An Investigation on the Factors Influencing the Success and Failure of Co-Operatives in the Chris Hani District Municipality (CHDM), Eastern Cape Province, South Africa.

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ABSTRACT

In an era when the level of unemployment and poverty continues to be a challenge in both developed and underdeveloped nations, many countries have identified the need to strengthen the legislative frameworks that perceive co-operatives as resilient, vibrant, and viable economic alternatives. However, there is a lot of literature pointing to the failure of co-operatives to live beyond five years. This study, hence, explored the factors that cause Co-operatives to fail despite the support received from governments. The study used a thematic analysis descriptive qualitative approach with data collected from five Co-operatives in the Chris Hani District Co-operatives in the Eastern Cape, Province South Africa. In-depth interviews were used in the study, as such, a narrative of verbatim accounts was used to derive themes and sub-themes for results analysis. The findings revealed countless aspects that hinder the progress of Co-operatives such as inadequacies associated with the lack of managerial skills for good governance, age gap among members and viewing the co-operative as just a project, not a business enterprise, political interference and infighting among members. The paper concluded that Co-operatives indeed offer a significant contribution to the socio-economic development and need to be effectively managed. The paper recommended that monitoring and evaluation instruments by funders and government departments responsible for registering and guiding co-operatives be developed. The study will help Co-operatives identify more ways of becoming successful and sustainable.

Keywords: Chris Hani District Municipality, Co-operatives, Socio-economic Development, Government, Success, Failure, Eastern Cape Province

INTRODUCTION

The study was conducted in the Chris Hani District Municipality (CHDM) in the Eastern Cape. “The District is predominantly rural and more than 50% of the population” and is classified as poor.1 The District is made up of six local municipalities; Emalahleni, Engcobo, Enoch Mgijima, Intsika Yethu, Inxuba Yethemba, and Sakhisizwe. Queenstown (Komani) is the chief town and main administrative centre of the district.”2 Communities in the area have shown reliance on Co-operatives to create jobs

and alleviate poverty. This reliance on Co-operatives sparked interest in conducting this study, which aims to uncover measures that can help Co-operatives enhance their position in developing local communities. Co-operatives have improved the socio-economic growth of impoverished populations. However, insufficient support from the State is one of the main elements that impede the performance of Co-operatives. Subsequently, the notion that informs the concept of Co-operative denotes those Co-operative members who are supposed to contribute financially and otherwise for the survival of the Co-operative, whilst as and when earnings come in, they equitably distribute benefits to members based on contribution. According to Castillo and Castillo, the concept has proven to have been evident in most parts of the world, both in developing and developed countries.

Successively, in South Africa, the Eastern Cape province municipalities have perceived this concept as an instrument that can reduce poverty and unemployment in poor communities. As such, Co-operatives are found in all the districts of the province in dissimilar sectors of the economy, generating job opportunities, creating income and ultimately cultivating people’s lives through their localised strategy. Since 1994, several government structures, extensive legislative frameworks and funding instruments established to help Co-operatives become sustainable. In 2008 the Eastern Cape Socio-Economic Consultative Council (ECSECC) assisted the Department of Economic Development and Environmental Affairs (DEDEA) with the drafting of a Co-operative Development Strategy for the Eastern Cape. The intention was also that the provincial government should establish and encourage a Co-operative environment, with no unwarranted government intervention in the business of Co-operatives. Nonetheless, despite the government resources and support, the Eastern Cape Province has seen many Co-operatives struggling to be sustainable.

Various causes that are directed to the failures of some Co-operatives comprise but are not restricted to, inept management, organisational shortcomings and lack of interest among members. Conflict among members and poor management are two more internal concerns. External difficulties such as political influence have also been observed in certain research causing members to fight, as well as external board members that leverage the deficiency of expertise and competencies of the Co-operatives. Furthermore, the lack of monitoring and evaluation systems by both the Co-operatives and the government is another challenge.

It is against this foreground that the study sought to investigate contributing factors to the failure of some cooperatives in the Chris Hani District Municipality, Eastern Cape province looking at what makes other Co-operatives in the region sustainable, and others fail with so many structural and funding sources available that government has put in place to endorse their expansion. The study aims to identify factors that lead to Co-operatives failing to meet their developmental objectives in the Chris Hani District Municipality, Eastern Cape Province. It also aims to provide recommendations for the better and more successful sustainability of Co-operatives in the province.

