

**EXPLORING THE IMPACT OF OPERATIONAL PERFORMANCE ON  
SMALLHOLDER AGRICULTURAL COOPERATIVES FOR SUSTAINABLE  
COMMUNITY DEVELOPMENT AT ELIAS MOTSOLEDI LOCAL MUNICIPALITY  
IN LIMPOPO PROVINCE.**

by

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**UNIVERSITY OF LIMPOPO**

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## DECLARATION

I declare that **EXPLORING THE IMPACT OF OPERATIONAL PERFORMANCE ON SMALLHOLDER AGRICULTURAL COOPERATIVES FOR SUSTAINABLE COMMUNITY DEVELOPMENT AT ELIAS MOTSOLEDI LOCAL MUNICIPALITY IN LIMPOPO PROVINCE** hereby submitted to the University of Limpopo, for the degree of Master of Development (Planning and Management) has not previously been submitted by me for a degree at this or any other university; that it is my work in design and execution, and that all material contained herein has been duly acknowledged.



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**Malapela RJ**

23/04/2021

**Date**

## **DEDICATION**

This mini-dissertation is dedicated to my late father John Malapela, my late uncle Tauhlole Mphahlele, my late best friend Pretty Mashabela and the rest of my family.

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## **ABSTRACT**

Cooperatives are recognised as an important instrument to reduce poverty, create employment, achieve economic growth and development. As a result, smallholder farmers with common interests have organised themselves and registered agricultural cooperatives. However, the operational performance of smallholder agricultural cooperatives for sustainable community development has remained poor. The purpose of the study is to explore the operational performance of smallholder agricultural cooperatives for sustainable community development in Elias Motsoaledi Local Municipality in Limpopo Province.

Mixed research design was used in this study. Data was collected from sixty participants, questionnaires and semi-structured interviews were used to collect primary data for both quantitative and qualitative methods. The study found that smallholder agricultural cooperatives in the area of the study face challenges such as lack of managerial skills, poor governance, lack of adequate financial support and access to loans, lack of clarity on policy as well as lack of alternative strategies. The main findings of the study confirmed that there are challenges associated with the operational performance for sustainable community development. Inadequate financial support and lack of managerial skills were regarded as the main challenges that hinder the operational performance for sustainable community development.

The study has suggested alternative strategies and recommendations that can assist smallholder agricultural cooperatives to improve their operational performance for sustainable community development.

## ABBREVIATIONS AND ACRONYMS

CIS	Co-operative Incentive Scheme
DAFF	Department of Agriculture, Forestry and Fisheries
DTI	Department of Trade and Industry
EMLM	Elias Motsoaledi Local Municipality
GDP	Gross Domestic Product
ICA	International Cooperative Alliance
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
ILO	International Labour Organization
IYC	International Year of Cooperative
LIBSA	Limpopo Business Support Agency
LIMDEV	Limpopo Economic Development Enterprise
MAFISA	Micro Agricultural Financial Institute of South Africa
NACO	National Cooperative Organization
NCASA	National Cooperative Association of South Africa
NEF	National Empowerment Fund
NYDA	National Youth Development Agency
REC	Regional Economic Community
RSA	Republic of South Africa
SACCOs	Saving and Credit Cooperatives
SACCOL	Savings and Credit Cooperative League

SADC	Southern African Development Community
SADCC	Southern African Development Co-ordination Conference
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SHACs	Smallholder Agricultural Cooperatives
UN	United Nations
USA	United State of America
USDA	United State Department of Agriculture

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## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.1 Introduction**

In many developed and developing countries, cooperatives have long been recognised to play an important role as a strategy to reduce poverty and create jobs. Since the dawn of democracy in 1994, the South African government has been supporting the growth and development of cooperatives as a strategy that can address the dominant socio-economic issues of poverty and unemployment in the country. Cooperatives enable local people to organise and improve their conditions, where private enterprise or government is weak, particularly in remote rural areas (United Nations, 2009:4). Cooperatives in the agricultural sector are promoted as strategies to reduce rural poverty, to enhance the productivity and incomes of smallholder farmers (Department of Agriculture, Forestry and Fisheries, 2012: 1).

All spheres of government (national, provincial and local levels of government) and other organisations have been encouraging rural people to form cooperatives by providing technical and financial support. However, Van der Walt (2005) in his study found that the majority of cooperatives were not operational even though they were still registered. The researcher, therefore, seeks to shed some light on how the operational performance influences the success or failure of smallholder agricultural cooperatives for sustainable community development.

The focus of the study is in Elias Motsoaledi Local Municipality which is in Sekhukhune District of Limpopo Province. This chapter begins by providing the introduction, background of the study and purpose of the study. Following the purpose of the study is the research questions, significance of the study, definitions of concepts, organisation of chapters and conclusion.

## **1.2 Background of the study**

In many countries, cooperatives are seen as important organizational tools for responding to social and economic failures and for assisting in the development and revival of local communities (Vieta and Lionais, 2014:2). Milagres, Arruda Souza and Neves de Sousa (2014:172) argue that “community development is implicit in the seventh principle, Concern for Community, which states that cooperatives work for the sustainable development of their communities through policies approved by their members”. According to Milagres *et al.* (2014:172), cooperatives have close links to their communities and are seen as vehicles for community development. Cooperatives also play an important role in many developing countries because they are seen as effective tools for promoting development and economic growth.

According to Ortmann and King (2007:40), the South African government is also promoting the use of co-operatives as organizations that could help enhance the development of smallholder farmers in South Africa. Agricultural co-operatives help smallholder farmers to collectively negotiate better prices for seeds, fertilizer, transport and storage (DAFF, 2012:2). On the other hand, Thaba (2016:156) argued that the performances of smallholder agricultural cooperatives in rural areas of South Africa have been faced with a number of challenges such as poor membership participation in decision making, high age group, large cooperative size and dissatisfaction of training received by members.

Statistics indicate that out of 22 030 registered cooperatives only 2 644 have been identified as operational. Limpopo Province has 1 879 registered cooperatives with only 405 cooperatives that are operating (Department of Trade and Industry, 2012:38). A cooperative that is operating is able to actively transform inputs into outputs or provide a service to its customers. Machethe (1990: 308) gave reasons that have led to poor performance and failed cooperatives in the former homelands of South Africa. Some of reasons were; lack of membership identity with their cooperatives, failures of cooperatives to compete with other businesses, inability of members to dismiss inefficient management and failure of cooperatives to provide transportation for delivery of member’s purchases.



### **1.3 Problem statement**

The South African government put in place key legislative and several national policy frameworks such as the Cooperative Development Policy of 2004 and the Cooperative Act 14 of 2005 to support the promotion and development of co-operatives in South Africa (DTI, 2012: 9). The Co-operative Incentive Scheme (CIS) was established to provide financial support in order to improve the viability and competitiveness of cooperatives (Department of Trade and Industry, s.a). Despite these efforts, the performance of smallholder agricultural co-operatives remains poor. According to Van der Walt (2005), majority of cooperatives in Limpopo Province are not operational because they face challenges such as poor management, lack of training, conflict among members, lack of funds and some cooperatives never started to operate after registration.

Chabalala (2013) conducted a study assessing the performance of cooperative enterprises that have benefited from the CIS in Elias Motsoaledi Local Municipality (EMLM). The primary objective of the study was to access cooperatives that have benefited from CIS. However, the study was limited to a case study of one secondary agricultural cooperative. The study revealed the following challenges; lack of access to markets, lack of sufficient land space for production, lack of support from government, lack of access to water, shortage of proper skills and high cost of electricity.

The above problems gave rise to the proposed study as there is a need to understand the impact of operational performance and the challenges that smallholder agricultural cooperatives face. Therefore, this study will explore the reasons why smallholder agricultural cooperatives in the area of study are unable to contribute significantly to sustainable community development.

### **1.4. Aim of the study**

The aim of the study is to explore the impact of operational performance on smallholder agricultural cooperatives for sustainable community development in Elias Motsoaledi Local Municipality in Limpopo Province.

## **1.5 Research objectives**

1. To assess the operational performance of smallholder agricultural cooperatives for sustainable community development in the area of study.
2. To identify challenges that hinders the impact of small holder agricultural co-operatives on sustainable community development in Elias Motsoaledi Local Municipality.
3. To suggest strategies that can be used by policy makers to enhance smallholder agricultural cooperatives on operational performance for sustainable community development in Elias Motsoaledi Local Municipality.

## **1.6 Research questions**

### **1.6.1 Main question**

To what extent do operational processes contribute towards the success or failure of smallholder agricultural cooperatives for sustainable community development in the area of study?

### **1.6.2 Sub-questions**

1. To what extent has the operational performance of smallholder agricultural cooperatives succeeded in sustainable community development in the area of study?
2. What challenges hinders the impact of smallholder agricultural co-operatives on sustainable community development in Elias Motsoaledi Local Municipality?
3. Which strategies can be used by policy makers to enhance smallholder agricultural co-operatives on operational performance for sustainable community development in Elias Motsoaledi Local Municipality?

## **1.7 Significance of the study**

The study seeks to help identify good operational practices that can be adopted by smallholder agricultural cooperatives in order to enhance their performance, build successful cooperatives that contribute to sustainable community development. Lastly, the study will also suggest strategies that can be used by other stakeholders

to assist smallholder farmers overcome some of the constraints they face in Elias Motsoaledi Local Municipality in the Limpopo Province.

## **1.8 Definitions of concepts**

### **1.8.1 Cooperative**

A co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles (RSA, 2005: 5).

### **1.8.2 Agricultural cooperative**

An agricultural co-operative is defined as an independent association of farmers united voluntarily to meet their common social, cultural and economic needs and aspirations through a jointly owned and democratically controlled enterprise, organised and operated on carefully set of principles (The International Cooperative Alliance, 2005).

### **1.8.3 Community development**

Community development is defined as a process conducted by a group of local people working together to improve the quality of life in their community in a sustainable manner (Flora, Flora, Spear and Swanson, 1992). In this study, community development means a process whereby local people work together to improve social and economic conditions for the well-being of their communities in a sustainable manner.

### **1.8.4 Sustainable community development**

One cannot talk about sustainable community development without sustainable development. Therefore, it is important to first define the term sustainable development.

Sustainable development defined by the Brundtland Commission as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (United Nations Commission on Sustainable Development, 2007).

According to Van Schalkwyk (2012: 87), the definition of sustainable community development is similar to the definition of sustainable community development, the foremost involving spatial scope. Sustainable development is a global concept and sustainable community development is local. Bridger and Luloff (1999:381) argued that the “definitions of sustainable community development stress the importance of striking a balance between environmental concerns and development objectives while simultaneously enhancing local social relationships”. In this study, a cooperative manager will use all four principle tasks which are planning, organising, directing and controlling in order for smallholder agricultural cooperatives to be sustainable without compromising the environment.

### **1.8.5 Operational performance**

Operational performance is defined as a firm’s performance measured against standard or prescribed indicators of effectiveness, efficiency and environmental responsibility such as, cycle time, productivity, waste reduction and regulatory compliance (BusinessDictionary, 2018). In this study, the cooperative manager will take into consideration the uniqueness of agricultural production and consider factors such as seasonality, perishability, quality etc. and their effect on the operational performance of smallholder agricultural cooperatives.

## **1.9 Plan of the study**

### **CHAPTER 1.**

The first chapter will provide the general introduction of the study. The chapter will consist of the background, problem statement and purpose of the study. It will also outline research objectives, research questions and significance of the study.

### **CHAPTER 2.**

The second chapter will provide the review of relevant literature. These include the definition of key concepts and a review of related South African and international studies related to this study.

### **CHAPTER 3.**

The methodology of the study will be outlined in this chapter. The chapter will consist of the study area, population, sample, sampling methods and data analysis.

#### **CHAPTER 4.**

This chapter will present results of empirical analysis and their interpretation.

#### **CHAPTER 5.**

This chapter will present the conclusion and recommendations emanating from the study.

#### **1.10 Conclusion**

This chapter presented the introduction and background of the study by indicating the role that cooperatives can play in addressing socio-economic issues and by also enhancing the development of smallholder farmers. The problem statement purpose of the study, significance of the study, definition of concepts and the organisation of chapters were discussed.

In the next chapter, a review of selected relevant literature on the operational performance on smallholder agricultural co-operatives will be discussed.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents a review of literature on the smallholder agricultural cooperatives. This chapter begins with the historical background of cooperatives in developed countries and in Africa, legislative frameworks and forms of cooperatives. This is followed by a critical analysis of previous and relevant research: literature will help narrow and clarify the research questions as stated in the previous chapter. The chapter further reviews agencies supporting cooperatives, the impact of cooperatives on poverty, unemployment and community development. Lastly, the researcher took a closer look at the challenges that affect the operational performance of agricultural cooperatives.

