

# A QDA miner study of the Grounded-Theory Approach to Understanding Regulatory Enforcement, Credit Access, and Debt-Traps

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## ABSTRACT

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Secondary research is commonly referred to as desk research (Hoover and Cohen 2021). For example, the use of textbooks, news articles, university-published studies, encyclopedias, published market research, academic journals, published demographic journals and government records. For this study, textbooks such as QDA Miner 6 and Qualitative and Mixed-Method software with unparalleled computer-assisted coding, analysis, and report-writing capabilities were used. Financial Literacy and Money Script and Money Script a Caribbean Perspective.

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Qualitative, Quantitative, and Mixed Methods Approaches, 4th edition, were used to investigate borrower debt traps.

News articles from mainly the Trinidad Express and Trinidad Guardian dailies were utilized as well. Along with published journal articles and reports from the Central bank, such as The Policy proposal document for the Credit Union Act and the reform of the financial system of Trinidad and Tobago. Moreover, the Benefits Act Chapter 4:61 Laws of Trinidad and Tobago, Central Bank Act Chapter 79:02 Act 23 of 1964, and Cooperative Societies Act Chapter 81:03 were amended by 18 of 1993.

## Sampling and Data Collection

To meet the inclusion criteria, borrowers must have taken out a loan within the previous five years from an informal moneylender (that is, a Credit Union or Money lender other than a family member) who charged interest rates higher than those of a formal bank (to establish experience with the phenomenon and to facilitate recall). The only requirement for moneylenders will be that they have lent money to borrowers within the previous five years. Respondents for this study came from moneylenders, credit unions as well as typical commercial banking organizations. These institutions offered a useful comparison between larger finance organizations with high entrance hurdles that are more lax in their decision-making processes.

This study limited the types of lending institutions under investigation only to these two for simplicity namely the formal and informal consumer lenders. The only criteria for these formal lender participants will be that they must have been involved in assessing whether a borrower is accepted for financing and have worked at the lending organization for at least five years. Last, this study will approach representatives of the Central Bank of Trinidad and Tobago (the Central Bank Governor or high-level administrators) responsible for monitoring and enforcing financial matters in the country to fulfill the regulator category. For each of these four categories of stakeholders, semi-

structured interview protocols have been constructed around the qualitative research topic to better understand the framework, procedures, and standards for making decisions in the moneylending industry.

Snowball sampling was employed so as to determine the ideal number of recruits due to the specialist name of the interviewees that are required. This method involved asking each recruit whether they can recommend new participants. As a result of all the different stakeholders present in this study, the researcher will attempt to interview 7-10 borrowers who have borrowed from informal moneylenders who are either stuck in a debt trap (consistently borrowing to consume), were stuck in a debt trap but found their way out, or borrowed from moneylenders and never entered a debt trap. In addition, the researcher will interview 5-7 informal moneylenders, 3-5 formal lenders, and 2-3 regulators. This will ensure proper variation across participant views and saturation of implicit themes (Creswell 2013).

This study utilized thematic analysis using the Inductive Approach, which embodies the same process used for hand coding or using a computer as identified by Bernauer et al. (2013). In qualitative research, coding is explained as how one defines what the data being analyzed are about (Gibbs 2007). The QDA miner software was used in the study. The participants were chosen from stakeholders within the lending industry. This was done using a purposeful sampling technique.

#### Inductive Qualitative Analysis: Theory Building

Axial coding was employed to link the higher conceptual categories to establish the framework of the theory. Next, selective coding will be used, organizing types around a core category that symbolizes the primary phenomenon under consideration (Corbin and Strauss 2008).