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7 Castillo and Castillo, “Cooperatives in the Socio-Economic Development of the Philippines.”
9 Eastern Cape Provincial Government, Local and Regional Economic Development (LRED) Policy.
LITERATURE REVIEW
The Global Context of Co-operatives
It is an undeniable fact that Co-operatives are a social economy vehicle that promotes prudence and communal help for the development of persons.\textsuperscript{11} Co-operatives are now linked with about a billion people all over the world. The International Co-operative Alliance (ICA), which has more than 227 member organisations from 91 countries, reflects that many countries that have advanced economically have a thriving and dynamic cooperative sector that contributes significantly to their economies’ progress.\textsuperscript{12} Co-operatives, for example, contribute to more than 45 percent of Kenya's Gross Domestic Product (GDP) and 31% of the country's total savings and deposits. Co-operative enterprises in New Zealand account for 22% of the country's GDP. Co-operatives have more than 800 million members worldwide, according to the ICA.\textsuperscript{13}

In India, the idea of using co-operatives for fighting rural indebtedness came from the suggestion of Fredric Nicholson, a Madras civilian. In his opinion, cooperative societies offered the solution that was needed at the time to contribute to the livelihood of communities, which he needed.\textsuperscript{14} As such, since independence Government and Reserve Bank of India have been taking an active interest. Viewing cooperation as the universal instrument of job creation to date, the history of the cooperative movement in India is about a century old.\textsuperscript{15}

Brazil has had a culture of cooperation cultivated by governmental authorities, the military, liberal professionals, workers, and European immigrants from the time of Portuguese colonialism. Co-operativism in Brazil began in 1889, and later, other Co-operatives arose as a result of improved regulation and the successful use of Co-operative education in the educational system. As a result of improved regulation and the successful use of cooperative education in the educational system, numerous subdivisions and market niches were formed or filled by cooperativism in Brazil.\textsuperscript{16}

The origins of Co-operatives in Spain date back to the second half of the 19th century.\textsuperscript{17} This was encouraged by the social doctrine of the Catholic Church as a reaction to the existing social problems, as in other European countries. All in the context of progressive reduction in the number of Co-operatives through a continuous process of alliance and amalgamation. As a result, their greater size makes their presence in the markets more observable and has improved competitiveness.\textsuperscript{18} In Kenya, the infusion of their Co-operative agenda in their Vision 2030 which has forecasted that Co-operatives will provide 25% of housing stock in urban areas, was a true indication that co-operatives offer one of the unsurpassed models in enhancing agricultural and non-agricultural productivity in the country. To date, the country's Co-operatives have been deemed as having the capacity to realise industrialisation in rural areas.

The History and Principles that Underpin Co-operative Development in South Africa
The history of Co-operative development in South Africa is connected to and was influenced by the colonial and apartheid past of the country. The first Co-operative formally established was the

\textsuperscript{12} Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”
\textsuperscript{15} Castillo and Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”
\textsuperscript{16} Castillo, “Cooperatives in the Socio-Economic Development of the Philippines.”
\textsuperscript{17} Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”
\textsuperscript{18} Apparao, Garnevska, and Shadbolt, “Examining Commitment, Heterogeneity and Social Capital within the Membership Base of Agricultural Co-Operatives—A Conceptual Framework.”
Pietermaritzburg Consumers Co-operative, registered in 1892 under the Companies Act. The post-apartheid, democratic government was conscious of the essential responsibility that Co-operatives could play in the growth of rural communities. The South African Co-operative Development Policy that was established in 2004 was the first policy tool that exclusively dispensed with cooperatives in the new South Africa. Accordingly, its purpose was to generate a permitting situation for co-operatives to embellish and improve entrepreneurship in rural communities.

Guided by the definition of what Co-operatives mean, “A Co-operative is an autonomous organisation of persons united voluntarily to achieve their common economic and social needs and ambitions through a jointly-owned and democratically-controlled firm formed and operated on Co-operative principles.” Furthermore, Co-operative principles that inform ideas inherent in cooperation, determine what is the mode of action of its members.

As such, according to the South African Co-operative Act of 2005, Co-operative principles guidelines by which Co-operatives put their values into practice include: -

- **Co-operatives are autonomous:** self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control and maintain their cooperative autonomy.

- **Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and Co-operatives at other levels are organised democratically.

- **Members’ Economic Participation:** Members contribute equitably to, and democratically control, the capital of their Co-operative. Members usually receive limited compensation and allocate excesses for the following purposes: developing the co-operative, and supporting other activities approved by the membership.

