

**Moses Kotane
Research Institute**

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MAPPING KWAZULU- NATAL COOPERATIVES BY SECTOR AND OWNERSHIP TYPE

STATISTICS SUB-UNIT

30 SEPTEMBER 2024

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LIST OF ABBREVIATIONS

CAPI	Computer Assisted Personal Interview
CIPC	Companies And Intellectual Property Commission
EDTEA	Department of Economic Development, Tourism and Environmental Affairs
FICA	Financial Intelligence Centre Act
KZN	KwaZulu-Natal
LED	Local Economic Development
MKRI	Moses Kotane Research Institute
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMME	Small Medium and Micro Enterprises



1. EXECUTIVE SUMMARY

The Moses Kotane Research Institute (MKRI) conducted a survey to map KwaZulu-Natal (KZN) cooperatives by sector and ownership type. The survey targeted 50 participants from KZN district and local municipalities, provincial departments, and other government institutions, achieving a 92% response rate with 46 participants. Most participants were LED managers responsible for supporting cooperatives.

The survey found that agricultural (45%) and crafts (28%) cooperatives were predominant in KZN municipalities. Agriculture, forestry, and fishing (54%) was the main sector, followed by manufacturing (13%) and retail trade, catering, and accommodation (13%). Agricultural services and products were the most common offerings. Foreign national participation in cooperatives was minimal at 2%.

The survey compiled data on cooperatives across KZN, with uThukela District having the highest number (381), followed by uMkhanyakude (283) and Ugu (262). Most participants (83%) maintained a cooperatives database.

Most cooperatives possessed required compliance documents, although some areas of non-compliance remained. Challenges faced by cooperatives included market access, insufficient cash flow, inadequate member participation, lack of business management skills, lack of government support, inadequate equipment, and limited funding opportunities due to non-compliance.

Recommendations include providing start-up capital, facilitating market access, offering financial and business management skills training, assisting with funding opportunities, and raising awareness of business opportunities in various sectors.



2. INTRODUCTION

The Moses Kotane Research Institute (MKRI) undertook a research project to collect data on the cooperative sector in KZN. Cooperatives are defined as self-governing groups of individuals who voluntarily unite to address their shared economic, social, and cultural objectives through a collectively owned and democratically managed enterprise. The research aimed to categorize cooperatives by sector and type to gain insight into the industry's landscape within the province. The investigation was structured around three key objectives: establishing a comprehensive database of primary cooperatives in KZN; classifying cooperatives based on their geographic location, sector, and services offered; and assessing the level of business compliance among cooperatives across various local municipalities in KZN. The study targeted LED managers or designated representatives from KZN District and Local Municipalities, the provincial department (EDTEA), and other government entities involved with the cooperative sector in KZN, such as the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA).

Considering the crucial role of cooperatives in fostering local economic growth and their potential to address the three-pronged challenges of poverty, inequality, and unemployment, the MKRI embarked on a study to collect data on cooperatives in KZN. The objective was to gain insights into the sectors in which these cooperatives operate and the services they provide. This investigation also involved gathering information about cooperatives functioning in various municipalities across the province to create a comprehensive database beyond the scope of this research. The creation of such a consolidated database will allow the province to identify the most common sectors where cooperatives are active, their geographic distribution, and the range of services they offer. This information will facilitate the province's ability to pinpoint critical areas requiring intervention to support the development and expansion of cooperatives. The findings of the survey are presented in the subsequent section. The research report is structured into three main sections. It begins with a discussion of the methodology and its limitations, followed by a presentation of the survey findings. The final section offers conclusions drawn from the survey results and provides recommendations based on these insights. The survey questionnaire is included at the end of the report.

3. METHODOLOGY

The study utilised a survey questionnaire administered online via MS Forms to collect data from 11 KZN districts. A quantitative data collection method was employed during data collection for the purpose of triangulation and ensuring validity. This approach was deemed appropriate for the objectives of the study due to the presence of multiple district and local municipalities in KZN. Furthermore, communication was established with the gatekeepers (Managers from study sites) to facilitate access to the office and assist in data collection processes. A Computer Assisted Personal Interview (CAPI) – a face-to-face interview with a data collector – was conducted, and responses were recorded electronically. The target sample for the survey comprised 50 participants from all the relevant stakeholders identified for the study, and a sample of 46 participants was achieved (92% response rate).



4. SURVEY RESULTS

4.1. Survey response rate

The survey targeted 50 participants from KZN district and local municipalities, provincial department (EDTEA), and other government institutions that deal with the cooperatives sector such as Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), etc. A total of 46 participants were successfully engaged in the survey, resulting in a 92% response rate.

4.2. Participants' profile

a) Participant type

All targeted participants were covered in the study as illustrated on Figure 1, with the majority being the district and local municipalities who have a constitutional mandate of driving local economic development in their jurisdictions. This outcome is also expected as the 46 municipalities (metropolitan, district and local) made up a significant portion of the targeted population.