#### 2.2 Historical background of cooperatives

The cooperative movement in England had its origins in 1760, when workers in the dock works of Woolwich and Chatham started a flour mill on a cooperative basis as a counter enterprise against the high prices of flour millers, who had local monopoly (Van Niekerk, 1988:3). Ortmann and King (2007:43) point out that one development that probably had the greatest singular impact on determining agricultural cooperative's unique operating principles was the formation in 1844 of the Rochdale Society of Equitable Pioneers, Ltd. According to Abrahams (2009:23), Robert Owen is known for his significant contribution to the cooperative movement in England. Furthermore, his ideas influenced the work, values and principles of the Rochdale co-operative.

According to Zeuli and Radel (2005:45), the Rochdale principles have been modified throughout the years (in 1937, 1966 and 1995) by the International Cooperative Alliance, the organisation that represents co-operatives worldwide. Zeuli and Cropp (2004:9) mention that the first Rochdale cooperative principles are one man-one vote, open membership, equity is provided by members, limited equity ownership share of individual members, net income is distributed to members as patronage

refunds on a cost basis, limited dividends on equity capital, exchange of goods and services at market price, duty to educate, cash trading, no unusual risk assumption, political and religious neutrality and equity in membership (no discrimination by gender).

The first cooperative in the United States was established in 1752 by Benjamin Franklin in Philadelphia to insure houses against fire. Furthermore, it was only in 1810 that the first formal agricultural cooperative was established (Zeuli & Cropp, 2004:15). In Germany, the first Savings and Credit cooperative was established in 1864 by Friedrich Wilhelm Raiffeisen (Ortmann & King, 2007:44). Raiffeisen is known as the father of the agricultural credit cooperative and his ideas were based on the principle of self-help. Furthermore, the Raiffeisen model laid the foundation for various banks throughout the world, including Rabobank in the Netherlands (Friedrich Wilhelm Raiffeisen and the credit cooperative, s.a.).

The first purchasing cooperative in the Netherlands was established in 1877, followed by cooperative processing factory and credit supply cooperative in 1892 (Van Niekerk, 1988:7). In Finland, the history of cooperatives dates back to 1899 when the Pellervo Society was established by Hannes Gebbard who is regarded as the father of co-operation and the cooperative movement in Finland (Van Niekerk, 1988:5). Since then, there has been a renewed interest in cooperative development which has led to the establishment of the Committee for the Promotion and Advancement of Co-operatives (COPAC).

The members of COPAC are; the International Cooperative Alliance (ICA), International Labour Organization (ILO), United Nations Department of Economic and Social Affairs (UNDESA), Food and Agricultural Organisation of the United Nations (FAO) and the World Farmer's Organisation (WFO) ([www.copac.coop](http://www.copac.coop)). In the following section, we will look at the cooperative movement in developed countries such as Spain and United States of America (USA).

## **2.3 Cooperatives in developed and developing countries.**

### **2.3.1 Cooperatives in developed countries**

The statistics of cooperatives in developed countries is very impressive, for example; in 2012, the USA made \$669, 86 billion and France made \$377, 13 billion in turnover. Germany, Netherlands and Spain made \$291, 73 billion; \$132, 56 billion and \$85, 21 billion in turnover respectively (The World Cooperative Monitor, 2014:16). In Spain, the Mondragon Cooperative Corporation serves as one of the best examples of cooperatives as it has been in existence for more than 50 years. In 2011, agricultural cooperatives in Spain made a turnover of 17 405 million Euros, with 1 160 337 members and 93 733 employees (Giagnocavo, Gerez, Vasserot & Climent, 2012:4). The Mondragon Cooperative Corporation has inspired many cooperatives to create employment and improve local economic development through the cooperative model worldwide.

Agricultural cooperatives in the United States of America (USA) accounts for nearly \$130 billion in revenue and have created more than 200 000 jobs. These cooperatives have paid \$8.9 billion in wages and made over \$10 billion in value-added income between 2006 and 2008 (Deller, Hoyt, Hueth, Sundaram-Stuke, 2009:14-18). The success of the cooperative movement in USA can be attributed to the enabling legislative environment conducive to cooperative development such as the National Cooperative Development Act of 2011 and other legislative frameworks from different states (Durden *et al*, 2013:37). Other organisations and programs which support and promote the development of cooperatives include; the Local Cooperative Development Centers, the National Cooperative Business Association (NCBA) and the Rural Cooperative Development Grant (RCDG) (Durden *et al*, 2013:37). The success of the cooperative in Spain and USA is due to committed membership, strong and educated board of directors as well as a qualified manager or Chief Executive Officer (CEO) who is responsible to the day-to-day operations of the cooperative.

### **2.3.2 Cooperatives in developing countries: Africa**

The cooperative movement in Africa has travelled through two main eras: the era of state control and that of liberalisation (Wanyama, Develtere & Pollet, 2009:1). The



cooperative movement during the colonial period can be described as the “top-down approach cooperative movement” (The Alliance Africa, 2017:8). The second era saw the liberalisation of cooperative movement and the revival of cooperatives based on global best practices on cooperative development (Bee, 2016:5). In many countries, the state took a facilitative role by restructuring the cooperative legal framework and establishing cooperative development policies to give cooperatives more autonomy (The Alliance Africa, 2017:9; Bee, 2016:5; Wanyama *et al*, 2009:9). Kenya and Botswana have been selected for discussion. These two African countries are members of the East African Community (EAC) and the Southern African Development Community (SADC) respectively.

The majority of African countries experience the triple challenges of poverty, unemployment and inequality. Therefore, cooperatives are seen as an appropriate strategy for economic growth and development in many countries. The cooperative movement in Kenya contributed 45% of the Gross Domestic Product (GDP) and 31% of the total national savings and deposits (DTI, 2012:18). Agricultural cooperatives made a total turnover of KES 8.4billion (USD \$112 million) (Wanyama, 2009:3). Kenya’s cooperative movement is ranked as number one in Africa and seventh internationally (Ministry of Industrialization and Enterprise Development, 2014:2-6). Githunguri Dairy Cooperative Society in Kenya is an example of a cooperative that survived a series of liberalisation and is still operational. This cooperative was established in 1961 with 31 memberships of small scale dairy farmers (Rueta, 2014:2). Currently, the cooperative has 23 000 registered members with a turnover of KES 6 billion. The Githunguri Dairy Cooperative Society is one of the cooperative that have survived liberalization and continue to grow and perform better than they did under state control.

Botswana has a three-tier pyramidal structures which consist of primary cooperatives at the bottom, secondary cooperatives in the middle and tertiary/ national cooperatives at the top of the structure (Seleke &Lekorwe, 2008:6). In 2008, the number of registered cooperatives in Botswana was 166 with 82 000 members (Pollet, 2009:4-5). According to Seleke and Lerokwe (2010:13), Botswana created 736 employments through cooperatives in 2008. The majority of cooperatives in

Botswana depend on government and international donors for financial support, agricultural cooperatives such as Mmadinare Dairy Cooperative received funding from African Development Fund (ADF). Cooperatives in Botswana are characterised by lack of commitment from members, embezzlement of funds and mismanagement of primary cooperatives.

The gap identified between cooperatives in developed and developing countries is that members of cooperatives in developed countries view themselves as owners of the cooperative responsible for its functionality. On the other hand, members of cooperatives in developing countries view themselves as beneficiaries of the organisation and those providing the cooperative with financial support are viewed as the ones who are responsible for the functionality of the cooperative.

## **2.4 Defining a cooperative, principles, values and forms of cooperatives.**

### **2.4.1 Defining a cooperative**

A cooperative is defined as “a business owned and democratically controlled by the people who use its services and whose benefits are derived and distributed equitably on the basis of use” (USDA, 2012:1). On the other hand, a co-operative is defined as “an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles” (RSA, 2005: 5). The two definitions mean the same thing, the latter incorporated the universal cooperative definition and principles that are adopted by the International Cooperative Alliance.

The International Co-operative Alliance (ICA) is a non-governmental co-operative federation representing co-operatives and the co-operative movement worldwide. I was founded in 1895. There are many definitions of cooperatives. However, ICA defines a co-operative as “ an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled enterprise based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity” (The Alliance Africa, 2017:10). This is the generally adopted definition of a co-operative.

In the agricultural sector, cooperatives are supposed to be formed by smallholder farmers who are already in business and then they come together because of common interests to establish a cooperative (DAFF, 2012: 8). Cooperatives are formed for many reasons. However, the main reason for forming a cooperative is to achieve a common goal that cannot be realised individually but through working together. The main objective of primary cooperatives is to improve the standard of living and the quality of life for its members by increasing their income.

#### **2.4.2 Principles of cooperatives**

The seven cooperative principles have been modified and expanded throughout the years but the Rochdale Pioneers are considered the fathers of these principles (Zeuli & Radel, 2005:45). According to Prakash (2000:14), the following are the seven cooperatives principles;

- **Voluntary and open membership**

Membership is open to anybody who is able to use the services of the cooperative and is willing to accept responsibilities without gender, social, racial, political or religious discrimination.

- **Democratic member control**

Members participate in establishing policies and making decisions for their cooperative.

- **Member economic participation**

Members contribute equitably and democratically control the capital of the cooperative.

- **Autonomy and independence**

Cooperatives are controlled by their members. If they enter into agreements with other organisations, they ensure that their members keep control and maintain their cooperative autonomy.

- **Education, training and information**

Cooperatives must provide education, training and information for their members in order to develop their skills and in turn develop the cooperative itself.

- **Co-operation among cooperatives**

Cooperatives must work together through local, national, regional and international structures to strengthen the Cooperative Movement.

- **Concern for the community**

Cooperatives should be agents of social change by contributing to sustainable development of their communities through policies approved by their members.

### **2.4.3 Values of cooperatives**

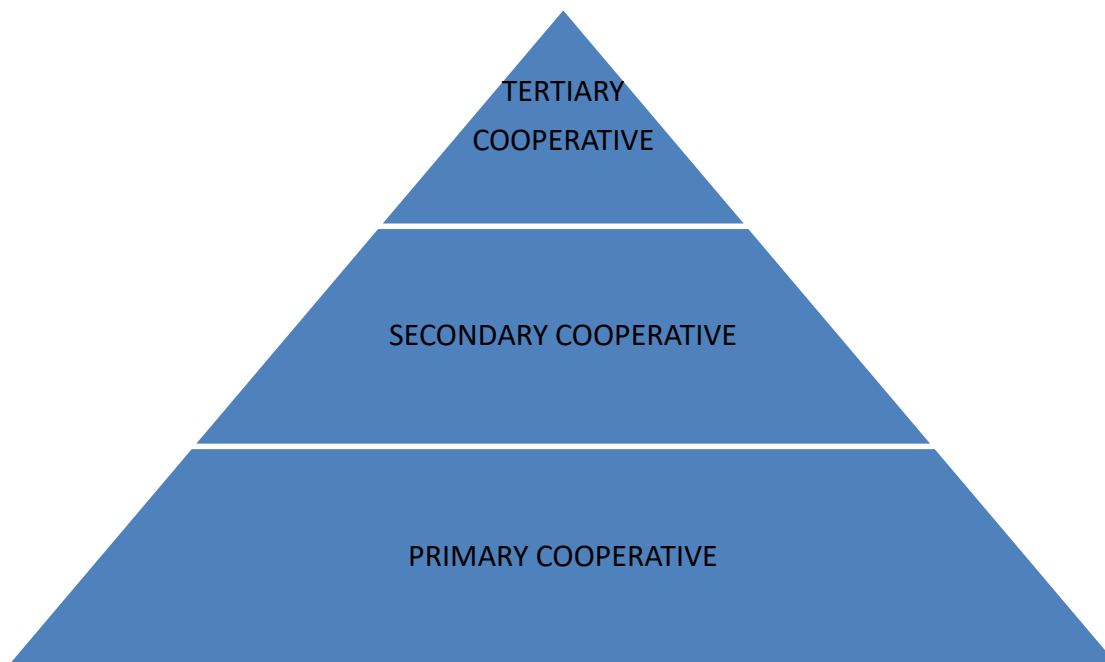
The cooperative values are enshrined in the International Cooperative Alliance (ICA) Statement on the Cooperative Identity as follows: self-help, self-responsibility, democracy, equality, equity and solidarity. Furthermore, in the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (Prakash, 2000:5).

### **2.4.4 Forms of cooperatives**

The Cooperative Act of 2005 provides for the registration of the three forms of cooperatives; primary, secondary and tertiary. The following forms of cooperatives are defined in chapter 1 under section 1(1) of the Cooperative Act No.14 of 2005 as follows:

- **Primary cooperative** means a cooperative formed by a minimum of five natural persons whose objective is to provide employment or service to members and to facilitate community development.
- **Secondary cooperative** means cooperative formed by two or more primary cooperatives to provide sectoral services to its members and may include juristic persons.
- **Tertiary cooperative** means cooperative whose members are secondary cooperatives and whose objective is to advocate and engage organs of state, the private sector and stakeholders on behalf of its members and may also be referred to as a cooperative apex. The diagram on the next page illustrates the structural organisation of cooperatives in South Africa.

