

## Unemployed Graduates' Business Cooperative Formation Prospects and Challenges in Response to Unemployment: A Descriptive Study of a South African Municipality

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### Abstract

The study investigates unemployed graduates' cooperative formation prospects in response to unemployment in Ntabankulu Local Municipality. The study's main objective is to explore unemployed graduates' cooperative formation prospects and challenges in response to unemployment. The study adopted a theory of People-Centred Development, which entails the cooperation of individuals from a community upping their own institutional abilities to mobilise resources as well as managing them to create a sustainable and equal distribution thereof. The study followed a quantitative research approach, where a survey instrument was employed to collect relevant data from the sample, and a descriptive tool was used to analyse and present the data. This study made use of a sample of 120 participants drawn through a stratified random technique from the unemployed graduate population in Ntabankulu Local Municipality. Among other prospect criteria, the study found graduates having an idea of how to form a cooperative and the realisation that the communities of this study are the right target for the formation of cooperatives. Therefore, unemployed graduates' willingness to form cooperatives is the most important pointer. Furthermore, the findings of the study revealed the obstacles to start-up cooperatives, including lack of capital and limited resources. The critical challenges faced by the cooperatives, which result in closures within a very short period after establishment, are the unavailability of financial support from relevant agencies, limited resources, and the absence of desired support from the government. The study concludes from these findings that they should form the basis for the design and implementation of viable policy and practice towards the formation of unemployed graduates cooperatives in response to unemployment in the South African context.

**Keywords:** Challenges, Cooperatives, Graduates, Prospect, Unemployment, Willingness.

### 1. Introduction

Graduate unemployment is a global, serious problem that deserves much attention ([African Economic Outlook, 2012](#); [Baldry, 2013](#); [International Labour Organization \(ILO\), 2013](#); [Farooq, 2011](#); [Filmer et al., 2014](#); [Hanapi, Nordin, 2014](#)). Unemployment among graduates was 6.6 % in 1995 and increased to 9.7 % in 2005 in South Africa. This percentage was relatively low from the general unemployment rate in South Africa. However, it rose by 50 % between these years and is the most increasing category of joblessness in South Africa ([MacGregor, 2008](#)). The unemployment

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rate in South Africa increased to 35.3 % in the last quarter of 2021, increasing from 34.9 % in the previous period. The number of jobless individuals increased by 278 thousand to 7.9 million, employment increased by 262 thousand to 14.5 million, and the labour force increased by 540 thousand to 22.5 million (Statistics South Africa, 2021). The reality from a research finding indicates that a majority of graduates do not have the requisite skills in demand by prospective employers and the labour market (Sotshangane, Obioha, 2022). The Department of Education has received many investments from public and private individuals to help boost the quality of Education in South Africa; hence, it is crucial and necessary to study graduate unemployment (Moleke, 2003).

Given this rising rate of unemployment, various adaptation strategies, including business cooperatives, have been designed and put forward to cushion the effect of the harsh conditions. Globally, the formation and promotion of cooperatives are regarded as the answer to the unemployment and youth unemployment problems that are challenging the world's economic development, especially in developing countries (Guliwe, Venter, 2018). Also, in South Africa, various societies are encountering socio-economic issues such as high unemployment rates, poverty, and civilisational collapse. To deal with such problems, community members unite as cooperatives to achieve more than they could achieve as individuals. Cooperatives have become an economical alternative to meet the needs of people within communities through their cooperation.

The ILO (2012) and Cooperatives Act (Act No. 14 of 2005) define a cooperative as a relationship of people that are joined intentionally and directed by a group of moral qualities that incorporate trustworthiness, transparency, social obligation, and caring for others, outfitted towards meeting their regular financial, social and cultural necessities and desires through jointly owned and equitably controlled venture. However, so much intervention is needed because empirical evidence shows a high mortality rate in these cooperatives associated with a poor connection. Guliwe and Venter (2018) further found that the support systems fail to cover some of the costs of some cooperatives. Many cooperatives in South Africa are collapsing, but only some survive and provide economic development in their communities (Mohlala, 2020). In the country, the endurance rate of cooperatives is 12 %, and the mortality rate is 88 %. The statistics are shocking, notwithstanding the numerous endeavours being made as regulations and methodologies to help boost the cooperatives to be sustainable. Some cooperatives are not organised and engage in poor activities, which has caused the death of other cooperatives (Department of Trade and Industry, 2012).