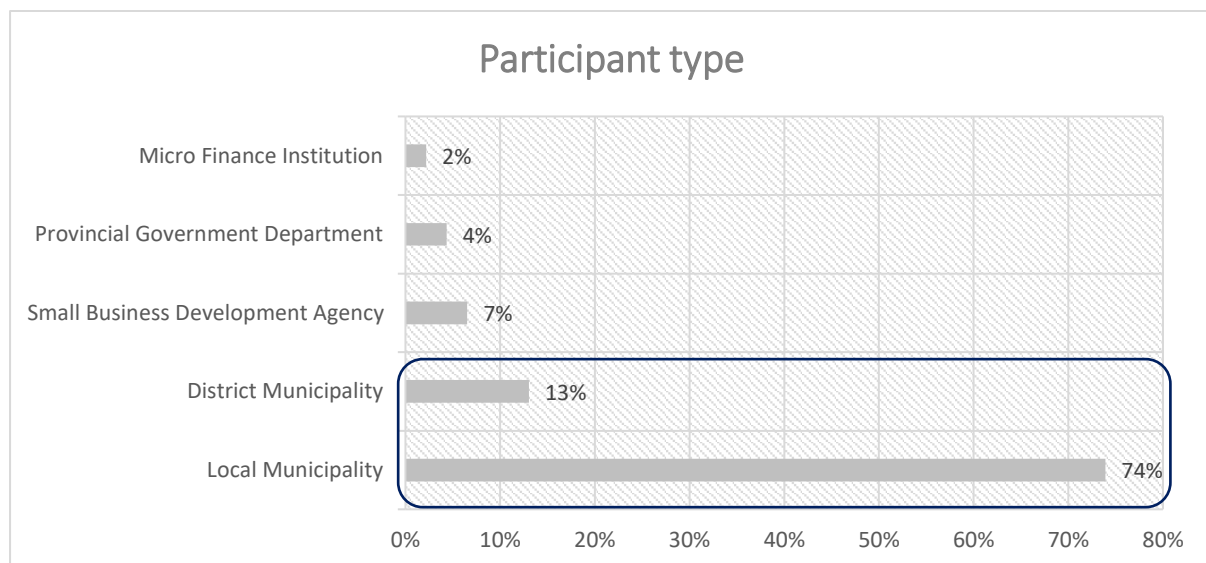


Figure 1: Participant type

b) Participant distribution by designation

Figure 2 illustrates the distribution of participants by designation. It is evident that most participants were LED managers (25), which is significant as they are responsible for programmes/initiatives to support cooperatives. Moreover, the officials were positioned to provide firsthand insight into the cooperatives within their jurisdictions.

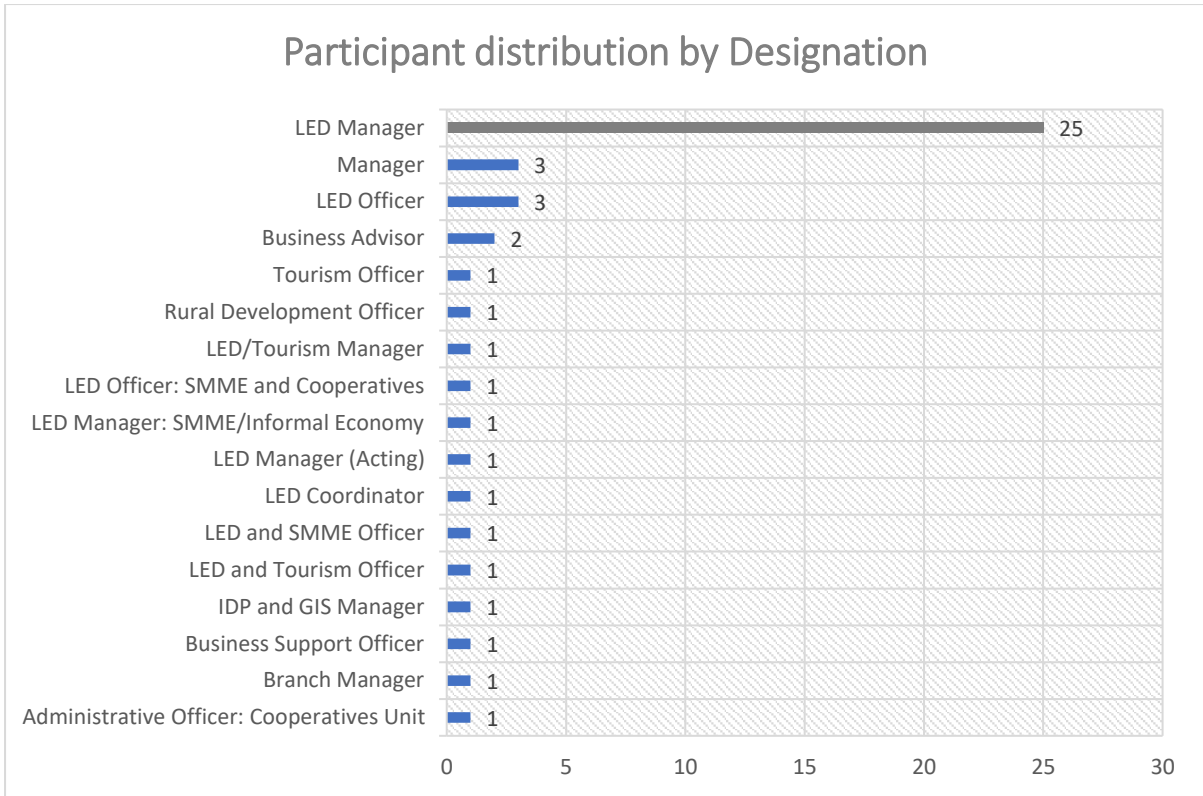


Figure 2: Participant distribution by designation

4.3. Cooperatives core questions

a) Types of cooperatives operating in municipalities

Figure 3 indicates that the predominant cooperatives in the municipalities are agricultural (45%) and crafts (28%). There is lesser representation of consumer (9%), burial societies (5%), and clothing and textile (3%) cooperatives. This suggests that cooperatives in KZN local and district municipalities are primarily engaged in agricultural and craft sectors, consistent with the region's industrial focus.