Figure1.1 Structural organisation of cooperatives in South Africa.



Source: Nyathi (2015:3).

The difference between the three forms of cooperatives lies in the membership of each cooperative. At the bottom of the above pyramid lies the first-tier cooperative that is also known as primary cooperative. As already mentioned above, primary cooperatives are formed by a minimum of five natural persons whose objective is to provide employment or services to members and to facilitate community development. (RSA, 2005:10).

In the middle of the pyramid lie the second-tier cooperatives known as secondary cooperatives. Secondary cooperatives are formed by two or more primary cooperatives and the objective of this form of cooperative is to provide services relating to the sector in which they are active. Secondary cooperatives exist at district level. At the top of the pyramid is the third-tier cooperative known as tertiary cooperative. Tertiary cooperatives are formed by two or more secondary cooperatives. Their objective is to advocate and engage organs of state, the private sector and stakeholders on behalf of its members and may also be referred to as a cooperative apex (RSA, 2005:12). Most of tertiary cooperatives exist at provincial level.

The types of cooperatives that can be registered under the Cooperative Act No.14 of 2005 may be, but not limited to the following; housing, worker, social, agricultural, cooperatives burial society, financial service cooperative, consumer, marketing and supply chain cooperative, and service cooperative (RSA,2005:10). In the agricultural sector, the following types of cooperatives can be registered namely: production cooperatives, supply cooperatives, service cooperatives, agricultural marketing and purchasing cooperatives.

## **2.5 The role of cooperatives in poverty reduction, unemployment and community development.**

### **2.5.1 Poverty reduction**

Poverty is multi-dimensional and those living in poverty are vulnerable to deprivation in many ways (Stats SA, 2008:3). Poverty interpreted in the narrowest sense means lack of income in the broader sense poverty can be seen as multidimensional, encompassing other issues such as housing, health, education, access to services and resources (Studies in Poverty and Inequality Institute, 2007:10). In 2015, 30.4 million South Africans were living in poverty and poverty headcount in Limpopo province was 72.4% making it the second poorest province in South Africa (Stats SA, 2017:14-65). Poverty reduction has always been the central goal of the South African government since the dawn of democracy.

The policies and programs such as Reconstruction Development Program (RDP), Growth, Employment, and Redistribution (GEAR) and Accelerated and shared Growth Initiative for South Africa (AsgiSA) have been established to reduce poverty in South Africa (World Bank, 2018:1). The South African government has also recognised cooperatives as instruments that can help reduce poverty especially in rural areas. Majority of the rural poor derive their livelihood from agriculture and agricultural-related activities provide most employment in rural areas (Machethe, 2004:1). The advantage of using cooperatives particularly those in the agriculture can help reduce rural poverty and increase income of smallholder farmers (DAFF, 2012:2). To support this statement, Boyana and Tshuma (2013: 1343) further mention that agricultural cooperatives provide a platform for smallholder farmers to

get support from both government and private sector, allow individual farmers to pool resources together, share risks and improve the sustainability of long-term job creation.

### **2.5.2 Unemployment**

Statistics revealed that as many as 100 million people are employed in cooperatives, while three billion people secure their livelihoods through cooperatives (DTI, 2012:19). As already mentioned, in Africa, the number of employment made by cooperatives was 22 387 970 million in 2017 (CICOPA, 2017:24-25). In 2010, Cooperative Data Analysis System (CODAS) indicated that a total of 836 cooperatives managed to create 2 839 job opportunities with 1 858 permanent jobs and 981 temporary/seasonal job opportunities in South Africa (DAFF, 2011:17). Maoto (2017:68) mention that cooperatives offer employment opportunities to old people, disabled people, youth and to people who are less educated. If well implemented, cooperatives are potential strategies to reduce the high levels of unemployment and poverty in many rural municipalities such as Elias Motsoaledi Local Municipality (EMLM).

Byrne and Strobl (2001:4) define unemployment according to a resolution of International Labour Organization (ILO) in Geneva in 1954, as a person is considered unemployment if he/she during the reference period simultaneously satisfies being; (i) 'without work', i.e. he/she was not in paid employment or self-employment during a particular reference period; (ii) 'currently available for work', i.e. he/she was ready for a paid employment or self-employment during the reference period; and (iii) 'seeking work' i.e. he/she had taken specific steps in a specified recent period to seek paid employment or self-employment. Statistics South Africa considers unemployed persons as those that are aged 15-64 years (Statistics South Africa, 2017:17).

Stats SA's Quarterly Labour Force of Quarter 4, from 2015-2017 indicates that unemployment has been on the rise. The rate of unemployment was 24.5% during October-December 2015 and rapidly increased to 26.5% during October-December 2016. The unemployment rate during October-December 2017 was 26.7%. In Limpopo Province, unemployment rate during October-December 2016 increased

from 19.3% to 19.6% during October-December in 2017, and was the second lowest compared to all other eight province (Stats SA, 2017:25). High unemployment rate in Elias Motsoaledi Local Municipality has resulted in high levels of poverty as most of the households depend on grants as a means of income. Unemployment rate in the municipality was 42.9% in 2011 (Elias Motsoaledi IDP Document, 2017:114). The promotion of cooperatives is very important as cooperatives serve as mitigating mechanism towards unemployment.

### **2.5.3 Cooperatives and community development**

Majee and Hoyt (2011:49) define community development as “a process that mobilizes resources and builds the capacity of local residents to work together to improve social and economic conditions in their communities”. To support this statement, Hart (2012:56) mention that “community development consist of two essential elements: the participation of people themselves in an effort to improve their living, with as much reliance as possible on their own initiative; and the provision of technical and other services in ways which encourage initiative, self-help and mutual help in order to make these more effective.” Community development encourages community members to work together and to create initiatives that improve the well-being of their communities especially in resource-limited communities.

Vieta and Lionais (2014:2) point out that the 2008 global financial crisis depleted many communities around the world, creating the need for alternative community development initiatives such as cooperatives to assist in the revival of local communities. Cooperatives are viewed as important vehicles for community development because they mobilize local resources into critical mass and their structure allows them to be more community oriented (Zeuli & Radel, 2005:43). Apart from employing local people, cooperatives provide opportunities for employees to improve their skills by training and educating them. Cooperatives also assist in circulating money within the communities they have been established through the services and products offered (Gibson, 2005:6). Cooperatives make important contributions within the communities in which they exist.



The following cooperatives have had positive impacts on local communities where they are located: the Mondragon Cooperative Corporation in Spain, the cooperatives banks of Trentino, Quebec's Desjardins Caisse Populaire, Kerala's agricultural and weaver's co-ops as well as Argentina's Hogar Obrero (Vieta & Lionais, 2014:4). Regions in which cooperative development had great community development impact are the Evangeline region in Prince Edward Island, the credit union systems of Nova Scotia, Emilia Romagna in Italy and the Kibbutz of Israel (Zeuli & Radel, 2005:47). According to Zeuli and Radel (2005:47), "each of these cases represents an integrated system of cooperatives working together to meet collectively the needs of the community". Cooperatives in many communities are used as strategy for local economic development, community development and to build social cohesion within the community.

Zeuli and Radel (2005:47) mention that cooperatives can be used as a strategy under the following contemporary community development paradigms: self-help, asset-based and self-development. The self-help puts community members at the core of the development process with two goals: "firstly, to improve the quality of life within the community and secondly, to increase the community's internal capacity to create further change by institutionalising the community development process" (Zeuli & Radel, 2005:47). Abatena (1995:7) point out that self-help initiatives are important for the following reasons: to foster local input in problem assessment and need identification, enhance sound and feasible decision making, accelerate proper programme planning and implementation, and facilitate the development of community capabilities.

According to Zeuli and Radel (2005:47), the objective of the asset-based community development as another contemporary community development paradigm is to assess the community's resources and to establish strategies that can help mobilize those resources for the benefit of the community. The author further mentions that community's assets include human, social, physical, financial and environmental assets. The last contemporary community development paradigm is self-development. Zeuli and Radel (2005:49) assert that the objective of this paradigm is to gain control of the local economy by the community through the mobilisation of community residents to use local financial resources in order to create businesses

that are locally owned and controlled. Thereby, diminishing and ultimately eliminating the role of the external agents.

These paradigms provide an opportunity for community members to identify their problems and actively participate in problem-solving process that fulfils community needs. Cooperatives as self-help organisations not only serve their members only but many are involved in uplifting local communities, such as the Mondragon group of cooperatives and many more mentioned above. Many cooperatives established are community based and therefore, investment in and surplus revenue from the cooperatives stays within the local community. Thus, every rand invested in the local cooperative has a significant multiplier effect within the community (DTI, 2012:19).

## **2.6 Challenges that affect the operational performance of SHACs in South Africa.**

Smallholder farmers face many challenges such as: lack of access to land, lack of on-farm infrastructure; lack of access to finance; poor management and technical skills; limited trust and social cohesion among members; limited co-operation among cooperatives; members not adhering to cooperative principles; lack of market information; limited access to markets; insecure property rights; poor roads and communication infrastructure; lack of strong and viable cooperative associations and organisations; and lack of access to mechanisation (DTI, 2012:54; Ortmann & King, 2006:2).

In this section, the following will be discussed; planning, management and technical skills, management of productivity, lack of access to arable land, inadequate agricultural inputs and mechanization technologies, lack of access to finance, lack of access to market and market information, profitability and profit sharing.

### **2.6.1 Planning**

Lack of planning in SHACs undermines their chances of success. Planning entails developing both long-term and short-term plans based on the goals and objectives of a farming business (De Fontaine, 2013:248). According to Zeuli and Cropp (2004:55), planning must include among other things the gathering of information about the market, competition, productivity, perishability and quality of the product,

waste reduction and regulatory compliance. Planning is very critical in every business as it increases efficiency, provides focus to the business, reduce risks and oversight. The poor performance and lack of sustainable SHACs could be exacerbated by lack or poor planning due to low literacy levels.

### **2.6.2 Management and technical skills**

Many SHACs are established by unemployed people with low skill level, lack of management and technical skills (DTI, 2012: 54). The majority of smallholder farmers are the elderly who cannot read and write. They are also not informed or taught on the best practices to increase the quality of their produce such as post-harvest handling and value addition (Mubigiri, 2016:2761). Business management, financial management, corporate governance, marketing, planning and control are identified as the main challenges that hinder the success of SHACs (DAFF, 2011:16). The failure of members to apply basic business principles and technical skills of agriculture to a farming business compromises the operational performance and sustainability of the enterprise.

### **2.6.3 Management of productivity**

The board of directors hires and supervise a CEO or manager to run daily operations of the cooperative (Zeuli & Cropp, 2004:50). The manager is responsive for day-to-day operations and ensuring that the farm cooperative is productive and meet the targets set by cooperative members and the board of directors. However, most SHACs lack funding and cannot hire managers to run the cooperative. Therefore, cooperative members with lack of skills or proper training end up taking such responsibilities. When farmers are not adequately trained, they use more resources than it is necessary. Available arable land is limited. Therefore, farmers need to be trained on different methods that can be used to increase land productivity such as; improving soil fertility, improving water management, changing cropping practices and farming systems etc. (De Fontaine, 2013: 227-228).

### **2.6.4 Lack of access to arable land**

In South Africa, land is an emotional issue. Boyana and Tshuma (2013:1345) point out that the land issue in South Africa has been discussed since the dawn of democracy without any visible resolutions. The South African Parliament voted in

favour of amending the constitution to allow for land expropriation without compensation. Currently there are public hearings throughout the country regarding this issue. In her study, Dlamini (2010:63) found that lack of access to land was one of the common production constraints faced by the three cooperatives studied. The author further mentioned that the cooperatives have market for their produce but are struggling to keep up with market demand due to insufficient land that would ensure adequate supply of crops throughout the year.

### **2.6.5 Inadequate agricultural inputs and mechanization technologies**

Modern technologies play a pivotal role in the agricultural industry and it is important that farmers have the knowledge of the latest trends. However, the majority of SHACs are faced with many challenges in their operations due to inadequate agricultural inputs such as improved seeds, fertilizers, crop protection chemicals and machinery. Modern agricultural inputs and mechanization technologies are critical to farm productivity and profitability (Sahel, 2014:1).

### **2.6.6 Lack of access to finance**

Many cooperatives have limited access to finance whether as loans or grants (DTI, 2012:53). The major challenge is the fact that smallholder farmers lack collateral required by financial institutions to access loans. The available funding programmes targeting cooperatives either nationally or at provincial level is not enough to ensure that more cooperatives are able to continue with their daily operational activities (DAFF, 2011:19). Members of the cooperatives are also not able to finance their cooperative through monthly contributions. Hence, many cooperatives are not operating.

