

2019

# Strategies to Reduce Risks Associated with Corporate Social Responsibility Lending

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*Walden University*

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# Walden University

College of Management and Technology

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Victor Johnson

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Walden University  
2019

Abstract

Strategies to Reduce Risks Associated with Corporate Social Responsibility Lending

by

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MHA, American Intercontinental University, 2007

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

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## Abstract

Bank managers have transacted six trillion dollars of new loans in low and moderate income (LMI) communities because of the Community Reinvestment Act (CRA) mandate. CRA originated mortgages accounted for over 42% of the defaulted loans because of limited risk strategies. Based on the Aguilera conceptual framework, the purpose of this exploratory single case study was to explore the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. Data were collected and analyzed from semistructured interviews of five bank managers working in one financial organization located within the U.S. Northeast. Data also included the use of recorded field notes and review of public documents, such as CSR committee minutes and CSR policies and procedures from the organization's website for methodology triangulation purposes. Data analysis included using deductive and open coding techniques. Three themes emerged from the collection of data, which were to reduce risks, follow government guidelines, and training and develop data analytics. Several strategies developed that showed how LMI lending is competitively profitable notwithstanding banks conventional lending strategies. Approaches were using subsidies, marketing through community events that encourage Veterans to use the program, offering education programs for loan officers, regulators, and homebuyers, and measuring the organization's compliance with CRA regulations. The implications for positive social change include adopting effective strategies that could reduce the risks and make lending more available. The success of this study came through risk reduction, corporate and community alliances, and new ideas involved in changing the negative perception of lending.

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December 2018

## Dedication

I would like to first give thanks to the consistent power and love within all of us, a power greater than imaginable. I want to dedicate my research to my family, friends, colleagues, and professors. All of these people have given me consistent encouragement and support during this important journey. I am deeply indebted to them as they have taken me through so many so many trials to reach into parts of myself I never knew existed.

I thank my mother for her continued encouragement and support from the beginning. Kimberly for your quiet knowing, holding me accountable and encouraging me during the roughest times. I truly thank you for your love and support. My friend and supporter Dr. Goslee, who supported and guided me through this entire process.

To my friends, colleagues, and professors, I thank you for your understanding and dedication in helping me through my path to completion. Your counsel and mental support helped me to gain a richer knowledge of my research topic. I truly share this accomplishment with you as it would not have been brought into being without you.

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## Section 1: Foundation of the Study

In the presence of increased demands, a climate of financial uncertainty exists in the banking sector regarding the efficiencies of corporate social responsibility (CSR) programs. Researchers have examined the relationship between CSR and corporate financial performance (CFP; Short, McKenny, Ketchen, Snow, & Hult, 2015; Tschopp & Huefner, 2015; Will & Hielscher, 2014). Oh and Park (2015) utilized control variables such as firm size, risk, and debt to examine the impact of CSR on a firm's financial performance. Wang, Dou, and Jia (2016) found a link between CSR and CFP in testing empirical models to compute the intrinsic value of a specific firm.

The effects of the financial crisis of 2007 led to the distribution of financial bailouts in the banking sector (Lu & Whidbee, 2013). The demand for social projects is higher during a financial crisis, and good management is consistent with socially responsive efforts during periods of crisis (Will & Hielscher, 2014). Some managers in financial institutions have failed to address all the requirements in satisfying government regulations found in the Community Reinvestment Act (CRA), which serves low and moderate income (LMI) communities (Fitzgerald & Vitello, 2014). Other managers in financial institutions have been able to meet these regulations while reducing the risks associated with LMI community lending.

### **Background of the Problem**

The CRA mandates that banks serve LMI communities (Federal Financial Institutions Examination Council [FFIEC], 2015). However, Figart (2017) found that some CRA mandated bank managers report a lack of profitability for their poor

community investment performance. The challenge for some banking managers is to identify strategies for CSR initiatives and CRA compliance from a management perspective (Birindelli, Ferretti, Intonti, & Iannuzzi, 2015). Management must achieve an equilibrium between CSR initiatives and profitability (Singh, Bakshi, & Mishra, 2015). The banks must comply with the CRA mandate while meeting the pressures of shareholders to create more wealth (Cho, Lee, & Pfeiffer, 2013). However, the literature on achieving equilibrium between social responsibility and profit are limited (Sen, Du, & Bhattacharya, 2016). Glavas (2016) suggested the need for more research on the outcomes of CSR activities. I explored how CSR initiatives and CRA compliance work together in reducing the risks associated with lending in LMI communities.

### **Problem Statement**

Bank managers executed six trillion dollars of new loans in LMI communities because of the CRA mandate (Squires, 2014). Strahan (2017) noted that because of limited risk strategies, CRA originated mortgages accounted for over 42% of the defaulted loans. The general business problem is that some lenders do not believe LMI lending is competitively profitable with conventional lending approaches. The specific business problem is that some CSR banking managers lack strategies to reduce the risks associated with lending in LMI communities.

### **Purpose Statement**

The purpose of this qualitative single case study was to explore the strategies CSR bank managers used to reduce risks associated with lending in LMI communities. The target population for this study was CSR bank managers of a multinational financial

organization located in the New York metropolitan area who implemented strategies to reduce the risks associated with lending in LMI communities. The implications for positive social change include adopting effective strategies that could reduce risks and make lending more available. CSR bank managers could realize a reduction of risk serving LMI communities while providing more investment opportunities for minority business owners in impoverished communities.

### **Nature of the Study**

#### **Method**

Qualitative, quantitative, and mixed methods are available research methodologies. The qualitative approach in research occurs through the gathering and analysis of rich data from a review of documents and concentrated observations. Qualitative data is nonnumeric data, such as categorical information in which researchers collect and present information systematically in a narrative form (Merriam, 2014; Yin, 2017). Wahyuni, Indrawati, Sudarti, and Suana (2017) and Turner, Cardinal, and Burton (2017) suggested a quantitative approach supports a researcher in developing objective, statistical data through predetermined instruments to test a specific hypothesis or to evaluate relationships between variables.

A quantitative approach was not appropriate for this study because I was not testing a statistical hypothesis or evaluating relationships between variables. A mixed method study would not have been appropriate for the same reasons. A qualitative research method was the most appropriate design to identify the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities.

## **Design**

The case study approach provided me an opportunity to investigate in depth how some bank managers used strategies to reduce the risks associated with lending in LMI communities. The use of combined interviews and document reviews strengthen the scope and depth of a study (Bernard, 2013). A case study design (a) explores the questions of *why* and *how*, (b) explores a contemporary problem, and (c) does not have control over the participants (Yin, 2017). Patton (1990) discussed the use of questions involving *what* in a case study research.

A phenomenological design centers upon the lived experiences of the participants through interview data (Denzin, 2012). A ethnographic design helps the researcher understand a shared phenomenon (Denzin, 2012). Researchers use an ethnographic design to explore the culture of a group and to develop new theories (Hoare, 2016). Studying a bank's culture and developing new theory was not essential to my research, and a phenomenological design is limited in scope. I selected an exploratory, single-case study design, which could expand existing theory or confirm prior discoveries (Houghton, Casey, Shaw, & Murphy, 2013).

## **Research Question**

The research question for this study was the following:

RQ: What are the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities?

### **Interview Questions**

I explored the strategies that CSR bank managers used to reduce the risks associated with lending in LMI communities by seeking responses from my study participants who responded to the following interview questions:

1. What strategies have you used to reduce risk with CRA lending in LMI communities?
2. What strategies have been effective in reducing the risk associated with LMI lending?
3. What financial training strategies were used to reduce risk in LMI communities?
4. How has your CSR program made a positive difference in the LMI communities in which it operates?
5. Can you offer any additional information you consider important to reduce risks with CRA lending in LMI communities?

### **Conceptual Framework**

Individual-level research explored how different employees develop an understanding of CSR within an organization. Aguilera, Rupp, Williams, and Ganapathi (2007) developed a general conceptual framework referred to as the Aguilera model. Introducing this model in 2007, Aguilera et al. explored CSR at multiple levels, including the individual employee and the organizational, governmental, and corporate interest. Aguinis and Glavas (2017) found limited evidence on individual employee research. The investigators explored the effects of multiple actors affecting CSR outcomes. The actors



included: (a) employees (micro), (b) organizations (meso), (c) government (macro), and (d) corporate interest (transnational). Aguilera et al. introduced the framework not to explore the relevance of CSR but to explore the strategies that organizations revealed that influenced social change. Aguilera et al. explored a multilevel framework by the work of other researchers illuminating how multiple actors developed strategies to achieve social change through CSR initiatives (Karam & Jamali, 2017; Seele & Lock, 2015).

Aguilera et al.'s (2007) framework integrated theories of micro level employee involvement in a meso level organization. In a macro level system, Aguilera et al. sought to understand how influences from government actors created social outcomes (Narula, Magray, & Desore, 2017). The micro level are CSR managers who work within the CRA compliance group. The meso level in the organization is where managers develop strategies for CSR initiatives (Servaes & Tamayo, 2013). The policy established within the organization might influence the way in which CSR managers develop strategies. The macro level is the influence of the CRA regulations. In the study, I utilized the Aguilera model to explore strategies some CSR managers used to reduce LMI risk and analyzed themes and patterns. Such an analysis could be useful to identify the ways bank managers developed strategies to reduce risks associated with lending in LMI communities, resulting in positive social change.

### **Operational Definitions**

*Banking industry:* The banking industry is the foundation for the financial system of a local economy and the world economy (Bushman, 2014).

*Community Reinvestment Act (CRA)*: CRA is a law in which federal bank regulators encourage financial institutions to meet credit needs in local communities (12 U.S.C. §§ 901-2907; 2012).

*Corporate social responsibility (CSR)*: CSR refers to the good will policies and initiatives a corporation implements that result in the common good for society as a whole. CSR activities align with the business objectives of the corporation (Ioannou & Serafeim, 2017).

*Low moderate income (LMI)*: LMI is a medium family income less than 80% of the income of other families in the surrounding residential areas (Avery & Brevoort, 2015).

### **Assumptions, Limitations, and Delimitations**

#### **Assumptions**

Bernard (2013) stated the assumptions identified in a study are unverified facts the researcher assumes are true. Marshall and Rossman (2016) proposed that researchers must be aware of the assumptions they might incorporate into decisions during the investigation of the study. The first assumption was that CSR bank managers across the industry aim to reduce the risk associated with lending in LMI communities. The second assumption was that participants provided truthful and nonbiased answers, knowing their responses would be confidential. The last assumption was that reactions from the CSR bank managers allowed for the exploration of strategies to reduce the risks associated with LMI lending.

**Limitations**

Limitations represent the uncontrollable constraints that might affect the outcomes of the research (Merriam, 2014). A significant limitation of the study were participants (a) who were family and friends, (b) who lived and worked in LMI communities, or (c) who had experiences with CRA lending. The opinions on the outcomes of CRA lending and the effects some have assumed it has had on the general economy and LMI communities' was a matter for possible bias. These assumptions could potentially raise the level of personal bias in a qualitative study (Marshall & Rossman, 2016). Therefore, I carefully monitored and set aside such views using bracketing while exploring the themes of the study.

**Delimitations**

Delimitations represent the conceptual boundaries researchers establish for their study (Bloomberg & Volpe, 2012). I focused on a specific bank located in the New York metropolitan area. My research did not include participants from other banks or financial institutions. The participants included bank managers who work in the CSR group and managers responsible for CRA risk and compliance within the CSR group. The choice of interviewing CSR managers represented a delimitation for the study because bank managers working outside of the CSR groups would not have the expertise and knowledge about strategies to reduce risk in LMI communities.

Moulton (2014) interviewed specific lending agents to explore altruistic behavior regarding lenders being socially responsible. The small sample size was a delimitation, yet only a limited number of CSR managers had the expertise and knowledge on what

strategies reduced risk in LMI communities. Limiting participants to the New York metropolitan area was essential for the convenience and accessibility of the participants. A final delimitation in my research was the purposeful sampling of study contributors might not be transferable to other specific banking entities.