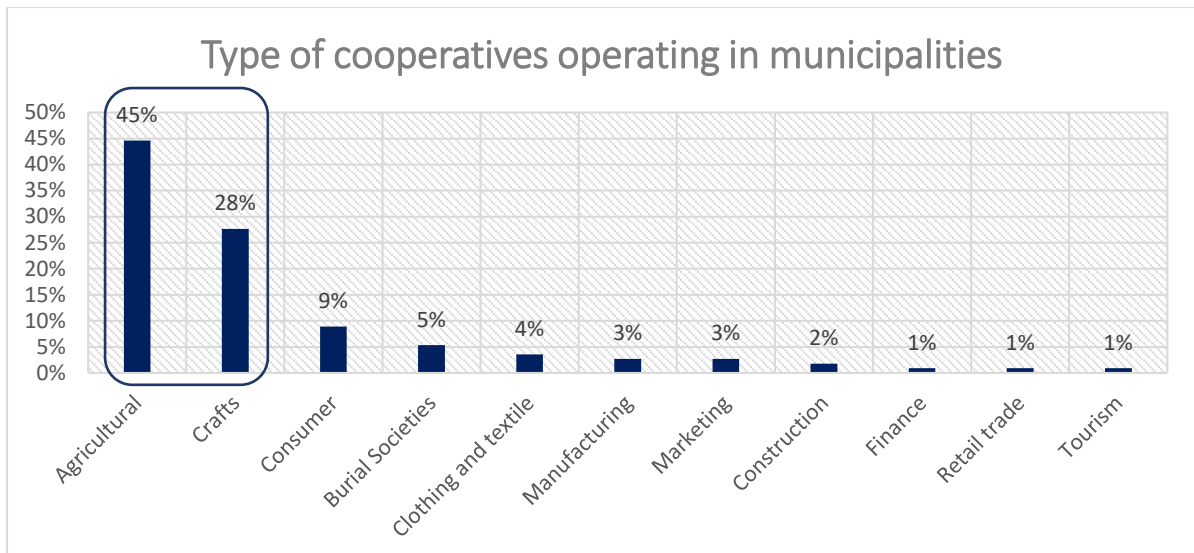


Figure 3: Type of cooperatives operating in municipalities

b) Sector classification

Figure 4 illustrates the sector classification of the cooperatives in the study, confirming that most are in agriculture, forestry, and fishing (54%). Other significant sectors include manufacturing (13%) and retail trade, catering, and accommodation (13%). This indicates that in the KZN province, agriculture and manufacturing are the predominant cooperative sectors.

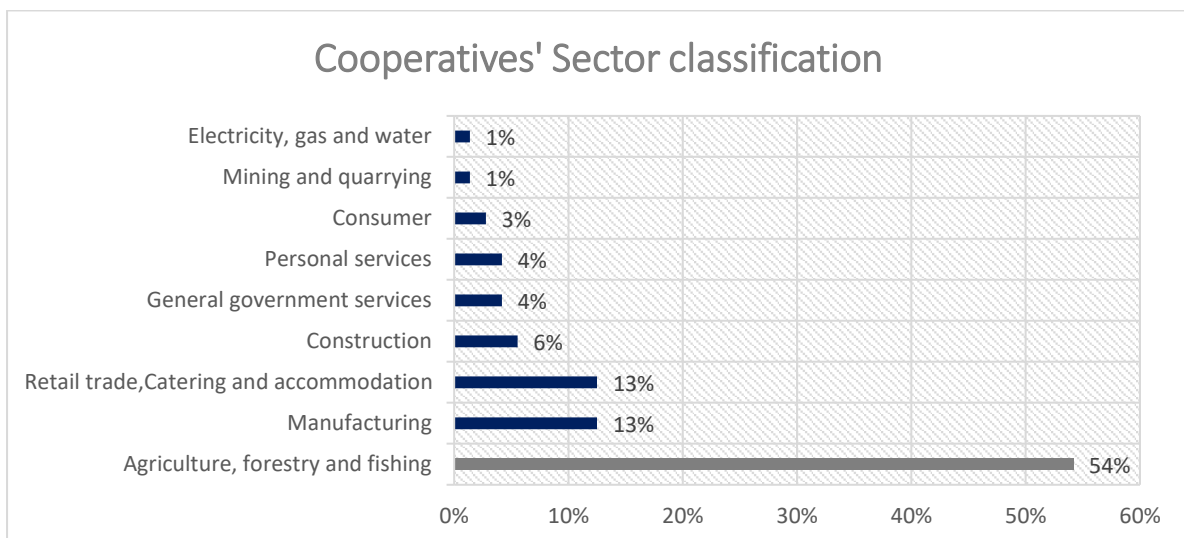


Figure 4: Sector classification

c) Cooperatives' service offering

Figure 5 summarises the services offered by the cooperatives operating in the various municipalities. Agricultural services and products make up the most prevalent services offered by most cooperatives in KZN.



Figure 5: Cooperatives' service offering

d) Participation of foreign nationals in the KZN cooperatives landscape

To assess foreign national involvement in the cooperatives sector, participants were queried on their nationality. Figure 6 reveals minimal participation, with just 2% of respondents indicating such involvement. This suggests that most cooperatives in KZN predominantly consist of South African individuals.