### **2.6.7 Lack of access to market and market information**

The challenge of access to markets is due to the inability of SHACs to produce large quantities at specific quality level and low levels of collaboration between cooperatives (SEDA, 2013:88). Mubigiri (2016) also mention that many agricultural cooperatives lack knowledge on the quality standards required for their produce. Statistics have revealed that 71% of people assisted by Small Enterprise Development Agency (SEDA) got information through word of mouth, 21% and 7% through extension officers and marketing media respectively (SEDA, 2013:59). Many

cooperatives have limited access to information and few take the initiative to look for information and support services. In areas where cooperatives have received support is usually through word of mouth. Courtois and Subervie (2013:2) argue that smallholder farmers usually lack information about current market prices and therefore, many sell their produce at lower prices to traders rather than at the market.

#### **2.6.8 Profitability and profit-sharing among members**

Boyana and Tshuma (2013:1344) mention that due to lack of transport and other constraints, the majority of products by SHACs are sold at low prices within their communities. Furthermore, limited access to information prevents farmers from selling their produce at the most profitable time. Thus, reduces the cooperative's net profit. Cooperatives make profit like any other business organisation. However, workers in the cooperative are also owners of the business. Zeuli and Cropp (2004:47) point out that part of the profit are shared among members in proportion to their purchases or use of services and the other part is invested.

The above mentioned challenges have been found to be the key constraints which make SHACs vulnerable and weak, constraining their development and sustainability. The operational performance of cooperatives has been weakened by cooperative members who put their selfish interests ahead of the collective interests of the organisation. Hence, problems such as greed and corruption are dominant in such organisations.

#### **2.7 Agencies that support cooperatives in South Africa.**

There are various agencies that have been established since 1994 to support cooperatives in South Africa. Cooperative support services include both financial and non-financial support such as: education and training, business advisory services, technical and financial support services. The non-financial support services includes but not limited to the following: training co-operatives on principles of co-operation; how to manage and register a co-operative; technical training; business plan development; tender advice; mentorship programme, access to appropriate technology, compliance with the Cooperative Act of 2005 and its provisions (DTI,

2012: 69-70). The support agencies for cooperatives includes, but not limited to the following:

Small Enterprise Development Agency (SEDA) promotes the establishment of cooperatives and collectively owned enterprises by providing business related information, advice, business skills training and mentoring services in all areas of enterprise development (SEDA, 2016:25). Land and Agriculture Development Bank of South Africa (Land Bank) provides infrastructure, financial and technical support to cooperatives, Micro Agricultural Financial Institute of South Africa (MAFISA) provides financial services to smallholder producers in the agricultural sector, the National Empowerment Fund (NEF) promotes and support black businesses through the provision of financial and non-financial support, the Industrial Development Corporation (IDC) provides finance ranging from R1million upwards to small and co-operative business development and black economic empowerment. Women Entrepreneurial Fund (WEF) was established by IDC to provide loan funding for women entrepreneurs owning co-operatives and small enterprises (SEDA, 2013: 21-22; DTI, 2012:49).

The National Youth Development Agency (NYDA) was established to support youth development by providing financial and non-financial business development support for co-operatives, Small Enterprise Finance Agency (SEFA) provides financial services to co-operatives throughout South Africa. The maximum funding for enterprising cooperatives is up to R5 million per cooperative (SEDA, 2013: 21-22; DTI, 2012:49). There is also Cooperative Incentive Scheme (CIS) which is a direct cash grant for registered primary co-operatives, the maximum grant that can be offered to one co-operative entity under the scheme is R350 000 (DTI, 2011:6). There are also agencies that provide support to cooperatives across all provinces in South Africa.

Agencies providing financial and non-financial support to services at provincial level includes but not limited to the following: the Limpopo Business Support Agency (LIBSA) support businesses from Limpopo Province through start-up grants, after-care and mentoring activities and access to markets for co-operatives enterprises, the Limpopo Economic Development Enterprise (LIMDEV) provides finance to small businesses within Limpopo Province, the Gauteng Enterprise Propeller (GEP)

provides funding for start-up, expansion and franchises for Small Medium and Micro Enterprises (SMMEs) and cooperatives within the Gauteng Province, the Free State Development Corporation (FDC) offers funding (such as loans, equity and investment) and business development to SMEs and cooperatives, the North West Development Corporation (NWDC) provides financial services, business advice and business mentorship within the North West Province (DTI, 2012:50).

Eastern Cape Development Corporation (ECDC) provides access to finance and technical support for small and large enterprises located within the Eastern Cape Province (SEDA, 2013: 22). Mpumalanga Economic Growth Agency (MEGA) offers funding for businesses within the Mpumalanga Province. Loans range from R10 000 to R3 million and Ithala Bank was created by the KwaZulu-Natal government to provide financial services to small and medium businesses including co-operatives in the KwaZulu-Natal Province (DTI, 2012:50). Departments such as agriculture, rural development and land reform, social development and local municipalities also provide financial and non-financial support to cooperatives at provincial and national level.

Financial and non-financial support such as business training and technical skills among other are critical for growth and sustainability of cooperatives. The above mentioned agencies usually conduct workshops to improve farmer's practical skills, techniques and also introduce innovative ideas which farmers are able to use in their businesses. However, workshops are of limited duration and often a day or three days. Therefore, it becomes difficult for farmers to absorb everything in such a short period. In the previous section in this chapter, we have learned that Kenya's cooperative movement is ranked as number one in Africa. An important lesson to be learned from Kenya's cooperative movement is that, it has established a Cooperative College which offers training on cooperative principles and values, technical and management training (DTI, 2012:27). Therefore, an establishment of such an institution in South Africa can assist in addressing some of the challenges cooperatives are faced with. In the following section, we look at the policy and legislative framework of cooperatives.

## **2.8 Policy and legislative framework of cooperatives in South Africa**

### **2.8.1 National policy governing cooperatives.**

The Cooperative Development Policy, 2004 was developed to promote and support the development of a Co-operative Movement by combining the financial, labour and other resources among the masses of the people, rebuild communities and engage the people in their own development through sustainable economic activity (DTI, 2004:2).

The objectives and purpose of the Cooperatives Development Policy of 2004, includes among other but not limited to the following:

- Create an enabling environment for co-operative enterprises which reduces the disparities between urban and rural business, and is conducive to entrepreneurship;
- Promote the development of economically sustainable co-operatives that will significantly contribute to the country's economic growth;
- Increase the competitiveness of the co-operative sector so that is better able to take advantage of opportunities emerging in national, African and international markets;
- Encourage persons and groups who subscribe to values of self-reliance, and self-help, and who choose to work together in democratically controlled enterprises, to register cooperatives in terms of this policy;
- Promote greater participation by black persons, especially those in rural areas, women and persons with disability and youth in the formation of and management of cooperatives (DTI, 2004:5).

### **2.8.2 The Cooperatives Act (Act No.14 of 2005).**

The Cooperatives Act 14 of 2005 replaced the Cooperatives Act 91 of 1981. In the preamble, the Cooperatives Act 14 of 2005 recognises the following:

- The cooperative values of self-help, self-reliance, self-responsibility, democracy, equality and social responsibility;



- that a viable, autonomous, self-reliant and self-sustaining cooperative movement can play a major role in the economic and social development of the Republic of South Africa, in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty;
- that the South African economy will benefit from increasing the number and variety of viable and sustainable economic enterprises;
- that government is committed to providing a supportive legal environment to enable cooperatives to develop and flourish; and

The Act aims to achieve the following:

- ensure that international cooperative principles are recognised and implemented in the Republic of South Africa;
- enable cooperatives to register and acquire a legal status separate from their members; and
- facilitate the provision of targeted support for emerging cooperatives, particularly those owned by women and black people (RSA, 2005:2).

### **2.8.3 Cooperative Banks Act (Act No. 40 of 2007).**

The purpose of the Cooperatives Bank Act of 2007 is to:

- Promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions;
- promote the development of sustainable and responsible co-operative banks; and
- establish an appropriate regulatory framework and regulatory institutions for co-operatives banks that protect members of co-operative banks,

By providing for:

- the registration of deposit taking financial services co-operatives as co-operative banks;
- the establishment of supervisors to ensure appropriate and effective regulation and supervision of co-operative banks, and to protect members and the public interest; and

- the establishment of Development Agency for co-operative Banks to develop and enhance the sustainability of co-operative banks (RSA, 2008:12).

Whereas progress has been made by government through the creation of policy and legal framework for cooperatives in South Africa, compliance with the provisions of the Act of submitting financial statements is still a challenge especially to newly registered cooperatives (DTI, 2012: 56). This could be exacerbated by the fact that the registrar of cooperatives is situated at the national level, with no branches at provincial and local level. This makes it difficult for cooperatives to access the services of the registrar on complex and pressing matters they are experiencing. Furthermore, there is no monitoring and evaluation of cooperatives compliance with the policy and legal framework that has been established.

## **2.9 Conclusion**

The chapter presented a review of literature on the smallholder agricultural cooperatives in developed and developing countries. In developed countries, cooperatives took a bottom-up approach whilst in African countries it was the opposite. This led to poor understanding of the entire cooperative model and development of weak cooperatives. The chapter also outlined cooperatives principles, values and different forms of cooperatives that can be established and role played by cooperatives in socio-economic development has been illustrated. The main challenges affecting the operational performance of smallholder agricultural cooperatives such as lack of access to finance, technical skills, lack of access to markets etc. have been discussed in this chapter. The different agencies supporting the development of cooperatives as a way of reviving cooperatives in different sectors of the economy and favourable legislative environment for cooperatives to operate in was outlined in the chapter.

In the next chapter presents rationale for research methodology, research designs, research paradigms and research approaches. The chapter also presents the study area, population, sampling, data collection instruments and data analysis.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The previous chapter provided literature review on the operational performance of smallholder agricultural cooperatives. This chapter describes the research methodologies, design, paradigms and approaches that have been used to address research questions in Chapter 1.

#### 3.2 Rational for research methodology

According to Babbie and Mouton (2001:104), research methodology refers to “the methods, techniques, and procedures that are employed in the process of implementing the research design or research plan”. On the other hand, Leedy and Ormrod (in Williams, 2007:66) define research methodology as “the general approach the researcher takes in carrying out the research project”.

#### 3.3 Research design

Du Plooy (2009:85) attests that research design is a “plan of how the research is going to be conducted, indicating who or what is involved, and where and when the study will take place”. To support this statement, Babbie and Mouton (2001:74) define research design as a plan or blueprint of how you intend to conduct the research. They further indicate that research design focuses on the end product, formulates a research problem as a point of departure, and focuses on the logic of research. The researcher used both qualitative and quantitative research design in this study.

Firstly, research designs can be classified according to whether they are empirical or non-empirical studies. Secondly, empirical studies are further distinguished into primary and secondary empirical data. Finally, research designs that involve empirical data can be classified into two categories: Numeric data (numbers, statistics, psychological test scores, and physiological measures) and textual data (documents, texts, conversations, and interview transcripts) (Babbie and Mouton, 2001:76). In this study, both descriptive and survey research designs were used in the study.

According to Welman, Kruger and Mitchell (2005:231), “descriptive statistics are concerned with the description and/ or summary of the data obtained for a group of individual units of analysis”. To support this statement, Fox and Bayat (2007:111) mentions that numerical data is collected, displayed and analysed scientifically and from which logical decisions, conclusions and recommendations can be made. From the above definitions, it is clear that research design involves primary, secondary and numerical data. It also involves decisions that can assist the researcher to arrive at the logical conclusions and to make valid recommendations.

### **3.4 Research paradigms**

Paradigm as defined by Denzin and Lincoln (2005:183) is a “basic set of beliefs that guide action. Paradigms deal with first principles, or ultimates. They are human constructions. They define the worldview of the researcher”. The authors further mention that paradigm encompasses four terms: ethics, epistemology, ontology, and methodology. There are many paradigms in research. Therefore, the researcher discussed paradigms that are relevant to this study, namely: phenomenology, positivism and hermeneutics.

#### **3.4.1 Phenomenology**

Phenomenological research focuses on the meaning of social action and the description of the basic structures of the group or society being studied (Bouma, 1996:178). According to Tashakkori and Teddlie (2003:192), in phenomenology “data is derived from conversation or interviews, and these data are then reflected from the phenomenological literature and other experiential accounts including fiction, poetry, film, and one’s own experience”. The purpose of investigating is to gain deeper understanding of a particular phenomenon and not to generalise the findings to a population. As already mentioned above, qualitative approach is linked to phenomenology paradigm. Qualitative data was collected through interviews in order to gain in-depth understanding about the phenomena of interest.