### **Significance of the Study**

The study is of value to businesses when bank managers use strategies to reduce the risk associated with lending in LMI communities. The banking industry is one of the few industries mandated by the Federal Government (FFIEC, 2015) to participate in a CSR program (Rodgers, Simon, & Gabrielsson, 2017). This study might contribute to the effective practices of business operations by revealing vital information regarding the strategies bank managers incorporated in CSR programs. The contribution of this study comes through risk reduction, improved corporate and community alliances, and new ideas for changing the negative perception of lending. The implications for positive social change include adopting effective strategies that could reduce lending risks and make capital more available. CSR bank managers could realize a reduction of risk serving LMI communities while providing more investment opportunities for minority business owners in impoverished communities (Aguinis & Glavas, 2017; Grappi, Romani, & Bagozzi, 2013; Wang et al., 2016).

### **A Review of the Professional and Academic Literature**

In my review of professional and academic literature I explored strategies used by bank managers to accentuate the challenges experienced by the banking community in reducing the risk associated with lending in LMI communities while adhering to

regulatory legislation. I utilized many scholarly journals and other sources in conducting this literature review. The search terms for this review were several Boolean word combinations and phrases such as *corporate social responsibility*, (*CRA*, *CSR*, *CFP*, *risk*, *profit*, *stakeholder*, *cost*, *efficiency*, *banking*, and *Aguilera model*). I conducted the searches in the Walden Library using various business databases, including the following: (a) Business Sources Complete, (b) Emerald, (c) ProQuest Central, (d) SAGE Primer, and (e) Science Direct. The study included 178 peer-reviewed articles, government documents, and books; 85% of the sources were peer reviewed, and less than 5 years old from the date of CAO approval. The review of the literature includes 112 articles with 94% being peer-reviewed and within 5 years of my projected graduation date at the end of 2018.

### **Organization of the Literature**

The literature review consists of four sections: (a) conceptual framework, (b) banking industry and regulation, (c) CSR programs, and (d) CFP. The first section includes bank industry fundamentals and an overview of banking infrastructure relating to social responsibility. The first section also includes literature on the regulation of banks centers during and after the financial crisis of 2008. Concerned with the general health of the industry, researchers sought to understand the probability of CSR programs adding additional cost to banks resulting in a bank failure. The bank regulation section includes research articles that cover the effects of the financial crisis on CSR programs in large and medium corporations. Finally, I explored potential threats within and outside of the banking industry that in turn affect CSR programs.

The second section contains a detailed examination of CSR, including the evolution of CSR and the strategies that CSR managers used to reduce the risks associated with lending in LMI communities. Corporate leaders have always been benevolent in their communities; however, there appears to be no commercial business entity that has provided social benevolence (Ni, Qian, & Crilly, 2014). The review of the literature illuminates the drivers in which corporate leaders invest in CSR. Finally, the disclosure, implementation, and measurement of CSR give a broad view of the various aspects of CSR.

In the final section, I examine the financial performance of an organization as it relates to CSR. One of the financial benefits being reputational, although it is difficult to measure financial performance as it relates to an organizations reputation. The final section include the approaches corporation managers use to justify and, in some cases, improve their CSR programs. There can be no real discussion of CSR without focusing on the stockholder and fiduciary responsibilities of the company. Therefore, I evaluated how the stockholders and the other stakeholders coexist within the corporation and the relations they have with CSR programs in order to understand the shared power of stakeholders and the concentration of power of the stockholder.

Wang et al. (2016) stated that there is such a limited understanding, which suggests a positive relationship between CSR and CFP. Aguinis and Glavas (2017) found only limited investigation of how employees develop an understanding of CSR at the individual level. They proposed more research on individual-level understanding of CSR within an organization. Grappi et al. (2013) explored the moral standards of consumers

concerning corporate social irresponsibility, utilizing single level analysis. Wang et al. concluded that relationships with key stakeholders such as shareholders have a direct, positive impact on financial performance.

### **Purpose of the Study**

The purpose of this qualitative case study was to explore the strategies CSR bank managers use to reduce the risks associated with lending in LMI communities. The population for the study was CSR bank managers of the chosen multinational financial organization involved in CSR activities. I used semistructured interview questions with five bank managers involved in CSR activities at a bank located in the New York metropolitan area to find out their specific experiences with strategies of reducing risks associated with lending in LMI communities. Wang et al. (2016) concluded there still is a limited understanding that would suggest a positive relationship between CSR and CFP. This study might contribute to social change by addressing the importance of CSR programs with banking management, thereby strengthening the willingness of financial institutions to invest in worthwhile community projects in LMI communities.

### **Conceptual Framework**

Aguilera et al. (2007) developed the Aguilera model in 2007. Aguilera et al. proposed exploring CSR at multiple levels, which included the individual employee, the organization, government, and corporate interests. Aguinis and Glavas (2017) found only limited individual-level research exploring how employees develop an understanding of CSR within an organization. Aguinis and Glavas found the majority of the researchers

studied in their survey focused on the organizational level. The Aguilera framework is a tool to identify why leaders are motivated to produce social change at multiple levels.

Aguilera et al. (2007) explored the effect that multiple actors had on CSR outcomes. These actors included (a) employees (macro), (b) organizations(meso), (c) government (country), and (d) corporate interest (transnational). Aguilera's et al. framework integrated multiple theories of microlevel employee involvement in a mesolevel organization. In a macro level system, Aguilera et al. sought to understand how influences from government actors created social outcomes (Narula et al., 2017). Further, Aguilera et al. wanted to explore a multilevel framework involving the work of other researchers (Karam & Jamali, 2017; Seele & Lock, 2015). Aguilera et al. introduced this framework not to explore the relevance of CSR but to explore the strategies that managers use to impact social change.

The micro level is the CSR managers who work in the CRA compliance group. The meso level in the organization is where managers develop these strategies. The policy established in the organization may influence the way in which the CSR managers develop their strategies. The macro level is the influence of the CRA regulation. I utilized the Aguilera model to explore how some CSR managers develop strategies to lessen LMI risk, which can result in positive social change.

A conceptual framework can provide a researcher with a lens to identify themes from the interviews in a qualitative study. In a supporting fashion to the Aguilera model, Hörisch, Freeman, and Schaltegger (2014) developed a framework to define four versions of stakeholder theory: (a) instrumental, (b) descriptive, (c) normative, and (d) integrative



models. The instrumental framework is to help researchers understand the management styles of stakeholders. The descriptive context is the process by which leaders achieve corporate objectives. The normative framework aligns leadership decisions with the purpose of the organization and moral business judgments. Finally, the integrative model brings all four versions of the theory together.

A conceptual framework could provide a thorough understanding of a particular relationship between two concepts (Maxwell, 2013). In this study, I utilized a conceptual framework to derive fundamental information on the relevance of employees, organizations, CSR programs, and external influences as they relate to financial performance (Aguilera et al., 2007).

The use of Aguilera's model for the conceptual framework (Aguilera et al., 2007) required an analysis of the interaction of the CSR participants from multiple levels in the banking system. An examination and explanation of monetary activities on August 9, 2007, were in direct contrast to monetary theories, which included macro and external variables. O'Mara-Shimek, Guillén-Parra, and Ortega-Larrea (2015) concluded liquidity was the cause of alternate monetary activity. CSR migrates from apolitical to political aspects, which adds another variable to the external level of influences. Morsing and Roepstorff (2015) explored CSR political transformation utilizing the different variables as influences. The findings of Morsing and Roepstorff provided a foundation for future studies. The authors concluded that CSR assists in social development as a byproduct of the initial mission of CSR.

Leppelt, Foerstl, and Hartmann (2013) developed a test to understand if top-tier suppliers who successfully enforced CSR obligations with their manufacturers protected their reputations. Leppelt et al. (2013) found limited research on how an organization becomes involved in another organizations' CSR program or lack of CSR initiatives. These researchers explored four marketing strategies, fact-based communication, indirect customer, education, and service marketing concepts to conclude that CSR enforcement by suppliers in their manufacturers does increase reputational benefits. The study by Leppelt et al. required the exploration of variables on multiple levels. Multilevel analysis can allow a more in-depth exploration across multiple levels, which include the individual and the organization in the environment (van de Vijver, Van Hemert, & Poortinga, 2015).

Aguilera et al. (2007) developed a multilevel conceptual model to explore the positive benefits that a corporation receives when participating in CSR activities. I explored the relationship between the CSR bank managers, the CSR program, the banking organization; and subsequently, the results that reduce the risks associated with lending in LMI communities.

The conceptual framework narrows the focus and allows the exploration of relevant aspects of theory (Maxwell, 2013). Aguilera's model addresses the internal players in CSR and the organization collectively. O'Mara-Shimek et al. (2015) posited four levels of multilevel conceptual frameworks: macro, the larger culture, such as the external environment (e.g., government); meso level, influences (e.g., workplace, organization culture); and micro, the intrapersonal and interpersonal level. Kim, Kim,

Han, Jackson, and Ployhart (2014) explored the motivation of individuals in an organization utilizing the multilevel conceptual model developed by Aguilera et al. (2007). Kim et al. concluded that the work environment, leadership, and colleagues were factors that stimulated the individuals participating in the study.

The findings of Aguilera et al.'s (2007) study revealed further evidence of the importance of exploring the motives of multiple actors at the different levels of an organizational structure. In using Aguilera et al.'s multilevel conceptual model, the research team found that the indirect influence of multiple variables created a consensus among the participants. Filatotchev and Nakajima (2014) developed a multilevel conceptual framework to explore the drivers of corporate leaders to participate or not to participate in CSR activities while experiencing external pressures. Exploring the relationships between multiple variables is important in finding how different variables influence results (Azmat & Ha, 2013).

In a contrasting fashion, Glavas (2016) reviewed 166 journal articles on CSR and found that most focused on a single level analysis. The majority of researchers identified by Glavas exploring the alignments between CSR and corporate profit used conceptual frameworks to gain insight. A conceptual framework has been proven to offer a more in-depth discovery on many levels. Aguilera et al. (2007) showed that a multilevel conceptual framework can offer an in-depth analysis across many levels. This study required an exploration of influences across multiple levels including the CSR bank managers, the organization, and government regulation. I conducted an analysis using

these actors to interpret themes and patterns to understand how managers have been able to develop strategies that reduce the risks associated with lending in LMI communities.

### **Banking Industry and Regulations**

A concentration of centralized management in specific geographic areas is the basis for commercial banking growth. The managers of the banking industry research and develop financial strategies for many human monetary concerns that foster social and economic development (Bushman, 2014). Bushman (2014) proposed that centralized banking management creates a synergy with other traditional institutions. The banking industry has always had a large impact on the economic development of society (Leventis, Dimitropoulos, & Owusu-Ansah, 2013).

The banking industry functions as an intermediary component as people assess and place value on tangible and intangible assets (Sinclair & Allen, 2017). The managers of the banking industry monitor public use and overall financial risk (Ponce & Rennert, 2015); consequently, it has a large impact on society (Leventis et al., 2013).

Bank managers manage the scarcity of capital in society (Bushman, 2014). As capital for investments becomes more difficult to come by, the controlling influence of the industry has negatively influenced the interactions between the industry and the public (Bushman, 2014). These interactions between the banking industry, the public, and predetermined eligibility criteria appear to create inequalities and unequal access to their services in LMI communities (Beatty & Liao, 2014).

Bank managers scrutinize the worthiness of borrowers and monitor the continued ability of debtors to pay over the term of their loans. The general assumption is the

banking industry is primarily interested in firms and households meeting criteria for establishing accounts and the borrower's ability to repay loan obligations (Myerson, 2014). The authoritative organization of the banking industry through the central bank has rigid regulations (Vashishtha, 2014). Regulation of capital requirements concentrated on liquid reserves up to 1980 and equity capital after 1980 (Myerson, 2014). Qureshi, Diaz, and Varoudakis (2015) stated the specific goal of bank regulation is to create an environment where the banks incur losses rather than effect moral hazards to economic systems. Regulation of the banking industry explicitly affects the social welfare of society as a whole (Ponce & Rennert, 2015). However, Zarutskie (2013) stated that over the past 27 years, there had been salient changes in the banking industry, specifically the deregulation of the industry.

Researchers evaluated the flaws of the industry's deregulation and the financial crisis of 2008 (Qureshi et al., 2015). Aiyar, Calomiris, and Wieladek (2014) explored the macro prudential approach providing guidelines for the banking system. This course of action foregoes the micro approach, which concentrates on troubled individual institutions. An approach that systematically assesses the entirety of the banking industry would be more beneficial for regulating the industry (Aiyar et al., 2014). McGillivray and Fung (2013) proposed that confident assessments of regulatory reform for ethical issues and illegalities in the overall banking community is necessary.