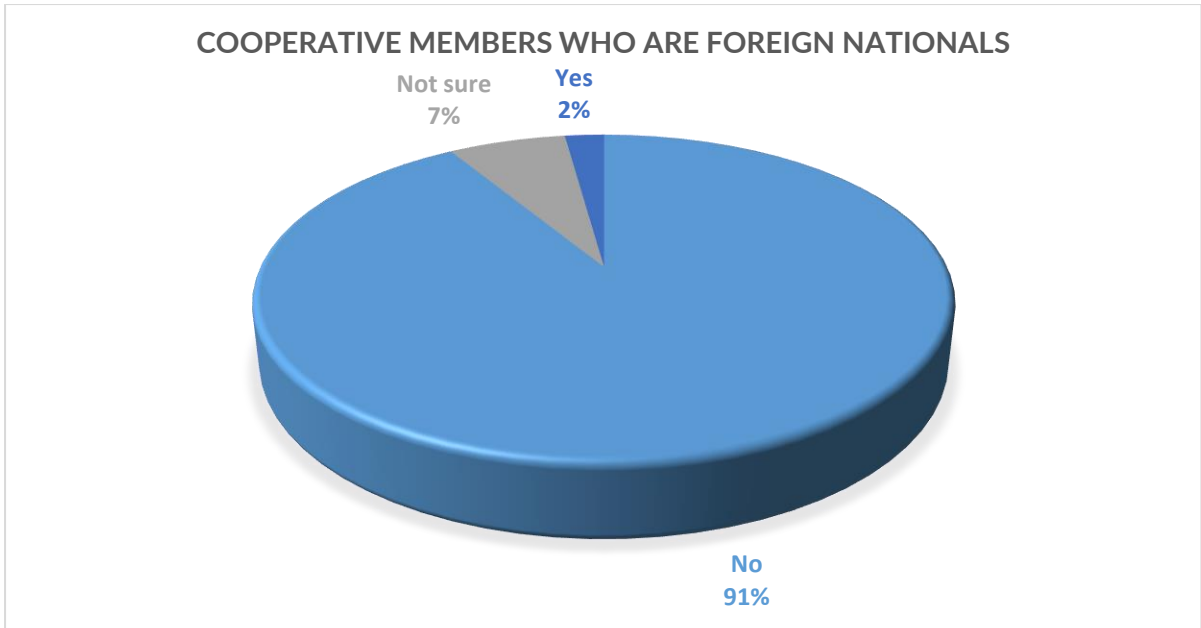


Figure 6: Foreign national participation in cooperatives sector

e) Type of support provided to the cooperatives

The following list represents the identified areas of support (financial and non-financial) for which participants were asked to indicate the types of assistance their organisations currently provide to cooperatives. The majority of respondents reported providing support in all the listed areas.

- Financial support (Grants and loans).
- Non-financial support (Equipment, skills & development training).
- Bookkeeping workshops.
- Business management training.
- Financial management knowledge workshops.
- Provision of farming inputs (such as seedlings).
- Soil testing skills and knowledge training.

f) Business compliance areas for cooperatives

Business compliance requirements are essential for the successful operations of cooperatives and their capacity to access available business opportunities. The following key compliance areas are crucial requirements for cooperative operations and the ability to access available business opportunities in both the public and private sectors:

- Proof of registration on National SMMEs database
- Proof of registration and compliance certificate with South African Revenue Service (SARS)
- CIPC registration documents (i.e. constitution and CR1-10)
- Possession of FICA documents (e.g. Municipal Accounts, letter from traditional authority).
- Possession of leasing agreement or permission to occupy

The results illustrated on Figures 7, 8, 9, 10 and 11 confirm that majority participants reported that most of the cooperatives within their jurisdiction are in possession of the required compliance documents listed above. Despite this outcome, evidence from this survey illustrates areas of non-compliance remain as a few participants indicated that there some cooperatives without these critical compliance documents. This poses a risk to the cooperatives as it limits their eligibility to access available business opportunities. Furthermore, this observation indicates that certain active cooperatives fail to adhere to the mandated regulatory requirements.