### DATA ANALYSIS RESULTS

#### Descriptive Statistics

##### Sample Demographic Profiles of Stakeholders

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Male</b>	16	41%
<b>Female</b>	23	59%
<b>Occupation Classification</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Bankers</b>	11	25%
<b>Money Lenders</b>	2	4%
<b>Informal Lenders (Credit Unions)</b>	7	16%
<b>Borrowers from Credit Unions</b>	10	22%
<b>Borrowers from Banks</b>	11	24%
<b>Regulators</b>	2	4%
<b>Borrowers from Money Lenders</b>	3	7%
<b>Totals</b>	45	100%

#### QDA Miner Coding Frequency Table

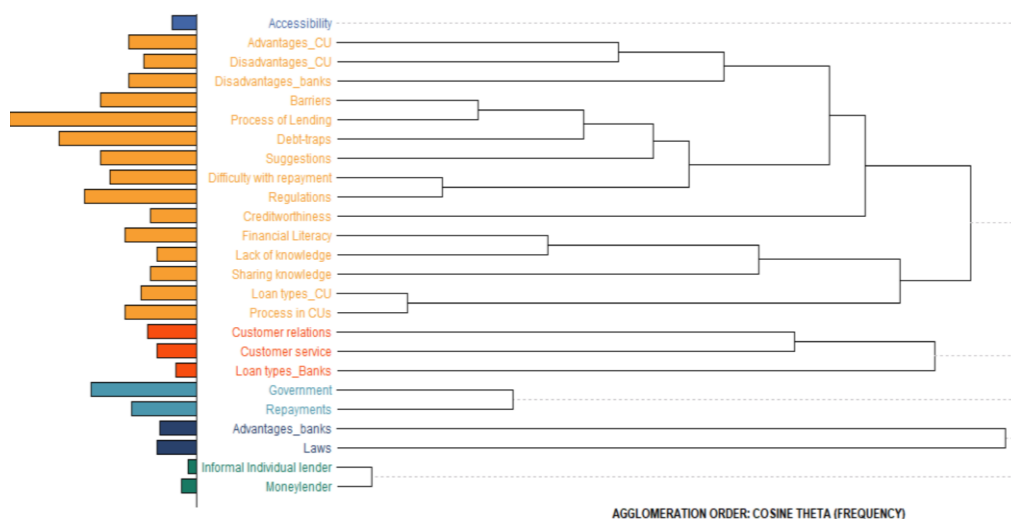
<b>Code/Code Category</b>	<b>Count</b>	<b>% Codes</b>	<b>Cases</b>	<b>% Cases</b>
<b>Financial Literacy</b>	23	4.3	11	25.6
<b>Sharing Knowledge</b>	15	2.8	9	20.9
<b>Lack of Knowledge</b>	13	2.5	8	18.6
<b>Lending</b>				
<b>Process of Lending</b>	60	11.3	29	67.4
<b>Difficulty with repayment</b>	28	5.3	17	39.5
<b>Barriers</b>	31	5.8	23	53.5
<b>Debt traps</b>	44	8.3	22	51.2
<b>Process in Cus</b>	23	4.3	8	18.6

<b>Creditworthiness</b>	15	2.8	11	25.6
<b>Repayments</b>	21	4	13	30.2
<b>Types of Lenders</b>				
<b>Advantages_CU</b>	22	4.2	15	34.9
<b>Disadvantages_CU</b>	17	3.2	12	27.9
<b>Advantages_banks</b>	12	2.3	9	20.9
<b>Disadvantages_banks</b>	22	4.2	15	34.9
<b>Moneylender</b>	5	0.9	3	7
<b>Types of Loans</b>				
<b>Loan types_CU</b>	18	3.4	9	20.9
<b>Loan types_banks</b>	7	1.3	6	14
<b>Accessibility</b>	8	1.5	6	14
<b>Informal Individual Lender</b>	3	0.6	3	7
<b>Customer relationships</b>				
<b>Customer service</b>	13	2.5	9	20.9
<b>Customer relations</b>	16	3	12	27.9

As shown above, sixty-seven and four-tenths (67.4%) of the sample respondents saw the Process of Lending as being an issue with credit access, and fifty-three and five-tenths (53.5%) accounted for barriers in the accusation of a loan. Concerning debt traps, fifty-one and two-tenths (51.2%) of the stakeholders interviewed indicated that the administration of credit was a problem with repayment, and thirty-four and nine-tenths (34.9%) of the borrowers felt that the Credit Union was better to engage in loan transactions. In contrast, thirty-four-nine tenths (34.9%) of the stakeholders felt that they were at a disadvantage in dealing with banks as it pertains to credit. Lastly, thirty-nine and five-tenths (39.5%) of the stakeholders indicated that they had trouble repaying loans from the three types of lenders (formal banks, credit unions, and money lenders).