The major threat to the banking industry is a credit risk. Bank leaders who do not have adequate capital to maintain the solvency of their books create financial distress for the institution and the banking sector as a whole (Harding & Rosenthal, 2017). The

failure of the banking sector creates a reduction in wealth, labor, productivity, and the overall health of social systems (Ramalho, Rita, & Jacinto Vidigal, 2018). Some scholars place the recent problems in the banking sector on the repeal of the 1933 Glass-Steagall Act in 1999 (Harding & Rosenthal, 2017). New Deal banking reforms, which removed the barriers between investment banking, commercial banking, and insurance, continue to create unintended consequences (Mitchener & Richardson, 2013).

The economic crisis beginning in 2008 was the cause of numerous bank failures (Lu & Whidbee, 2013); of the 11 original bank holding companies that existed before the 2008 financial crisis, only five remain (Barth & Wihlborg, 2016). The current banking organizations are influential and powerful, which create outcomes in overall economic health (Harding & Rosenthal, 2017). Banking organizations in the United States enjoy the advantage of having most of their deposits insured by the Federal Deposit Insurance Corporation (Mitchener & Richardson, 2013).

Banks have taken on the appearance of being institutions with infinite longevity, beginning with the passage of the Gramm-Leach-Bliley Act in 1999. The passage of this Act created terms such as *monster bank* and *too big to fail* (Harding & Rosenthal, 2017). However, because of the legislative actions in the past 30 years, global government managers are working to resolve the catastrophic potential of deregulation, which includes shadow banking and the chronic growth of the credit default swap market (Jeffers, 2013).

The banking sector has changed immensely over the past 120 years; however, local community banking still plays an essential role in the sector's and the nation's

economic health (Qureshi et al., 2015). The banking industry has made many strides in CSR as well. However, a large part of the literature on CSR in the banking industry involved the links between CSR and cost equality. Leaders must put policies in place to safeguard the organizations' corporate reputation (Woo & Jin, 2016) because CSRs could offer superficiality and hurt the reputation of a banking organization (Sinclair & Allen, 2017). Consequently, many bank are not subjective on the relationship between CSR and financial (Wang et al., 2016). Industry characteristics such as innovation in smaller degrees may play a large role in CSR outcomes (Besieux, Baillien, Verbeke, & Euwema, 2015) through more altruistic action (Patten & Zhao, 2014); socially responsible banking (Francis, Harper, & Kumar, 2016) and consistency can play a large role in the organization's CSR program.

### **Corporate Social Responsibility Programs**

In the literature, CSR is a phenomenon rather than an activity. In the late 1920s, there was an exuberance of opinions on corporate powers and corporate responsibility (Tadajewski, 2017). At the time, business leaders proposed the corporation would be responsible for the welfare of society, not the government; resulting in the term *welfare capitalism* (Marens, 2013). Marens (2013) stated that for all practical purposes, CSR is largely a post-World War II phenomenon that did not become important until the 1960s. Evans, Haden, Clayton, and Novicevic (2013) claimed this might be the cause of the misaligned purpose concerning the definition of CSR as it relates to the social responsibility of business.

Essien (2014) purported the concrete ideology, and the macro institutional norm for business is profit making, as corporations are economic institutions holding social responsibilities (Clarke, 2014). Korschun, Bhattacharya, and Swain (2014) stated measuring the paths by which CSR activities pervade the organization by reviewing traditional dependent variables is important; yet, their study was the first to incorporate such empirical evidence. Balc, Ilies, Cioban, and Cuza (2013) revealed a conflict could arise between an investor and the trustees because trustees have flexibility when managing corporate actions in certain respects when performing actions hampered by technical rules.

Analysis of CSR to make this phenomenon more concrete is elusive in its conclusions; however, basic assumptions of a business return to profit, and true organizational motives are still questionable. The initial foundation in a post-war society of what would be CSR's first activity of the church-led organizations and labor unions (Marens, 2016). However, in exploring the development of CSR after World War II, the oligopolistic commercial organizations were beginning to replace the philanthropy of the small family unions, and church led organizations (Marens, 2016).

The limits placed on the socially responsible endeavors of managers of organizations are separate from the primary stakeholders and considered the shareholder approach. The shareholder approach predicated on managers being responsible to shareholders and, thereby, increasing profits. Dubbink and Van Liedekerke (2014) proposed that external forces compel organizations to conform to certain political beliefs in how they operate their businesses. The banking industry must manage internal and



external stakeholders. Stakeholder management constitutes relational attributes of specific stakeholders; consequently, these attributes are by the stakeholders' importance (Wang et al., 2016).

Incorporation of CSR in banking introduces additional stakeholders to the traditional stockholders and thus creating the need for these organizations to engage each stakeholder much more effectively (Homburg, Stierl, & Bornemann, 2013). Although traditional relationships between the banking industry and its long-term stakeholders have received limited discussion in literature, a diverse collection of works on the implications of the firm's CSR practices to their stakeholders exists (Fatma, Rahman, & Khan, 2014; Homburg et al., 2013; Sen, et al., 2016). Hörisch et al. (2014) revealed four versions of stakeholder theory including the instrumental, integrative, descriptive, and normative, the latter being an instrument for wealth creation with CSR as a tool.

Garriga (2014) concluded that a stakeholder's relationship with an organization occurs because of the benefits and value the stakeholders receive from the organization. One of the major problems in the management of stakeholders is the identification of the organization's primary stakeholders (Fatma et al., 2014), which can also be the attributes of a stakeholder under the organization (Koh, Qian, & Wang, 2014). The identification must be of relevant stakeholders (Garriga, 2014). In their work on technology business incubators (TBIs), Gabarret, Jaouen, Nakara, and Vedel (2014) proposed that stakeholders are identifiable by his or her contributions and expectations to the incubator and managed accordingly.

Stakeholder management literature contains different conclusions on how organizations manage the expectations of their stakeholders. Many debates on the conflicts between CSR and fiduciary responsibility show the foundational argument between corporate managers and directors, and shareholders and other groups affected the interpretation of their responsibilities towards one another (Bottenberg, Tuschke, & Flickinger, 2017). There have also been researchers who have proposed organizations concentrate on stakeholder management relative to their CSR programs to gain benefits from the enhancement of their brands and reputations (Patten & Zhao, 2014). However, even though an organization may properly identify and manage its stakeholders, the literature on the perceptions of the stakeholder concerns on the rise or fall of the bank's revenue is still inconclusive (Barnett, 2016).

Both corporate managers and stakeholders agreed that the corporate entity does have the responsibility of benevolence (Bottenberg et al., 2017). The corporate entity, combined with the association of the corporate trustees and the shareholders, created rights to corporate personhood (*Citizens United v. Federal Election Commission*, 2010). The relevance of this decision creates an alternating basis for earlier CSR definitions; however, during the evolution of CSR, the shareholder term in literature became encapsulated within the stakeholder term and suggests that a stakeholder holds less value than the shareholder (Clarke, 2014).

In the 1960s, CSR transformed from the argument of social responsibility and fiduciary to corporations being socially responsive (Shabana, Buchholtz, & Carroll, 2017). The approach is the legitimacy theory, based upon the notion that a business

fulfills its goals in society through various socially responsive actions. Shabana et al. (2017) suggested the legitimacy theory further created a parley between corporate legitimacy and corporate social responsive legitimacy with the latter being a result of reactive congruence.

Corporate managers choose to become socially responsible for different reasons. Dhaliwal, Li, Tsang, and Yang (2014) stated that the benefits of CSR could be a wise investment. CSR builds a strong relationship among communities, including all stakeholders, and the corporation (Shabana et al., 2017). Boulouta and Pitelis (2014) stated that bank managers in corporations should examine the overall impact of CSR activities in the interest of the organization, for CSR does make organizations more competitive. The motivation to support CSR is ultimately extrinsic to the corporate entity (Homburg et al., 2013). Contradictions to the relevance of social responsibility within the corporation were notable; however, benefits and presumed responsibilities by the corporation are crucial.

This section contains relevant literature that addresses the reasons a corporation chooses to be socially responsive. Corporations that engage in CSR using broadly viewed business cases have success financially and economically (Husted, 2015). A positive result of CSR activities is the influence that socially responsive activities have in forging entrepreneurial pursuits (Parris & McInnis-Bowers, 2017). The outputs of CSR are the innovation derived from firms' active partnerships. The motivation by an organization is also the socially responsive perceptions developed by the firm's employees. These perceptions are also a positive output of CSR activities (Barnett, 2016). Organizations

develop socially responsible initiatives to influence their reputations (Tetrault Sirsly & Lvina, 2016).

Ironically, a firm's CSR activities are relative to the fiduciary and fundamental responsibility of the corporate trustees to the shareholder. The firm overinvests in CSR activities to improve its reputation and, consequently, to improve its profit (Oh, Chang, & Kim, 2016)). The benefits of CSR may exist in a firm's stock price. The probable outcomes guide corporate trustee decisions. Sen et al. (2016) stated that CSR grows with the long-term singular self-interest of the corporation. The survival and wealth creative characteristics of the corporate entity will manifest with CSR actions.

CSR can lead to higher profits. Mandal & Banerjee (2017) found that a firm engaging in consistent CSR activities has a positive financial performance outcome. Tetrault Sirsly and Lvina (2016) proposed long term CSR approaches even when profit is the fundamental reasons for CSR activities, for a short-term approach can lead to failure when attempting to obtain the profitability originally sought by the corporation in this approach.

Leaders of corporations have implemented CSR programs, which benefit society; consequently, these initiatives also benefit the corporation's reputation. Leaders who implement consistent CSR strategies and initiatives maximize the overall benefits of CSR (Mandal & Banerjee, 2017). Pérez (2015) proposed that the measurement tools to evaluate the relevance of an organization's CSR initiatives by the customer should be significant in influencing the implementation of corporate strategies, including CSR. Tetrault Sirsly and Lvina (2016) concluded that organizations implemented long term

CSR strategies when they found that their customers felt it was an obligation of the organization to implement socially responsive initiatives. Tetrault Sirsly and Lvina suggested public involvement could become a catalyst for the organization's long-term policies. Lin (2016) stated that the implementation of CSR is continual and consistent. However, Lin found that multinational companies used in her research had limited cost benefit outcomes economically. The companies were receiving a positive reputation in their pursuits (Lin, 2016). Bhattacharya and Kaursar (2016) concluded company values concerning CSR activities are unsustainable in the modern business model. Consequently, organizations attempt to implement new CSR models that are a shared brand value solution, which offers a higher probability of return on assets (Bhattacharya & Kaursar, 2016).

Companies are consistently concerned about the way in which their customers perceive their governance, economic, and environmental strategies. Lorenzo-Molo and Udani (2013) proposed the basic principles of an organization exist in the organization's CSR initiatives, which expound the company's ethos. The banking industry attempted to improve its public image because of the 2008 recession and the factors that led up to the event (Liu, Cutcher, & Grant, 2017). The relevance of CSR in the banking industry showed that banks implement CSR activities in their strategic decisions to manage their reputations.

Carter and Greer (2013) stated that leaders explore and then implement CSR activities and reporting, which are in line with the organizations' strategic plans and organizational culture. However, even when CSR's include strategic planning, the

implementations of the CSR activities can be quite difficult (Arjaliès & Mundy, 2013). The inefficient planning and employee involvement in CSR programs could cause later inefficiencies (Lacey & Groves, 2014). CSR reporting has become the norm rather than a rare event within the business community. A precursor to CSR reporting was the information communicated by human resource departments internally and limited information on the organization's community initiatives (Pérez, 2015). The way in which organizations report CSR activities has evolved. Patten and Zhao (2014) noted that CSR reporting has its beginnings in the organization's annual reports before evolving to specialized applications and systems. A redesigned focus of CSR efforts includes environmental and sustainability initiatives revealed in annual reports.

Disclosure of CSR reporting is an important process for banking institutions Cohen, Holder-Webb, and Khalil (2017) found that 230 firms provided CSR disclosure in the United States. Cohen et al. explored the relevance of CSR reporting by member companies of the Global Reporting Initiative and the UN Global Company. Cohen et al. concluded that the member organizations were consistently reporting their CSR performance. Their study also revealed a decrease in the organization's size plays a pivotal role in the extent of its disclosure. A considerable number of scholars concluded a relationship between CSR reporting and corporate reputation (Pérez, 2015). Bhattacharya and Kaur sar (2016) explored how organizations reported their CSR activities and examined the multiple communication channels, which have become available over time. Cohen et al. (2017) found that 40% of the firms listed in the five S&P indexes issued CSR reports in 2010; ironically only two firms reported in 1991.