- **Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

- **Co-operation among Co-operatives:** This means that co-operatives are meant to serve their members most effectively and strengthen the Co-operative movement by working together through local, national, regional and international structures.

- **Concern for Community:** While focusing on the needs of members, Co-operatives work together towards the development of the Co-operative movement by working together through local, national, regional and international structures.

Effectively, the principles do not necessarily mean they are implemented by Co-operatives, however, functioning is predisposed by fundamental environmental situations, internally and externally. The accomplishment of Co-operatives centres on their capability to change to the changing aspects of the environment. For their survival, Co-operatives must be intentionally aware of the adjustments in their current environment and react appropriately. As such, adaptability is equivalent to sustainability and any disturbance or shift in focus from the members has an equal effect on the functioning of the

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23 Castillo and Castillo, “Cooperatives in the Socio-Economic Development of the Philippines.”
entire Co-operative. This has a significant bearing on the economic viability of the Co-operatives, that is when Co-operatives experience insufficiencies in any other way, their performance is affected and in most cases, their value of the products or service equally shows the deficit.

THEORETICAL FRAMEWORK OF THE STUDY

Systems Theory

In working with communities on matters affecting social change, a theoretical framework can make a difference in identifying and evaluating practices. In this study, Co-operatives are regarded as a system and are analysed corresponding to the systems theory. The systems theory suggests that a formation is a group of interconnected components aimed to provide a balance between themselves. General systems theory at a straightforward stage can also be described as spheres, which are in exchange, and which are bordered. These elements comprise a "system" which performs or functions within a field or an environment. According to Bijman and Verhees and Biroscek, et al., a system may agree with an ecosystem and such a system may be said to be balanced or homeostatic. As well, systems may grow and develop or reproduce and even remain homeostatic.

The systems theory adopted for the study suggests that different components are collectively working together for the benefit of the whole. Even though it is made up of various parts, it functions as a single entity, making a system to be a collection of interconnected components that work together to accomplish a goal.

In this context, Co-operatives are inseparably connected to their environments, Co-operatives in the Chris Hani District Municipality cannot be separated from the communities in which it operates and engages regularly. In other words, co-operatives initiate their viewpoints from the community in exchange for producing goods for the community. Successively, this exchange is a persistent, reciprocal and mutually dependent correlation between Co-operatives and the community. Therefore, the success of Co-operatives centres on their capability to acclimatise to the changing aspects of the environment, and Co-operatives must be intentionally cognisant of the variations in their immediate environment and act appropriately. This is in line with the view that organisations are an open social system and must interact with their environments to survive is key in the systems theory approach. The notion posits that the relationship between Co-operatives and community development is key for the survival of Co-operatives but without an all-encompassing conceptualisation, community development as one of the Co-operatives principles faces the danger of becoming too thin in emphasis.

30 Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”
31 Ali, “Beyond Shareholders versus Stakeholders: Towards a Rawlsian Concept of the Firm.”
Accordingly, the term "community" refers to a grouping of social units and systems that perform important social functions. A social system, according to this definition, is a highly ordered network of socially meaningful ties between two or more people or groups. Society is viewed as a system comprised of categories and responsibilities, and classes and institutes that are strongly interconnected with one another. From this standpoint, a Co-operatives' presence, shape and operation are possible through local social relationships occurring from the interface of its inhabitants. Such a social interface comprises the scope and landscape of interactions among the diverse participants within a geographical area. Guided by these approaches, a Co-operative becomes a district encompassed of individuals existing in a geographical area; the resources such people require to survive and advance, and the developments in which such persons involve allocating and exchanging such resources to fulfil local needs and wants.

Overall, the theoretical framework adopted for this study is that all the diverse forms of Co-operative development are critical for the enhancement of a community's living environments through the accomplishment of local needs and wants by management and apportionment of resources and Co-operatives are at the core of it all. Considering that Co-operatives are a self-help form of community development, they provide communities with prospects to build capabilities subsequent in self-reliance and better control over the transformation in the neighbourhood. These endeavours can lead to upheaval, sustainable outcomes, and feelings of attachment and proprietorship, while also building communities.