The most dominant codes are highlighted in both figures below, which clearly shows that – the process of lending is the code that occurs most frequently. From the interviews, the issue seems to be the administration of the process of lending and how Regulators, Lenders, and Borrowers perceive their role in this process. The Regulator in Trinidad and Tobago identified their role as coercing, the lender (formal) role as one that is clearly laid out via documentation, the Informal sector identifies theirs as being available when needed despite the borrowers' circumstances. The borrower, on the other hand, sees the role as just being able to receive money when needed with the least number of requirements and structure.

FIGURE 1 \*



## Axial Coding Themes

CASE	DOCUMENT	Codes
Informal Lenders	Background questions: Interview questions:  1. When did your Company become a lender? Why? Unicomer (Trinidad) Limited has been trading as a licensed Money Lender since 2011. We have been in the business of providing goods to customers on hire-purchase, enabling those who can't afford immediately to furnish their house or apartment, with the opportunity to do so at affordable weekly prices ranging from \$1 to as much as they can afford. Over the years we have recognized that our customers may have other unfulfilled needs, such as urgent car repairs, medical procedures, family vacation, marriage, further education, and other financial needs that may arise for services we currently don't provide. Considering this, we decided to get registered as a moneylender and provide our customers with loans, enabling them to have a wider reach in term of accessing the financing needed to access these additional benefits in the same manner as they would have enjoyed from hire-purchase....  ***** SEE TEXT EDITOR WINDOW BELOW FOR THE FULL TEXT *****	Informal Individual lender Moneylender Process of Lending
Informal Lenders	INTERVIEW WITH ML 1 – GARVIN BABB Researcher – Explains the purpose of the research to ML 1 so help him understand the purpose of the interview as he felt uneasy to give the interview and I explained in depth the reason for the questions. How did you become a money lender?	Barriers Creditworthiness Debt-traps Informal Individual lender
CASE	DOCUMENT	Codes
Informal Lenders	MS. QUAMMINE – MANAGER AGRICOLA CREDIT UNION 17/11/22  How did you come to work in the Credit Union – is it something you wanted to do – did you have other jobs and you shifted to the Credit Union – How did you become part of the Credit Union body? So when I was through with my A level's my dream was to be a speech therapist that was the dream in te back of my head but when I finished school my Aunt worked at RHAND CR. UN at that time she advised me that they wanted someone to hold on for someone who was proceeding on Maternity Leave and this is how I got in. When I got in and worked the person who I was holding for came back and they asked if I wanted to stay and I said – yes – then I started to really enjoy the job and meeting the members and I was moving around to all the departments and that is what happened and how I was able to get into the Credit Union Movement. It was just a matter of things worked out (me) – Yes, I took the opportunity and I was able to learn...  ***** SEE TEXT EDITOR WINDOW BELOW FOR THE FULL TEXT *****	Advantages_CU Barriers Creditworthiness Customer relations Debt-traps Government Process in CUs Process of Lending
Informal Lenders	(AUDIO COMMENCED AT 07:53:45 A.M.) MRS. SINGH: Question No. 1. How would you describe your present financial situation? Good, bad, stable, unstable, how would you describe it and why would you describe it that way? AKILA: That is a very good question. For the past couple of years, well, nobody — first time — you is the first person asking me that about finances.	Barriers Debt-traps Government Suggestions

## Selective Coding/Theoretical Coding Results

The research questions and the study findings confirmed that the administration of the process of lending is the main problem for each stakeholder. According to Darapaneni et al. (2022, 1-8), the lending process involves a series of activities that lead to the approval or rejection of a bank loan application. It is to be noted that the four groups interviewed in this study were comprised of the formal lender/banker, informal lender/credit unions, money lender, the borrower, and the regulator. One of the main findings of this paper is the dire need for borrower knowledge and the need for lenders to understand that with limited knowledge, a borrower can find himself in a debt trap, unable to repay the loans. The effect of a borrower in a debt trap by a Lender is the occurrence of nonperforming loans, thereby reducing liquidity.