Unemployment among graduates in South Africa is a current crisis that needs to be addressed with sustainable solutions. This is in the spirit of the National Youth Development Policy (2001), which believes that young people are the foundation of any society because they are active, have inventive ideas, and have features and knowledge that enforce the development and security of any Nation. Youth is a foundation of the Nation's population, and they are the most sensitive, active, and productive beings. Therefore, the urgency and necessity to turn the youth's energy to more productive activities like the cooperatives will bring the desired solution to the unemployment crisis among this group, notwithstanding that cooperatives are surviving at 12 % in South Africa. This is due to a number of reasons, but more importantly, people accepted the concept of cooperatives without complete comprehension of the concept. Other reasons for failure include a lack of education and abilities among managers and leaders, which leads to poor management of conflicts and business technicalities (Khumalo, 2014). In spite of the precarious situation involved, it is not certain from literature in South Africa whether unemployed graduates venture into grouping and organising themselves in the form of cooperatives in response to their situation. More importantly, there is a dearth of information from the scholarly literature on the inspirations and aspirations of unemployed graduates to help themselves, their situation and their community towards business cooperatives. In other words, the prospects and challenges of a business cooperative formation among unemployed graduates, specifically in rural areas of South Africa in general, are yet to be determined.

This study was therefore informed by the Theory of People-Centred Development by Davids et al. (2009), which demonstrated that people turned into the focal point of development, where the idea of People-Centred became the trendy expression of the 1990s and early 21st century. It entails people responding to a particular situation through home-grown, insourced solutions to the problem, such as unemployment among the youth. This approach sees public cooperation as a need and democratic rule

right. In testing and validating the essence of the above assumption, this study investigated the prospects and challenges of forming cooperatives among unemployed graduates in Ntabankulu. In consonance, the study sought to address the following research questions.

RQ1: What are the main determining prospects of unemployed graduates' cooperative formation?

RQ2: What are the main obstacles to unemployed graduates' cooperative formation start-ups?

RQ3: Which factors are the most critical challenge to the sustainability of unemployed graduates 'cooperatives'?

## **2. Methods and Materials**

### ***Study Area and Target Population***

The study was conducted in Ntabankulu Local Municipality, under Alfred Nzo Municipality in the Province of Eastern Cape. Ntabankulu is situated between Mount Frere and Mount Ayliff, consisting of 18 wards and 154 locations (StatisticSA, 2011), with a population of 123,976 people, among which are 99.4 % Black Africans. The area is populated by isiMpondo, isiXhosa, Sesotho-speaking people, and others from India, Ethiopia, Zimbabwe, and other countries. While the youth unemployment rate was 60.7 %, and the working-age between the ages of 15-64 was 52.64 %, the economically active population, including employed and unemployed looking for work, accounted for 13 766.

### ***Sample Size and Sampling Procedure***

The study employed a quantitative research approach and a positivist approach that are more scientific to a large population to get more reliable and trustworthy findings (Johnson, 2020). The study targeted unemployed graduates in Ntabankulu Local Municipality, given the interest in knowing the length of unemployment, the challenges of unemployment, and the alternatives that these graduates have opted for as a means of survival. A stratified random sampling procedure was used to select 120 unemployed graduates from 15 locations in Ntabankulu LM for the survey.

### ***Data Collection and Analysis***

The required data were collected from the sample through a multiple-sectioned, close-ended survey instrument designed to elicit information from respondents in various formats, mainly the Likert Scale. More importantly, the required ethical considerations were followed in this study, such that the researchers received an institutional ethical clearance certificate (Protocol Number: REC/09/Xvii/2022), informed consent was obtained, and no participant was forced to participate in the study. The researcher ensured that anonymity and confidentiality were maintained. A descriptive-analytical tool in the Statistical Package for the Social Sciences (SPSS) was used to analyse the data and present the findings.

## **3. Results**

### ***Socio-Demographic Profile of Respondents***

The findings in Table 1 indicate that 59.2 % of respondents are females and 40.8 % are males. The researcher struggled to convince males to participate in the study because they were bored by the fact that participating in the study would not benefit them in terms of offering them employment or giving them the funding that they needed. Regarding age, 48.3 % are aged 26-30 years, and 35.8 % represent those aged 21-25 years. Few respondents (15.0 %) are aged 31-35 years, while 0.8 % of participants are aged 36-40 years. The majority of respondents are aged 26-30 years and 21-25 years. These fresh graduates had just graduated and were still hoping to get employment.

Graduates are likely to be unemployed at those ages because they are still fresh graduates who lack some employability skills and experience to be employed. The minority graduates still hope to get employment, while some have opened their businesses. The graduates that the researcher could reach are those who went to a higher institution of learning at the same time as the researcher and those that the researcher knew who referred the researcher to others. Few graduates are aged 31-40 years because they are the ones who graduated a long time ago and have fears of moving to search for employment because they lost hope of getting one because of their age.