METHODOLOGY
To produce trustworthy findings, every research must be driven by a well-defined research approach, design and technique. There are different study approaches that a researcher can pursue to investigate in the social sciences. Subsequently, a qualitative research approach was used for this study. In terms of methodology, qualitative research is a method used by researchers to study social action. The design aims to describe and comprehend human behaviour from the perspective of the social actors themselves, rather than attempting to explain it. Babbie states that qualitative research helps in understanding human actions, attitudes, and behaviours in their natural surroundings, i.e., where social behaviour occurs rather than in labs.

A population refers to the entire number of instances that are being investigated. It is, in effect, a collection of participants from which a sample is chosen. Since its establishment, the Chris Hani Co-operative Development Centre has registered over 350 co-operatives, as such this was used as the population for the study. The study used non-probability sampling, particularly the purposive sampling method. Purposive sampling is when researchers thoroughly think through how they will establish a sample population, even if it is not statistically representative of the greater population at hand. The choice of sampling technique was influenced by the researcher's intuition, ingenuity, knowledge of the population and the purpose of the study. Subsequently, for the research question to be answered openly, the researcher required participants who had relevant and appropriate information to

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33 Karhu, “The Parallels of Family Business Research and Cooperative Studies.”
37 Babbie, The Practice of Social Research.
40 Rezaee, “Business Sustainability Research: A Theoretical and Integrated Perspective.”
understand the phenomenon under investigation. Effectively, the method enabled the researcher to identify and target the appropriate sample that best served the purpose of the study.41

The study employed a semi-structured interview technique to collect data for this study. The technique involved asking questions and receiving responses from participants in several formats. As such, the researcher was at liberty to structure and arrange the content in any way preferred.42 For this study, ten (10) participants were sought; two (2) from each of the district’s five (5) co-operatives were identified. However, out of the ten (10), only nine (9) participants were selected for interviews. Within the time constraints of the researcher, this form of interview proved to be the most appropriate strategy for eliciting the perceptions, feelings, beliefs and perspectives of government officials. The process's main benefit was that it yielded a lot of detailed information, which was collected through two-way dialogues between a researcher and the participants.

A theoretical thematic analysis was utilised to determine the key themes that emerged from the transcripts of the in-depth interviews since this study is based on a theoretical framework.43 Thematic analysis is a type of qualitative data analysis that entails reading over a set of data (such as transcripts from in-depth interviews or focus groups) and looking for patterns in meaning. Consequently, similarities and differences that were discovered to disprove the literature review were utilised to align the studied data with both the literature review and the theoretical framework to validate existing knowledge.

DISCUSSION OF THE EMPIRICAL FINDINGS

The data analysis performed concentrated on analysing the participants’ perceptions, attitudes, understanding, knowledge, values, feelings, and experiences to identify existing patterns and the ideas that explain their existence.44 This form of analysis was not anxious about measuring or quantifying the participants’ responses but about interpreting and making sense of their content because numerical values do not necessarily capture the essence of human experience.

The relevance of the response was based on its uniqueness, individuality and originality, which was important for the research as well as the study's reputation. It was the quality of the information it supplied, not the repetition, that made the response important.

Thematic content analysis was performed on the interview data which was unstructured. The information was transcribed first and then coded to create themes. The unstructured data from the interview transcripts was selected, focused, simplified, abstracted and transformed into distinct themes by coding.45 The following themes emerged as a result of the process, and they are directly related to the study objectives and research questions.

### Response rate

<table>
<thead>
<tr>
<th>Name of Co-operative</th>
<th>Category</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lukhanji Masisebenzisane</td>
<td>Secondary Co-operative</td>
<td>Vegetable farming</td>
</tr>
<tr>
<td>Buyambo</td>
<td>Secondary Co-operative</td>
<td>Sorghum producing</td>
</tr>
<tr>
<td>All of Us Merino</td>
<td>Primary Co-operative</td>
<td>Wool processing</td>
</tr>
<tr>
<td>Alshadai Manufacturing</td>
<td>Primary Co-operative</td>
<td>Hospitality</td>
</tr>
<tr>
<td>Kip-Iwaste Recycling</td>
<td>Primary Co-operative</td>
<td>Recycling</td>
</tr>
</tbody>
</table>

Table 1. summarises the co-operatives that participated in the study and all of these were drawn.

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43 Patton, “Two Decades of Developments in Qualitative Inquiry.”


As shown by the table above, five Co-operatives were initially selected to participate in the study. The participants were purposively sampled to participate in the study because of their knowledge and experience in working with the Co-operative. The participants were drawn from waste recycling, wool processing, hospitality, vegetable farming and sorghum-producing Co-operatives.