### Informal Lenders' (Credit Union) - Description of the Process and

#### Structure of Lending

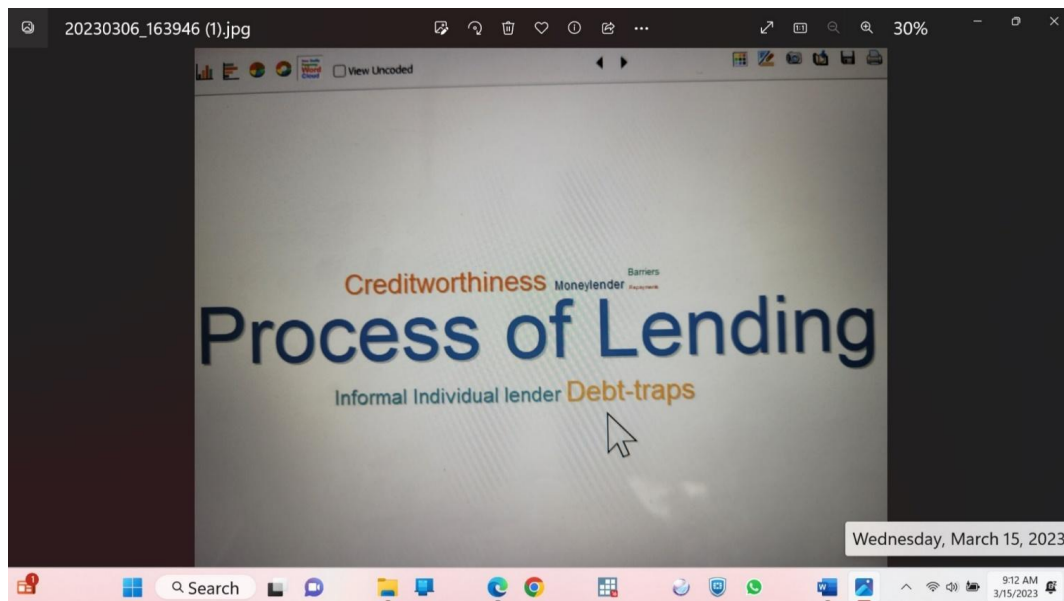
The informal lender statements indicate that the information is lacking in the lending process, and the credit union manager may implement an amortization schedule to help borrowers access information on the lending process. Giving borrowers access to this information may help them manage their finances and avoid falling into debt traps.

Informal lenders also stated that as it pertains to Laws and Regulations, the problem was the lack of enforcement of the laws of the land as it pertains to Moneylenders. The problem is that even though the laws are in the books, the regulations are absent. In cases, therefore, when there was an infraction of the law, there was basically no recourse to the law. Therefore, they felt that due to the absence of regulation in the industry, the entire industry was blacklisted, regarding improvements to the Moneylenders Act, it was generally felt that the laws needed to be updated as the last review was 6 of 2014 (Moneylenders Act., Chapter 84:04). Another update when due should emphasize on the interest rates and state clearly how it must be applied and over what period. Borrowers also felt that there needs to be a better relationship between moneylenders and borrowers as, at present, no relationship exists. Generally, there is a fear of moneylenders due to threats and physical harm done to borrowers in the past. It is hoped that

Moneylenders become a business where borrowers can discuss repayment terms and general terms of the loan without fear for the lenders.