**Table 1.** Socio-Demographic Profile of Respondents

<b>Sex of respondent</b>	<b>Frequency</b>	<b>Percentage</b>
Male	49	40.8
Female	71	59.2
Total	120	100.0
<b>Age of respondents</b>		
21-25	43	35.8
26-30	58	48.3
31-35	18	15.0
36-40	1	0.8
Total	120	100.0
<b>Marital status of respondents</b>		
Never Married	113	94.2
Widowed	3	2.5
Divorced/Separated	1	0.3
Married	3	2.5
Total	120	100.0
<b>Race of respondents</b>		
Black African	120	100.0
Total	120	100.0
<b>Highest qualification obtained</b>		
Undergraduate Degree	59	49.2
Post Graduate Degree	53	44.2
Masters	7	5.8
PhD	1	0.8
Total	120	100.0
<b>Period of unemployment</b>		
0-1 year	43	35.5
2-5 year	66	54.2
6-9 year	7	5.8
10 years and above	5	4.2
Total	120	100.0

The researcher also surveyed marital status and found that 94.2 % of respondents never got married, while 2.5 % were widowed. The minority (2.5 %) of respondents are married, and the few (0.8 %) represent those who are divorced/separated. Most respondents are those that are still not financially stable to be able to afford marriage. Males are not financially ready to afford lobola, and every marriage cost. At the same time, females are not financially stable and do not want to depend on their husbands while they are educated.

Also, 49.2 % of respondents have undergraduate degrees, while 44.2 % have postgraduate degrees. Few (5.8 %) of respondents have master's degrees, while 0.8 % of respondents have a Ph.D. The respondents with undergraduate degrees obtained degrees and hoped to get employment soon after graduation. Those with postgraduate degrees decided to further their education because they were unemployed and did not want to stay home and do nothing. Clearly, the people of Ntabankulu are educated and believe that education is the key to success.

In terms of the period of unemployment, the majority (54.2 %) of respondents have been unemployed for a period of 2-5 years, while 35.8 % have been unemployed for 0-1 year. The minority (5.8 %) of respondents have been unemployed for 6-9 years, and 4.2 % represented those unemployed for 10 years and above. The majority of respondents are those who have been unemployed for a period of 2-5 years, and they are those who are aged 21-30 years. Those who have been unemployed for one year or less have just graduated. Those who have been unemployed for 6-9 years are those aged 31 and above who have been unemployed since graduation. People from Ntabankulu believe in the success brought by education; hence, they rely entirely on getting employment rather than starting a cooperative or a small business.

### ***Prospects of Organising Local Business Cooperatives***

The section presents the prospects of organising cooperative formation. The results of the analysis are presented in Table 2. Regarding the availability of organised cooperatives in the area of study, 47.5 % of respondents disagree that there are any available cooperatives, and 15.0 % strongly disagree. A minority of respondents (32.5 %) agree, with 5.0 % strongly agreeing. The majority of respondents disagree, while the minority agree. There are few cooperatives, and respondents seemed to be unaware of cooperatives, but there are cooperatives in some areas.

**Table 2.** Descriptive Results on Prospects of Organising Local Business Cooperatives

<b>Prospects</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>	<b>Mean</b>	<b>SD</b>
There are organized local cooperatives in my area	18 (15.0)	57 (47.5)	39 (32.5)	6 (5.0)	120 (100)	2.28	.777
The organised local cooperative in my area would address the socio- economic problems	3 (2.5)	23 (19.2)	75 (62.5)	19 (15.8)	120 (100)	2.92	.668
The formation of a cooperative in my area would address the dependence on the SRD SASSA grant	3 (2.5)	14 (11.7)	70 (58.3)	33 (27.5)	120 (100)	3.11	.696
Unemployed graduates in my area might be willing to form a cooperative	2 (1.7)	7 (5.8)	65 (54.2)	46 (38.3)	120 (100)	3.29	.653
The market in my area is perfect for the formation of a cooperative, I inspire to form	7 (5.8)	15 (12.5)	61 (50.8)	37 (30.8)	120 (100)	3.07	.817
I have the idea of the cooperative that I intend to form		7 (5.8)	59 (49.2)	54 (45.0)	120 (100)	3.39	.598
My community is the right target for my cooperative initiative	2 (1.7)	10 (8.3)	67 (55.8)	41 (34.2)	120 (100)	3.29	.667
I am willing to mobilise resources to form a cooperative	2 (1.7)	5 (4.2)	76 (63.3)	37 (30.8)	120 (100)	3.23	.604
I am aware of the reasons for the failure of other cooperatives	3 (2.5)	16 (13.3)	69 (57.5)	32 (26.7)	120 (100)	3.08	.705
I am willing to invest in forming a cooperative	2 (1.7)	6 (5.0)	69 (57.5)	43 (35.8)	120 (100)	3.28	.604

The researcher confirmed from stakeholders that there are cooperatives in Ntabankulu, although some are funded, and some are not funded. The majority of respondents agree, while the minority of respondents disagree on the possibility of an organised local cooperative in the area of the participant to address the socio-economic problems. The majority believe that the cooperatives in their areas have the potential to address socio-economic problems because the success of a cooperative would guarantee job creation, alleviation of poverty, access to health facilities and well-being of all, and address crime in societies. The minority disagreed because they did not see the development brought by existing cooperatives; instead, they were the ones who benefited from their families. Some cooperatives spent the money they received on their issues and did not go

through with the cooperative. These respondents believe that forming cooperatives would also not address the socio-economic problems.