**Gender Respondents**
Although a balanced gender mix was desired, it was not possible to achieve, and the sample ended up with more males (5) than females (4). This variance, however, did not influence the findings because all of the interviews were consistently insightful.

**Age of Respondents**

![Age of Respondents](image)

Participants of this study were between the age of 18 and over 60 years of age. Of the participants, four (4) of the participants were between 35-60 years of age. The 18-34 age category had two (2) respondents while three (3) respondents were between sixty plus (+60) as shown by the diagram above.

**The Level of Education**
Two of the participants had formal qualifications obtained from a university and eight other respondents did not have formal qualifications. However, they had been in school up to grades 10 and grade 12. This lack of formal training was reflected during the interview process wherein the researcher could pick up that most of the time, the Co-operatives relied on common sense knowledge. This foregrounds the need for continuous adult education training similar to the ones organised by the government departments to help Co-operatives understand business concepts and principles.

**Theme 1: Generate Income**
The interviews revealed that some Co-operatives were established as a means to generate income for the community.

“Personally, it was because I was looking for something to do and did not want to be involved in criminal activities in my community” (Interviewee 6)
“We were looking for something that could help us generate income and ultimately place our co-op into the mainstream economy” (Interviewee 3).

People used Co-operatives as business enterprises to provide them with economic benefits. Just like Tripathi and Agarwal observed in India, where members of the Co-operatives in the agricultural sector started establishing family Co-operatives as part of poverty alleviation and economic emancipation, communities in the CHDM use cooperatives to gain economic advantages that they could not achieve individually. People formed Co-operatives to originate some form of income to sustain themselves and their families.

Theme 2: Common Interest and Passion
Also, the participants pointed out that because they were in the same area and shared common interests, starting a Co-operative was the way to go further to combine their resources and grow a sustainable cooperative in a particular sector of the economy. Ultimately, the same interest will lead to them generating income for their families as well.47

“We were driven by a common passion to achieve a specific goal, the generation of income” (Interviewee 2).

“We formed the cooperative because we had a common interest for business, specifically the merino type of sheep” (Interviewee 7)

One Co-operative, which was 99% female owned, indicated that “We thought the government would come in and assist us because we were women and had skills” (Interviewee 6)

This implied that the members had identified the call by the government to empower women and as such, starting a Co-operative would leverage them to get funding. However, since 2017 to date, it has never received support from the government. In this case, as cited by Kaandorp et al., this shows how desperate people in the CHDM are and how government promises have misled communities, especially in the context of starting businesses or Co-operatives.48

Theme 3: Access State funds
As already indicated above, communities in the district primarily formed Co-operatives to access state support/funding.

"As a former political veteran, when South Africa became a democratic state, I thought starting a cooperative could help me get into business fast and use my political connections to access support from the government"(Interviewee 5)

"I grew up with one of the executive members of the CHDM. He is holding a prominent position there and he advised me to start a cooperative with some locals because in the upcoming elections, the government will be ejecting millions in the cooperative sector..." (Interviewee 3).

It was clear that some did not have business ideas but were persuaded by politicians, government officials, and even friends and family members to form Co-operatives to have quick/easy access to

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government funds. It is against this background that a study conducted by Kodama revealed that not every Co-operative is established for the right reasons. For some, it is compensation for a campaign for their political party, others are influenced by high-profile government officials to establish co-operatives as a front, to access state funds. 49

**Theme 4: Established by Government Departments as a Poverty-Alleviation Project**

As cited by Kier and McMullen, most Co-operatives began as poverty-relief operations spearheaded by various government ministries which frequently provided seed money. 50 By default, the practice has instilled the belief that co-operatives are a means of obtaining government funding. To gain access to government money, people have organised Co-operatives.

“We were advised as a group to establish cooperative if we want to have our vision supported by government “(Interviewee 2).

“Government officials that advised me told me that when starting a co-operative I should consider areas that government has prioritized...” (Interviewee 7).

Results revealed that even government officials regarded cooperatives as the fastest way to earn money. Furthermore, as Kier & McMullen pointed out corrupt government officials who lack entrepreneurial ideas have influenced communities, families, and friends to establish Co-operatives while they manipulate the supply chain process. 51

**Theme 5: Lack of Equipment, Facilities, and Machinery**

Equipment, infrastructure and machines are in short supply. During the interviews, some cooperatives, particularly those that were recently created, expressed dissatisfaction with their infrastructure, equipment, transportation and machinery. Some people expressed dissatisfaction with the absence of storage facilities, warehouses, workshops, and fencing.