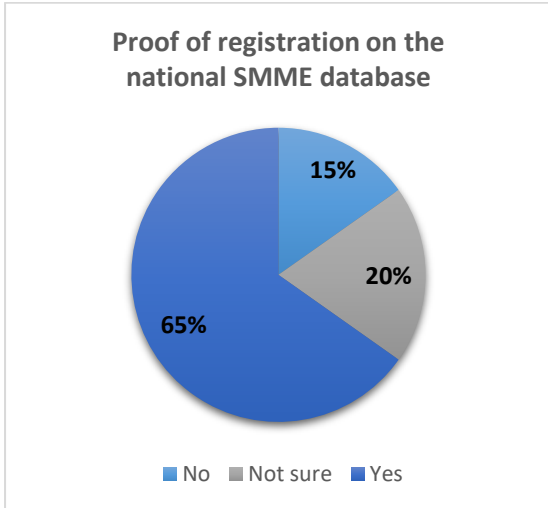


Figure 7: Proof of registration on the National SMME database

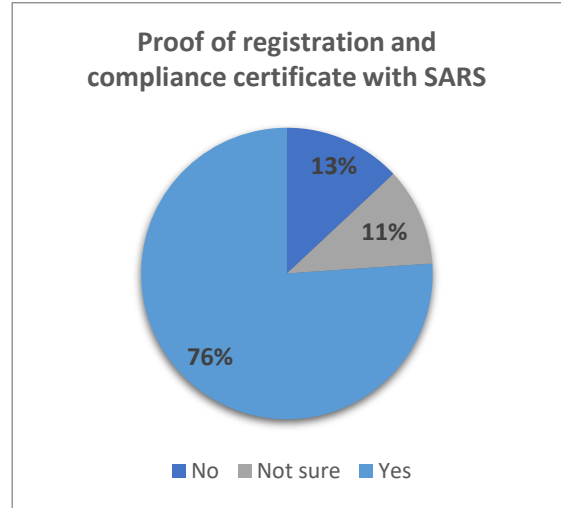


Figure 8: Proof of registration and compliance certificate with SARS

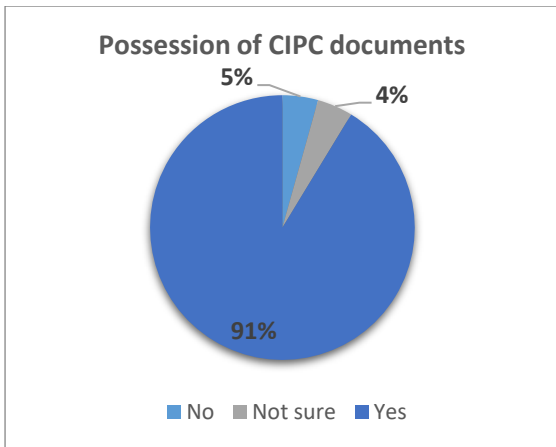


Figure 9: Possession of CIPC documents

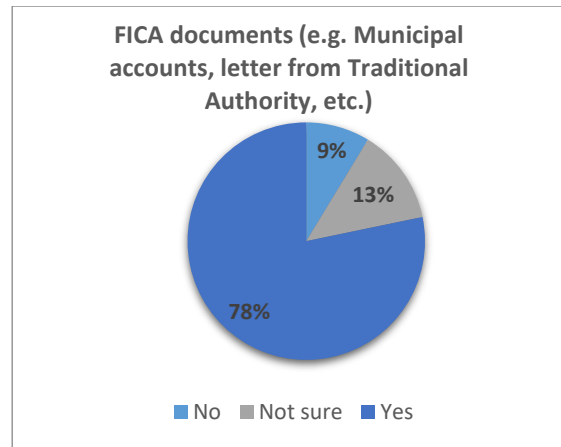


Figure 10: FICA documents (e.g. Municipal accounts, letter from Traditional Authority)

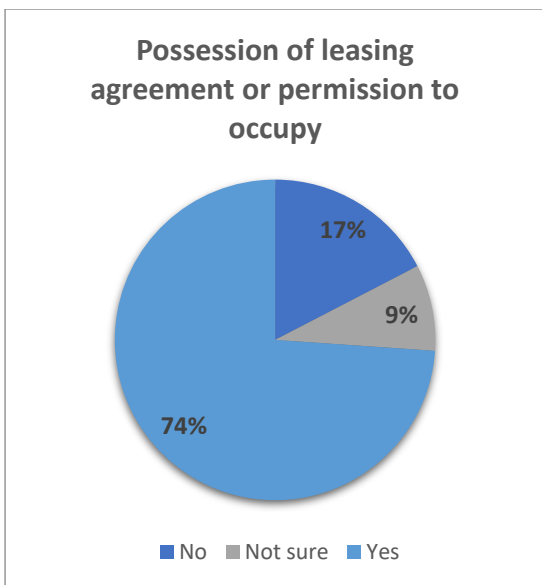


Figure 11: Possession of leasing agreement or permission to occupy



g) Challenges faced by Cooperatives

The survey participants reported that cooperatives are grappling with the challenges below:

- Market access
- Insufficient Cash flow
- Inadequate Member Participation (lack of trust)
- Lack of Business Management Skills
- Lack of Government Support
- Inadequate Equipment such as poor irrigation system, no storage facilities
- Lack of business compliance – resulting in limited funding opportunities

These challenges impact the viability of cooperative operations, limiting their funding opportunities and growth prospects.

h) Reasons for the closure of cooperatives

Figure 12 lists the main reasons for the closure of cooperatives. Government support for cooperatives and access to funding mechanisms are essential if the goal is local economic development.

