present and future generations. To realise this, it is imperative that there is a synergy between the old, new and future generations. A basic constraint to the sustainability of agricultural cooperatives is the disconnection in participation by the younger youthful population. The data showed that a significant majority of members in the agricultural cooperatives within the study are averagely over 60 years old. This view was expressed by a significant majority of the sampled population.

We are all over 60 years. We are all pensioners, we all got in this cooperative as pensioners. (Participant 1)

The youth do not want to get involved in agricultural activities but they want the products. (Participant 12)

The other problem that we have is the limited staff which is the youth that help us in the projects. Sometimes we can never rely on the youth since they sometimes don't pitch up for work. The problem is, what do we do when we have a larger yield and there is a limited staff, we employ more people and sometimes have problems with paying them. This automatically leads to the slow pace of business .
(Participant 4)

4.4.4 Lack of equipment

The data identified the lack of proper agricultural equipment as a hindering the sustainability of cooperatives within the study area. This observation is hinged on the fact that most cooperatives within the area lacked the infrastructural and technical facilities necessary for expansion and growth within the agricultural sphere they found themselves. In view of this, the

ability of these cooperatives to favourably compete and survive the test of time is considerably hampered upon. The following was captured:

> *We do not have processing facilities. We do not have our own upper toe. Should we have our own upper toe, we can be supplying processing plants and supply our own people. Then we can participate in the full value chain of a product.*
>
> (Participant 12)

Corroborating the above thought pattern, most participants also asserted that one of the biggest challenges to the sustainability of cooperatives within the study area is the non-availability of mechanised agricultural facilities as well as resources for facilitating production and operations. This though is captured as thus;

> *The biggest problem is the lack of such equipment as tractors. We do not own even one at the moment, yet we need it. The second problem is water. We need to sink boreholes to get water in this place. We can never solely rely on rainwater.*
>
> (Participant 8)

> *The issue we have is that we are old and this manual labour is becoming difficult for our bodies as you can see…Therefore, we need tools for ploughing… even our hoes and shovels are no longer functioning properly.* (Participant 1)

4.4.5 Misappropriation of assets and funds

The data also showed that the misappropriation of funds and facilities meant for agricultural purposes posed an enormous challenge to the sustainability of cooperatives within the study area. In several cases, members saddled with the responsibility of managing funds and other cooperative facilities end up using such for personal use. One participant captured the situation as thus;

> *If they are assisted by a truck or van, there will be competition within the cooperative on who is going to drive the vehicle and where it is going to be parked. You find that once a person is allowed to take the cooperative vehicle home with him, they tend to take advantage and go anywhere else other than the field with his/her family.*
>
> (Participant 4)

4.4.6 Lack of savings

The inability of imbibing a saving culture poses a serious challenge to cooperative sustainability within the study area. The data showed that a significant majority of the agricultural cooperatives within the study area performed rather poorly in relation to the saving of surplus profit for future use. This is captured in the comments from some participants as thus;

Other cooperative do not save money to buy plants and seeds. (Participant 1)

They're used to using all the money. Then they come with the seed, and we do not have a fertilizer, there is nothing. That is the failure I was talking about.
(Participant 1)

The main thing that causes such failure is that when people see money, they overspend it, forgetting to save some for stock: for example, if we sell the products worth of R30 000, we do not spend the whole amount on ourselves but we stick to the payment that we agreed upon . (Participant 2)

From these assertions, the data points to the fact that the culture of saving seems to be foreign to most within the study area. Some participants asserted that the rationale for this may be cultural and situational in connotations as members find it difficult to save while there are other pressing immediate issues to resolve. This is captured as thus;

And sometimes as a bit of a failure, when someone doesn't have, I do not know if it is a culture that we have to use all our money? I don't know… Or maybe it is not a culture, maybe it a situation you are in. When you say no, how can I keep my cooperative money when I am suffering at home? Problems are still there and then I have twenty thousand in my bank account, it's not working, let us share.
(Participant 13)

4.6.7 Cooperation

The International Cooperative Alliance (ICA) identified cooperation among members of a cooperative as part of the fundamental principles of a cooperative (https://www.ica.coop). The sustainability of cooperative is therefore argued to be significantly influenced by the level of cooperation and trust exhibited by members within such organisation. The essence of trust was captured in the following quote:

Trust is needed in a cooperative; without trust the cooperative will fail and might even close down, many people will lose their jobs. (Participant 4)

In showcasing instances of trust and cooperation among members of agricultural cooperatives within the study area, some participant indicated that contributions are made among members to ensure the wholesale purchase of some essential farming materials needed for operations. This is captured as thus;

You see, each and every month after receiving our pensions we have a meeting where we distribute a certain amount, with our saving we are able to buy the seeds and plants. (Participant 1)

While the above extract indicated some level of cooperation, the data indicated that the sustainability of such cooperatives are hampered once unity is lost. This explains the rationale for the thought from the one participant as indicated below:

We are thankful because we are still working in unity. (Participant 5)

4.4.8 Lack of training

Periodic mentoring and training are a fundamental requirement to ensure the sustainability of cooperatives. In view of this, the data showed that a significant majority of members of agricultural cooperatives within the study area did not have the appropriate training and skills required to ensure the smooth operations of their cooperatives in the long term. The following are comments from participants in relation to the inadequacy of skills and training for members.

We do not have skills… Another issue is the education factor. Those are critical things to making people understand how to run a business. As you are working here, it a business. It not a social thing or a hobby. While I have nothing to do let me go and work there when it suits me then I have to go back home. We are trying to change that mindset. (Participant 13)

The comments from Participant 13 also point to the fact that a significant majority of the members of agricultural cooperatives within the study area are also without the business knowledge for sustaining the cooperatives. This is aptly captured as one participant pointed to the fact that the training for farming operations must go alongside the training to ensure the effective operation of the business dimension of cooperatives. This is reiterated as thus;

I think of the training itself and farming as a concept and business. There is a very fine line that they complement each other. I think lots of farmers have the drive and passion for farming but lacking the business side of it. (Participant 12)

In view of the above, most participants argued that there is a need for appropriate guidance for members of the agricultural cooperatives to ensure a sustainable future. This is captured as thus;

Mentors are also needed in a cooperative to guide the staff on what is wrong and what is good in a company so that equipment of the cooperative will not be taken advantage of. (Participant 4)

4.4.9 Inaccessible Market

The availability of markets for the produce is an important component of ensuring the sustainability of agricultural cooperatives. The data indicated that a significant majority of agricultural cooperatives within the study area faced the challenge of securing stable markets for their products. The situation is captured appropriately below:

Because automatically you can do all your right things, you can have the best of this crops. But when you are looking at it, and it not going out, what is the use? Because you are here to make money. Furthermore, if you not making money, you are a very unhappy person and unhappy farmer as well. (Participant 13)

As pointed out from this extract, produce becomes a waste once there are no outlets for supply. The data points to the fact that since most agricultural cooperatives are ill-equipped, the preservation of products is an uphill task. With lack of market for produce, the sustainability of the most agricultural cooperatives within the study are is in jeopardy.

CHAPTER FIVE: DISCUSSION OF FINDINGS

5.0 Introduction

The study sought to assess the factors contributing to the high failure rate of agricultural cooperatives in Durban as well as identify the challenges and opportunities faced by black cooperative stakeholders in relation to the sustainability of cooperative within the study area. In view of these, the findings from the study are presented in relation to the research objectives of the study. A triangulation of data with secondary data is also done in a bid to corroborate the findings of the research with previous studies in order to provide a holistic view of agricultural cooperatives

5.1 Discussion of findings in relation to the BBE initiatives

The study findings indicated that the end of apartheid and the repeal of the discriminatory laws in South Africa did not bring about an end to disparities due to pronounced disadvantages created for certain categories of people (Employment Equity Act, No. 55 of 1998). While the formation of cooperatives by the Afrikaner Economic Empowerment (AEE) meant to empower the once poor Afrikaner *volk* (Mzamo, 2007), the promotion of co-operative enterprises was embarked on as one of the key programme components of Government's Broad-Based Black Economic Empowerment (BEE) strategy that seeks to address the imbalances of the past and equitably transfer the ownership and control of economic resources to the majority of its citizens (Department of Trade and Industry, 2004).