Existing cooperatives have the potential to address socio-economic challenges in Ntabankulu. They have the potential to address unemployment and poverty and decrease dependence on substance abuse and drugs. There is hope that the formation of cooperatives in the area of respondents might address the dependence on the Social Relief Distress (SRD) from the South African Social Security Agency (SASSA) grant, and the majority (58.3 %) of respondents agree, supported by 27.5 % of respondents who strongly agree. Most respondents are inclined to agree because they believe many individuals would benefit from cooperative formation because they would generate employment. The people who applied for the SRD SASSA grant are the ones who are unemployed and lack a source of income. They were accepted because they met all the requirements that made them seem to live in poverty. The minority disagree because they are of the perspective that cooperative formation would not guarantee them employment and would not offer people employment. Having decent jobs can help people reduce their dependency on the SRD SASSA grant. There is a possibility that dependence on social grants might end through the involvement of cooperatives that would create job opportunities for the unemployed. The people who qualify to get the grant are those who are not working and have no income above R150. Being employed would automatically remove them from benefiting the SRD grant (R350) from SASSA.

The formation of cooperatives has the potential to address unemployment, as evidenced by 50.8 % of respondents who agree and 42.7 % of respondents who strongly agree. Most respondents generally agree because they have seen existing cooperatives by older people, youth, and women generating employment, and they believe that the graduate cooperative would generate employment as well. The minority do not have hope that cooperatives will generate employment because they see them as failing and lacking funding from stakeholders. They wonder how this cooperative formation addresses unemployment while still needing funding to function in a stable manner.

There was an inquiry on the likelihood that unemployed graduates in the area might be willing to form a cooperative. The majority agree that some graduates would like to join the cooperative because they understand the frustration of unemployment and that unemployed people jump to any opportunity available. Unemployed graduates are looking for any opportunity to utilise their employability skills, so they would be interested in joining. The minority disagreed because they could not be sure about other graduates, and some have tried cooperatives. Also, membership was an issue because few members were interested. Youth and unemployed graduates are not interested in joining cooperatives even though stakeholders provide them with information about cooperatives and funding.

A majority of the respondents agree that the market in their area is perfect for the formation of cooperatives they inspire to form. Most respondents believe that they are inspired to form cooperatives that they see relevant in their areas, and they are sure that the market will be perfect. These are the individuals who know society's needs, and they desire to form cooperatives that could address those needs.

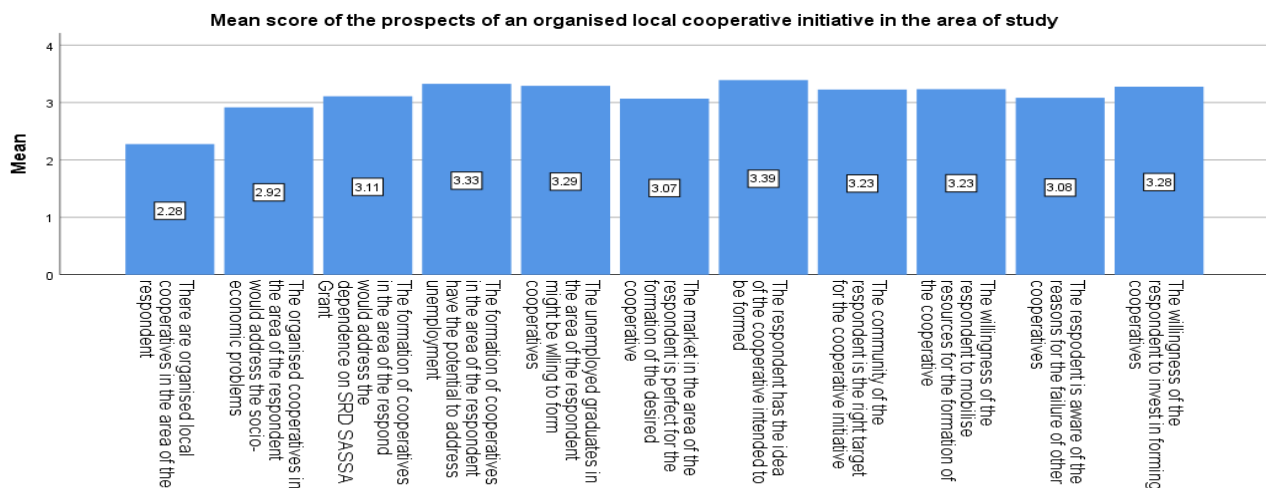
While a majority of respondents agree that they have an idea of the cooperative they intend to form, the minority are not sure. Therefore, most respondents agree because they know what they want to invest their time, soul, spirit and money in, and they have researched that cooperative. The existing cooperatives influenced some, but the point is that they do have an idea. The minority does not know the cooperative they desire to form because they are not exposed to the cooperatives, and there are no cooperatives in their area. Similarly, most respondents are of the understanding that their communities were the right target for the formation of the desired cooperative, which was opposed by a few. Most respondents agree because they believe that their communities need their products and services and deserve a break from socio-economic issues. The minority of respondents disagree because they think the desired cooperative would be successful in other communities, not their communities. The target market is not their community but other communities.