#### **3.4.2 Positivism**

According to Blaike (2007:178), positivism incorporates the shallow realist ontology, the epistemology of empiricism, and the thesis of naturalism. Social reality is viewed as a complex of causal relations between events that are depicted as patchwork of

relationships between variables. The causes of human behaviour are regarded as being external to the individuals. The author further indicate that knowledge is seen to be derived from sensory experience by means of experimental or comparative analysis, and concepts and generalisations are shorthand summaries of particular observations.

Doyle *et al.* (2009:177) mention that the positivism paradigm is based on the assumption that there is a single reality and therefore seeks to identify causal relationships through objective measurement and qualitative analysis. On the other hand, Babbie and Mouton (2001:49) mention that quantitative approach has been linked to positivism and the qualitative approach to phenomenology. A positivist researcher focuses on measuring variables and testing hypothesis in order to generalise the research findings to a population.

### **3.4.3 Hermeneutics**

According to Babbie and Mouton (2001:31), hermeneutics is defined as the science of text interpretation. On the other hand, Blaike (2007:2002) argued that “there is no objectively valid interpretation of text or social situation; it is not possible for a researcher to stand outside history or become detached from culture”. The author further mention that culturally and historically situated accounts can lead to an unlimited number of interpretations. Due to the nature of the study, the researcher has employed both phenomenology and positivism. To achieve this process the study used mixed research design and combined paradigms.

## **3.5 Research approaches**

### **3.5.1 Qualitative research approach**

Astalin (2013:119) defines qualitative research design as “a systematic inquiry which seeks to build a holistic, largely narrative, description to inform the researcher’s understanding of social or cultural phenomenon”. On the other hand, Creswell (in Williams, 2007:67) describes qualitative research as “an unfolding model that occurs in a natural setting that enables the researcher to develop a level of detail from high involvement in the actual experiences”. Moreover, Williams (2007:67) argues that qualitative research is based on inductive rather than deductive reasoning. According to Astalin (2013:119), the four major types of qualitative research designs

commonly used are: ethnography, phenomenology, grounded theory and case study.

### **3.5.2 Quantitative research approach**

According to Amaratunga, Baldry, Sarshar and Newton (2002:22), qualitative research design has always been “concerned with defining an epistemological methodology for determining the truth-value of propositions and allows flexibility of data, in terms of comparative analysis, statistical analyses, and repeatability of data collection in order to verify reliability”. Easterby-Smith (in Amaratunga *et al*, 2002:22-23) mention that the advantage of quantitative research design is that it allows large-scale data collection, and analysis is at a reasonable cost and effort. Another advantage is that reliability and validity may be determined more objectively than in qualitative technique. However, the weakness of the design is in its failure to explain the phenomena of interest in depth.

There are three broad classifications of quantitative research namely: descriptive, experimental and causal comparative (Leedy & Ormrod in Williams, 2007:66). Descriptive research involves identifying and describing characteristics of a particular phenomenon based on an observational basis, or the exploration of correlation between two or more phenomena. In experimental research, the researcher investigates the treatment of an intervention into the study group and then measures the outcomes of the treatment. On the other hand, the researcher in causal comparative examines how the independent variables are affected by the dependent variables and involves cause and effect relationships between the variables (Williams, 2007:66).

The study used both qualitative and quantitative research approaches. Therefore, this was referred to as a mixed method research. According to Handson *et al*. (2005: 224), mixed methods research is defined as “the collection or analysis of both quantitative and qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research”. Williams (2007:70) mention that mixed methods allows the researcher to employ deductive and inductive analysis in the same research study. The researcher used qualitative approach to get deeper understanding of cooperative board of directors, while quantitative

approach was used to gather more data from members of smallholder agricultural cooperatives.

### **3.6 Study Area**

The study was conducted at Elias Motsoaledi Local Municipality. The Municipality is located in the Sekhukhune district of Limpopo province, South Africa. EMLM lies in the south and south west of the district, on the western banks of the Olifants River (EMLM Integrated Development Plan, 2011:13). The municipality is the third smallest of the five municipalities in Sekhukhune district, with 3 668 square kilometres of the district's 13 264 square kilometres (EMLM IDP, 2017:103).

### **3.7 Population**

Babbie and Mouton (2001:173) define population as “the theoretically specified aggregation of study elements”. The authors define study population as “the aggregation of elements from which the sample is actually selected”. The population of this study are the farmers of smallholder agricultural cooperatives in Elias Motsoaledi Local Municipality, of Sekhukhune District in Limpopo Province.

### **3.8 Sampling**

Ali (2016:11) defines sampling as a process of extracting a sample from a population. The author further mention that the more the sample is representative of the population, the higher the accuracy of making generalisation. There are two types of sampling methods; probability sampling and non-probability sampling.

#### **3.8.1 Probability sampling**

According to Ali (2016:12), probability sampling is a sampling method in which every member of the population has an equal opportunity of being included in the sample. The advantage of probability sampling method is that it reduces systematic errors, sampling biases and inferences drawn from a sample are generalisable to the population (Ali, 2016:13). The following are the types of probability sampling methods.

- **Simple random sampling**

Bouma (1996:120) mention that a simple random sampling is one in which each element (person, group, university, etc.) in the population has an equal chance of being included in the sample.

Ali (2016:17) and Du Plooy (2009:116) provide the following advantages of simple random sampling.

- Easy to draw if the target population is small and sampling frame exists;
- The sample is a good representative of the population;
- Elimination of possible sampling biases;
- External validity can be inferred; and
- A sample can be drawn by a computer.

Ali (2016:17) and Du Plooy (2009:116) provide the following disadvantages of simple random sampling.

- Costly and time consuming when the target population is widely spread geographically and difficult to approach;
- A list of population parameters has to be compiled; and
- Very costly when sampling frame does not exist.

- **Systematic sampling**

A systematic random sampling involves the selection of every nth unit from a sampling frame and the first nth unit is selected at random (Tashakkori & Teddlie, 2003:278; Bouma, 1996:123).

Du Plooy (2009:120) provides the advantages of systematic random sampling as follows:

- Easy to draw if the target population is small and sampling frame exist;
- Inexpensive selection procedure;
- Representative sample can be obtained;
- External validity can be inferred;
- Increases the accuracy of selection (compared to simple random sampling); and
- A sample can be drawn by a computer.



Ali (2016:19) and Du Plooy (2009:120) provide the disadvantages of systematic random sampling as follows:

- Costly and time consuming when the target population is widely spread geographically and difficult to approach;
- A list of population parameters has to be compiled as a sampling frame; and
- If the order of the list is biased in same way, systematic error may occur.

- **Stratified random sampling**

Tashakkori and Teddlie (2003:278) mention that a stratified random sample is obtained by separating the population elements into groups or strata, such that each element belongs to a single stratum.

Du Plooy (2009:118) provides the following advantages of stratified random sampling:

- Sample is easy to draw if the population is small and sampling frame exists;
- Sample is drawn from homogeneous sub-groups;
- Accuracy is increased because sampling bias is eliminated; and
- Sampling error is reduced.

Du Plooy (2009:118) provides the following disadvantages of stratified random sampling:

- Costly and time consuming when the target population is widely spread geographically and difficult to approach;
- A list of population parameters has to be compiled as a sampling frame; and
- Reject selected units from sample, if quota for a stratum is full.

- **Cluster sampling**

According to Bernard (2013:136), cluster sampling involves narrowing the sampling field from large heterogeneous chunks to small, homogeneous ones that are relatively easy to find. The author further mentioned that cluster sampling is used when there is no overall sampling frame. Tashakkori and Teddlie (2003:279) point out that cluster sampling is appropriate when the sampling unit is not an individual but rather a group that is naturally occurring in the population such as neighbourhoods, city blocks, schools, classrooms, or families.

Ali (2016:23) provides the following advantages of cluster random sampling:

- Reduces costs of data collection;
- Less time consuming as compared to simple random and systematic random sampling; and
- Does not require a list of elements of the population.

Ali (2016:23) provides disadvantages of cluster random sampling as follows:

- Can lead to sampling biases and systematic error; and
- If clusters are not homogeneous among them, the final sample may not be representative of the target population.

### **3.8.2 Non-probability sampling**

According to Du Plooy (2009:122), non-probability sampling is a sampling in which “every unit in the target population does not have an equal and therefore probable chance ( $p$ ) of being selected as part of the sample, implying that the sample will not necessarily have the same parameters (or characteristics) as the target population”. On the other hand, Welman *et al* (2005:67) mentions that this is a sampling method in which the probability that any element (Unit of analysis) will be included in a sample is unknown.

- **Accidental sampling**

Bouma (1996:117) mention that accidental sampling is a sampling procedure which involves using what is immediately available. The author further mentions that the disadvantage of accidental sampling is that the researcher does not know in what ways the sample is biased.

- **Quota sampling**

According to Bernard (2013:163), quota sampling resembles stratified probability sampling without random selection. Bouma (1996:119) argues that quota sampling is useful when a particular group or characteristics is relatively rare in the population and the researcher wants to ensure that the group or characteristics they want are in the sample.

- **Purposive sampling**

Purposive sampling is a sampling method in which the researcher uses his or her own judgement or intuition in the selection of sample members. This type of sampling is sometimes called judgemental sampling (Babbie & Mouton, 2001:202; Bouma. 1996:119).

- **Snowball sampling**

According to Babbie and Mouton (2001:167), in snowball sampling, the researcher collects data on the few members of the target population he can locate and then asks those individuals to provide information that will enable him to locate the other members of the population. This method is appropriate when approaching the type of population that is difficult to locate (Ali, 2016:33, Babbie & Mouton, 2001:167). This type of sampling is commonly used in qualitative research.

Due to the nature of the study, the researcher used both probability and non-probability sampling designs. Purposive sampling technique was carried out for qualitative data collection and simple random sampling was used for quantitative data collection. The researcher used purposive and simple random sampling to select the participants, who had relevant experience in the management of smallholder agricultural cooperatives. To collect relevant data from the participants, the researcher has used research instruments, namely, structured questionnaires and semi-structured interviews.

### **3.9 Research instruments**

#### **3.9.1 Questionnaire**

Wiid and Diggines (2013:161) define a questionnaire as “a set of questions designed to generate the data necessary to accomplish a research project’s objectives”. On the other hand, Babbie and Mouton (2001:265) mention that questionnaires provide a method of collecting data by asking people questions, or asking them to agree or disagree with statements representing different points of view.

Fox and Bayat (2007:88) mention that the advantages of questionnaires is that they are less expensive to administer especially for investigation involving large sample sizes and large geographic areas, allows easy analysis of data, reduces bias as

there is uniform question presentation and no middleman bias, and they are less intrusive compared to interviews. The researcher used questionnaires as a data collection instrument to collect quantitative data in the study. The questions in a questionnaire can either be open-ended or closed-ended.

- **Open-ended questions**

In open-ended questions, the respondent is asked to provide his or her own answer to the question. One of the disadvantages of open-ended questions is that they must be coded before they are processed for computer analysis (Babbie & Mouton, 2001:233). According to Du Plooy (2009:158), the advantages of open-ended questions is that they are useful if we want to encourage respondents to express attitude or opinions in their own words without the influence of the researcher and they can elicit underlying ideas, feelings, sentiments and suggestions that researchers may not even have considered.

- **Closed-ended questions**

In closed-ended questions the respondent is asked to select an answer from among a list provided by the researcher (Babbie & Mouton, 2001:233). The advantage of closed-ended questions is that they provide a greater uniformity of responses and are more easily processed. Du Plooy (2009:197) mention the following advantages of closed-ended questions; closed-ended questions require the participant to simply choose a response from a list of alternative responses, the procedure is standardised, which makes the task of tabulating, coding transcribing and analysing the responses easier and less time is used for the administration of the survey as a whole.

### **3.9.2 Interview**

Interview refers to a conversation between two or more people for the purpose of gathering information and answering questions. According to Tashakkori and Teddlie (2003:308), the advantages of interviews is that the interviewer can probe the interviewee for clarity or for more detailed information when needed, allow good interpretive validity and is useful for exploration and confirmation. According to

Welman *et al* (2005:165), the three commonly used types of interviews in research are; unstructured interviews, structured interviews and semi-structured interviews.

- **Unstructured interview**

According to Welman *et al* (2005:166), unstructured interviews are informal and questions are not prearranged. This type of interview is used to explore the general area of interest in depth. Bernard (2013:183) mentions that unstructured interview is versatile as it is used by scholars who identify with hermeneutic and positivist tradition. The author further point out that it is used in studies that require only textual data and in studies that require both textual and numerical data. Du Plooy (2009:198-199) point out that the disadvantage of unstructured interview is that it is time consuming.

- **Structured interviews**

In structured interview the interviewer “puts a collection of questions from a previously compiled questionnaire, known as an interview schedule to a respondent face-to-face and records the latter’s responses. The interviewer is restricted to questions, their wording, and their order as they appear on the schedule, with relatively little freedom to deviate from it” (Welman *et al*, 2005:165). According to Dawson (2009:29), structured interviews are used in quantitative research and can be conducted face-to-face or over the telephone.

