

Training Manual: The Basics of Financing Agriculture

Module 3.2 | Interviewing Clients

Acknowledgement

The Agriculture Finance Training Manual is part of AgriFin's Agriculture Finance Training Tools. The Manual was developed by [IPC](#) - Internationale Projekt Consult GmbH as part of AgriFin's technical advisory project for Cameroon Cooperative Credit Union League ([CamCCUL](#)).

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Session Overview

LEARNING OBJECTIVE	To effectively communicate with clients and to evaluate their loan proposals, Agricultural Loan Officers require effective interpersonal skills. This session provides guidance on preparing for agricultural client interviews, leading client discussions, and seeking necessary information for evaluating proposals.
SCOPE	By the end of this session, the trainee will have a knowledge of the following key concepts: <ul style="list-style-type: none">• Preparing for an interview, including drafting questionnaires• Conducting client interviews for the purposes of evaluating the proposal• Scope of information sought from different types of clients
TARGET	Agriculture loan officers, trainers, financial analysts, agriculture experts, and other professionals interested in agriculture financing
DURATION	2 hours



Content

1. Introduction: the objectives
2. Preparing for an interview
3. Conducting an interview
4. Cross checking information
5. Exercise



1. Introduction: the Objectives

General objectives of the course:

- Know how to compile a questionnaire
- Know how to lead an interview
- Know how to collect and analyze required information
- Know how to conduct oneself

Specific objectives of the course:

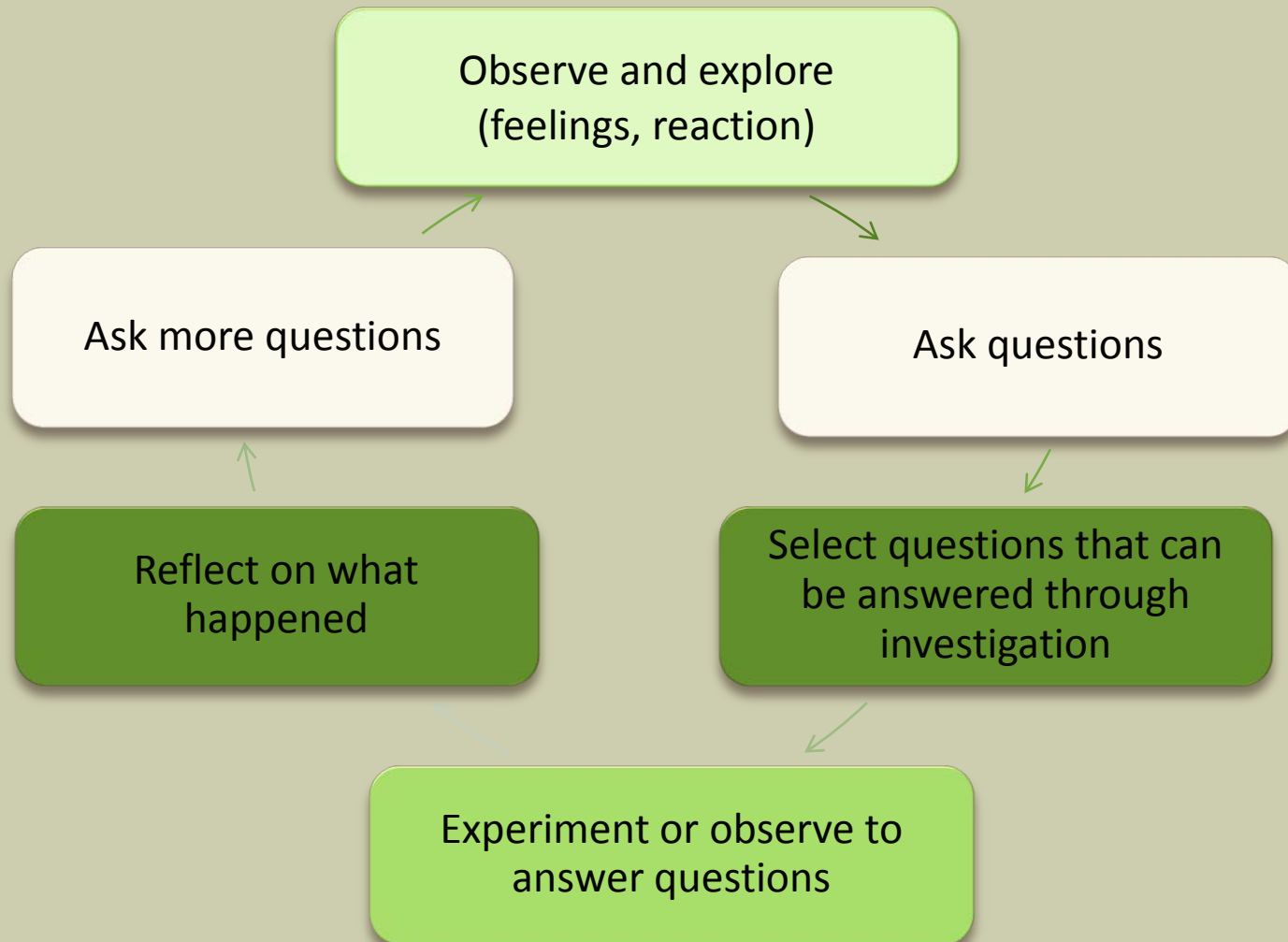
- Ability to collect and analyze information needed to assess MSMEs (incl. agricultural MSMEs)
- Ability to complete the required CamCCUL forms
- Ability to conduct oneself in such a way as to obtain the right information