5.2 The positive contribution of BEE co-operative initiatives

The findings from the study indicate that the BEE co-operative initiatives have been positively acknowledged in starting and supporting black-owned co-operatives in the municipality of eThekwini, KwaZulu-Natal. They have helped start up agricultural co-operative enterprises through the provision of inputs, buildings, fencing, chicken and pig feed. The government through the BEE co-operative initiatives also provides on-going technical support to the black-owned agricultural co-operatives by sending agricultural advisers.

The support the co-operatives receive from the government through the BEE initiatives help the previously disadvantaged and excluded who lack the resources or means to start or finance co-operative enterprises on their own. This is in line with the sustainable livelihoods approach

(SLA) conceptual framework that among others advocates for development activities and programmes that are people-centred, responsive and participatory in helping the poor and vulnerable earn a leaving (Serrat, 2003). This involves having institutions and crafting policies that create an enabling environment that makes it possible for them to help themselves (Serrat, 2003). BEE co-operative initiatives (policy) create an environment that makes it possible for the previously marginalised and poor people to earn a living.

The next issue that arises after starting-up an agricultural co-operative is that of sustainability. As the study found, the government through the BEE co-operative initiatives provides critical support to the black-owned co-operatives such as technical support through agricultural advisers who give technical advice to co-operatives to help them achieve their goals and improve their farming methods. This is important for the sustainability and growth of these black-owned co-operative enterprises as they cannot afford to pay for the vital but expensive technical experts the big well-established farmers can afford. In line with the SLA concept (Serrat, 2003), these BEE initiatives help in the sustainability and growth of the black-owned co-operatives in KwaZulu-Natal.

5.3 The shortfalls of BEE co-operative initiatives

The study also found from among the participants that while the BEE co-operative initiatives are helpful to the previously excluded, segregated and disadvantaged people with better prospects, these initiatives do not offer meaningful support that would take them to the next level, that of commercial enterprises. They bring out a number of issues that hamstring the BEE co-operative initiatives, such as sub-standard, shoddy or poor service delivery to black-owned co-operatives.

The market is not open to small black-owned co-operatives rendering the BEE co-operative initiatives ineffective. It is still controlled and dominated by the previously advantaged big white-owned enterprises that enjoy access while at the same time denying access or making it hard for black-owned co-operatives to participate. The market is white broad-based and not black broad-based as it is dominated and controlled by whites. As Fafchamps (2001:122) rightly stated, "…other things being equal, well-connected agents will be more likely to trade with one another" and that, "membership to the network is constant; the business community is a closed group" (Fafchamps, 2001:123). The big business, well connected white-owned

enterprises are self-propagating, tend to prefer and maintain the status quo (Thomas, 2002) to the exclusion of small black-owned co-operative enterprises.

Black-owned co-operative enterprises, unlike whites who own land and farms that go many generations find it hard to access financing from banks due to lack of land and other forms collateral security. This problem is one passed on to blacks during apartheid as they had limited access to land and capital (Iheduru, 2004).

5.4 Discussion of findings in relation to the contributing factors to the failure of black owned cooperatives in Durban

The study findings indicated that one of the most challenges faced by the community is water scarcity and lack of reliable, consistent water which results in difficulty in growing the plants. Thus water is a fundamental requirement of agricultural co-operative because that ones that struggle with access to water will become unproductive (South Africa National Department of Agriculture, 2007). The study found that co-operatives use pipes to facilitate the flow of water from their homes to the necessary crops but some of these pipes are now old and broken.

The study found that other most agricultural cooperatives were facing challenges with fencing. Lack of proper fencing allows animals such as pigs to eat their produce thereby affecting the overall output of the cooperatives. Fencing was pointed out as another challenge affecting agricultural cooperatives. According to Department of Trade and Industry (2012:12),

> *Implementation of the most suitable fencing for your farm and livestock is of utmost importance if you want your farm to operate at its optimum level because a good fence provides a physical barrier to control the movement of animals in and around your farm.*

In addition, the unavailability of a tractor was one of the concerns that were raised by the different cooperatives.

Furthermore, the study found that poultry cooperatives needed expanding their poultry projects. Two cooperatives complained about their need to expand poultry in order to generate more profit. Pathack and Kumar (2008) point out that profits are at the core of determining the success or failure of a cooperative. In other words, a cooperative will eventually fail if it is not generating profit because other members will withdraw their membership. Thus, it is necessary and understandable for poultry cooperatives to request an expansion of their poultry enterprises especially if the market is stable.