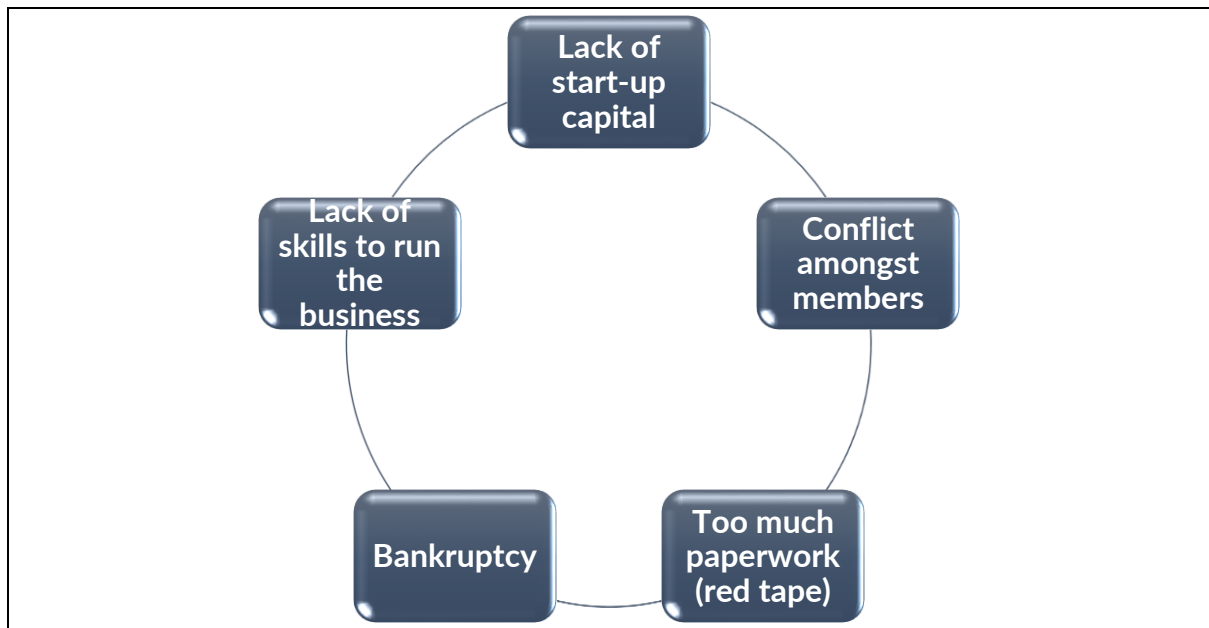


Figure 12: Reasons for closure of cooperatives

4.4. Maintenance of cooperatives database

An additional objective of this research was to gather information on cooperatives operating in various municipalities across the province for consolidation into a database that can live beyond this research. The results, as depicted in Figure 13, indicate that most participants (83%) reported maintaining a cooperatives database. Only 13% of the participants responded negatively to the question, primarily comprising district municipalities, as databases are typically maintained by the various local municipalities within their jurisdiction. Notably, several local municipalities currently lack such databases, which may necessitate further investigation to determine the underlying reasons.

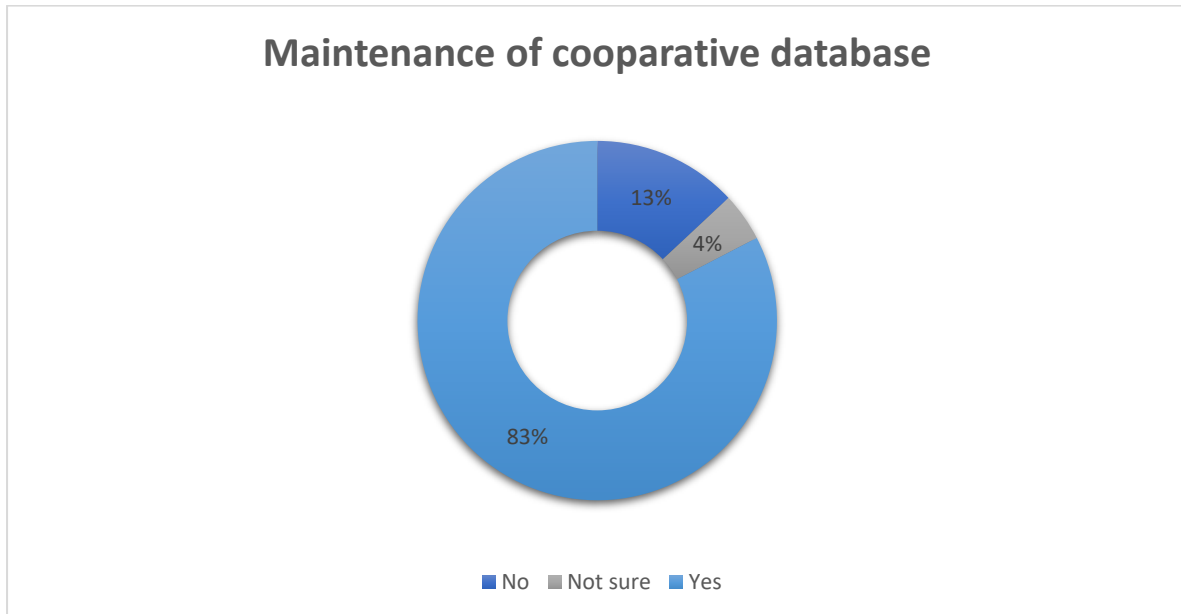


Figure 13: Maintenance of cooperatives database

4.5. Mapping cooperatives by geographical location (district level)

A component of this investigation involved the compilation of information regarding cooperatives operating in various municipalities across the province, for integration into a database beyond the scope of this research. Figure 14 illustrates the distribution of cooperatives by district. Based on the data and information obtained thus far from 9 of the 11 KZN districts, uThukela District exhibits the highest concentration with 381 cooperatives, followed by uMkhanyakude (283) and Ugu (262). Conversely, Amajuba and Zululand Districts report 44 and 65 cooperatives, respectively. The map provides a comprehensive overview of cooperative activity in the province and identifies areas of highest prevalence.