Corporate governance has become extremely beneficial for the organization's reputation and internal ethics (Pirson & Turnbull, 2016). There have been many discussions since the 1960s concerning the interrelations between CSR and corporate governance (Deng, Kang, & Low, 2013). Stuebs and Sun (2015) stated that CSR has a positive impact on corporate governance and the organization's future CSR performance. Some researchers proposed a link between CSR reporting and corporate governance. These studies have consistently shown that CSR is influencing corporate governance and how an organization reports (Bhattacharya & Kaursar, 2016; (Cohen et al., 2017; Deng et al., 2013; Stuebs & Sun, 2015).

The role of CSR is consistently evolving, and these activities have become an important part of an organization's overall risks strategies, including reputation. An organization's incorporation of reputation risk management (RRM) is a concern because of the relevance of the disclosure (Stuebs & Sun, 2015; Tetrault Sirsly & Lvina, 2016). Dhaliwal et al. (2014) concluded that firms with superior financial performance disclosing CSR were able to attract institutional investors and gain media coverage.

Shabana et al. (2017) proposed that an organization can increase the credibility of its CSR reporting by adhering to international reporting standards, the most credible being the Global Reporting Initiative (GRI). The use of GRI processes is beneficial in increasing transparency and accountability (Godha & Jain, 2015). Credibility in reporting can result in more accuracy. Dhaliwal et al. (2014) purported that firms, which performed CSR reporting, have lower forecasting errors. Social accounting strengthens the relevance

and accuracy of CSR reporting; consequently, such accounting provides a subjective process with more detail into an organization's CSR reporting (Schreck & Raithel, 2018).

The positive and negative financial outcomes of CSR activities are essential in the study of CSR. The measurement of an organization's social responsiveness relates to a business organization's mission for social responsibility and the outcomes the organization creates to demonstrate benevolence in society (Ni et al., 2014). In recent years, shareholders have become interested in the organization's CSR activities and traditional financial performance. However, shareholder perception of an organization's value regarding reputation by its CSR efforts is diverse (Pérez, 2015). The measurement of CSR as related to financial performance is limited, which is specifically evident in the banking industry. A gap in studies, measuring CSR and performance (Pérez, 2015) shows that traditional accounting methods and market indexes are a good way to measure corporate performance, yet no method of consensus to measure corporate social performance is in the literature (CSP; Boesso, Kumar, & Michelon, 2013). Schreck and Raithel (2018) stated that accounting techniques evolved historically over time to be a vital input into an organization in strategic planning. However, measurements of CSR's impact are still beyond current accounting techniques. The quantification of CSR is extremely difficult and creates many problems in evaluation (Pérez, 2015). The activities of CSR do not possess intrinsic value regarding the normative approach of traditional values (Boesso et al., 2013). However, Bhattacharya and Kaursar (2016) stated traditional *financial indicators* have limitations in CSR measurements.



Tetrault Sirsly and Lvina (2016) used reputation as an indicator but found it difficult to measure the benefits of CSR. The researchers did conclude that continued CSR engagement was advantageous to organizations. The measurement of CSR or lack thereof has become a risk management strategy in organizations' strategic planning. (Schmeltz, 2017) stated that proactive CSR activities encompassing specific stakeholders could preserve an organization's financial performance; consequently, maintaining shareholder value levels which would be most satisfactory than a regress in value levels.

Corporation leaders have been unsuccessful in providing consistent data in their reporting, most likely because of the lack of reliable measurement processes (Julian & Ofori-dankwa, 2013). However, research by Perrault and Quinn (2016) on the validity of CSP measurements using the Kinder, Liebenberg, and Domini Research Analytics (KLD) data included the social performance of 3073 firms. Perrault and Quinn concluded that their examination of the current and past KLD data sets produced a valid approach to measuring CSP.

**CRA in CSR banking programs.** The CRA was enacted in 1977 (12 U.S.C.§§ 901-2907; 2012). Under the CRA, banks must serve LMI communities to receive certain tax benefits (Byrd, Ross, & Glackin, 2013). U.S. financial institutions must serve people in moderate and low-income neighborhoods, many of which are marginalized (Bates & Robb, 2015). CSR strategies that align with an institution's business objectives are not a primary goal (Birindelli et al., 2015). Banks are encouraged to provide socially responsible products that support LMI communities; consequently, provide positive financial performance (Avery & Brevoort, 2015). In an era of payday lenders and even

traditional banks with extraordinarily high interest rates, the CRA represents a means for those who fall victim to unscrupulous financial practices to get loans at reasonable rates (Brescia, 2015). Brescia (2015) noted that banks must conform to regulations from the CRA to conduct mergers and acquisitions.

Banks must have a *satisfactory* or beyond rating to expand or merge with other banks (Brescia, 2015). If banks are not in compliance, lowered profit and lack of opportunities result; therefore, in time the number of loans in LMI communities rise (Byrd et al., 2013). U.S. Banks are aware of complying with the CRA, for both reputation and their businesses under the Act (Birindelli et al., 2015). Among the activities where CRA initiatives and CSR strategies unite include micro financing initiatives to meet obligations under government regulations, which could develop advantages in competitive industries (Bowman, 2014). If seen as a tax, a chance to have well-managed and structured deals materialize (Bowman, 2014).

In the beginning, the regulations for CRA are not strongly obligatory; as a result, few audits occur, and transactions are not verified (Wright, 2014). Even though regulations are in effect to increase the LMI community's participation, banks adopted limitations after CRA. The number of loans increased \$50 billion after CRA and \$200 billion from 1977. Loan quality for high-risk individuals leading to increasing foreclosure rates in LMI communities since 2008 is problematic (Wright, 2014).

Bates and Robb (2015) investigated the needs for credit of small businesses and the outcomes of applications for credit in minority areas. Approximately half of the businesses owners were people of color. Although Bates and Robb did find some degree

of fairness, they also found that those of Asian American, Latino, or African American background experienced lending discrimination. Bates and Robb discovered that the objectives of the regulators did not align closely with financial gains even though activists in the community had a similar agenda to that of the CRA. Initially, the CRA does not provide the financial liberties in which regulators intended to accomplish. The increase in CRA loans does not occur until the late 1990s, the last years of the Clinton administration. The amount of CRA loans continued to increase during the Bush administration where the increase in loans did not end until the 2008 financial crises (Brescia, 2015).

Many advocates and as many critics rose because of the CRA regulation over the past 30-years. The regulation appears to be one of the catalysts for the 2008 financial crisis (Avery & Brevoort, 2015; Bates & Robb, 2015; Brescia, 2015; Byrd et al., 2013; Wright, 2014). The pressure to gain a favorable CRA rating led banks to extend credit to people who would usually not qualify for such funds. As a result, when these borrowers defaulted, according to critics, it started the subprime crisis (Avery & Brevoort, 2015). However, Avery and Brevoort (2015) argued that the volume of loan differences do not in themselves prove that regulations contributed to the subprime crisis. The CRA was initially supposed to be for LMI populations to correct redlining and dishonest practices by financial institutions. This community was mostly people of color; however, the distribution of financial convenience to this population weakened the continued failure to offer services in this community (Wright, 2014).

Bates and Robb (2015) explored the impacts of CRA on small businesses in LMI neighborhoods compared to firms that were equally worthy of credit in other areas. Even though many small firms had positive outcomes on loan applications, inequality was still a persistent issue (Bates & Robb, 2015). Bates and Robb questioned if bank regulators initiated less traditional discriminatory loans or if community activist groups had the responsibility to monitor such loans. They concluded that although the activist agenda coincided with actual gains, the varied stated goals of regulators was not despite an overlap.

CRA loans potentially go into foreclosure more than prime loans. However, instead of offering loans with prime rates, institutions that offered CRA loans to LMI communities are more likely to offer subprime loans (Anacker & Crossney, 2013). Communities needed financial convenience but what they received were the subprime loans, which was the single option offered to LMI communities. The government did not assess the quality of the loans during audits, resulting in higher risk loans in the LMI community (Anacker & Crossney, 2013; Bates & Robb, 2015; Brescia, 2015).

**CSR and CFP.** Organizational managers have diverse goals resulting in various performance indicators. According to Michel-Clupot & Rouot (2015), a variety of organizational leaders monitor and publish the performance ratios of firms (e.g., Moody's, Fitch, Standard, and Poor [S&P]). Firms often base their financial performance measurements on ratio analysis indicators (Yan & Sloan, 2016). Financial performance reporting derives its results by measuring historical performance data (Cohen et al., 2017). Accounting based financial performance (AFP) measures are the traditional

methods used to measure an organization's performance (Brandau, Endenich, Luther, & Trapp, 2017).

Many managers are beginning to use value based models to measure shareholder value, including economic value added (EVA), market value added (MVA), and shareholder return instead of traditional financial performance measurements (Nautiyal & Kavidayal, 2018). The use of EVA can be a satisfactory tool in the measurement of an organization's socially responsive activity. Based on value creation, EVA aligns the opportunity cost of an organization's capital gains (Nautiyal & Kavidayal, 2018).

The 1919 case of Dodge v. Ford Motor Company illuminates the conflict between corporate fiduciary responsibility and social responsiveness (Edelson, 2017). In this case, defendant Henry Ford presented the belief that the benefits created by industrialization be as beneficial to as many as possible. However, the court ruled that the sole purpose of the corporation is to make a profit for its shareholders (Edelson, 2017). Consequently, shareholder value maximization is the primary variable in all corporate strategic planning (Schmeltz, 2017). However, this strategic planning offers wealth maximization to their stakeholders (Cho et al., 2013).

Oh and Park (2015) found a correlation between CSR and a firm's financial performance. A growing number of scholars have attempted to make the business case for CSR and positive relevance to profit and wealth maximization (Wang et al., 2016). A firm's reputation may translate into a positive economic opportunity (Sinha, Sachdeva, & Yadav, 2018). The researchers who have focused on the negative aspects of CSR and the

relevance on financial performance have focused on the extra cost and wealth destruction (e.g., Cho et al., 2013; Lin, 2016; Leppelt et al., 2013).

Unfortunately, no distinct function or metric for CSR and its collaborative results in financial performance is forthcoming (Sroufe & Gopalakrishna-Remani, 2018).

Michel-Clupot and Rouot (2015) stated the problems in measuring performance are singularly rooted in that no one price tag is suitable for all measures of performance.

However, the studies of CSR about the financial outcome are diverse and mixed (Slager & Chapple, 2016).

A large number of researchers have explored the relationship between the socially responsive CSR about CSP (Short et al., 2015; Tschopp & Huefner, 2015; Will & Hielscher, 2014). The leaders of organizations consider the activity of sound judgments a positive activity more than a notion when the CSR activities of a firm garner maximum profit (Roper & Parker, 2013). The conflict between CSR and profit may diminish substantially at this time. Many views propose CSR as merely eroding shareholder profits (Hörisch et al., 2014).

Hazel and Kang (2018) explored the relationship between the ethicality and socially responsiveness of the organization about the firm's financial outcomes. Their empirical findings found that organizations, which facilitated an environment of high ethicality and social responsiveness, had moderately positive financial outcomes. Kim, Kim, & Qian (2018) used a regression model to explain the financial performance of an organization, and others use AFP or value based financial performance (VFP) measures to evaluate an organization's financial performance. Some organizations are beginning to

use EVA, which gives more merit to CSR as managers consider an opportunity cost (Nautiyal & Kavidayal, 2018).

Some scholars purported that CSR should be free of links to the firm's financial performance where past and current researchers have mostly sought to evaluate the extent of the relevance between CSR and financial performance (Shahzad & Sharfman, 2017). Morgeson, Aguinis, Waldman, and Siegel (2013) explored a similar premise examining a more focused commitment of organizational resources to social performance initiatives and found that initiatives focused in specific areas did have positive economic outcomes.

Many recent events have brought into question the way corporations perceive society and the communities in which they do business. An example would be the financial crisis in 2008, which brings increased attention to the financial community and how the industry interacts with its stakeholders (Galbreath, 2018). A thorough understanding of CSR, especially CSR about financial performance, must include the concept and entity of the stakeholder. Schaltegger, Hörisch, and Freeman (2017) explored the relevance of stakeholder theory to find if the understanding of who would be the stakeholder; in turn, has evolved into normative theory. They made a progressive proposal by validating the inclusion of *customers, employees, suppliers, communities, management, and communities in the stakeholder class*.