The research found that there was also a need for the expansion of produce. Most of the cooperatives expressed the unavailability of vans to transport the produce, as well as unavailability of markets. This has led to some of the cooperatives creating their own markets. Further, there is the issue of inaccessibility of a van to transport the goods to the market. In some instances when the van is available, there is competition as to who will use it. Therefore, it is imperative that cooperative members need adequate conflict resolution skills to avert breakups.

Unity, trust, transparency and respect were some of the main issues that were reiterated by members of different cooperatives. The lack of commitment, unity and trust that is forcing members of cooperatives to withdraw. Unity and trust were cited by cooperatives as the foundation of cooperatives in addition to efficient communication between mentors and farmers. Highlighting on the importance of trust, Nkhoma (2011:28) argues that;

> *Without this trust, no legal agreement, no prenuptial agreement, no structure, and no process can bring joy, happiness, contentment, or synergy. Trust is the glue that binds personal relationships and the grease that prevents frictional differences from becoming fractious.*

In addition, open decision making was highlighted as important to the success of these cooperatives. Agricultural cooperatives are owned by different individuals working as a team to support their cooperative. However, decision making in financial cases was found to be problematic since other members withdraw the profit for personal gain. There are insufficient and inefficient internal financial controls in the management of the co-operatives. Pathack and Kumar (2008:18) points out that;

> *Financial controls should always be able to prevent a manager or other members of the cooperative to take far-reaching decisions on his/her own or to spend large amounts of money without prior permission and approval.*

5.5 Discussion of findings in relation to the sustainability of agricultural cooperatives within the study area

The findings showed that the agricultural cooperatives within the study area are largely dominated by women as the demography of the study shows. This corroborates Suzuki (2010), CICOPA (2011), and Majurin's (2012) studies where they separately assert that cooperatives expand the opportunities for women in participating in the local economy. While this is a

welcome development, it becomes imperative that the government should focus more on ensuring that more women as well as men participant in such endeavours. This implies that more incentives for participation would have to be in place to encourage participation by men.

The findings also indicated that the sustainability of agricultural cooperatives in Durban is significantly jeopardised by a culture of non-saving. The study showed that members of these cooperatives have tendencies of spending and hardly save for the future. Hence, once dividends are made from produce sold, members tend to spend and do not save.

The findings also revealed that agricultural cooperates owned by black Africans within the study area were faced with the challenge of an unequal playing environment from the business dimension of the operations of agricultural cooperatives. The findings indicated that this was large as a result of slow technical know-how as well as insufficient capital in ensuring the structuring of these cooperatives for the long-term sustainable future. In corroborating this assertion, Boland, Hogeland and McKee's (2011) study argued that lack of understanding on farming practices coupled with the issues of land (assessment, expansion, etc.) posed as challenges to agricultural cooperatives.

The findings also indicated that there was a disconnection between the young and old in the operations of agricultural cooperatives within the study area. Hence, the members of most agricultural cooperatives within the study area were old people which are averagely 60 years and above. The disconnect of the young participating in these agricultural schemes poses a challenge to the sustainability of such agricultural cooperatives as most cooperatives within the study area phases off as the members become older and unable to work.

The inability to secure a favourable market for their produce also posed a challenge to sustainability. While Ortman et al. (2006) contend that, agricultural cooperatives are responsible for stimulating poor farmers to make entry into markets, the capacity of these cooperatives within the study area the secure stable market for their produce is hampered by several factors.

5.6 Conclusion

The current study on the sustainability of cooperatives in KwaZulu-Natal made important findings. Anchored on the two objectives set forth in the Methodology, it generated three broad themes, namely: Black Economic Empowerment; Contributing factors to the failure of co-operatives; and Factors hindering co-operatives sustainability.

The BEE co-operative initiatives have positively helped black-owned co-operatives according to the study findings through assistance with inputs; structures; fencing; chicken feed; pig feed and agricultural advisers. The sub-standard services to co-operatives; inability to open up the market; lack of collateral security and land hamstrings the BEE co-operative initiatives from setting black-owned co-operatives on a sustainable and growth path. BEE co-operative initiatives should improve the quality of services and help open up the market. Contributing factors to the failure of co-operatives in eThekwini Municipality mainly consists of water scarcity; poor fencing; irregularity and unavailability of the market; lack Expansion; and other intangible factors. The factors hindering the sustainability of co-operatives in eThekwini Municipality mainly consist of: sleeping or dormant partners; lack of funding; lack of youth engagement; lack of equipment; misappropriation of assets and funds; lack of savings; lack of cooperation; lack of training; and lack of market

5.7 Recommendations

There is a need for human resource development in order to strengthen the managerial capacities of the cooperatives, failure to which their growth, sustainability and profitability will not be possible.