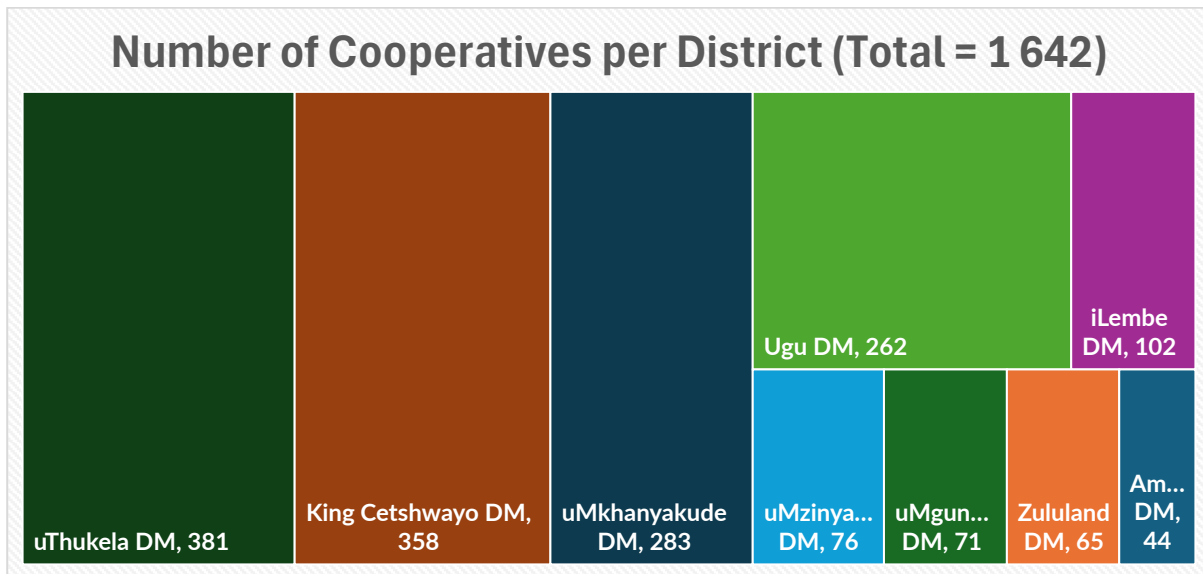


Figure 14: Number of cooperatives by geographic location (district level)

4.6. Participants' additional comments

- Provision of start-up capital for cooperatives:** There is a need for government to provide startup capital to support all registered cooperatives.
- Government and other public institutions need to work as a collective to try and assist cooperatives to gain access to the market.
- There is lack of financial management skills among cooperatives which lead to closure of most cooperatives, therefore the government officials responsible for cooperatives must intervene by providing trainings.
- The municipalities must help assist cooperatives with funding opportunities and the application processes.
- The offices responsible for cooperatives must work with public and private institutions to come up with financial management trainings.
- Establish a Centralized Cooperative Database:** "There is an urgent need for the creation of a centralized, comprehensive database for all cooperatives across KZN. This database



should be maintained and regularly updated by the municipalities, ensuring transparency and enabling government and stakeholders to better monitor, support, and evaluate cooperative performance."

- g) **Improve Cooperative Governance Structures:** "Weak governance structures are hindering the sustainability of many cooperatives. Government should promote the establishment of internal governance frameworks within cooperatives, focusing on leadership development, compliance with regulations, and transparent decision-making processes to improve cooperative success rates."
- h) **Facilitate Partnerships with the Private Sector:** "Cooperatives must be encouraged and supported to form partnerships with private sector companies. These collaborations could provide cooperatives with mentorship, market access, and resources that can strengthen their operational capacity and long-term sustainability."
- i) **Regular Monitoring and Evaluation of Cooperatives:** "Municipalities and government agencies should implement a regular monitoring and evaluation system for cooperatives to track their progress and challenges. This would help identify cooperatives that require urgent intervention, provide ongoing support, and ensure that cooperative development remains aligned with both local economic priorities and broader developmental goals."

5. LIMITATIONS OF THE STUDY

Some study limitations were encountered, however did not compromise the successful collection of data in this study. Some of the limitations included:

- i. **Unavailability of participants due to time constraints:** Unavailability of participants was a limitation because majority of Local Economic Development (LED) managers had multiple commitments and sometimes not available to participate. In some cases, despite making early for appointments with the study participants there were challenges that led to the interviews starting later than scheduled.
- ii. **Unwillingness to share cooperatives database:** The participants expressed that it is difficult to share their municipal cooperative databases citing issues of confidentiality. In line with MKRI ethical considerations, the study participants were assured that the information collected will be used solely for research purposes and confidentiality of personal information will be maintained. This limited the study as such information was key to the mapping of the cooperatives.



6. CONCLUSIONS AND RECOMMENDATIONS

The purpose of the survey was to gather evidence on the cooperative sector in KwaZulu-Natal (KZN). The study focused on primary cooperatives operating in the various KZN municipalities. The aim was to map cooperatives based on their sector classifications, geographical areas, and service offerings. Furthermore, this study assessed the level of business compliance of the cooperatives in various municipalities. All targeted participants were covered in the study, with the majority being the district and local municipalities that have a constitutional mandate of driving local economic development in their jurisdictions. Most participants were LED managers, which was critical for the study, as they were responsible for programme/initiatives that support cooperatives. The study found that most cooperatives in the KZN local and district municipalities are active in agricultural and craft activities. In terms of sector classification, the agricultural sector was the most prevalent, followed by the arts and crafts. This outcome was expected because agriculture is the leading sector in the province. The survey results revealed that most cooperatives possess the required compliance documents. This survey also found that there was minimal participation of foreign nationals in cooperatives. The data indicates that South African citizens comprise the majority of cooperative members in KZN. Most participants were able to avail their cooperative databases, which was one of the main objectives of the study.