- **Semi-structured interview**

According to Bernard (2013:182), semi-structured interview is based on the use of an interview guide and covers a list of questions that are open ended. Rubin and Rubin (in Alshenqeeti, 2014:40) point out that semi-structured interview “allows depth to be achieved by providing the opportunity on the part of the interviewer to probe and expand the interviewee’s responses”. This type of interview allows flexibility between the interviewer and interviewee to discuss issues. Semi-structured interviews are commonly used in qualitative research. Du Plooy (2009:198) argues that semi-structured interviews represent characteristics of both a structured questionnaire (closed-ended items) and characteristics of an in-depth interview.

In this study, data was collected through the use of questionnaires and semi-structured interviews. Quantitative data was collected through structured questionnaires obtained from members of smallholder agricultural cooperatives, while qualitative data was collected by means of semi-structured interviews from board members of smallholder agricultural cooperatives. This process was achieved through face to face interviews. This enabled the researcher to obtain rich information that will assist her to explore and understand the operational performance of smallholder agricultural cooperatives.

### **3.10 Administration of research instruments**

For qualitative data, the researcher has interviewed cooperative board of directors who attended the meeting in a particular farm. The researcher used face to face interview to manage the process. This was done to get valid data from the respondents. The researcher has also called cooperative members in one place to collect quantitative data. The questionnaires were distributed by the researcher while members were requested to fill them. The researcher moved around to manage the process while the participants were filling the questionnaires.

### **3.11 Data collection**

Data collection is the process of gathering information and utilising measuring instruments to the sample or cases to be investigated (Mouton, 1996:67). Questionnaires and semi-structured interviews were used to collect quantitative and qualitative data for the study. The questionnaire was used to collect data from fifty (50) participants that is, twenty (25) males and twenty (25) females who are members of smallholder agricultural cooperatives. Semi-structured interviews were used to collect data from ten (10) participants who are part of the board of directors in their respective cooperatives.

### **3.12 Data analysis**

Data analysis is defined as “the process of bringing order, structure and meaning to the mass of collected data” (De Vos, Strydom, Fouche and Delport, 2002:339). According to Marshall and Rossman (in De Vos *et al*, 2002:340), qualitative data is “a search for general statements about relationships among categories of data, it

builds grounded theory". On the other hand, quantitative data analysis means "the categorising, ordering, manipulating and summarising of data to obtain answers to the research questions. The purpose of analysis was to reduce data to an intelligible and interpretable form so that the relations of research problems could be studied, tested and conclusions drawn" (De Vos *et al*, 2002:223).

For quantitative data, the researcher has used five Likert scale to analyse and interpret the data collected. Data was analysed by means of frequencies, percentages, graphs and statistical analysis, while qualitative data was classified according to themes and codes. Qualitative data was transcribed, translated, interpreted and coded.

### **3.13 Validity**

According to Tashakkori and Teddlie (2003:581), validity refers to whether or not the researcher's measurement of a phenomenon is true and whether it measure what it purports to measure. On the other hand, Bernard (2013:45) mentions that validity refers to "the accuracy and trustworthiness of instruments, data, and findings in research". Moreover, Welman *et al* (2005:142) argues that the validity of a measuring instrument is the extent to which the research findings accurately represent what is really happening in the situation. The researcher will improve validity by checking the research instrument against the study objectives and research questions.

### **3.14 Reliability**

According to Babbie and Mouton (2001:125), reliability refers to whether or not a given measurement procedure will yield the same results of a phenomenon if that measurement is repeated. The outcome of the research should be the same, if another researcher using the same measuring device and when measuring the same phenomenon. The researcher eliminated bias in the interviewing process by refraining from expressing any views or opinions on the topics covered in the interview and by also not divulging any information about other participants.

### 3.15 Trustworthiness

According to Lincoln and Guba (in De Vos *et al*, 2002:351-352), the trustworthiness in qualitative research incorporates the following concepts; credibility, transferability, dependability and confirmability. These concepts reflect validity and reliability in qualitative research. The researcher made sure that the participants understood the questions before answering and that there was no data contamination in the process.

### 3.16 Elimination of biasness

To eliminate biasness in the study, researcher was objective as possible during data collection and analysis. The researcher also attempted to avoid bias by not taking the issue of religion, race, culture and political affiliation into consideration. These issues were avoided to eliminate prejudice and biasness in the study.

### 3.17 Ethical consideration

According to Fouka and Mantzourou (2011:4), ethics refers to “the branch of philosophy which deals with the dynamics of decision making concerning what is right or wrong”. The researchers further mention that research ethics involves the protection of dignity of participants when publishing information in the research. To support this statement, Babbie and Mouton (2001:520) define ethics as “conforming to the standards of conduct of a given profession or group”. Ethical considerations relating to this study are;

- **Voluntary participation.** Participants will be informed that participation in the study is voluntary.
- **Harm to participants.** The study will not pose any physical or psychological distress to participants.
- **Informed consent.** Participants in the study will be informed about the purpose of the research and what is required from them prior to interviewing. Furthermore, this study will not use deceptive practices to obtain information from participants.
- **Anonymity and confidentiality.** The study will protect the anonymity and confidentiality of research participants.



- **Right to withdrawal.** Participants will have the right to withdraw at any stage in the interviewing process. Furthermore, participants will not be pressures in any way to try and stop them from withdrawing.

### **3.18 Conclusion**

In this chapter, research design, paradigms and approaches relevant to the study were discussed. The study applied mixed methods approaches by integrating quantitative and qualitative methods at data collection and analysis stage. Mixed methods provide a platform to collect rich, comprehensive data than either method would alone. The study used both purposive sampling technique and simple random sampling to select participants, with the former used for qualitative and the latter for quantitative data collection.

Quantitative data comprised of closed-ended questions given to ordinary members of SHACs whilst semi-structured interviews comprised of open-ended questions distributed to the board of directors which allowed rich and high-quality data. From the discussions in this chapter, it is clear that there is no single approach or method that can be regarded as the best in research. All approaches, methods and techniques are relevant and can complement each other as long as they are used appropriately. The data collection instruments were relevant to the objectives of the study and the questionnaires were designed in English. However, some of the questions had to be interpreted in the local language for better understanding. The agricultural extension officers in the municipality played a crucial role in the whole data collection process.

The study area, population, sampling and research instruments were described in this chapter. The reliability and validity of the research instruments were also discussed in this chapter. Lastly, ethical consideration was also discussed.

The next chapter present data analysis. Discussion of results, interpretation and conclusion of the study will be presented.

## CHAPTER 4

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter deals with empirical investigation methods and techniques employed in the collection of data related to the operational performance of smallholder agricultural cooperatives in Elias Motsoaledi Local Municipality. Due to the number of smallholder agricultural cooperatives in the municipality, the researcher used both the purposive and simple random sampling method to select cooperatives that would be investigated in the study

The objectives of the analysis were to identify and examine the challenges faced by smallholder agricultural cooperatives in the area of the study. The factors that have an impact on the performance of SHACs for sustainable community development in the area of the study have also been analysed in this chapter.

The data analysis and interpretation of the results enabled the researcher to arrive at suitable conclusions and recommendations that answer the research questions as stated in chapter one.

#### 4.2 Data Analysis and interpretation of results

This section, presents responses of data collected through empirical investigation of fifty (50) participants, comprising of twenty five (25) male and twenty five (25) female cooperative members. The responses from the participants have been analysed and tabulated thus giving the researcher a clear picture about the situation and factors affecting the operational performance of smallholder agricultural cooperatives in EMLM. The researcher used five Likert scale to analyse and interpret the data collected.

#### 4.3 Data collected through questionnaires.

This section represents data collected from Likert scale questionnaires of fifty (50) respondents. In the following table, (F) indicates frequencies, percentage (%) and

total frequency (FX) indicates the total number of respondents in the table. The following analysis could be made from the tables below.

**Table 4.3.1 Smallholder agricultural cooperatives and distribution of gender.**

Item	Frequency (F)	Percentage (%)
Q.1 What is the gender of the farmer?		
Female	25	50
Male	25	50
Total frequency	FX=50	100

The above table indicates that there were fifty (50) participants who participated in the study. This were twenty (25) males and twenty (25) females each making 50% of the total gender.

The equal distribution of participants was done to avoid gender biasness in the study. This was done in line with gender equity and equality policies in the Republic of South Africa.

**Table 4.3.2 Smallholder agricultural cooperatives and age of members.**

Item	Frequency (F)	Percentage (%)
Q2. What is the age group of a cooperative member?		
18-35	5	10
36-40	7	14
41-50	10	20
51-60	12	24
Above 61	16	32
<b>Total</b>	FX=50	100

Question 2 revealed that sixteen (32%) of the respondents are above sixty-one years. Twelve (24%) fall between fifty one and sixty years. Ten (20%) of respondents fell between forty-one and fifty years. Seven (14%) of the respondents fall between thirty-six and forty years, while ten (10%) of the respondents fall between eighteen and thirty-five years.

From the above information, it is evident that majority of the members of smallholder agricultural cooperatives are above the forty-one and sixty-one years. This finding is consistent with that of Mubigiri (2016:2758) who indicated that the participation of youth in agricultural cooperatives is still low because the majority of the youth preferred off farm activities that generates quick income. On the other hand, literature suggest that membership in agricultural cooperatives is dominated by the elderly who have the will to produce but lack the energy to do so (DAFF, 2011:11). The age group of cooperative members has an impact on the operational performance of smallholder agricultural cooperatives in the area of the study.

**Table 4.3.3 Smallholder agricultural cooperatives and member participation.**

Item	Frequency (F)	Percentage (%)
Q3. Do all members actively participate in the activities of the cooperative to enhance the operational performance of the cooperative?		
Strongly agree	12	24
Agree	16	32
Uncertain	1	2
Strongly disagree	2	4
Disagree	19	38
<b>Total</b>	FX=50	100

Question 3 revealed that twenty-eight (56%) agreed with the statement. One (2%) were uncertain, while twenty-one (42%) of the respondents disagreed with the statement.

From the above information, it is evident that most of the cooperative members actively participate in the activities of the cooperative. Prakash (2000:8) mentioned that some of the challenges which contribute to non-performance of cooperatives are lack of participation in decision making by cooperative members. To support this statement, Mubigiri (2016:2761) point out that the support provided by government (free training, access to capital and financial support, subsidised inputs etc.) can hinder the cooperative movement as some farmers join cooperatives without being fully committed to the cooperative and its operations which results in lack of member

participation after support. These results suggest that poor participation of members can impact negatively on the operational performance of SHAC for sustainable community development.

**Table 4.3.4 Smallholder agricultural cooperatives and market contracts.**

Item	Frequency (F)	Percentage (%)
Q4. Do cooperatives have formal market contracts to enhance the impact of smallholder agricultural cooperatives performance for sustainable community development?		
Strongly agree	0	0
Agree	2	4
Uncertain	1	2
Strongly disagree	19	38
Disagree	28	56
<b>Total</b>	FX=50	100

Question 4 revealed that two (4%) agreed with the statement. One (2%) were uncertain, while forty-seven (94%) of the respondents disagreed with the statement.

From the above information, it is evident that majority of cooperatives do not have formal market contracts. One of the main challenges that face SHACs is the inability to secure formal market contracts as a result of small volumes of produce and poor quality (DAFF, 2011:31). To support this statement, (Ortmann and King, 2006:55) mention that SHACs need to supply products that meet the safety requirements and are also of consistent quality for the market. The lack of formal market contracts can hinder the operational performance of SHACs for sustainable community development in the area of study.

**Table 4.3.5 Smallholder agricultural cooperatives and managerial skills.**

Item	Frequency (F)	Percentage (%)
Q5. Does the board of directors have managerial skills to enhance operational performance of smallholder agricultural cooperatives?		
Strongly agree	3	6
Agree	8	16
Uncertain	2	4
Strongly disagree	10	20
Disagree	27	54
<b>Total</b>	FX=50	100

Question 5 revealed that eleven (22%) agreed with the statement. Two (4%) were uncertain, while thirty-seven (74%) of the respondents disagreed with the statement.

From the above information, it is clear that majority of participants believed that the board of directors lack managerial skills. Many SHACs suffer from poor management, lack of business skills, leadership and technical skills which undermines their chances of success (DAFF, 2011:10). To support this statement, Machethe (1990:308) mention that cooperative members lack the ability to dismiss inefficient management. These results suggest that lack of skills by the board of directors can impact negatively on the operational performance and sustainable community development in the area of study.