There is a need to do a future study that, unlike this one, will look into how cooperatives succeeded during the Afrikaner economic empowerment to appreciate the different and common challenges and most importantly find ways of supporting cooperatives across boundaries.

There is a need to ascertain the influence/impact of how the change in the economic systems plays a role in either the success or failure of cooperatives in South Africa. For instance, how were cooperatives affected by the change in the economic system from Keynesian to Neoliberal system and also how globalisation and its changing value chains impact the sustainability of cooperatives.

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APPENDICES

APPENDIX A: Consent Form

Informed Consent Document

Dear Participant,

My name is **Richard Themba Mthembu (762166)**. I am a Masters student studying at the School of Governance, University of Witwatersrand, Johannesburg, South Africa. The title of my research is: **"The Sustainability of Cooperatives in KwaZulu-Natal"** under the supervision of **Prof. Punday Pillay.** The aim of the study is to investigate the experiences of black-owned co-operatives stakeholders in relation to the sustainability of cooperatives in Durban within the context of the black economic empowerment initiatives. I am interested in interviewing you so as to share your experiences and observations on the subject matter.

Please note that:

- The information that you provide will be used for scholarly research only.
- Your participation is entirely voluntary. You have a choice to participate, not to participate or stop participating in the research. You will not be penalized for taking such an action.
- Your views in this interview will be presented anonymously. Neither your name nor identity will be disclosed in any form in the study.
- The interview will take about 45 minutes.
- The record, as well as other items associated with the interview, will be held in a password-protected file accessible only to myself and my supervisors. After a period of 5 years, in line with the rules of the university, it will be disposed by shredding and burning.
- If you agree to participate please sign the declaration attached to this statement (a separate sheet will be provided for signatures)

I can be contacted at the School of Governance, University of Witwatersrand, Johannesburg
Email: rtmthembu@gmail.com

Thank you for your contribution to this research.

DECLARATION

I..... (*full names of participant*) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

I understand the intention of the research. I hereby agree to participate.

I consent I do not consent to have this interview recorded (if applicable).

SIGNATURE OF PARTICIPANT	DATE
……	……..

APPENDIX C: Interview Guide

IN-DEPTH INTERVIEW SCHEDULE

The questions in this interview guide are not exhaustive in nature as some questions may emerge during the interview processes. Secondly, as a guide, the questions contained here will not be asked to every participant as they appear here in this order.

RESEARCH QUESTIONS

GENERAL INTERVIEW QUESTIONS

(i) What is the composition/membership (gender & age) of your cooperative?

(ii) Where is your cooperative located?

(iii) What is the status of you cooperative? (operational or inactive)

(iv) What type of commodities do you specialise in?

MAIN RESEARCH QUESTION 1

What factors contribute to the high failure rates of cooperatives in Durban, KwaZulu-Natal?

To answer this main research question (1), the following anchor questions will be asked:

(i) How does the BEE initiative help sustain your cooperative?

(ii) How does your location affect your business?

(iii) How does the BEE initiative help sustain your cooperative?

(iv) Why are most cooperatives failing?

MAIN RESEARCH QUESTION 2

What are the challenges and opportunities faced by black cooperative stakeholders in Durban in relation the sustainability of cooperatives?