Recommendations:

- a) The research findings suggest that the government should **extend initial funding assistance** to all officially registered cooperative organisations. This financial support for startups is recommended based on the study's outcomes.
- b) The research results suggest that governmental bodies and other public organisations should assist cooperatives in obtaining **market access**, especially in industries with export potential.
- c) The study's findings indicate a widespread deficiency in financial management capabilities among cooperatives. There is an urgent need for governmental bodies, especially at the municipal level, to enhance their efforts and collaborate with provincial and national stakeholders to deliver **financial and business management training support** to these cooperatives.
- d) Provincial and local governments should support cooperatives by **increasing awareness of available financial resources** from both public and private sectors. Additionally, these governments should assist cooperatives in navigating the process to obtain such funding.
- e) Research findings indicate that cooperatives in various districts primarily operate within the agricultural industry. It is essential to **increase awareness about opportunities for cooperative enterprises in other crucial sectors** of the KZN province, such as forestry, manufacturing, construction, and services. Additionally, cooperatives should be motivated to enrol in relevant public sector databases to gain access to these business opportunities.



7. ANNEXURE

a) Survey questionnaire

Information letter: Mapping KZN cooperatives by sector and ownership type

Dear Participant

The Moses Kotane Research Institute (MKRI) is conducting a survey to map out KZN cooperatives by sector and their ownership type. MKRI is an agency of the KZN Department of Economic Development, Tourism and Environmental Affairs (KZN EDTEA), mandated to conduct research that responds to the needs of the provincial economy through the development of practical research-based solutions for the priority sectors within the provincial economy.

The proposed study involves the mapping of the KZN cooperatives by sector and by type and consolidating this information in a database. The findings of the survey will provide insight to the province on the most prevalent sectors where cooperatives are operating, their geographical footprint, and the services they provide. Thus, possibly enabling the province to identify the most critical areas that require intervention to support the cooperatives' development and growth. As a role player in the cooperatives sector, you are kindly invited to participate to help meet the objectives of the study.

Consent

The following is your consent to participate in this study:

I agree to participate in the study conducted by the Moses Kotane Research Institute on the mapping of KZN cooperatives by sector and ownership type. I understand that I am participating freely, without being forced in any way to do so. I understand that my identity will only be used for the purpose stated above.

I grant the researcher permission to collect data from me using electronic or physical instruments like cell phone and/or paper.

I also understand that I will not be remunerated for participating in this study.

I agree to participate	Yes		No	
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Survey questions:

Section A: Participant details

Q1 - Name of organisation:

Q2 - Name and Surname of representative:

Q3 - Contact no:

Q4 - Email address:

Q5 - Designation:

Q6 - Participant type



-
- Local Municipality
 - District Municipality
 - Micro Finance Institution
 - Small Business Development Agency
 - Other (please specify)

Section B: Cooperatives core questions (Part 1)

Note: To be completed by district and local municipality stakeholders

Q7 - Please provide an estimate of the number of cooperatives currently operational in this municipality. (Response must be a number)

Q8 - Type of cooperatives operating in this municipality (please select all applicable options)

- a. Agricultural
- b. Marketing
- c. Housing
- d. Financial
- e. Consumer
- f. Crafts
- g. Burial Societies
- h. Other (please specify)

Q9 - In which sectors do the cooperatives operate in?

- Agriculture, forestry, and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, and water
- Construction
- Retail trade, catering and accommodation
- Transport, storage, and communication
- Finance, real estate, and business services
- General government services
- Personal services
- Other (please specify)

Q10 - What services are offered by most cooperatives?

- a) Agricultural services and products
- b) Consulting services
- c) Retail services
- d) Hospitality services
- e) Burial Services
- f) Stokvels
- g) Financial services
- h) Marketing Services
- i) Other (Please specify)



Section B: Cooperatives Core questions (Part 2)

Note: To be completed by all stakeholders

Q11 - What services are offered by most of the cooperatives?

- Agricultural services and products
- Consulting services
- Retail services
- Hospitality services
- Burial Services
- Stokvels
- Financial services
- Marketing Services
- Other (Please specify)

Q12 - Are there any members of cooperatives who are foreign nationals?

- a. Yes
- b. No
- c. Not sure

Q13 - If yes, kindly estimate the number in percentage (%)

- a. 0 – 20%
- b. 21 – 40%
- c. 41 – 60%
- d. 61 – 80%
- e. Above 80%

Q14 - What kind of support has the organisation provided?

- a) Financial support (Grants and loans)
- b) Non-financial support (Equipment, skills & development training)
- c) All of the above
- d) Other (Please specify)

Q15 - Do most cooperatives have proof of registration on the national SMME database?

- a. Yes
- b. No

Q16 - Do most have cooperatives have proof of registration and compliance certificate with SARS?

- Yes
- No
- Not sure

Q17 - Do most cooperatives have CIPC registration documents (e.g. constitution and CR1-10)?

- a. Yes
- b. No
- c. Not sure



Q18 - Do most cooperatives have FICA documents (e.g. Municipal Accounts, letter from traditional authority)?

- a. Yes
- b. No
- c. Not sure

Q19 - Do most cooperatives have a leasing agreement or permission to occupy?

- a. Yes
- b. No
- c. Not sure

Q20 - What are the challenges faced by cooperatives in KZN?

- a) Lack of governmental support
- b) Insufficient cash flow
- c) Inadequate member participation (Lack of trust)
- d) Market access
- e) Other (Please specify)
- f) Not sure

Q21 - What is the reason for the closure of most cooperatives?

- a. Lack of startup capital
- b. Conflict amongst members
- c. Too much paperwork and red tape
- d. Bankruptcy
- e. Other (Specify)
- f. Not sure

Q22 - Does the organisation maintain a cooperatives database?

- Yes
- No

Q23 - If yes, please share the database

Q24 - If no, please advise where it is maintained