With regards to the willingness of graduates to mobilise resources to form cooperatives, it is indicated that the majority of respondents are willing to mobilise resources. Most respondents agree that they are willing to mobilise resources because they are keen to see their cooperatives survive. They are aware that there is funding for cooperatives, and they are willing to go through all steps to get funding and resources. The minority of respondents disagree because they do not trust the success of the cooperative, and they are just waiting for the government to give them the

resources. Funding information is usually shared by officials from Ntabankulu LM, Social Development and the Department of Agriculture to councillors and ward councillors. Few funding applications are received yearly, so most graduates are unwilling to form cooperatives but are waiting to get employment.

About the awareness of the reasons for the failure of other cooperatives, the majority of respondents agree that they are aware of the reasons, while a minority generally disagree with this awareness. Most respondents agree that they know the reasons for failure because these cooperatives have failed in front of them, and the news of the failure has spread in the community. Some know the reasons because they heard them from stakeholders while seeking funding. The minority of respondents are unaware because they have not heard the reasons for the failure. In the same vein, a majority of the youth participants agree they are willing to invest in forming a cooperative. Their willingness to invest in forming cooperatives is because they are interested in the desired cooperative. They are willing to invest their all in forming the cooperative because they want to see it grow and become big. The minority of respondents disagreed because they did not give their all in forming the cooperative.

Comparatively, [Figure 1](#) depicts the mean scores of the results of the prospects of an organised local cooperative initiative in the study area. The essence of the mean scores is to ascertain the relative importance of various perspectives. From the means scores in the graph, it can be concluded that having the idea of the cooperative intended to be formed is the most important prospect for cooperative formation, with a mean score of (3.39). This is followed by the youths' understanding that their community is the right target, a place to form a cooperative, and the fact that the youths in the area will be willing to join a cooperative.



**Fig. 1.** Mean Score of the Prospects of an Organised Local Cooperative Initiative in the Area

Respondents are aware of the cooperatives they aspire to form, and they observe the type of cooperative succeeding in some areas. Hence, they believe in the success of that cooperative. The least essential prospect is the presence of cooperatives in local areas of respondents, with a mean score (2.28).

### **Challenges in Organising Cooperatives**

Behind all aspirations are envisaged setbacks, as such groups encounter numerous challenges in their bid to form cooperatives. Formation of cooperatives generally encounters challenges that include a lack of capital, limited resources, no support from the government, few members with interest, principles and standards from big businesses and a lack of managerial skills. Respondents' responses ranged from strongly disagree, disagree, agree and strongly agree. The findings ([Table 3](#)) perceived that lack of capital is the biggest challenge for the cooperative start-up, with over half of the respondents inclined toward this. This is followed by no support from the government as the main challenge for cooperative start-ups, according to the respondents. The availability of a few members with interest is a concern but not as important an issue as others.

**Table 3.** Challenges for the Cooperative Start-Ups

The most challenges	Frequency	Percent
Lack of capital	82	68.3
Limited resources	14	11.7
No support from the Government	19	15.8
Few members with an interest	5	4.2
<b>Total</b>	<b>120</b>	<b>100.0</b>

The findings suggest that many individuals are willing to form cooperatives, but they are limited by the issue of the lack of capital to start a cooperative. Capital is the vital asset needed to purchase various tools for starting a cooperative, so the lack of capital is the biggest challenge because resources are bought using capital.

Similarly, the challenges to the formation of a cooperative are presented in Table 4. These include no financial support, limited resources, no support from the government, principles and standards from big businesses, few members with interest and untrained management. Respondents were requested to express the degree of their disposition, which ranges from strongly disagree, disagree, agree and strongly agree.