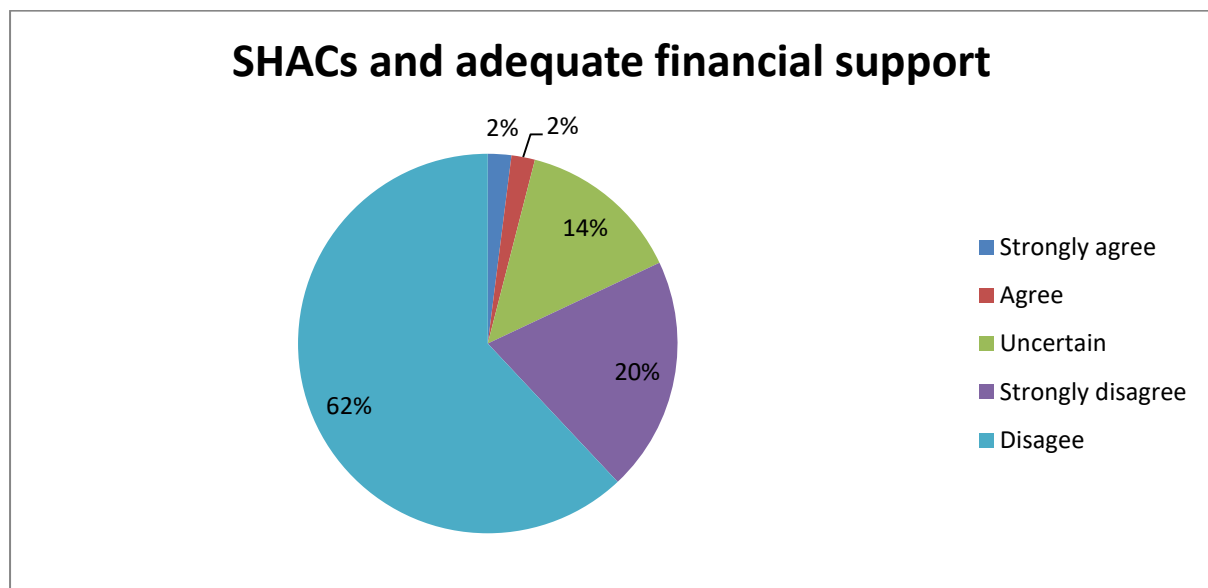
**Table 4.3.6 Smallholder agricultural cooperatives and employment.**

Item	Frequency (F)	Percentage (%)
Q6. Does the cooperative employ staff for operations from the community to enhance sustainable community development?		
Strongly agree	2	4
Agree	6	12
Uncertain	2	4
Strongly disagree	12	24
Disagree	28	56
<b>Total</b>	FX=50	100

Question 6 revealed that eight (16%) agreed with the statement. Two (4%) were uncertain, while forty (80%) of the respondents disagreed with the statement.

From the above information, it is evident that the majority of cooperatives are struggling to create employment. The lack of employment opportunities by cooperatives hinders sustainable community development in the area of study.

**Figure 4.3.1 Smallholder agricultural cooperatives and adequate financial support.**



Question 7 revealed that two (4%) agreed with the statement. Seven (14%) were uncertain, while forty-one (82%) of the respondents disagreed with the statement.

From the above information, it is clear that majority of participants believed that the cooperative does not have adequate financial support to sustain the operations of the cooperative for sustainable community development. This finding collaborates with that of Chabalala (2013:57) who found out that even though cooperatives receive financial support, it is inadequate to sustain the production activities of the cooperative. These results suggest that the inability of cooperatives to secure adequate financial support hinders the operational performance of SHACs for sustainable community development in the area of study.

**Table 4.3.7 Smallholder agricultural cooperatives and access to financial loans.**

Item	Frequency (F)	Percentage (%)
Q8. Do cooperatives have an access to financial loans from other financial institutions to enhance the operational performance of smallholder agricultural cooperatives?		
Strongly agree	0	0
Agree	0	0
Uncertain	1	2
Strongly disagree	9	18
Disagree	40	80
<b>Total</b>	FX=50	100

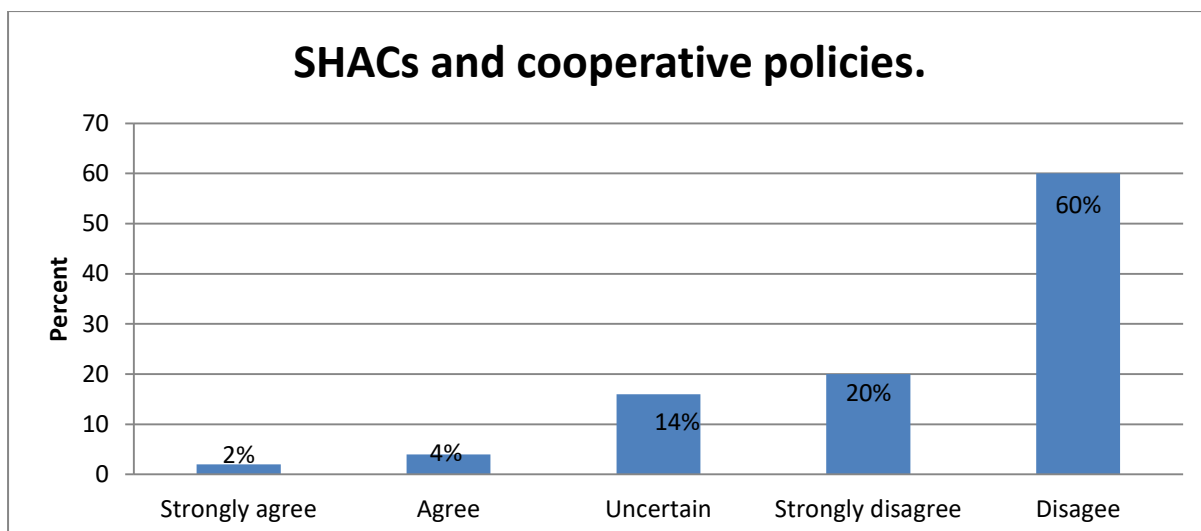
Question 8 revealed that zero (0%) agreed with the statement. One (2%) were uncertain, while forty-nine (98%) of the respondents disagreed with the statement.

From the above information, it is clear that majority of participants believed that the cooperative has no access to financial loans from other financial institutions. These findings are consistent with that of Mubigiri (2016:2760) who found that inaccessibility of credit hinders the performance of agricultural cooperatives. To support this statement, Jara and Satgar (2008:32) point out that many cooperatives are owned by poor people who lack collaterals in order to access loans. These results suggest that lack of access to financial loans hinders the operational performance of SHACs in the area of study.

**Figure 4.3.2 Smallholder agricultural cooperatives and cooperative policies.**

Q9. Do board of directors understand cooperative policies to enhance the performance of smallholder agricultural cooperatives?





Question 9 revealed that three (6%) agreed with the statement. Eight (14%) were uncertain, while forty (80%) of the respondents disagreed with the statement.

From the above information, it is evident that majority of the board of directors do not understand cooperative policies. Theron (2010:13) mention that cooperative policies do not outline how cooperative principles can best be achieved in practice. Lack of clarity on cooperative policies can hinder the operational performance of smallholder agricultural cooperatives for sustainable community development.

**Table 4.3.8 Smallholder agricultural cooperatives and effective strategies for good governance.**

Item	Frequency (F)	Percentage (%)
Q10. Do cooperatives have effective strategies to enhance good governance for sustainable community development?		
Strongly agree	2	4
Agree	5	10
Uncertain	3	6
Strongly disagree	10	20
Disagree	30	60
<b>Total</b>	<b>FX=50</b>	<b>100</b>

Question 10 revealed that seven (14%) agreed with the statement. Three (6%) were uncertain, while forty (80%) of the respondents disagreed with the statement.

From the above information, it is evident that majority of participants believed that the cooperative does not have effective strategies for good governance. These results suggest that lack of openness and transparency in cooperatives impact negatively on the operational performance of SHACs for sustainable community development in the area of study.

#### **4.4 Data collected through interviews.**

In this section, the data collected from ten respondents who are part of the cooperative board of directors is presented. These respondents are familiar with the daily operational activities of smallholder agricultural cooperatives in the area of study. The responses from the above respondents has given the researcher a clear picture about the general conditions and challenges that impact negatively on the operational performance of smallholder agricultural cooperatives in the area of the study.

The following challenges were identified by the researcher as the main factors that hinder the operational performance of SHACs in Elias Motsoaledi Local Municipality.

##### **4.4.1 Lack of impact on sustainable community development.**

Out of ten respondents interviewed, nine of them confirmed that there is no impact of cooperatives towards sustainable community development. Some of the respondents commented that:

*“Our cooperative does not contribute to sustainable community development as it can barely improve the livelihoods of cooperative members”.*

*“Lack of financial support and inputs have hindered the impact of cooperatives to uplift the local community”.*

##### **4.4.2 Lack of managerial skills.**

Out of ten respondents interviewed, nine of them believed that lack of managerial skills hinder the operational performance of smallholder agricultural cooperatives in the area of study. Some of the respondents remarked that:

*“We need to be trained on managerial skills in order to improve the performance of our cooperative”.*

*“Due to poor management skills, the chairperson in our cooperative tends to turn a blind eye on incompetent cooperative members”.*

#### **4.4.3 Poor governance.**

Out of ten respondents interviewed, nine of them agreed poor governance has a negative impact on smallholder agricultural cooperatives in the area of study. Some of the respondents commented that:

*“How can you expect a cooperative to be well governed, when we did not receive training on good governance”.*

*“Lack of good governance is the main cause of poor performance in our cooperative”.*

#### **4.4.4 Inadequate financial support.**

Out of ten respondents interviewed, nine of them indicated that lack of adequate financial support has a negative impact on smallholder agricultural cooperatives in the area of study. Some of the respondents had this to say:

*“We did not get enough financial support; hence we still lack the necessary inputs”.*

*“Lack of operating capital is the main cause of poor performance in our cooperative”.*

#### **4.4.5 Insufficient clarity on policy.**

Out of ten respondents interviewed, eight of them confirmed that lack of clarity on policy has a negative impact on smallholder agricultural cooperatives in the area of study. One of the respondents remarked that:

*“There was no official who came to clarify policies related to cooperatives that’s why there is poor management in cooperatives”.*

*“We interpreted the cooperative policies on our own, so poor interpretation of policy cause poor implementation”.*

#### **4.4.6 Lack of alternative strategies.**

Out of ten respondents interviewed, seven of them believed that lack of alternative strategies impacted negatively on smallholder agricultural cooperatives in the area of study. Some of the respondents had this to say:

*“Lack of alternative strategies hinder the operational performance in our cooperative”.*

*“There is an urgent need for alternative strategies to revive the performance of cooperatives in the municipality”.*

#### **4.5 Synthesis**

From the above responses, it is clear that SHACs are faced with numerous challenges. These are challenges such as lack of impact on sustainable community development, lack of managerial skills, poor governance, inadequate financial support, insufficient clarity on policy and lack of alternative strategies are some of the factors that hamper the operational performance in Elias Motsoaledi Local Municipality.

For smallholder agricultural cooperatives to succeed in their operations, they need support from policy makers, management training, clarity of policies, adequate financial support, relevant alternative strategies to enhance the impact of sustainable community development.

#### **4.6 Conclusion**

This chapter revealed that cooperatives are member driven business organisation and active participation of members, adequate capital and technical skills are critical for SHACs to function efficiently in their daily operations, development and to become self-sustainable. The study indicated that although the government has been promoting the development of cooperatives, there is still much that has to be done for cooperatives to significantly increase productivity, incomes of smallholder farmers and contribute to community development.

The challenges that hinder the operational performance of smallholder agricultural cooperatives in the area of the study have been revealed. The majority of these challenges are exacerbated by low levels of education and need to be addressed. The above challenges call for policy makers, stakeholders and interested parties to provide relevant resources and to create an environment conducive for smallholder agricultural cooperatives to operate and contribute to sustainable community development in the area of the study. The chapter revealed that the operational performance of smallholder agricultural cooperatives depends on the availability of resources and the effectiveness of institutions. Data collected was presented, analysed and discussed in this chapter.

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

## CHAPTER 5

### OVERVIEW, FINDINGS, RECOMMENDATIONS AND CONCLUSION

#### 5.1 Introduction

The study reflects on the operational performance together with the strategies for sustainable community development. The recommendations have also been generated from research findings against the objectives stated in chapter one. The discussion in this chapter will further deliberate on the following: the overview of the study, the findings from primary data and recommendations for further research, limitations and conclusions of the study.

#### 5.2 An Overview of the Study

Cooperatives are seen as a strategy to address the socio-economic issues of poverty and unemployment. They are further expected to contribute to sustainable community development. This has led to many challenges faced by smallholder agricultural cooperatives (SHACs) in Elias Motsoaledi Local Municipality (EMLM) as stated in chapter one. In order to resolve this challenges the researcher reviewed literature to locate the current problems within the existing body of knowledge and to draw lessons from the work produced by other scholars in chapter two. The research design and methodology used had assisted the researcher to collect, analyse and interpret data in chapter four. The findings and recommendations outlined in this chapter are discussed against the objectives and research questions stated in chapter one.