Application:

- This methodology can be used for all kinds of inquiries, but we will focus on:
- Assessment of farmers
- Assessment of other types of business

2. Preparing for an Interview

i. Objectives of the Interview



2. Preparing for an Interview

i. Objectives of the Interview (contd.)

Always remember the purpose of the interview

- Are we in an exploration phase of identifying characteristics of the farmer/business?
- Do we want to collect general information?
- What degree of information do we want?
- Are we looking for qualitative information or quantitative information?

Avoid jumping from one subject to another to avoid confusion!

Pick a subject (e.g. maize) and ask all questions about it


.... what inputs he used, what the prices were

.... what area he cultivated, what the yield was, did he do any processing

.... how did he market the maize, at what price, when did he sell it

.... will he use the same methods next year, if not what will the changes be?

Do not move to another subject before completing all questions about maize.



2. Preparing for an Interview

ii. Designing the Questionnaire

How to organize the questions

- By subject
- Funnel method

How to formulate questions

- Questions must be clear and understandable to the interviewee
- Avoid technical terms or explain them
- Do not lead the answer, always let the interviewee make up his own answer (Example 1: Ask “What is the size of your land?” and not “Is your land big?”, Example 2: Ask “What are your future projects?” and not: “In the future, do you want to increase the size of your farm?”)

Types of questions

- Open / closed / semi-open
- Qualitative
- Quantitative

2. Preparing for an Interview

ii. Designing the Questionnaire (contd.)

Advantages of closed questions:

- Easier and quicker for respondents to answer
- Response choices can clarify question's meaning for respondents
- Answers are easier to compare, code and statistically analyze
- Respondents are more likely to answer sensitive questions
- Fewer irrelevant or confused answers to questions
- Less articulate or less literate respondents are not at a disadvantage
- Replication is easier

Disadvantages of closed questions:

- Respondents with no opinion or no knowledge might answer anyway
- Respondents can be frustrated because their desired answer is not a choice
- Too many response choices can be confusing
- Misinterpretation of a question can go unnoticed
- Distinctions between respondent answers may be blurred
- Clerical mistakes or marking the wrong response is possible
- Force respondents to give simplistic responses to complex issues
- Force people to make choices they would not make in the real world

2. Preparing for an Interview

ii. Designing the Questionnaire (contd.)

Advantages of open questions:

- Permit an unlimited number of possible answers.
- Respondents can answer in detail and can qualify and clarify responses
- Unanticipated findings can be discovered
- Permit creativity, self-expression, and richness of detail
- Reveal a respondent's logic, thinking process, and frame of reference

Disadvantages of Open questions:

- Different respondents give different degrees of detail in answers
- Responses may be irrelevant or buried in useless detail
- Coding and statistical analysis become difficult
- Articulate and highly literate respondents have an advantage
- Questions may be too general for respondents, who lose direction
- A greater amount of response time, thought, and effort is necessary
- Respondents can be intimidated by questions
- Answers take up a lot of space in the questionnaire.



3. Conducting an Interview (1/2)

Introduction

- Start by introducing yourself (you and the organization you work with)
- Explain the purpose of the interview and how you will proceed (why you ask questions and how long it will last)

Make direct observations

- For example: count the number of heads, assess the size of the cultivated land, see if the goods in a shop are covered with dust, are children working when it is school time...

Lead the interview

- Present yourself: name, organization, explain why being questioned
- Be polite
- Feed the conversation (give an opinion as long as it cannot influence the interviewee, tell anecdotes...)
- Identify the social position of the interviewee (in order to be able to interpret the answers better)

3. Conducting an Interview (2/2)

Lead the interview (cont.)

- Complete the information little by little. The interviewer must be very focused on the answers so he knows what is missing, and he has to revitalize a conversation that stalls
- Reassure the interviewee:
 - be sure he understands each question; if he doesn't, do not repeat it but use different words (reformulate) until he understands
 - use clear and simple questions
 - the questionnaire should inspire trust in the interviewee
- Never put the interviewee in an awkward position, e.g.:
 - respect local traditions
 - when we cannot accept what is offered, explain why
 - do not ask vague questions or questions that are out of context
 - do not insist when the interviewee seems uncomfortable
 - do not ask very personal questions when there is a third person present

*Note: be aware that after some time, the interviewee will be too tired to answer your questions properly (usually after 1 or 2 hours)



4. Cross-checking Information

Cross-checking is a way to verify information by:

- Comparing information from different sources (consistency)
- Assessing (to determine the importance, extent, or value of) the information retrieved

Why do we cross check?