Stakeholders should not be isolated to one key entity, which is the shareholder (Hörisch et al., 2014). The normative theory of agency considers the shareholder as a stakeholder and the primary fiduciary responsibility of management and wealth resources (Mitnick, 2017). However, a reformulated view of the theory questions the root

assumptions. Defining the stakeholder in CSR is a relevant question in business research; however, the motives and demands of the perspective stakeholder are a study within itself.

Balmer (2013) proposed that the financial performance of the firm as it relates to social responsiveness must connect to the firm's motives and its activities concerning the stakeholder demands. Wang, Liu, and Mingers (2015) indicated that problems develop when each stakeholder has different objectives. Diverse stakeholder demands may cause a firm to experience limited financial options and deteriorating wealth. Wang et al. (2015) concluded that a firm should weigh the stakeholder's significance and concentrate efforts on the primary stakeholders revealed by the weighted process. Consequently, the quality of a firm's stakeholder relationship can influence overall performance (Balmer, 2013). The overarching reason for this study is to find out how a specific CSR group with a financial firm uses strategies within the CRA group that result in reducing risk associated with LMI lending.

### **Transition**

Section 1 includes a fundamental case for the need to study how a CSR organization at a large banking institution reduces the risk associated with CRA lending in LMI communities. My review of the literature review offers an overview of the Aguilera model as the conceptual framework to explore strategies that some CSR managers use to reduce LMI risk as themes and patterns. The review of the literature also provides an overview of the history of CSR in the banking industry and the attempt of organizations to measure the financial performance of CSR. The literature review also



provided the background and evolution of the CRA program and the various ideologies of the positive and negative elements associated with lending in LMI communities.

Section 2 includes the methodologies, processes, and applications that I used to conduct the study. Section 3 contains the findings and recommendations for strategies to reduce risk associated with lending in LMI communities.

## Section 2: The Project

In Section 2, I provide a framework to explore the topic of what strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. In this section, I present the role of the researcher, the participants involved in the study, research method, research design, population, purposeful sampling, and ethical considerations involved in the research. Further explored are the data collection techniques including instruments, data analysis, and study reliability and validity factors.

### **Purpose Statement**

The purpose of this qualitative case study was to explore the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. The target population for this study was CSR bank managers of a multinational financial organization located in the New York metropolitan area. The social change implications include banks potentially adopting effective strategies that could reduce risks and make lending more available in all communities. CSR bank managers could realize a reduction of risk serving LMI communities while providing more investment opportunities for minority business owners in impoverished communities (Aguinis & Glavas, 2017; Grappi et al., 2013; Wang et al., 2016).

### **Role of the Researcher**

My role in the qualitative study was to serve as the data collection instrument. The human researcher is the predominant research instrument in the collection and analysis of qualitative case study data (Marshall & Rossman, 2016; Mertens, 2014; Yin, 2017). The researcher as an instrument can adjust to the changes occurring during data

collection, in addition to visually viewing and observing participant responses during this process (Marshall & Rossman, 2016); Merriam, 2014; Mertens, 2014). Researchers hold a significant responsibility to describe the data collected accurately and adopt the highest ethical standards; therefore, fully understanding my role in the conduct of the research was important.

### **Ethical Guidelines**

The protocol and study guidelines set in the Belmont Report (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979) and used in this study helped me to understand that my role as a new researcher was to work to withhold any preconceived ideas I may have had from working in a similar environment and to establish a framework to protect the participants' confidentiality. Adopting an organized method would mitigate bias and develop a strong understanding of the participant's views (Koch, Niesz, & McCarthy, 2014). Confidentiality agreements are an example of the measures I took to protect those rights.

Treating all participants as autonomous individuals and adhering to ethical conditions regarding fairness, beneficence, and justice allowed me to maximize possible benefits to the contributors while minimizing any possible harm. As a result, no psychological, economic, professional, physical, or other risks that could cause potential harm to the participants involved in this study surfaced. Participating in this type of study involved some risk of minor discomforts that could arise in daily life such as fatigue or stress from recounting sensitive topics of discussion. The risk of such discomforts occurring was low. I minimized the potential for personal discomfort during the conduct

of the interviews by offering breaks. Participating in this study did not pose a risk to the participants as far as safety or personal welfare.

For triangulation purposes, the approach I used involved exploring the data collected from participants of the study and analyzing secondary data outlining the financial organization's U.S. consumer mortgage lending prevention efforts and the Federal Reserve System's order approving a financial organization's acquisition of a bank (Frierson, 2005). Marshall and Rossman (2016) and Mertens (2014) revealed that collecting data through semistructured interviews and other informational sources was necessary to uncover themes and patterns of the phenomena. Semistructured interviews are the mark of a qualitative investigation and the best choice of collecting data when time limitations are present (Bernard & Bernard, 2012). Reviewing secondary data revealed some difficulties the financial organization encountered regarding compliance and internal controls and showed how new policies and risk-management procures helped leaders to counteract the problem.

### **Confidentiality**

The Department of Health and Human Service' Belmont Report provides confidence to the participants regarding protection of their rights to confidentiality. Seidman (2013) suggested investigators read the Department of Health and Human Services policy for the protection of human research subjects (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). I conducted my research ethically, presented accurate findings, and preserved the confidentiality of the participants. My experience as a certified project management

professional afforded me the skills and training to perform interviews. However, researchers should always be aware of potential bias during data collection and mitigate risk of the interpreting the data through the personal lens of the researcher (Bernard & Bernard, 2012; Mertens, 2014; Yin, 2017).

### **Member Checking**

The quality of the data depends on the interpretation of the participants' accounts of the phenomenon. Member checking as recommended by Denzin (2012) is a way of increasing the validity of data collection when a researcher is using a small sample. I performed member checking by requesting participants to review interview summaries and themes derived from coded data and recommended strategies that rose from the information to affirm the true nature of the participant's feelings and perceptions. I asked the first two study participants to review the narrative summary of their findings and identified themes and strategies to offer an opinion as to the accuracy of my interpretation. The contributors were able to offer changes to their account for correction or clarification purposes. The member checking process provided me a channel to authenticate my research and help me establish the credibility of the research findings.

### **Case Study Protocol**

I adhered to the steps in the case study protocol as illuminated in Appendix A to ensure that other researchers could follow my planned activities. The face-to-face interviews of five bank managers occurred at the corporate offices of one financial institution. Telephone interviews took place in cases when the participant was not available for a face-to-face interview. Seidman (2013) noted that if a face-to-face

interview is unavailable, telephone and Skype are acceptable modalities for gaining in depth interviews. Marshall and Rossman (2016) affirmed that media and software integration strategies are a necessary part of scholarly research. Smith (2015) stated that informal environments such as those in which the researcher uses a telephone create ease in semistructured interviews. The effect on the richness of the data is not detrimental with a telephone interview even though the interviewer cannot observe the participants' body language (Irvine, Drew, & Sainsbury, 2013).

I presented interview questions in a relaxed manner to ease potential angst participants could experience reflecting on past events. Ensuring participants were calm allowed them to offer additional insights into the problem, thereby revealing strategies managers used to reduce the risks associated with lending in LMI communities. Contemporaneous notes of each session via audio tape helped to ensure the accuracy and reliability of my study. Other researchers conducted initial interviews, interpreted what the participants shared, and validated their findings by seeking other data sources (Francis et al., 2016). A researcher must act as an objective observer in the qualitative data collection process (Fletcher, De Massis, & Nordqvist, 2016). As a new investigator, my goal was to provide an unbiased platform that allowed my participants to feel at ease in recounting their perceptions of the strategies that are dominant in this profession.

### **Participants**

Located in the northeastern United States, the financial organization selected for this qualitative, single-case study has had a satisfactory CRA rating. The CRA rates

financial institutions by the following categories: *outstanding*, *satisfactory*, *needs to improve* or *needs substantial improvement* (FFIEC, 2015).

I obtained written permission from the director of CSR to conduct the research and sought assistance to identify CSR bank managers who met the criteria for this study after Institutional Review Board (IRB) approval from Walden University. The director assigned a CSR manager to work with me in recruiting a purposeful sample of CSR bank managers involved in CRA compliance in the CSR program. The CSR manager received a list of prospective participants with associated e-mail addresses from the CSR director's office. The first five participants received an e-mailed invitation to participate in the study. I selected the first five participants who met my criteria, volunteered, and reviewed and signed the consent form.

The eligibility criteria for the five study participants required being a CSR bank manager involved in CRA compliance and risk activities associated with lending in LMI communities for at least 1 year. Permission to obtain access to participants is pertinent, and obtaining permission is one of the many critical activities in conducting ethical research (Marshall & Rossman, 2016; Silverman, 2015; Yin, 2017). A letter included in the e-mail sent to the identified CSR bank managers provided an overview of the study, along with my intentions to be objective during the inquiry. The participants were aware that involvement in this study was voluntary and had the right to withdraw at any time without penalty. To withdraw from the study, the participants could provide oral or written notice. Participants understood that if they did not want to continue the interview process at any time, the interview concluded.

Miles and Huberman (1994) found that participants who have an interest in the study might have similar expectations in the overall results. I interviewed five CSR bank managers participating in the organization's CSR initiatives who shared similar experiences and requirements for participating in the organization's CSR initiatives. The CSR managers were interested in the purpose of the study, which helped to create a trusting environment that allowed participants to offer truthful responses and share rich experiences.

### **Research Method and Design**

The qualitative approach in research involves the gathering and analysis of rich data from interviews, review of documents, and concentrated observations. Qualitative data is nonnumeric; it is, rather, categorical information that researchers collect and present systematically in a narrative form (Yin, 2017). A qualitative research method was the most appropriate design to identify the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities.

### **Research Method**

Three research methods are available to the researcher: quantitative, qualitative, and mixed method models (Bernard & Bernard, 2012). Evaluation of the three research methods to determine the best research approach for the study revealed the qualitative methodology as the best approach. Data analysis began with listening to the audiotaped interviews and continued throughout the coding process. The process included reading the transcripts in search of patterns, similarities, and relationships in data (Merriam, 2014). Quantitative researchers examine concrete observables, which is contrary to the



direct observation of qualitative methodologies (Bernard & Bernard, 2012). A mixed methods research approach was not suitable for this study because it was not consistent with the purpose of the research.

Qualitative researchers provide interpretation and understanding of reality (Rubin & Rubin, 2011). However, Yin (2017) stated that a qualitative, single-case study design might require researchers to expand the investigation to include quantitative approaches, forming a mixed method approach. I was not seeking quantitative or statistical data representing the views of a large population; therefore, a mixed method approach was not a viable approach. The data systematically collected in my research represented nonnumeric data, such as the categorical information presented in a narrative form (Yin, 2017)

In exploring the perceptions of managers concerning CSR, a qualitative study was the most suitable method to answer the central RQ: What are the strategies that CSR bank managers used to reduce the risks associated with lending in LMI communities? In comparison to quantitative research, qualitative research offers the investigator more latitude in selecting strategies to uncover the views and perspectives of people (Yin, 2017).

### **Research Design**

This study intended to explore the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. Several qualitative research designs, for example, phenomenology, ethnography, and case study approaches are available selections for understanding individual or group perceptions (Marshall &

Rossman, 2016). Merriam (2014) proposed a phenomenological study often explores intense human emotion such as anger. A qualitative study utilizing phenomenology is applicable for unique events, requiring the researcher to engage in the lived experiences of the participants involved (Yin, 2017). The phenomenological design was not suitable for my study as bank managers participating in a CSR program are not a community of people who have experienced a unique event. The intense humanistic experiences of the bank managers are not essential. Bank managers participating in CSR programs and initiatives require a desire to participate.

Ethnography is a traditional research design in anthropology and sociology in which researchers attempt to understand behaviors to form and maintain culture (Marshall & Rossman, 2016). The ethnography design was not applicable to this study; the central theme is not to understand a particular culture, but the perceptions of CSR bank managers reducing the risk associated with LMI lending, participating in CSR at a financial institution. Bank managers are not a part of a traditional social culture; the primary purpose of bank managers in an organization is fiduciary responsibility including the application of regulations and social mandates.