#### 5.3 Summary of findings

This section present a summary of findings on each research question stated in chapter one.

##### **Research question 1.**

To what extent has the operational performance of smallholder agricultural cooperatives succeeded in sustainable community development in the area of study?

### **Research question 2.**

What challenges hinders the impact of smallholder agricultural co-operatives on sustainable community development in Elias Motsoaledi Local Municipality?

### **Research question 3.**

Which strategies can be used by policy makers to enhance smallholder agricultural co-operatives on operational performance for sustainable community development in Elias Motsoaledi Local Municipality?

In the next section, the researcher has provided the summary of the findings which should be considered by policy makers, board of directors, members of cooperatives and other key stakeholders as strategies to enhance the impact of the operational performance of smallholder agricultural cooperatives for sustainable community development in Elias Motsoaledi Local Municipality.

#### **5.3.1 The impact of smallholder agricultural cooperatives (SHACs) on operational performance.**

The researcher has established that smallholder agricultural cooperatives have an impact on sustainable community development. However, inadequate financial support and lack of managerial skills are regarded as the main challenges that impact negatively on the operational performance for sustainable community development. To resolve the above challenges, the policy makers should provide adequate financial support to enhance the impact of SHACs on operational performance for sustainable community development in the area of the study.

#### **5.3.2 Challenges that hinder the impact of SHACs for sustainable community development.**

The investigation revealed that there are challenges that hinder the impact of SHACs for sustainable community development in EMLM. The investigation identified the following challenges, namely, lack of managerial skills, poor governance, inadequate financial support, lack of clarity on policy and lack of relevant alternative strategies. The study recognises the impact of SHACs on sustainable community development. According to the findings, it is clear that the availability of adequate finance can

resolve most of the challenges that SHACs are facing in their sphere of operation. This finding calls for policy makers to provide more funding to stakeholders of agricultural cooperatives.

### **5.3.3 Strategies that can be used by policy makers to improve the impact of the operational performance of SHACs.**

The researcher established that there is a need for alternative strategies that can improve the overall impact of the operational performance of SHACs for sustainable community development. Some of the respondents highlighted that alternative strategies are needed to improve the impact of operational performance for sustainable community development. This was confirmed by other respondents who indicated that some of the current strategies do not have positive impact on the operational performance of SHACs for sustainable community development. This statement calls for policy makers to develop relevant alternative strategies that can enhance the impact of the operational performance of SHACs for sustainable community development.

### **5.4 Findings from Primary Data**

- **Smallholder agricultural cooperatives (SHACs) and member participation.**

The study found that some of the respondents actively participate in the activities of the cooperative, while others were not participating because of unforeseen circumstances. According to the study, only fifty-eight per cent (58%) of the respondents were actively participating in the activities of the cooperative to enhance the operational performance SHACs in the area of the study.

- **SHACs and formal market contracts.**

The study has established that the majority of cooperatives did not have formal market contracts. According to the study ninety-four per cent of the respondents confirmed that SHACs did not have formal market contracts. From this statement, it is clear that SHACs do not have market competitive advantage as compared with the commercial farmers in the same area.



- **SHACs, board of directors and managerial skills.**

The study found that there is a need for training to enhance the managerial skills among the board of directors. This statement has been supported by seventy-four per cent of the respondents who believed that the board of directors do not have managerial skills to enhance the operational performance of the SHACs.

- **SHACs and creation of employment.**

The study established that most of the cooperatives were not creating employment due to various challenges. Despite of the challenges, there are few cooperatives that were employing workers without complying with the South African labour laws. According to the empirical findings, eighty per cent of the respondents confirmed that there were not employing farm workers because of unbearable factors.

- **SHACs, financial support and access to loans.**

The study found that eighty per cent of the respondents confirmed that they do not have adequate financial support to sustain the operational performance of the cooperative for sustainable community development. The finding related to financial support and access to loans are regarded by SHACs as the main challenges that hinder their operational performance in the area of the study.

- **SHACs and cooperative policies.**

The study established that the majority of the respondents (eighty per cent) indicated that their board of directors do not understand cooperative policies to enhance the performance of SHACs. It was found that lack of clarity on policy also has a negative impact on the operational performance SHACs.

- **SHACs, strategies and governance.**

The study found that there was lack of effective strategies to enhance good governance. This statement was supported by seventy-two per cent of the respondents who believed that SHACs did not have alternative strategies to enhance the operational performance of agricultural cooperatives in the area of the study.

## **5.5 Recommendations**

The findings derived from primary data led to the following recommendations:

- The government and other key stakeholders should encourage SHACs members to participate in order to enhance the operational performance of the cooperative.
- The government and other key stakeholders should help farmers identify markets, train SHACs about formal market contracts and how to comply the required quality standards.
- The department of agriculture should encourage cooperative members and the board of directors to attend training on managerial skills and good governance as this will improve stakeholder confidence, lead to cooperative success and economic growth, as well as ensure transparency.
- The department of agriculture should subsidise and promote strong, viable and competitive cooperative enterprises that can create employment opportunities to the local communities.
- The government and other financial institutions should be encouraged to provide adequate financial support and access to loans in the absence of collaterals.
- Agricultural extension officers should be encouraged to conduct workshops in order to clarify cooperative members about policies.
- Policy makers should be encouraged to develop effective strategies that can enhance the operational performance of SHACs.

## **5.6 Recommendations for further research**

Every research is intended to propose another research because no research is complete in itself. In the next section, the researcher has suggested the following topics below:

- The role of monitoring and evaluation on the operational performance of smallholder agricultural cooperatives.
- The impact of illiteracy on the management of smallholder agricultural cooperatives.

- The role of lack of financial management on the sustainability of smallholder agricultural cooperatives.
- Exploring factors that hinder the management of smallholder agricultural cooperatives in the rural areas.
- The impact of effective strategies on sustainable smallholder agricultural cooperatives.

### **5.7 Limitation of the study**

Farmers in the municipality are scattered and it was difficult to reach some farmers because the areas they lived in had poor roads. Time and financial constraints also limited the researcher to get certain important data. However, the researcher managed to achieve the intended objectives of the study.

### **5.8 Conclusion**

The purpose of this study was to explore the impact of operational performance on smallholder agricultural cooperatives for sustainable community development at Elias Motsoaledi Local Municipality. The study highlighted some of the challenges that hinder the board of directors to manage the cooperative in a professional manner. The study has also suggested some of alternative strategies that can assist smallholder agricultural cooperatives to improve their operational performance for sustainable community development.

This study is just an eye opener, and it is now the stakeholder's responsibility to utilise some of the findings and recommendations outlined by the researcher in this chapter. The study is important to policy makers, board of directors and other stakeholders to improve the operational performance of smallholder agricultural cooperatives for sustainable community development.

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## ANNEXURE A: QUESTIONNAIRE



### UNIVERSITY OF LIMPOPO –TGSL

#### SCHOOL OF MANAGEMENT AND LAW

**TITLE: EXPLORING THE IMPACT OF OPERATIONAL PERFORMANCE OF SMALLHOLDER AGRICULTURAL COOPERATIVES FOR SUSTAINABLE COMMUNITY DEVELOPMENT AT ELIAS MOTSOLEDI LOCAL MUNICIPALITY IN LIMPOPO PROVINCE.**

Please note that the information obtained will be treated in confidence at all times and you may choose not to participate or stop participating anytime during the interviewing process. The purpose of the research is for academic purposes.

---

#### SECTION A: PROFILE OF COOPERATIVE MEMBER

**Please put an (X) in the appropriate box.**

1. What is the gender of cooperative member?	
Male	
Female	

2. What is the age group of a cooperative member?	
18-35	
36-40	
41-50	
51-60	
Above 61	

## SECTION B

Below is a list of statements. Please indicate the extent to which you agree or disagree with the statements by putting an (X) in the appropriate box.

Statements	Strongly agree	Agree	Uncertain	Strongly disagree	Disagree
3. Do all members actively participate in the activities of the cooperative to enhance the operational performance of the cooperative?					
4. Do cooperatives have formal market contracts to enhance the impact of smallholder agricultural cooperatives performance for sustainable community development?					
5. Does the board of directors have managerial skills to enhance operational performance of smallholder agricultural cooperatives?					
6. Does the cooperative employ staff for operations from the community to enhance sustainable community development?					
7. Do cooperatives have adequate financial support to sustain the operational					

performance for sustainable community development?					
8. Do cooperatives have an access to financial loans from other financial institutions to enhance the operational performance of smallholder agricultural cooperatives?					
9. Do board of directors understand cooperative policies to enhance the performance of smallholder agricultural cooperatives?					
10. Do cooperatives have effective strategies to enhance good governance for sustainable community development?					

***THANK YOU FOR YOUR TIME.***





**UNIVERSITY OF LIMPOPO –TGSL**

**SCHOOL OF MANAGEMENT AND LAW**

**TITLE: EXPLORING THE IMPACT OF OPERATIONAL PERFORMANCE OF SMALLHOLDER AGRICULTURAL COOPERATIVES ON SUSTAINABLE COMMUNITY DEVELOPMENT AT ELIAS MOTSOLEDI LOCAL MUNICIPALITY IN LIMPOPO PROVINCE.**

Please note that the information obtained will be treated in confidence at all times and you may choose not to participate or stop participating anytime during the interviewing process. The purpose of the research is for academic purposes.

---

**Semi-structured interview**

1. Do you think smallholder agricultural co-operatives have an impact on sustainable community development? If yes/no, how?
2. Do you think lack of managerial skills hinder the operational performance of smallholder agricultural co-operatives? If yes/no, how?
3. Does lack of good governance have a negative impact on smallholder agricultural co-operatives in EMLM? If yes/no, how?
4. Does lack of adequate financial support have an impact on the operational performance of smallholder agricultural cooperatives? If yes/no, how?
5. Does lack of clarity on policy impact negatively on smallholder agricultural cooperatives in EMLM? If yes/no, how?
6. Does the Department of Agriculture have alternative strategies to assist smallholder agricultural cooperatives in your area? If yes/no, how?

**ANNEXURE D: APPROVAL LETTER FROM LDARD**

PO Box 446

Chuenespoort

0745

17 August 2018

The Manager

The Department of Agriculture and Rural Development

Groblersdal

0470

Dear sir/madam

**REQUEST TO CONDUCT RESEARCH.**

Kindly note that I am a part-time student at the University of Limpopo, Turfloop Graduate School of Leadership (TGSL) pursuing a Master's Degree in Development Studies. As part of the requirements to complete the Master's Degree, a mini-dissertation has to be done. Therefore, I humbly request for permission to collect data in line with the research topic.

Research topic: Exploring the impact of operational performance on smallholder agricultural cooperatives for sustainable community development at Elias Motsoaledi Local Municipality in Limpopo Province.

Your permission to collect data will be highly appreciated.

Kind regards

Malapela RJ

**ANNEXURE D: APPROVAL LETTER FROM LDARD**



**LIMPOPO**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

**DEPARTMENT OF  
AGRICULTURE AND RURAL DEVELOPMENT**

**20 August 2018**

Ms Malapela RJ

PO Box 446

Chuenespoort

0745



**Dear Ms Malapela**

**PERMISSION TO CONDUCT AN ACADEMIC RESEARCH.**

It is our pleasure to inform you that your request to conduct an academic research on agricultural cooperatives in the municipality has been approved.

Best wishes with your studies.

Sincerely

A handwritten signature in black ink, appearing to read 'TX' followed by a flourish.

Khumalo TX

LDARD: Deputy Director



**EXPLORING THE IMPACT OF OPERATIONAL PERFORMANCE ON SMALLHOLDER  
AGRICULTURAL COOPERATIVES FOR SUSTAINABLE COMMUNITY DEVELOPMENT AT ELIAS  
MOTSOALEDI LOCAL MUNICIPALITY IN LIMPOPO PROVINCE.**

---

**To : TO WHOM IT MAY CONCERN**  
**From : RENEILWE MALATJI**  
**Date : 12/08/2019**  
**Subject : Editing Malapela Ramadimetje Joyce's dissertation**

I hereby declare the above-mentioned dissertation to be accurately edited.

The editing process involved looking at the work in three distinct ways:

- Editing for structure to help the reader follow the logic of the writer's argument.
- Editing for language and style to ensure good use of grammar as well as consistency in writing style such that the reader will be able to concentrate on the content.
- Proof reading in order to eliminate spelling errors, inconsistent formatting and other irritating distractions such that the document should be able to allow the reader to remain focused on the writing.

I am confident that the edited version of Malapela Ramadimetje Joyce's dissertation will make it relatively straightforward and proficient enough to evaluate.

Sincerely,

Reneilwe Malatji