- To manage the risks involved in granting a loan, a bank needs to assess the creditworthiness of a potential member/applicant, i.e. the ability and willingness to repay a loan, based on reliable information.
- During the financial analysis we depend mainly on oral information. Even if some written documents are available, they might not always be accurate.
- Therefore we need an effective method to verify this information.



4a. What do We Cross Check?

Information about the member as a person

- Character
- Background
- Reliability
- Loan purpose (character, ambition)
- Attitude towards the bank

This will help evaluate the member's **willingness to repay the loan.**

Financial data (about member's business)

- Business background
- Balance sheet
- Profit & loss statement
- Cash flow statement
- Loan purpose

This will help evaluate the member's **ability to repay the loan.**



4b. What Sources of Information Exist?

The member

- Oral information received from the member directly (primary source)

Business data:

- Receipts
- Contracts
- Stock
- Cash
- Premises

Third parties

- Family
- Business partners
- Associations



4c. Instruments to Assess Data

Compare the loan application with data retrieved

- The member told you that the good season would be from June to August, but in the application the LO wrote September to December.

Compare written financial data with oral information received from the member

- The member told you that s/he normally makes purchases for XFA 500,000, but the receipts of the last months are much lower than this.

Compare information received from the member (written and oral) with the real situation

- The member claimed that s/he would be able to produce 100 items per day but according to your calculations the maximum ~60 items.



4c. Instruments to Assess Data (contd.)

Analyse the consistency between the financial forms

- The member claimed to receive his/her account receivables on a monthly base but the amount of AR is five times the monthly turnover

Use third parties (maintaining the principle of confidentiality)

- Ask the management office of the market if the member pays rent, utility fees on time. What is the market's business situation?

Compare the social situation of the member with the situation of the member's business?

- The member's child goes to the best school in town but the profit from business hardly covers the family expenses



4d. Cross-checking Cash Transactions (1/4)

The owner of a small boutique told you that his average turnover in the last three days was XFA 100,000 per day. Four days ago was the last time she made purchases. The member had no other expenses in the last days.

Cross-checking this information

At the end of the analysis you asked the member to count his money. He/she had only XFA 130,000 and couldn't give you a reasonable explanation for the missing sum.

It is crucial to investigate a situation to check if the member is lying, if he is not fully aware of his business operations, if he over estimated his profit, or if he has other expenses he didn't mention.



4d. Cross-checking Account Receivables (2/4)

A fruit trader claims that his biggest client is a restaurant (30% of total sales). The trader delivers fruits worth XFA 40,000 - 50,000 on average per day. Bills are settled every two weeks. The member always pays on time.

Cross-checking this information

At the time of the analysis there were delivery slips, all within the last two weeks, but the total was XFA 200,000.

What should be the amount on the delivery slips?

The ALO must be thorough with understanding everything about the member's business and relative expenses. This is one of the important way of reducing risks.



4d. Cross-checking Performance Based Salary (3/4)

A kitchen trader's total sales last month were XFA 3,000,000. The shop has one salesperson, who has a basic salary of XFA 60,000 per month plus a performance based commission of 1% of the total sales.

Cross-checking this information

You asked the sales person for the amount of the last salary which was 160,000 FCFA.

Is this information true or not? What should be the salary of the salesperson?



4d. Cross-checking Inventory (4/4)

Mr. Kono started his business 3 months ago with XFA 3,000,000 worth of inventory. He claimed his average monthly turnover was XAF 2,000,000. You calculated his current inventories at XFA 3,500,000.

Cross-checking this information

Mr. Kono told you that he made two purchases since starting the business. Each time he paid XFA 1,000,000. According to your calculation his gross profit margin was 40%.

What should be the total sales amount?
(According to these figures the total sales of the member should be XFA 2,500,000 for the three months.)



4e. Other Tips on How to Cross Check Information

What are the different ways to cross-check information from a member?

- Inventory cross-check
- Cash cross check
- Account receivable cross-checks
- Question third persons (but be careful what you ask!)
- Social situation of the member cross-check
- Draw parallels to your general knowledge and what the interviewee told you (be smart)
- Cross check with your observations (compare the written documents with your observations)
- Ask the same question using different wording (to check that the answers are still the same)
- ... et al



5. Exercise

A client (maize farmer/ shop owner) has applied for a business loan. Prepare a list of questions you want to ask her. At the end of the interview, you need to have data on the following areas:

- Family
- Business experience
- Expenses (past and current)
- Incomes (past and current)
- Project (loan purpose, business plan, etc.)

For more resources please visit AgriFin's website

www.AgriFin.org

We welcome your feedback to help us further refine these training materials. Please contact us at agrifin@worldbank.org.