"We see newspapers and community radios talking about coming to our communities to fund our project so that we can buy machinery but that has been just talking, I don't know about other Co-operatives through” (Interviewee 4).

"If the government can provide finance for us to buy a fence for our cooperative, I think we can be a sustainable Co-operative" (Interviewee 7).

As previously said, the Co-operatives have an unusual mindset with which they expect the State to supply everything for them. Co-operatives have also displayed a lack of basic understanding of the Co-operative business model as they all thought that the government was compelled to provide them with some form of assistance. According to Schwab and Zhang, the government has created a culture of handouts, a culture that has paralysed the business mindset that co-operatives members are supposed to have. They furthermore indicate that this is due to the lack of an uncoordinated approach to presenting the business model for Co-operatives. 52 Hence, sustainability is far-fetched for many Co-operatives in the District.

51 Kier and McMullen, “Entrepreneurial Imaginativeness and New Venture Ideation in Newly Forming Teams,”
52 Schwab and Zhang, “A New Methodological Frontier in Entrepreneurship Research: Big Data Studies.”
Theme 6: The Age Difference
The Co-operatives’ functionality is also hampered by old age, which has been cited as one of the challenges in terms of being abreast of the changes in the Co-operatives sector. "Because we are old and easily wearied, we are unable to accomplish the majority of the work required to keep our cooperative functionally competitive" (Interviewee 4).

“Sometimes, due to our age, we are unable to participate in some of the government-sponsored training courses” (Interviewee 9).

“It was tough for us to absorb and recall everything that was taught at these sessions when we attended them. As a result, we want young people to join our cooperatives, but they don’t appear interested” (Interview 1).

According to Kier and McMullen, Co-operatives that are formed by pensioners often fail if there is no succession plan, especially as it becomes difficult for them to perform their duties, especially those in the agricultural co-operatives. The unfortunate thing is that young people have not embraced the concept of co-operatives because Co-operatives have been associated with illiteracy or older people.

Theme 7: Lack of monitoring from government officials and limited understanding of the Co-operative business model
The interviews revealed that government officials are equally uninformed of the Co-operative business model. The very officials who should be driving cooperative development lack the required knowledge and understanding of how these businesses work.

“Government officials must also be capacitated on the concept of Co-operatives. Seemingly, they also don’t understand how Co-operatives operate...” (Interviewee 5).

“The last time they visited us was when we started ...” (Interviewee 4).

“They only visited us when we have internal problems....” (Interviewee 7).

“They don’t even check if we have managed to get funding or what ...” (Interviewee 9).

"They don't know our offices.... I am surprised that they recommended us to you for this interview” (Interviewee 8).

Under these circumstances, it is impossible to expect the District’s co-operatives to function properly under these conditions. State authorities are unlikely to give good knowledge and competent guidance to Co-operative members if they are unaware of the basic knowledge and comprehension of the Co-operative business model.

“The inability of municipalities to disseminate information to communities about the services they provide, especially for us Co-operatives in the deep rural areas.” (Interviewee 5)

"Officials don’t want to go out into the communities and find out what their problems are " (Interviewee 4).

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53 Kier and McMullen, “Entrepreneurial Imaginativeness and New Venture Ideation in Newly Forming Teams.”
"Perhaps one could claim that they seek out comfort zones or work in areas with which they are most accustomed and at ease" (Interviewee 1).

Government officials' reluctance to venture into the field hurts communities who rely on them for information. As a result, co-ops are uninformed about government services, thereby depriving them of knowledge that could help them increase production. This is a major deficiency and serious lack of monitoring and evaluation as explained by Mmemogolo. Monitoring and evaluation for Co-operatives is a pivotal process that can help improve their operations and performance so that employers can achieve the results they want.

**Theme 8: Lack of marketing skills and poor marketing strategies**

The interviews revealed that the difficulty in securing the market for some of the Co-operative's products is blamed on their lack of marketing skills and poor marketing strategies. This is in line with Johannison’s view.

“We don’t have a dedicated marketing person to help us develop our marketing strategies for our products” (Interviewee 4).

“We do the marketing ourselves and to the people, we know” (Interviewee 6)

“We have been trained on marketing and advertising but a young and knowledgeable person is still needed because most of our members are old and don't have time to go on radio and newspapers and tell them about our services” (Interviewee 8).