FIGURE 1

### Word Analysis by Most Frequent Theme



### Recommendations for future research

The research design for future study is a mixed-methods exploratory approach using qualitative elements of grounded theory data collection and analysis to understand the structure, process, and decision-making rules of agents involved in the phenomena of interest (Creswell 2013).

Another area of research for future studies would be mortgage or small commercial loans and debt traps. For example, mortgage loans such as house mortgages occur in instances where the borrower experiences a job loss, as with the recent pandemic, and the bank repossesses the house because of the borrower's inability to repay their loan, and this may lead to homelessness. Research done by Ong (2020) suggested that Black and Latino renters were affected in different ways economically; compounded with the effects of the COVID-19 pandemic, there were mass evictions in California.

Lastly, future research should focus on the psychology of debt traps. Firstly, from the aspect of the understanding of a person's psyche, that causes a tendency to get into debt traps. Furthermore, the psychological impact of stress and anxiety or abnormal behavior because of debt traps. Moreover, the psychological state may be a breeding ground for criminal behavior due to the desperation to get out of debt traps.

### CONCLUSION

This grounded theory qualitative study explored the impact of regulatory enforcement, credit access, borrower behavior, and informal lending on debt traps in Trinidad and Tobago. This research and its recommendations are an academic approach combined with the words of interviewees involved in the lending and borrowing sector, those identified in the literature as being part of the process of lending; however, the findings point to the fact that the administration of the process of lending needs to be revised to create a more sustainable credit industry and avoid borrowers from getting deeper into debt traps.

From the overall analysis of the sample data in this study, the phenomena surrounding the administration of the process of lending led to debt traps in Trinidad and Tobago. Consequently, borrowers do not have borrower knowledge and fail to understand that any loan means less disposable money to manage the household. Advisably, in the future, all stakeholders should take an active part in reducing the issue of debt traps in this country by ensuring borrower knowledge of the facility they desire as it eats away at the fabric of the households in Trinidad and Tobago, due to a reduced disposable income leading to the repossession of their vehicles and homes, because of non-



payment. Administrators of loans should give details on the repayment, such as interest rates and fees. Ideally, an amortization table should be given and explained to the borrower at the time of lending. Emphasis should not just be on the loan requirements. Borrowers are often unaware of these consequences, and when they cannot pay the loan, they fall into debt traps. The Ministry of Finance may consider initiating urgent action through the Office of the Governor of the Central Bank of Trinidad and Tobago by creating a committee comprising all stakeholders, namely Regulators, Bankers, Credit Unions, Moneylenders, and borrowers, solely for the purpose of creating ways to educate the borrower on all types of loans packages available in Trinidad and Tobago and the implications of borrowing as it relates to their personal cash flow.

The purpose of this committee would be to seek ways to extend regulation to the Credit union movement and make moneylenders accountable to them as well. This enforcement would be carried out through the same Regulatory Body reporting to the Central Bank, to which moneylenders should answer, and aggrieved citizens of this nation can also seek redress. The committee should clearly define an interpretation of the interest charged by moneylenders on loans and an update of the Moneylenders Act. Finally, borrowers should start educating themselves on borrowing costs and consequences by gaining knowledge about the cost of borrowing and asking which loan is more suited to their needs, what loan packages are available and the cost of borrowing on each loan. Interest rates of each Bank are posted daily on the website of the Central Bank to assist with borrower choice of lenders; these rates should also be available through the traditional media houses and would be possible through the establishment of the committee, whose role would be to create public awareness of borrowing.

This grounded theory qualitative study explored the impact of Regulatory Enforcement, Credit Access, Borrower Behavior, and Informal lending on debt traps in Trinidad and Tobago. This study used a questionnaire and focus group approach to collect data from persons identified in the literature as part of the credit process. This research and its recommendations are an academic approach combined with the words of interviewees involved in the lending and borrowing sector, those identified in the literature as part of the process of lending. Moreover, the findings point to the fact that the administration of the process of lending needs to be revised to create a more sustainable credit industry and avoid borrowers from getting into deeper debt traps.

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