Merriam (2014) purported the reason for a case study is the object of the study, with methods that include observations, review of relevant documents, and interviews. Bank managers were the primary object of my research where I selected a qualitative case study to explore the purposeful sample of CSR management in a large financial institution. Denzin (2012) suggested the perceptions and experiences of the participants lead to a rich collection of data in a qualitative, case study design. A case study means of

inquiry provides an opportunity to use interviews and document reviews to strengthen the scope and depth of a study within a bounded system (Bernard, 2013). Specifically, a case-study design researcher (a) explores the questions of *why* and *how*, (b) explores a contemporary problem, and (c) does not have control over the participants (Yin, 2017). Patton (1990) also discussed the use of questions involving *what* in a case study design. I reviewed the experiences with relevant documents and observations of the participants.

Member checking as recommended by Denzin (2012) is a way of increasing the validity of data collection when a researcher is using a small sample size. Loh (2013) suggested that member checking could extend the overall analysis of the participant's responses. The study participants reviewed the narrative summary of the findings, and identified themes and strategies, and offered an opinion as to the accuracy of the data interpretation. The member checking process provided me a channel to authenticate my research and help me establish the credibility of the research findings.

### **Population and Sampling**

The target population for this study was CSR bank managers from a multinational financial organization located in the New York metropolitan area with strategies used to reduce the risks associated with lending in LMI communities. I interviewed five CSR bank managers in my purposeful sample who met my eligibility criteria. Silverman (2015) suggested qualitative researchers employ purposeful sampling versus random sampling where a process of choosing participants reveals equal chances of selection. Andorfer and Liebe (2015) and (Patton, 1990) suggested the use of purposeful sampling in a qualitative case study is an effective way of exploring real life problems and

behavior. The method of purposeful sampling leads to an in-depth structured analysis, which garners more cross-referencing data and pattern identification (McNeish & Stapleton, 2016). Marshall and Rossman (2016) suggested that purposeful sampling allows for a better understanding of the true experiences of the participants.

Researchers agree that sample sizes for qualitative studies are commonly smaller from those of quantitative studies. Ritchie, Lewis, Nicholls, and Ormston (2013) suggested that a qualitative sample is similar to reaching the point of diminishing return, that is, the gathering of more data does not necessarily lead to more information. Ritchie et al. explained that qualitative researchers are concerned with meaning and not making generalized hypothesis statements. McNeish and Stapleton (2016) claimed that in qualitative research, a large sample is labor intensive and analyzing could be lengthy and simply impractical. The significant premise is that if the sample is too large, data becomes repetitive and subsequently diluted. However, Morse (2015) suggested that qualitative samples must be large enough to raise important meaning. Sample size in the majority of qualitative studies should follow the concept of saturation, meaning that new data collected does not shed any further light or provide any more useful information on the issue or phenomenon under investigation (Francis et al., 2016).

The criterion for selecting a participant included being a CSR bank manager involved in CRA compliance and risk activities for at least 1-year and was successful in adopting strategies to reduce risks associated with lending in LMI communities. I scheduled a conference room to conduct in-person interviews outside of the participant's department workspace to ensure the privacy of the contributors while aiming to reduce

distractions. The conference room was acceptable to conduct phone interviews privately. Participants agreed to the location of the interview settings.

### **Ethical Research**

The study participant recruitment and data gathering commenced after the Walden IRB approval. The IRB number for this study was 01-27-17-0158245. Ethical considerations during all phases of the process required my daily attention. I was vigilant in the data collection process protecting the data of the individuals participating in the study. The design of the study included each participant's consent and protection. The participants received an emailed invitation to participate in the study to review and sign before the interviews began.

The prospective participants were aware that involvement in this study was voluntary and had the right to withdraw at any time without penalty. To withdraw from the study, the participants could provide oral or written notice. At any time, if the participant did not want to continue the interview process, the interview concluded. If a participant withdrew from the study, the participant would receive the audio, transcripts, and any notes of their interviews during and after the interview process. None of the participants decided to withdraw from the study.

A participant consent form includes language that elaborated on the significant proponents protecting the participants and the expectations of the participant (Mikkelsen, 2013; Seidman, 2013). The participants that chose to participate in the study responded by returning email signing electronically; *I consent*. Participants had access to the study results and findings if requested through the Participant Consent Form. To fulfill

participant requests, the interested participants received a summary of the study results. Participant consent was primary to the ethical research process (Punch, 2013). Rowley (2014) suggested that letter coding as a means to protect each participant's confidentiality was necessary. The participants received an assigned code identifier specific to them, if and even after the participant's withdrawal. Participant consent was primary to the research process (Punch, 2013).

Staff members of the Walden IRB examined the proposal ensuring the proposal met the acceptance criteria, which included applicable laws and institutional guidelines. Guidelines assure the ethical protection of participants is adequate (Cseko & Tremaine, 2013). The participants in this research received a code identifier to protect one's identity. I adhered to Walden IRB guidelines at all times and informed the participants of the study's research design. The IRB protocol and ethical confidentiality guidelines were official before interviewing participants or data collection activity.

To protect the participant's confidentiality while storing the information, the data of each participant had separate paper folders designated by his or her assigned code identifier that would not indicate the names of any individuals who participated in the study. The folders included the participants' signed informed consent and interview (Yin, 2017). As the researcher and the primary data collection instrument, I collected data from a wide range of documents including CSR committee minutes, CSR policies and procedures, observations recorded in field notes, and semistructured interviews. The documents included within the protection were consent forms, confidentiality agreements, and all my notes including transcribed notes and a research journal. Iron

Mountain will store all printed and digital recordings of all interviews for a minimum of 5-years. Iron Mountain is a publicly traded storage and information management company. After 5-years, the staff at Iron Mountain will destroy all stored material through its special service.

### **Data Collection Instruments**

I served as the primary data collection instrument. During data collection in a qualitative case study, the human researcher is the primary data collection instrument; yet collecting information from multiple sources helps the researcher demonstrate validity and credibility through data triangulation gateways (Marshall & Rossman, 2016). Five bank managers who had participated in CSR activities to reduce the risk associated with lending in LMI communities volunteered to respond to semistructured interview questions. For triangulation purposes, reviewing the financial organization's U. S. consumer mortgage lending data prevention efforts and the Federal Reserve System's order approving a financial organization acquisition of a bank (Frierson, 2005) supported the study findings.

To enhance reliability and validity, I followed all the steps in the case study protocol (see Appendix A). The case study protocol included the (a) overview of the study, (b) collection procedures, and (c) participant questions with member checking and transcript review protocols. Reliability and validity also took place by using multiple sources of data, establishing a chain of evidence, and having key participants review the case study report for accuracy through transcript reviews (Yin, 2017).

The interviews included the interview questions and notes taken using a Livescribe pen (see Appendix A). If a participant was not available for a face-to-face interview, a phone interview was the method of inquiry. The recordings allowed me to review the responses of the participants to gain a better understanding of the participant's experiences (Madill & Sullivan, 2017).

### **Data Collection Technique**

The primary technique used for the data collection in my research was semistructured interviews and involved a case study protocol (see Appendix A). Yin (2017) stated, however, a disadvantage could become problematic in using open-ended questions. A bias may develop while compiling the participant's answers that might misrepresent interpretation of the data. In this process, I checked for interpretations with participants to mitigate bias and clarify assumptions (Merriam, 2014).

An advantage of using semistructured interviews is that bank managers participating in the study were able to provide rich data and thick descriptions of one's experience, reducing the risk associated with lending in LMI communities. Maxwell (2013) suggested the integrity of the researchers could drive data collection techniques in presenting authentic findings from the participants. Korschun et al. (2014) found that measurements of a concept could happen by exploring the experiences of the participants in a qualitative case study. Researchers suggested that data collected from study participants could take place through semistructured interviews along with other sources of data to uncover themes and patterns of study contributor experiences (Bernard & Bernard, 2012; Marshall & Rossman, 2016; Mertens, 2014). Moreover, da Mota Pedrosa,



Blazevic, and Jasmand (2015) suggested that a case study is a rigorous process with well-designed instruments including interviews, member checking, review of relevant documentation, note taking, and review of company archival records that are public information. My second source of data was a review of the financial organization's U.S. consumer mortgage lending data prevention efforts and the Federal Reserve System's order approving a financial organization's acquisition of a bank (Frierson, 2005).

A pilot study is useful when researchers are developing an instrument and needs to establish the validity of the data. A pilot study would not be applicable in my research because a need to test or practice research techniques and methods was not necessary for achieving reliability (Marshall & Rossman, 2016). CSR banking professionals and my committee members reviewed my interview questions and found the inquiry appropriate for this study.

I scheduled time in a conference room to conduct the interviews ensuring the privacy of the participants and to reduce distractions. If the interview was by phone, a private conference room for the phone interview was suitable. The interview time was between 30 to 60 minutes. On the day of the interview, I arrived at the offices of the bank manager 30 minutes before the scheduled time of the interview. Before conducting the interview, I recounted the fundamental reasons for the study and interview questions with all participants (see Appendix A).

I began by turning on the Dell Venue tablet recording device and proceeded to ask the interview questions while writing noted responses utilizing a Livescribe pen that electronically logged notes to retain all aspects of the interview. While interviewing the

participants, I also noted the participant's body language and nonverbal communication to understand subjective and emotional reactions to discussion questions.

If a face-to-face interview was not possible, the procedure for conducting phone interviews was similar to the semistructured interview, in that the participant was in a reserved conference room during the interview. Rubin and Rubin (2011) suggested the interviewer gather information before the phone interview to have a successful outcome. In a phone interview, I was not able to observe the participant but did notice the voice tone and breathing. A cordial and professional demeanor was present with the participant during the interview process.

Stake (2013) purported the fundamental method for a single case study is observation, interviews, coding, data management, and interpretation. I attempted to work at the pace of the participant and seek objective, vivid, and rich responses through a query of follow-up questions, making sure that the participants provided as much information in response to a question as possible.

The sample size is sometimes aligned with the process in which researchers use to define data saturation. Although researchers have offered opinions on how to achieve data saturation, the consensus among scholars is that data saturation occurs when no new information is forthcoming from the participants (Andraski, Chandler, Powell, Humes, & Wakefield, 2014; Denzin, 2012; Francis et al., 2016). I achieved data saturation when no new themes rose, which could significantly change the themes or cause new strategies to emerge from three initial participants followed by two additional study contributor interviews.

Member checking as recommended by Denzin (2012), is a way of increasing the validity of data collection by authenticating the researcher's interpretation of data. In this process, researchers take their account, descriptions, and themes back to the participants to check if the descriptions fairly represent one's reality (Denzin, 2012; Francis et al., 2016). I submitted short summaries of the participant's interview to allow contributors the opportunity to either affirm or correct descriptions to ensure realistic interpretation of one's views. An assessment of the themes derived from the coding process was also available to determine if the groupings were accurate.

### **Data Organization Technique**

Desouza and Jacob (2017) suggested researchers understand the process of collecting and organizing data. I used my research log and reflective journal to keep track of the participants, the data derived from each interview, and information gained from my document reviews. Labeling written materials helped identify respondents while maintaining the confidentiality of the participants. Merriam (2014) suggested researchers add labeling to comments noting similarities in the data collection process could aid in the retrieval of the information.

I created a data log stored on my password-protected desktop computer. The log contained information on the CSR members who were participating in the study. Seidman (2013) suggested the use of a computer to process large amounts of data in a short period is beneficial as a data organization technique.

I assigned alphanumeric codes to each of the participant's responses to help organize the information and to protect the confidentiality of the participants (Gibson,

Benson, & Brand, 2013). For example, the first participant was Participant 1, and the last was CSR5, where the CSR refers to the members.

I audio recorded the interviews and took notes during the interview. Yin (2017) explained that taking notes in case studies is important because the practice reveals the steps researcher used to collect important information in which other researchers could follow at a later date. I transcribed the audiotape into a Microsoft Word document after the interview, and I maintained folders for each participant's transcribed interview and written records. The data collection process transcribed from the logs, journals, and the Livescribe software system to begin data analysis supported the research (Yin, 2017). The raw data will remain secure residing containers stored at Iron Mountain for 5- years.

### **Data Analysis**

I analyzed the collected data using Yin's (2017) data analysis method. The five-step process explained by Yin involves (a) compiling the data, (b) disassembling the data, (c) reassembling the data, (d) interpreting the meaning of the data, and (e) concluding the data. Silverman (2015) suggested that researchers allow data analysis to lead them to conceptual developments. The analysis may uncover themes that lead to new developments in the field and transformative processes (Silverman, 2015). All of the components of qualitative research could be useful in methodological triangulation purposes but most helpful during analysis (Denzin, 2012; Patton, 1990; Rubin & Rubin, 2011). The data collected from semistructured interviews with five CSR management employees and my review of documents led to categories with developing themes.