Essentially, their lack of marketing expertise was a representation of their inability to demonstrate their productivity due to a lack of knowledge and low levels of education by members of the Co-operatives which made them unable to exploit the opportunities presented by technological advancements and modernisation.

**Theme 9: Third-Party Interference**

The interviews also revealed that politicians often interfere in the running of the Co-operatives because their family members complain to them about the issues they have as Co-operatives.

"Workshops on cooperatives are required for both government officials and legislators, as they appear to lack comprehension of what cooperative business is about" (Interviewee 1).

"We fought last week as directors because one of the directors has a brother who is a Ward Committee member belonging to a political party (x) and informed him about the funding we received. The brother came and demanded donations for the programme they are organising for the Ward …" (Interviewee 7).

“One of the local co-operatives was closed down by politicians who wanted to attend their AGM (Annual General Meeting)” (Interviewee 4).

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57 Malomane, “The Role of the Department of Agriculture, Forestry and Fisheries in Strengthening Existing Second-Tier Agricultural Cooperatives in South Africa.”

58 Johannisson, “Searching for the Roots of Entrepreneuring as Practice: Introducing the Enactive Approach.”
In many municipalities in South Africa, political intervention in service delivery administration is a severe concern, with municipalities struggling to deal with the interface between politicians and bureaucrats.\(^{59}\) As established by Bruneel et al., inappropriate political interference in Co-operatives matters strains relations between Co-operatives and key politicians and government officials and this has caused delays and frustration in service delivery.\(^{60}\)

### Theme 10: Internal Conflicts

Through the interviews, internal turmoil has also been exposed, with Co-operatives in the District becoming swamped. Within the group, there is a lot of bickering. The cooperative infighting begins almost immediately after the money is made available.

“Infighting amongst the members is common. Immediately funds are made available to the cooperative, infighting starts” (Interviewee 9).

“Some of the challenges in our cooperative are generally around the control of the financial resources” (Interviewee 2).

“When the Co-operative is experiencing some success, there would be contestations for the control of the cooperative” (Interviewee 5).

“In some instances, some of the members who brought up the idea to form the cooperative would want to assume control over everything as if the Co-operative is their private business” (Interviewee 7).

Conflict-plagued organisations are not just dysfunctional, but also prone to failure.\(^{61}\) The government’s inception of co-operatives has rarely improved their functionality but has instead resulted in the majority of their conflict. This is further amplified by what Castillo and Castillo say that inert Co-operatives are rarely sustainable since, in most cases, there was never a passion for the company venture, and people created them as a result of a financial incentive.\(^{62}\)

### DISCUSSION ON FINDINGS

The study has validated to some extent the research objectives since the findings are corroborated with those found in the literature. As a result, the researcher’s results add to the body of knowledge and open the door to more in-depth research in the cooperative sector. The importance of social and human capital, in particular, the need for young people to bridge the gap and be the intellectual and social capital required by some Co-operatives to survive and be sustainable enterprises, was discovered by the researcher during primary research, which participants also cited.

The findings were consistent with the literature review which stated that most co-operatives were started by the government and not organically formed by communities. This approach overlooked the principle of voluntary participation which not only inculcates a sense of ownership and commitment in the members but also shields the Co-operative against negative external influences and manipulation.\(^{63}\) Most Co-operatives started as poverty-alleviation initiatives. Some started because members shared a common interest, and others were misled by political parties,

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\(^{59}\) Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”


\(^{61}\) Castillo, “Opportunities and Challenges to Cooperatives in Attaining Sustainable Development Goals.”

\(^{62}\) Castillo and Castillo, “Cooperatives in the Socio-Economic Development of the Philippines.”

especially during the time of election campaigns saying that starting a Co-operative would address almost all the issues they are faced with as communities. Interestingly, Co-operatives that were led by women indicated that they thought being a female would give them leverage from government funding institutions.

Finally, the relevance of the cooperative sector and its global influence is still being researched and underlined. The economic and social components, on the other hand, have yet to be thoroughly comprehended and shown. Without reliable data on the size and impact of cooperatives, determining how to promote their development is extremely difficult. Co-operative support must be well-coordinated, addressing concerns such as enabling organic Co-operative creation and expansion.

