

The Impact of Seasonal Food and Cash Loans on Small-scale Farmers in Zambia



Project Summary

COUNTRY

Zambia

TIMELINE

2013 - 2015

INNOVATION

Offer food and cash loans to small-scale farmers during the lean/hungry season to reduce farmer's reliance on costly coping strategies and to increase agricultural output.

EVALUATION

3,141 small-scale farming households from 175 villages in Zambia's Copper District were enrolled in a cluster-randomized food and clothing intervention between November 2013 and September 2015.

INTERVENTION

Farmers in randomly selected treatment villages were either offered a loan of ZMW 200 or US\$ 25 on their 50kg bags of maize in January 2014 and January 2015. Farmers had to repay ZMW 200 in cash or four bags of maize after harvest in each year.

RESULTS

Loans were highly popular among farmers with more than 95 percent of eligible farmers taking out a loan and for parents of farmers fully repaying their loans on average. Access to loans increased agricultural output on average by 24% (20% access to loans also increased consumption for both children and adults. Farmers with access to loans were less likely to sell their labor as casual day laborers (gendered) and spent more time on their own fields.

The Context

Like in much of Sub-Saharan Africa, agriculture is the largest source of employment in Zambia, where most production occurs on small-scale farms. Most farmers continue to live well below the national poverty line, with average household incomes of less than US\$500/year. Given the long dry season and lack of irrigation, most small-scale farmers exclusively rely on the food and income generated by a single annual harvest which happens between May and July each year. Starting in late September, an increasing share of farmers runs out of food and cash savings (figure 1). Resources are most scarce in the January-March period, which is generally referred to as the "lean" or "hungry" season, and is marked by high food prices and widespread hunger. As farmers run out of resources, they engage in a variety of coping strategies to cover basic needs. One of the most common coping mechanisms in the study setting is doing short-term ("ganyu") labor for other better-off farms. Completing field work tasks for other farms provides families with cash to meet their immediate financial needs in the short run, but reduces the time farmers can spend on their own fields, which may reduce subsequent harvest outcomes. Less agricultural output implies fewer resources for the next season, making it increasingly difficult for farmers to escape a perennial cycle of hunger and poverty.

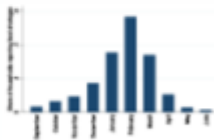


Figure 1: Share of small-scale farms reporting subsistence food needs

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PARTNERS

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POLICY GOALS

Improve agricultural output and decrease hunger among small-scale farmers

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