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Timeline
2013-2015

Sample Size
1,101 farmers

Research Implemented by IPA
Yes

Commitment Savings Accounts for Farmers in Rwanda

Abstract

Many farmers in developing countries lack the capital necessary to invest in potentially profitable inputs, as these investments must be made months after the harvest when households lack cash. Commitment savings accounts, which have features to discourage withdrawals, have been shown to help the poor save, and could help farmers put aside money to invest in their farms. However, demand for these products is low. In an ongoing study, researchers are aiming to identify product features that increase demand for commitment savings accounts and evaluate the effect of the accounts on farm investments and yields.

Policy Issue

Many farmers in Sub-Saharan Africa lack the capital necessary to invest in potentially profitable inputs, as these investments must be made months after the harvest when households lack cash. Saving may also be particularly hard due to demands from family and friends. Commitment savings accounts, which have features to discourage withdrawals, have been shown to help the poor save, and could help farmers put aside money to invest in their farms. However, demand for these products is low, and it remains unclear what causes individuals to save more. Savings products that allow customers to withdrawal money in the case of emergencies could make the accounts more popular, help more farmers invest in their farms, and in turn, increase farm profitability. To shed light on these questions, researchers are investigating how various product features impact demand for commitment savings products, and the how the saving accounts impact farm investment and yields.

Context of the Evaluation

The majority of Rwandan farmers participate in two planting seasons. Farmers generally face a tight planting calendar, with harvest and planting times for the two main crop seasons nearly overlapping: Season A ends in January/February and Season B starts in February.

Many Season A crops (such as beans) require drying or other post-harvest processing before farmers can market and sell the crops. As a result, farmers rarely have income from Season A by the time they need to buy inputs for Season B. Many farmers in the region either use credit or reduce input use to deal with this shortfall.

Details of the Intervention

Researchers are partnering with Rwanda's Ministry of Agriculture and Animal Resources (MINAGRI) and local Savings and Credit Cooperatives (SACCOs) to evaluate the impact of input saving accounts on investment and yields. The commitment savings products are designed to allow farmers to exert self-control and save a portion of their season B income for the following seasons A and B. Researchers are working with 1,101 farmers from four cooperatives to determine whether pairing insurance with savings increases take-up or changes savings behavior. Farmers were randomly assigned to one of six groups:

- *Standard Commitment Savings Account* (196 farmers): Farmers were offered an account that allows free withdrawals in only two periods corresponding to the planting seasons. All other withdrawals incur a withdrawal penalty.
- *Commitment Savings Account with Health Exemption* (231 farmers): Farmers were offered the standard commitment savings account, with no withdrawal penalty if the account holder provides documentation of an adverse health event.
- *Commitment Savings Account with Agricultural Exemption* (230 farmers): Farmers were offered the standard commitment saving account, with no withdrawal penalty if the local agronomist verified an adverse agricultural event.
- *Commitment Savings Account with Private Exemptions* (217 farmers): Farmers were offered the standard commitment savings account, but individuals were privately informed that they were exempt from all withdrawal fees.
- *Comparison group* (227 farmers): Farmers were offered financial literacy training and the opportunity to register for a standard savings account, but not a commitment savings account.

In addition, researchers are privately announcing to half of the farmers who register for a commitment savings account that they will be exempt from all withdrawal fees on the account – i.e. the account will in practice function like a standard savings account, but is labeled as a commitment savings account. By privately announcing that the commitment account will function like a standard account, researchers will be able to identify whether the commitment creates a mechanism for shielding money from others or from one’s own impulses.

Results and Policy Lessons

Results forthcoming.

May 27, 2015