**Table 4.** Factors that are Challenging to the Cooperatives

Factors	Strongly disagree	Disagree	Agree	Strongly agree	Total	Mean	SD
No financial support	2 (1.7)	1 (0.8)	41 (34.2)	76 (63.3)	120 (100)	3.59	.601
Limited resources	1 (0.8)	3 (2.5)	43 (35.8)	73 (60.8)	120 (100)	3.57	.590
No support from stakeholders	3 (2.5)	6 (5.0)	57 (47.5)	54 (45.0)	120 (100)	3.35	.694
Principles and standards from big businesses	6 (5.0)	30 (25.0)	54 (45.0)	30 (25.0)	30 (100)	2.90	.834
Few members with an interest	10 (8.3)	26 (21.7)	55 (45.8)	29 (24.2)	30 (100)	2.86	.882
Lack of managerial skills	9 (7.5)	25 (20.8)	52 (43.3)	34 (28.3)	30 (100)	2.93	.890

The findings revealed that 97.5 % of respondents agree that lack of financial support is challenging in forming a cooperative, while 2.5 % disagree. Most respondents agree because they had tried to form cooperatives before and failed because of a lack of financial support. Some are aware of the reasons for the failure of other cooperatives. Resources are bought using finances, and no financial support from stakeholders means a challenge to forming a cooperative. The respondents who disagree are of the perspective that when people start a cooperative, they should not depend on others for finances. However, they should be prepared financially to sustain the cooperative.

There is financial support for cooperatives in Ntabankulu, such that the graduates running cooperatives were supported by NYDA with an amount of R50 000 and received eight computers from the local municipality; an agricultural cooperative received the financial support of R100 000 from Ntabankulu LM and R50 000 from NYDA. These cooperatives were financially supported at the start, from the cooperatives, from the writing of the business plan to the operation of the cooperative, but this opportunity seems not to be known by many youth groups.

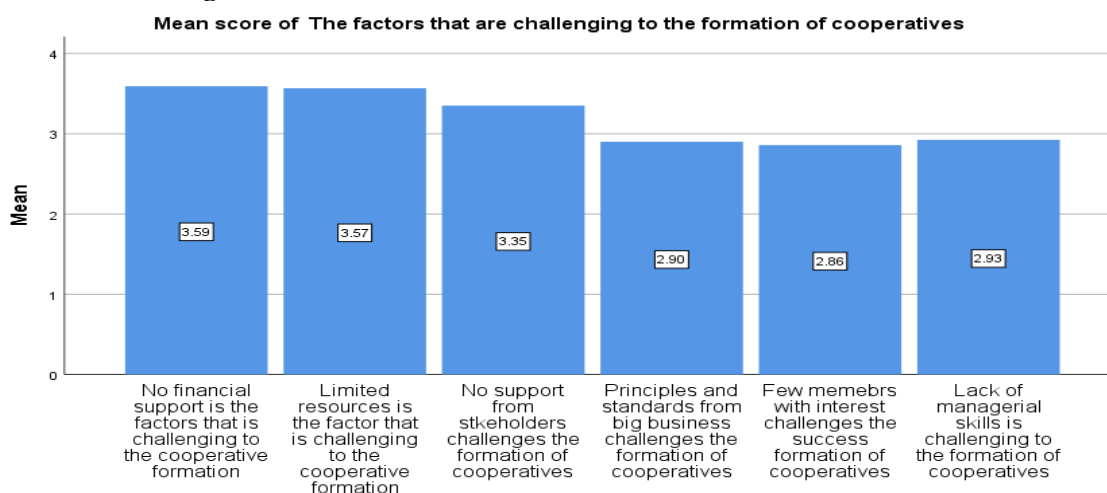
The study further found that 96.6 % of respondents agree that limited resources are challenging to the cooperative start-up. The minority (3.4 %) of respondents disagree. Most respondents agree because they understand that resources are essential to forming a cooperative. Now, when they are limited, that becomes a challenge. That cooperative can either not produce the desired products and services or fail. It is imperative for the cooperative to have the resources it needs to meet the needs of the market. The respondents disagree that limited resources are not a challenge to cooperative start-ups; as long as there are limited resources, products can be produced.



Regarding the lack of support from stakeholders as a challenge to the cooperative start-ups, the majority (92.5 %) of respondents agree that no support from stakeholders is a huge challenge to forming the cooperative. In comparison, the minority (7.5 %) disagree. Most respondents agree with this because they understand that cooperative start-ups are formed primarily by unemployed people who need support from stakeholders so that the cooperative cannot fail. They need to be supported in terms of being provided with funding, resources and ideas for cooperatives. Not having that kind of support from stakeholders, such as the ward councillor, councillor, social development, Department of Agriculture, Local Municipality and others, guarantees that such a cooperative will not have a future. Support from these stakeholders can also help the cooperative with the right market and attract investors to ensure that the cooperative runs with financial stability. The respondents who disagree are of the perspective that cooperatives can function without the help of stakeholders when group members are committed and have all the resources. Relatives, with regard to the principles and standards from big businesses as a challenge to cooperative formation, 70.0 % of respondents agree that this is a challenge to cooperative formation, while 30.0 % disagree. The majority of respondents agree because they are aware that big businesses require principles and standards in order for the cooperative to be their supplier. Some big businesses require certificates from cooperatives, and these cooperatives lack such paperwork. Cooperatives intend to become suppliers of big businesses but are challenged by these principles. The minority of respondents may believe that big businesses' principles and standards are not a challenge to cooperatives. Big businesses are willing to purchase vegetables from agricultural cooperatives and have bought them before without following any principles and standards. Existing cooperatives supply schools with uniforms and vegetables, and no principles and standards limit the selling and buying of goods and services.