Despite the obstacles they encounter, Co-operatives continue to play an important role in facilitating the socio-economic development of disadvantaged people. Co-operatives can be beneficial in improving the conditions in disadvantaged communities, as evidenced by experiences from other nations. With adequate governmental aid, Co-operatives can be valuable in improving the conditions in poor communities.

Whilst the South African government has included Co-operatives in major development frameworks, it has been slow to implement laws intended to strengthen Co-operative development. The status quo for most Co-operatives in impoverished communities has deteriorated due to state institutes' poor execution of the Co-operative statute. Whilst the research was carried out in the Chris Hani District Municipality, the findings might be applied to other parts of the country. These insights could help all levels of government involved in cooperative development, regardless of where they are located.

Clearly, the State's monitoring and evaluation instrument is the most important factor in the creation and long-term viability of Co-operatives. The majority of the study's findings that weakened cooperative functionality were linked to a lack of managerial skills for sound governance and a failure to consider the Co-operative as a business venture rather than a project. As a result, if the government is serious about developing Co-operatives as a means of stimulating growth, these gaps must be addressed.

**RECOMMENDATIONS**

The results from this study may be used by both co-operatives in the District and some government departments involved in the establishment of co-operatives and management of the Chris Hani Development Co-operative Agency (CHDA) to improve the co-operatives' success rate and sustainability. The recommendations suggest practical actions like hiring an external board member to manage things until the Co-operative has enough muscle and good governance principles to function.

*Lack of Monitoring and Evaluation:* To address the monitoring and evaluation aspect, both Co-operative and funders, either private government should have a coordinated capacity-building approach as a standard operating procedure for controls and risk identification purposes. This means appointing an experienced mentor to coach the cooperative for three years maximum. This will help in good governance and establishing policies and strategies for the co-operatives, including managing conflicts.

*To Manage Government and Political Interferences:* There is a need to go back to the organic formulation of Co-operatives as community initiatives, not government projects. This means reducing the number of Co-operatives initiated by government departments and influenced by political parties. Consequently, this will encourage independence from government and as such, limit the direct intervention of government in the management of co-operatives as these compromise the principles of member-owned and run co-operatives. Furthermore, this will minimise or eliminate the sense of entitlement that co-operatives have on government support.
Capacity Building and Market Interaction for Commercialisation of Products and Services: Capacity building and improving the marketing of the Co-operatives produce. Co-operatives should partner with institutions of higher learning to market research that will assist them to make informed decisions and be aware of their strengths, weaknesses opportunities and threats for organisational performance needs. In the process, consideration should be given to the content when conducting capacity-building training for the Co-operatives. This is because of the level of education and comprehension of some members. Business jargons that are often used by facilitators during these training sessions, which includes the language used to develop the content should be easily understood by all. Furthermore, capacity building from the onset should be presented as responsibility for members’ development and sustainability of the Co-operatives.

To Address Reliance on Government: To avoid total reliance on the government for funding, as an incorporated entity with limited liability, Co-operatives should raise funds from their members and this should be established and documented in the constitution of the Co-operative. This will help the members to be the first business ‘investors. This will show other investors, potential members, and lenders that they are serious about their Co-operative.

Financial Support for Start-Up Co-operatives: Local government municipalities should be responsible for offering start-up capital to registered Co-operatives through Co-operative Development Agencies (CDAs). Therefore, through CDAs, enough capital should be granted to registered Co-operatives. The capital should be accompanied by a Memorandum of Understanding (MoU) that is in both the preferred language of the area and any second language in the presence of an independent legal person, to guard against flouting government policies.

CONCLUSION
The relevance of the Co-operative sector and its global influence is still being researched and underlined. The economic and social components, on the other hand, have yet to be thoroughly comprehended and shown. Without reliable data on the size and impact of co-operatives, determining how to promote their development is extremely difficult. Co-operative support must be well-coordinated, addressing concerns such as enabling organic co-operative creation and expansion. Also, despite the obstacles they encounter, co-operatives continue to play an important role in facilitating the socio-economic development of disadvantaged people. Co-operatives can be beneficial in improving the conditions in disadvantaged communities, as evidenced by experiences from other nations. With adequate governmental aid, cooperatives can be valuable in improving the conditions in poor communities.

Co-operatives offer a significant contribution to socio-economic development and need to be effectively managed, however, monitoring and evaluation instruments by funders and government departments responsible for registering and guiding Co-operatives need to be developed. The need for Advisory board members for good governance, networking, and guiding members to sustainability is crucial.

BIBLIOGRAPHY


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