To answer this main research question (2), the following anchor questions will be asked:

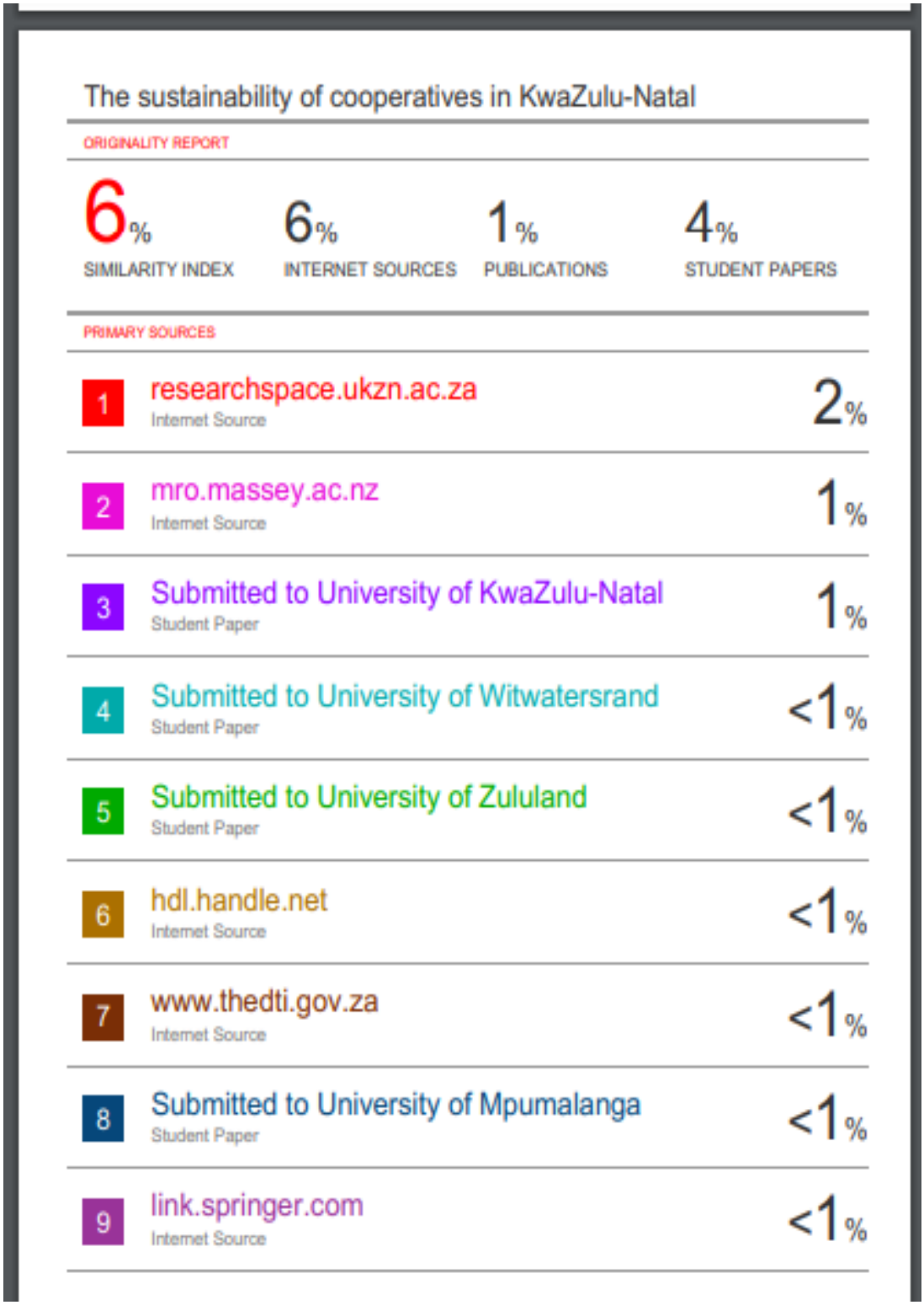
(i) What are the major challenges you face in sustaining your cooperative?

(ii) Why are most cooperatives failing?

(iii) In what way is your cooperative sustainable?

(iv) What opportunities can black cooperatives exploit in or to make their businesses sustainable?

APPENDIX D: TURNITIN REPORT



The sustainability of cooperatives in KwaZulu-Natal

ORIGINALITY REPORT

6%	6%	1%	4%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	researchspace.ukzn.ac.za Internet Source	2%
2	mro.massey.ac.nz Internet Source	1%
3	Submitted to University of KwaZulu-Natal Student Paper	1%
4	Submitted to University of Witwatersrand Student Paper	<1%
5	Submitted to University of Zululand Student Paper	<1%
6	hdl.handle.net Internet Source	<1%
7	www.thedti.gov.za Internet Source	<1%
8	Submitted to University of Mpumalanga Student Paper	<1%
9	link.springer.com Internet Source	<1%