Few members with interest were a factor that was found to be a challenge for cooperative start-ups by 70.0 % and was denied by 30 % of respondents. Most respondents agree because they understand that the cooperative needs members to be called a cooperative. It also needs five members to qualify for funding. There can never be a cooperative with no members with interest. Besides having members with interest in the cooperative, their skills in managing the cooperative are also important but, at the same time, maybe challenging. Most respondents (71.6%) agree that lacking managerial skills is a challenge to cooperative formation, while 28.4% of respondents disagree. The majority of respondents agree because they understand that a cooperative without management skills is likely not to succeed. It is given that the manager needs to gain the skills that can help shape the future of the cooperative. The minority of graduates disagrees because they argue that managerial skills do not matter as long as members of the cooperative share the best interests of the cooperative.

Comparatively, various factors that challenge the formation of cooperatives by unemployed graduates do not have equal weights. In terms of ranking and relative importance of these challenges, as indicated in Figure 2, using the mean scores, the fact that the cooperatives have no financial support from respective stakeholders topped the list as the most pressing and critical challenge. A condition of limited resources follows this, while the fewness of members with interest is the least among all concerns.



**Fig. 2.** Mean Scores of the Challenging Factors to Cooperative Formation

#### 4. Discussion

The prospects of forming a cooperative body for groups of unemployed youths in Ntabankulu depend on a number of conditions and contexts. Among other positives, the study found that the youths' having a clear idea of what they intend to do is the most important element and deciding condition in any aspiration to the formation of cooperatives. Business inspirations come from positive ideas and feasibilities. Although previous studies have not highlighted this as an important aspect that drives cooperative formation among youths, it is important to take this important finding into consideration, among other elements that have been consistently reported in related literature in this field of study. The inspirational ideas of the youths in having an idea of what to do regarding forming a cooperative is intricately linked to other possibilities, which include their perfect understanding of the available market. This connects to the reality that unemployed graduates in the areas of study are willing to form cooperatives against the above background. Previous studies have shown, as this present study corroborates, that cooperatives have the potential to reposition any community socio-economically, hence the unemployed youth's willingness and inspiration to organise a viable cooperative. For example, Mohlala (2020) revealed that organised local cooperatives have the potential to address socio-economic problems, such as the Motloulela farming cooperative in Limpopo, which worked to improve socio-economic issues in the community. It addressed unemployment and improved social networks in the community. Even though some stakeholders had highlighted based on their wrong preconceived notion that there could not be a guarantee that unemployed graduates might be willing to form cooperatives because they are not interested and lazy, this study, in line with the previous ones, is consistent in what prospects could be in the formation of a cooperative among unemployed youths. The findings revealed another important prospect of forming a cooperative, being that the youths perceive their communities as the right target for the cooperative initiative. Given the economic situation in the study area, where poverty and youth unemployment are rife, the formation of youth cooperatives will receive a positive nod because of the potential towards employment. The findings of the current study align with those of Moller, Davila and Esim (2019), who found that cooperatives can create decent work for community members, including youths. It is also consistent with Harmse (2009), who has a firm conviction that cooperatives can contribute to the creation of employment for the disadvantaged group who did not participate in previous formal employment vacancies.

Unarguably, from this study, graduates know how to form a cooperative, and it is clear that some challenges, such as a lack of capital and limited resources, limit the start-up. Looking further into factors challenging the formation of cooperatives, which may also contribute to their failure, the study found no financial support from various sources to be a huge obstacle. The findings of the present study resonate with the previous works of Bhuyan, Leistriz and Cobia (1998) on the problem of lack of capital for non-farming cooperatives. More importantly, our findings support Gala (2013), who found that financial problems are a huge challenge to the cooperative start-up. On a more strategic level, Shava (2019) found that the factors that hinder the success of cooperatives as a strategic local economic development include the lack of funding by the government and relevant stakeholders. Similarly, this study found limited resources as one of the next critical challenges to cooperative formation. Observably, the stakeholders may offer resources to support cooperatives, but the important point is the limited availability and insufficient capacity for meaningful project start-ups, as previously alluded to by Gala's (2013) findings about cooperative start-ups. For instance, the Ntabankulu LM and the Department of Social Development and Agriculture offer funding for cooperatives but obviously on a very limited scale and scope. The support from the government and relevant stakeholders for cooperatives, as found in the present study, is dismal and inadequate to hold up a viable cooperative initiative. The importance of support to cooperatives to avoid early closure, as is the case in Ntabankulu LM in the present study, is supported by what exists in literature (Kanyane, Llorah, 2015), which maintains that lack of support leads to the early death of the cooperative formed. These supports go beyond finances to advisory and counselling services, including the provision and sharing of information to the cooperatives. The study found that a lack of managerial skills among aspiring cooperative members is a huge challenge for cooperatives. This important finding validates the principle of 'know-how' and 'know-what' in the success of every business venture, including the cooperatives. In a previous study, Khumalo (2014) substantiated that the formation of a cooperative would be unsuccessful without the corresponding managerial skills of the members