Denzin (2012) identified four types of triangulation: (a) data triangulation, focusing on time and type of data collected; (b) investigator triangulation, using multiple observers instead of a single observation; (c) theory triangulation, involving more than one theoretical scheme in interpreting a phenomenon; and (d) methodological triangulation, which envelops multiple methods. Methodological triangulation is the appropriate data analysis process for a case study (Rubin & Rubin, 2011; Silverman, 2015). I used methodological triangulation to organize the information from different data collection sources involving interview data, observations recorded in field notes, and documents reviewing the financial organization's U. S. consumer mortgage lending data prevention efforts. I also reviewed the Federal Reserve System's order approving a financial organization's acquisition of a bank (Frierson, 2005) to provide a logical and sequential process for the data analysis.

Triangulation presents the use of different qualitative research methods, specifically interviews, review of documents, and participant observations. Denzin (2012) stated that triangulation refers to the use of multiple qualitative research methods resulting in an in depth understanding of phenomena. Along with the data collected from the review of documents, involved with this process were open-ended questions aimed to gather information in which to identify data themes, and observation techniques aimed to understand the participant's body language and achieve triangulation.

The participants were not given any material before the interview that might have aligned one's thoughts with other participants. During the interviews, I listened for commonalities to develop categories that aided in my analysis. Using a Livescribe pen, a

professional transcriptionist signed a confidentiality agreement, and from raw recordings of interviews, provided a written account of the participant's responses. I read each interview transcript along with my notes to check for accuracy, and categories developed through exploring the transcripts and the notes ultimately leading to strategies that CRM managers could use to affect change and the identification of themes (Marshall & Rossman, 2016; Rubin & Rubin, 2011).

I critically analyzed the data in a graphical portrayal of categorized and coded concepts and ideas using the qualitative software analysis method. Marshall and Rossman (2016) suggested that many themes do become apparent during the data collection and analysis process. The coding of the data emerging in the themes and patterns aids in understanding the phenomenon. Using the techniques allowed me to understand the experiences the selected bank managers developed to reduce LMI lending risk while adhering to government regulations. The coded data were stored in a tabular format, an Excel spreadsheet and then transferred to the analysis tool. The themes rose from coding information with ATLAS.ti software.

An array of qualitative data analysis tools is available on the market. The tools range from traditional software, proprietary services, and cloud technologies including software as a service (SaaS). In the study, I used ATLAS.ti to manage the digital audio and transcribed data of the interviews. ATLAS.ti assists the investigator in recording interviews, reviewing document information, and reviewing observation notes/comments (Scales, 2013). ATLAS.ti could also help the investigator in performing sorting, matching documents, and identifying themes. ATLAS.ti assists the researcher in

managing the most tedious and repetitious task associated with research analysis (Scales, 2013). The ATLAS.ti software performs analytics tracking of data, data logs, cataloging research logs, reflective journals, and cataloging/labeling systems.

ATLAS.ti allowed the analysis of trending and contextual patterns. I explored the use of NVivo; however, single source limitations for storage, PDF retrieval issues, and the limited user friendliness, weighed heavily in making a decision. ATLAS.ti offers a superior opportunity to find patterns in pursuing the conceptual framework for the study. The data collection derived from the questions led to my analysis (Yin, 2017), which aligned with the conceptual framework of managerial perceptions regarding CSR outcomes explored in my research. All raw data are stored securely in a safe and secure location at Iron Mounting for 5-years.

### **Reliability and Validity**

A detailed description of reliability and validity complete this section of my research. Bloomberg and Volpe (2012) indicated that a clear understanding of data leads to valid and reliable results. Yin (2017) suggested that reliability and validity of a study include method design, tools, data collection, and data analysis. The information that follows contains information on the use of a case study protocol, data triangulation, and transferability supporting my research.

**Reliability.** The reliability of data depends on the observation of the process of collection (Miller, 1986). Silverman (2015) proposed that reliability in qualitative research does not come in the researcher's reconstructions of data, but rather in the concrete accounts of what the respondent says in an interview. The researcher must cover

certain concepts in their discussion of reliability and validity, such as (a) dependability, (b) credibility, (c) conformability, and (d) transferability (Seidman, 2013).

**Dependability.** Dependability is met by having an audit trail, which includes the researcher's logs detailing the decisions made during the data collection process (Houghton et al., 2013). I used a case study protocol (see Appendix A) during data collection, which revealed the various stages of the process. The case study protocol included the (a) overview of the study, (b) collection procedures, and (c) participant questions with member checking and transcript review. Using multiple sources resulted in effective dependability by establishing a chain of evidence and having participants review the case study report (Yin, 2017).

Nenonen, Brodie, Storbacka, and Peters (2017) emphasized a case study database should include all of the study data from the interviews and other sources of data. I created a case study database, using Microsoft Excel before data collection to store field data. A formal case study database illustrated the reliability of the study (Yin, 2017). The database for the study included updates as the research activities of the study progressed. I performed semistructured interviews with five bank managers who participated in CSR activities to reduce the risk associated with lending in LMI communities. A phone interview took place instead of face-to-face interviews if the practice was not feasible (Smith, 2015).

**Validity.** Yin (2017) suggested that enhancing the validity of a study occurs through the convergence of information collected from multiple sources. The importance of validity in the context of a qualitative study depends on credibility, confirmability, and



transferability (Molina-Azorin, Bergh, Corley, & Ketchen, 2017). Ali and Yusof (2012) noted that qualitative validity must achieve a litmus test of auditability, creditability, and trustworthiness.

**Credibility.** The credibility of a qualitative study is in the (a) relevance of the field of study, (b) defined understanding of objectives, (c) contribution to future research, and (d) reliability of the data (Silverman, 2015). The objectivity of a researcher during the interview and the rigor in the analysis of the collected data could offer credibility to the findings and in other contexts (Bloomberg & Volpe, 2012). If findings during data collection are not credible, then all of the resulting information is faulty (Denzin, 2012).

Maxwell (2013) suggested that researchers address the validity of qualitative data when looking for themes during the rigorous analysis process. During data collection and the data analysis process, alternate themes could rise to provide credibility to the study. I also used methodological triangulation (i.e., data collected from interviews, observations, and information from a review of relevant documents) to add credibility to the study.

**Transferability.** The results of a qualitative study could aid other researches exploring similar situations and conceptual frameworks even with a small sample size (Marshall & Rossman, 2016). Researchers exploring a comparable situation might benefit from the high-quality findings of a study with related questions if investigators follow the same data collection procedures (Marshall & Rossman, 2016). Transferability of high-valued findings could also apply to situations different from the original study (Maxwell, 2013). Therefore, the findings of the study might be beneficial to the reader and to future

researchers based on the decisions to use the methodology that I have adopted in my research, and also one's unique requirements and decisions.

**Confirmability.** Guba and Lincoln (1985) proposed that confirmability is attainable when the researcher connects data directly to the sources. Confirmability could also develop when researchers compare their findings to already published studies to validate one's analysis (Simpson & Quigley, 2016). The data collected must be pure without bias interpretations or imaginative inferences from the researcher. Researchers should exclude worldviews, environmental experiences, and personal judgments (Mertens, 2014). A rigorous exploration of data exists in qualitative research; rigor of the process is necessary to reach validity and confirmability (Yin, 2017). Initially, the assessments have applied to quantitative research (Leung, 2015).

I developed operational sets of measures to establish objective judgments during data collection, utilizing validity as a point of reference to measure the problem. The participants of my study were reliable sources who met my requirements to participate in the study by having an understanding of CFP and on CSR activities. Contributors were relevant to the authenticity of the research (Fox et al., 2018).

Triangulation of data using the information included reviewing the financial organization's U. S. consumer mortgage lending data prevention efforts and the Federal Reserve System's order approving the financial organization acquisition of a bank (Frierson, 2005). Observations and semistructured interviews from five bank managers with an understanding of CFP involved in CSR activities was significant in understanding the participant's feelings and perceptions of the phenomena. Significant members of the

CSR management received a copy of the case study protocol (see Appendix A). I also used multiple data sources and linked to the sources to achieve confirmability. The triangulation in a case study is derived when independent sources of data converge (Yin, 2017). Findings from data collection showed consistencies to assure confirmation of the data. The way in which data are confirmed is by establishing triangulation of data from different sources (Denzin, 2012; Stake, 2013; Bernard, 2013).

The possible outcomes of the study can establish a causal relationship between a positive CRA rating and CSR management activities. Yin (2017) suggested that internal validity testing in a case study occurs by establishing casual relationships. I established internal validity during data analysis by building explanations and exploring rival explanations. I checked bias and alternative responses from answers during the interview process on target questions. The participants had access to the initial research summaries during and after data collection. I encouraged their feedback during and after data collection, for alternate responses and accuracy.

Convergence of multiple data sources to triangulate sources establishes internal validity. In this process, I checked for interpretations with other participants to mitigate bias and clarify assumptions (Merriam, 2014). The data sources were confirmed during this process by (a) consulting with my committee chairperson (b) building in time to check interpretations; (c) creating two sets of notes, one for the descriptive response, and two for body language; and (d) doing an audit trail, so these strategies will limit bias and interpretation during the study (Marshall & Rossman, 2016). Mertens's (2014) proposed change is part of the research process; however, changes should meet confirmability and

public scrutiny. I reviewed the participants' responses for alternate interpretations during the conduct of my investigation.

During the interview process, I was aware of potential biases while note taking and also met with another source (i.e., Committee Chairperson) to verify personal interpretations and biases within the study notes. The participants received respectful and professional courtesy during all interactions. During the interview process, each participant had a 30 to 60 minute interview. Yin (2017) suggested that coding should occur logically during and after data collection has been completed. I used member checking to ensure the accuracy of data collected. Member checking is a quality control process mainly used by qualitative researchers to improve the accuracy, credibility, and validity of information recorded during the interview (Francis et al., 2016). Data saturation occurs when no new information is forthcoming from the participants (Denzin, 2012; Francis et al., 2016).

### **Transition and Summary**

Section 2 contained an in-depth description of the research methodology, research design, population, purposeful sampling, the ethics involved in my research, the data collection techniques used instruments, data analysis, reliability, and validity for the study. Along with the data analysis of data collected from participants of the study and analyzed secondary data outlining the financial organization's U. S. consumer mortgage lending prevention efforts and the Federal Reserve System's order approving the financial organization's acquisition of a bank (Frierson, 2005). I used open-ended questions in a semistructured questions interview process to explore the experiences of

CSR bank managers of a multinational financial organization located in the New York metropolitan area. Next, I analyzed and identified themes and strategies of the phenomena behind professional business actions of CSR lending, leading to the success of making lending more available to minority business owners in these communities. Triangulation and member checking provided validity and reliability. The outlining of the experiences added to the existing literature concerning the reasons CSR lending is important to banking institutions and minority business owners in LMI communities. Positive social change includes adopting effective strategies that could reduce risks and make lending more available.

Section 3 is a presentation of the application to professional practice and implications for change resulting from the outcomes of my research. In this section, I will present my findings, themes, aimed to illuminate what are the strategies that CSR bank managers used to reduce the risks associated with lending in LMI communities. Further, I provided a detailed review of the applicability of the findings concerning the professional practice of business and positive social change.

### Section 3: Application to Professional Practice and Implications for Change

#### **Introduction**

In this qualitative case study I explored the strategic processes that bank managers have used to reduce risk in the LMI lending environment. The results of the study revealed three themes: (a) reduce risk, (b) need for training, (c) due process importance. These themes covered the strategies that bank managers used to minimize risk associated with LMI lending, which addressed the research question of this study.

#### **Presentation of the Findings**

The overarching RQ in the study centered on identifying the strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. Three themes materialized from the collection of data, which were to reduce risks, develop training and data analytics, and follow government guidelines. Several strategies developed that showed how LMI lending is competitively profitable notwithstanding banks conventional lending strategies. Some approaches were (a) using subsidies; (b) marketing through community events that encourage veterans to use the program; (c) offering education programs for loan officers, regulators, and homebuyers; and (d) measuring the organization's compliance with CRA regulations. I used the Atlas.ti software to perform code frequency and co-occurrence analyses. Reflecting on the data collected from five participants during the data analysis process allowed me to identify the synergy between the codes and strategies. Twenty-two codes and 327 significant quotations supported three significant themes and helped me to identify eight strategies to answer my RQ.

