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**Facilitating Savings for Agriculture: Field Experimental
Evidence from Malawi**

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1. Introduction

Agriculture in sub-Saharan Africa employs two-thirds of the labor force and generates about one-third of gross domestic product (GDP) growth. According to the *World Development Report* (World Bank 2008), GDP growth originating in agriculture is about four times more effective in reducing poverty than GDP growth originating outside agriculture. For this reason, policies that foster agricultural productivity can have a substantial impact on food security and poverty reduction.

In recent decades, there has been substantial interest among policy makers, donors, and international development institutions in microfinance (financial

This article was previously titled "Commitment to Save: A Field Experiment in Rural Malawi." We thank Niël Ekhlen, Lutzayo Mwalima, and the Innovations for Poverty Action staff in Malawi, Steve Mungala, Mathew Kapelomo, and Wilton Mchizau of Opportunity Bank of Malawi, and the Opportunity Bank of Malawi management and staff of the Kasungu, Mpsoshi, and Lilongwe branches. Mar Beilken and Brian Muir provided excellent research assistance. We are grateful to Benoit Amoussé, Oreste Anagnostis, Olivier Baudouin, Alberto Banegas, Luc Behegk, Marcel Baf-chungu, Mwanishi Ghank, Marc Gungord, Sylvia Lambon, Kim Lubato, Rocco Macchiaroli, Lisa Mucini, Sharon Muzizi, Mirco Muzondo, Corina Ngele, Robert Pando, Albert Park, James Raul, Chris Woodruff, Bill Zia, Andrew Zorlino, and seminar participants at the Financial Access Initiative Microfinance Impact and Innovation Conference, Ohio State, London School of Economics, Warwick, Institute for Fiscal Studies, Paris School of Economics, and Oxford for helpful comments. We appreciate the support of David Robinson (World Bank) and Jake Knudsen (Bill and Melinda Gates Foundation). We are grateful for research funding from the World Bank Research Committee and the Bill and Melinda Gates Foundation. The views expressed in this article are those of the authors and should not be attributed to the World Bank, its executive directors, or the countries they represent.

Received and published November 10, 2015.
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Facilitating Savings for Agriculture: Field Experimental Evidence from Malawi

We implemented a randomized intervention among Malawian farmers aimed at facilitating formal savings for agricultural inputs. Treated farmers were offered the opportunity to have their cash crop harvest proceeds deposited directly into new bank accounts in their own names, while farmers in the control group were paid harvest proceeds in cash (the status quo). The treatment led to higher savings in the months immediately prior to the next agricultural planting season, and raised agricultural input usage in that season. We also find

positive treatment effects on subsequent crop sale proceeds and household expenditures. Because the treatment effect on savings was only a small fraction of the treatment effect on the value of agricultural inputs, mechanisms other than alleviation of savings constraints per se are needed to explain the treatment's impact on input utilization. We discuss other possible mechanisms through which treatment effects may have operated.

January 01, 2016