who would be entrusted with running the cooperative. Some scholars, including Dube (2016), have argued that lack of interest from members may actually be the main problem, which is least supported in the present study, rather than other challenges that have been highlighted. The unemployment rate in the Ntabankulu location may differ from the unemployment rate in the Amajuba District in Kwazulu Natal; hence, unemployed graduates in Ntabankulu may be more interested in forming cooperatives. These people are looking for anything that could help them escape unemployment and poverty.

### **5. Limitations of the Study**

This study is limited by the number of participants who were unwilling to participate in the study in Ntabankulu. Even though the findings of the study may be used as a prototype for understanding what is obtained in other jurisdictions, they are mostly applicable to the study area.

### **6. Implications of the Study and Recommendations**

The findings of this study validate some of the scholarly conclusions from previous studies but, at the same time, dispute some preconceived notions about unemployed graduates in South Africa. Contrary to the common belief of some stakeholders that unemployed graduates are lazy and unwilling to help themselves, including in start-up businesses in cooperative form, this study has shown that the unemployed are not only willing but also have some ideas about what they want to do. Capital and financial resources were consistently found to be the major obstacles to cooperative start-up and continuity. Even where financial resources and support are available from the government and relevant stakeholders, these are of a limited scale. Besides the above, this study has implications for further research, where the focus should be on studying and identifying characteristics of unemployed graduates that will be most willing to start a cooperative and what are the specific types of cooperatives they would want to establish. Based on the findings of this study, there are further implications for policy. Future focus on the development and sustainability of cooperative formations among unemployed graduates should consider the following:

- Conduct a scoping review to know what type of cooperative the unemployed would want to form rather than impose a stakeholder-determined structure on the youths. In this regard, the ideas of the unemployed graduates should be paramount.

- Provision of capital and financial resources is necessary for the various ideas that unemployed graduates may have. Support from the government and interested stakeholders should be tailored towards the ideas of the youth.

### **7. Conclusion**

This study set out to determine the prospects and challenges in the formation of business cooperative organisations among unemployed graduates. Among arrays of conditions, having the idea of the cooperative intended to be formed, youths understanding that their community is the right target of a place to form a cooperative, and the fact that the youths in the area will be willing to join a cooperative is the most important and prominent pointers to prospect of the formation of cooperatives in Ntabankulu LM, in that order. This study found that having ideas about cooperative formation, coupled with the willingness of the unemployed to jump-start such organisations, is not enough ground for sustainability. While lack of capital and limited resources are the major obstacles to cooperative start-ups, the realisation that there is no financial support and the reality of limited resources hinder the unemployed graduates from continuing with cooperatives. Hence, starting a business cooperative among youths is a mission that is riddled with obstacles that lead to the closures of such entities. The findings of this study, both from the perspectives of prospects and challenges, in some ways validate what exists in the literature, but with some exceptions, where new insights have been put forward. In other words, while the findings of this study corroborate previous studies, they present novel ideas in the subject matter of this study. This study, therefore, stands as a platform upon which recommendations could be drawn, as its findings have specific and general implications for the body of knowledge in youth studies and economic development.

## 8. Declarations

### ***Ethics Approval and Consent to Participate***

While the researchers applied and obtained Ethics Clearance (Protocol Number: REC/09/Xvii/2022) from Walter Sisulu University Research Ethics Committee of the Senate, Informed consent was obtained from each participant in this study.

### ***Consent for Publication***

The authors have read and agreed to the published version of the manuscript.

### ***Availability of data and materials***

The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.

### ***Conflicts of Interest Statement***

The author declares no conflict of interest.

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### ***Author Contributions***


Y. Sotshangane carried out the research as part of her Master's dissertation under the supervision of E.E. Obioha. Both authors made contributions to various sections of this manuscript, from inception to completion.

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The authors acknowledge the support of Nedbank South Africa through the office of Nedbank Chair in Sustainable Rural Development at Walter Sisulu University, Prof EN Ciske. We, Yonela Sotshangane and Emeka E. Obioha hereby declare that this manuscript on unemployed graduates' cooperative formation prospects and challenges in response to unemployment is an extract of an original research carried out in the study. As such, we have references as a means of acknowledging all the sources that we used in the study. We also affirm that this research work has never been submitted to any other journal or outlet for publication.

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