

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



## Project Summary

**COUNTRY**  
Zambia

**TIMELINE**  
2012 - 2015

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

**EVALUATION**  
A 141 small-scale farming households from 15 villages in Zambia's Copper District were enrolled in a cluster-randomized food and (food) + cash intervention between November 2012 and September 2013.

**INTERVENTION**  
Farmers in randomly selected treatment villages were either offered a loan of ZMW 200 to buy food or three 5kg 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 percent of farmers fully repaying their loans on average. Access to loans increased agricultural output (on average by 24%) and access to loans also increased consumption for both children and adults. Farmers with access to loans were less likely to seek their labor as casual day labor (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\$50/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 out-of-stock by month.

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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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