Paper 21_Discussant_Cristian Yepes-Lugo

“Cooperatives and Farmers’ Welfare in Indonesia.”
Abstract

• This paper tries to answer the welfare impact of cooperatives on its member and shed light on cooperative development in Indonesia.

• The impact evaluation of cooperative membership on members’ welfare is estimated using a longitudinal household survey, i.e., the Indonesia Family Life Survey (IFLS) in 2000-2014.

• We sequentially used the Propensity Score Matching (PSM) and Difference-in-Differences (DID) to overcome endogeneity problems.

• This paper revealed that cooperative members performed significantly higher than nonmembers.

✓ What is new in this research? What has the literature on cooperatives overseen?
Introduction

- The most common policy addressing market failure in developing countries is establishing an institution acting as government extension, such as cooperatives.
- Agricultural cooperatives are widely known as institutions serving mainly as government extension in giving input supply factors, disseminating knowledge and farming technology, and marketing the output.
- Market failures are also found in the Indonesian agricultural sector. The rice policy in Indonesia has not improved farmers’ welfare.
- The rice protection policy by the government raises debate on the pros and cons, while in the end, it harms farmers and can potentially cause market failure (Basri and Patunru 2012)

✓ How the rice protection policy harms farmers?
- This paper contributes to the literature by providing knowledge using longitudinal data at the household level, delivering a more thorough investigation, and capturing the changes during a more extended period
- The hypotheses provided in this research are as follows: (1) household socio-economic characteristics affect their decision to join cooperatives, and (2) cooperative membership has a positive impact on members’ welfare.

✓ After testing the hypothesis, what did you find that is novel or different from other findings?
✓ The methodological contribution is clear. What about the theoretical contribution? How are the findings of this research different?
Data and methods

• The golden standard to implement impact evaluation of specific policies is a randomized controlled trial (RCT) method.

• This paper evaluates government support’s impact using the Propensity Score Matching combined with the Difference-in-Differences (PSM-DID) method.

• DID can handle the endogeneity problem but has difficulty in sample deviation. Therefore, we used this combination of PSM-DID methods.

✓ How did you come up with this methodological approach? Why this method and no other? A brief state of the art of the art of research methods regarding cooperatives would help.
Conclusions

• This article estimates the impact of cooperative membership on farmers’ welfare in Indonesia.

• These results mean that being a cooperative member provides positive benefits

✓ What is new? Was it test in the literature before?