

WWZ Research Seminar

Tuesday, December 8, 2020, 12:30pm, Zoom only

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"Contract farming to alleviate seasonal liquidity constraints - Evidence from Zambia"

(joint with Kelsey Jack & Felix Masiye)

Abstract

Seasonal liquidity constraints affect a large number of small-scale farmers in low- and middle income countries. In previous work, we have shown that access to seasonal credit can improve labor allocation and agricultural productivity. In this study, we test whether seasonal loans can be incorporated into the routine operations of contract farming companies through a randomized controlled trial. We find high uptake and reasonable rates of repayment in favorable economic conditions, but very high rates of default in adverse economic conditions. The results of the experiment suggest that seasonal programs are feasible in principle, but will likely not be sustainable in settings with limited contract enforcement in the long run.