**Theme One: Reduce Risks**

In the identification of reducing risk for Theme 1, I explored the relationship between the CSR bank managers, the CSR program, the banking organization, and the strategies that reduce the risks associated with lending in LMI communities. Aguilera et al. (2007) developed a multilevel conceptual model to explore the positive benefits a corporation receives when participating in CSR activities. Aguilera et al. explored the CSR model at multiple levels, including the individual employee, organization, government, and corporate interest to understand how multiple actors affected CSR outcomes. I conducted an analysis using semistructured interviews to identify themes and patterns in determining what strategies CSR bank managers used to reduce the risks associated with lending in LMI communities. Streaming reporting relationships that allowed for a direct reporting relationship between compliance personnel and business-line managers addressed purported abusive sales and lending practices in the subprime market (the financial organization's U.S. consumer mortgage lending data and servicing foreclosure prevention efforts, 2010). The relationship between the CSR bank managers, the CSR program, the banking organization; and subsequently, the results that reduced the risks associated with lending in LMI communities follows. Table 1 illuminates recommendations by contributors derived from semistructured interviews to reduce risks with LMI community outreach programs.

Table 1: *Products to Reduce Risks*

Participants	Education/ +Affordable Housing	+American Education Foundation	+Community Outreach	+CRA	+Outreach Programs	Total
Participant 1	0	5	18	0	12	35
Participant 2	2	0	2	0	0	4
Participant 3	0	0	8	3	2	13
Participant 4	0	0	6	0	11	17
Participant 5	1	0	15	1	4	21
Total	3	5	49	4	29	90

**Strategy: Use of subsidies.** Participant 2 suggested that CRA lending is primarily through the real estate division, which offers both CRA eligible and market lending options. Underwriting criteria are the same for all lending transactions. State and local governments provide subsidies (in the form of straight dollars or tax exemptions) for projects that would allow a developer to cover the cost of construction to keep homeownership affordable for LMI families. Subsidies vary with the size of each project supporting affordable housing, such as slight rate adjustments to offset the increased risk (Participant 5). Participant 2 suggested that “banks do not want to make bad loans.”

**Strategy: Follow government guidelines.** Participant 1 suggested adhering to stated lending government guidelines as provided by FHA, VA, and HUD will mitigate risks of loan forfeitures. “The spirit of FHA was a government program designed to help high-risk lending” (Participant 1). Underwriting guidelines for the FHA and VA programs were more flexible to help less qualified people attain the American dream but



“if a borrower cannot pay the loan, are we providing the customer good service?”

(Participant 1).

Participant 1 thought that because of policy changes that defunded the FHA, the government is not a safety net for lending. Therefore, community banks are more at risk. Financial management practices show that bank managers receive evaluations on the loans afforded to people, but the conclusions drawn are sometimes subjective. Loans are no longer approved based on past lending relationships, where the consumer might live “or the melanin in somebody’s skin” (Participant 1). In the Clinton era, FHA loans became outdated, so the government essentially transferred the risk to private banks. Participant 1 felt Alan Greenspan applauded the private sector for high-risk funding loans. In the Bush Administration, the adoption of the CRA showed the American Dream was to own a home. Participant 1 does not agree with the Bush administration’s stance and thinks that owning a home is not the American Dream. “The American Dream is for society to be happy, whole, and pursue what is important” (Participant 1). People who could make unaffordable purchases hurts society. Participant 1 suggested his organization will continue to rely on the guidelines mandated by the FHA program but also offer free credit counseling and provide work-out arrangements such as loan modifications, extensions, trail plans, and HSAs to help borrowers remain in their homes. According to the financial organization’s U.S. consumer mortgage lending data from 2010, the organization will continue aid the borrower in home retention.

Banks must include a certain number of high-risk loans to mitigate the appearance of bias or discrimination. Banks then combine both good and bad loans to show a good

portfolio; nonetheless, banks are lending to less creditworthy individuals who might someday have to reach into pension plans or savings to pay the mortgage. Foreclosures are increasing, and the process of eviction is lengthy. People end up staying in a house for years without paying, which ultimately negatively affects banks, the community, and the individual.

**Strategy: Encourage veterans to use the program.** Participant 4 shared the company's marketing strategies that provide credit-worthy customer criteria with which to understand loan approval conditions. Although information is available for all people to apply, the banks set qualifications, which warrant a credit score between 620 and 710 with income in the range of \$40K-\$60K a year. Participant 4 stated that "income and the borrower's credit are significant, but some programs could still help LMI individuals in home buying." Programs for veterans exist that do not require a down payment, so the information provided to prospective clients certainly targets and favors that demographic group.

**Strategy: Use community events to market the program.** Realtors and bank officials attend town meetings, distribute circulars, and foster community development events to provide information and credit counseling services to prospective buyers and assist individuals in the home buying process. The financial organization employs loss mitigation efforts including free credit counseling and provides work-out arrangements, such as loan modifications, extensions, trial plans, and HSAs to help borrowers remain in their homes.

Community counseling programs offered by the American Education Foundation, for example, included free financial workshops hosted in public libraries, schools, and churches. Participant 1 believed the company would continue to provide no cost counseling services in which volunteers would work with community charities to educate the population and reduce lending risks. Participant 1 noted, “The Community Investment Act caused the credit crisis, which is one of the chief reasons why we had the worst credit crisis of this century.”

**Theme 2: Need for Training.**

Management must achieve an equilibrium between CSR initiatives and profitability (Singh et al., 2015). The CRA mandate must comply while meeting the pressures of shareholders to create more wealth (Cho et al., 2013). Training initiatives help stakeholders to that end. When a borrower’s credit is low, Participant 4 stated the loan officer would direct the customer to an agency that will help provide training to repair the credit score. The data in Table 2 supports the need for training of licensed lenders and their staff for the preparation of the loan applications in LMI communities, which derived from semistructured interviews. According to the financial organization’s U.S. consumer mortgage lending data from 2010. The financial organization increased funding to retrain employees in such matters of ethics, fair lending practices, and international operations.

Table 2. *Training*

Participant	Preparation	+License Lenders	+LMI	+Regulators	Total
Participant 1	2	8	1	0	11
Participant 2	1	8	7	0	16
Participant 3	2	3	0	5	10
Participant 4	11	0	0	1	12
Participant 5	9	13	7	0	29
Total	25	32	15	6	78

**Strategy: Loan officers/regulators.** Participant 3 discussed relationships with regulators. Regulators engage in meetings with loan officials to seek an understanding regarding the company’s legitimacy and to monitor any violations that arise from company audits. The partnership and frequent communication between regulators and banks aim to put processes and procedures in place to rectify problems and prevent violations from reoccurring. Some difficulties surfaced about compliance and internal controls, and to counteract the situation, the financial organization initiated risk-management monitoring initiatives. A review of accounting and risk-disclosure and limits policies, antimoney-laundering efforts, and management oversight practices, internal controls and audit procedures to disseminate transparent financial reporting and disclosure of information provided substantial additional data.

Participant 1 revealed that the company’s loan officers continue education activities because “as a licensed lender, operationally, strong business practices center on certain criteria.” Underwriting loans based on the merits of the borrower’s character and creditworthiness are strong indicators that borrowers will not default on the loan. CRA

lending, however, may require more expertise to understand developer subsidies and compliance terms and conditions relating to affordable housing (Participant 2).

Participant 5 had extensive experience in working with the LMI communities and suggested that in the market, a heightened sense of risk is apparent but there is no evidence that community lending is any more inherently risky than any other type of loan. The participant encouraged “a more robust outreach, more education with the community, and less fear of dealing with the LMI market.” The LMI community wants to make payments, but lenders need to match the best product and service offerings for individual clients.

**Strategy: Financial homeowner education.** All participants agreed that first-time LMI homebuyers should attend financial education and training events through a HUD-approved nonprofit. Banks that approve such mortgages may require the education as part of the mortgage program to meet CRA targets and reduce risk. Other nonprofits provide general financial education, such as checkbooks, budgeting, and financial planning (Participants 1-5). Participant 4 suggested that most LMI borrowers are uneducated as to what programs are available regarding workshops or assistance aimed at understanding the home buying process. “The whole learning process was a combination of a strong financial service training program for the community, as people were in their homes today” (Participant 4). Participant 5 noted the benefit of having the nonprofit resources as a point of contact and support throughout the process helps all concerned parties, particularly if the borrower encounters a hardship along the line.

Participant 5 delivered educational seminars with a team of professional mortgage partners, and banking and investment representatives centered on criteria for programs such as general financial education and financial literacy products. The group conducts general education presentations in schools and with organizations that have banking relationships with an end goal of attracting new customers. Questions from the audience tend to encompass qualifying for a mortgage and the different types of interest rates and insurance requirements available.

**Theme 3: Due Process is Important.**

In the identification that due process is important, banks seeking mergers or expansions must at least have a *satisfactory* rating to comply with CRA initiatives. If bank managers do not comply with CRA initiatives, lowered profits could stem from a lack of opportunities increasing the number of loans in LMI communities (Brescia, 2015; Byrd et al., 2013). U.S. bank officials understand the need to comply with CRA requirements for both maintaining a strong reputation and business relationship; therefore, CRA initiatives, such as developing a CSR complaint process, pervade into CSR strategies (Birindelli et al., 2015). Table 3 reflects data derived from semistructured interviews where participants thought that due process was important involving CSR criteria and high-risk loans followed by the integrity of the loans. Data analytics and financial instability received fewer comments or concerns about the risk of LMI lending than the other categories mentioned.

Table 3. *Data Analytics*

Participant	+Data Analytics	+Financial Instability	+High Risk Loans	+Loan Integrity	+CSR Criteria	Total
Participant 1	0	7	16	10	17	50
Participant 2	0	0	2	7	6	15
Participant 3	13	0	2	3	5	23
Participant 4	0	0	0	7	6	13
Participant 5	0	1	7	3	4	15
Total	13	8	27	30	38	107

**Strategy: CSR compliant process as an important management strategy.** The complaint process needs to be available with CSR programs for any active investigation of CRA violations alleged by potential or existing clients, or fellow employees (Participant 3). For example, a complainant revealed the financial organization engaged in abusive lending practices in subprime lending among other lending activities; yet after a lengthy investigation, the claim was baseless (Frierson, 2005). Participant 2 suggested that each bank's CSR program is different covering an array of activities to improve the health of LMI communities through volunteerism, health food programs, and lending to small businesses. Participant 1; however, purported the CSR program did not make a positive difference in LMI communities overall. Participant 5 thought the CSR program portrayed the organization as a good community partner, but in reality, his organization "had a very small footprint in a large community but working in smaller, less populated areas, the program could have a very robust community development and outreach offering. Organizing training and educational opportunities where CSR's arrange events,

so people could come together and gain the knowledge and direction needed to be in a better position to purchase homes is a rewarding experience. “To know we have helped people is rewarding” (Participant 4).

**Strategy: Data analytics to reduce risks associated with discrimination complaints.** Data analytics is a strategy that managers use to provide a statistical representation to ensure banking loan practices are nondiscriminatory. The financial organization initiated risk-management monitoring initiatives, such as a review of accounting and risk-disclosure practices; including, limits policies, and anti-money-laundering and management oversight practices.

However, Government audits do not account for the ability for consumers to repay loans, and HUD audits include a set of criteria that is vague and subjective. The Home Mortgage Disclosure Act (HMDA) is a Federal Law enacted by Congress in 1975 requiring financial organizations to provide mortgage data to the public illuminating potential credit shortages in urban neighborhoods (McKinney & Pap, 1977).

Participant 1 suggested that good business practices include evenly applied loan approval guidelines for all borrowers. The means to reduce risks is to adhere to program guidelines; thereby, fostering good lending practices. The contributor believed the company’s practice of approving and analyzing loans in a nondiscriminatory fashion is best for the borrower, the lending institution, and the country because of a perceived safety net.

A substantial data analytic scrutiny process measuring the types of loans and associated scores sold is necessary, but might require training to reinforce CRA



requirements to members in lending institutions should the scores fall below acceptable levels. Aguilera et al. (2007) proposed exploring CSR at multiple levels to supporting the theme of due process, which included the individual employee, the organization, government, and corporate interest had on CSR outcomes. Aguilera's model addresses the internal players in CSR and the organization collectively.

### **Applications to Professional Practice**

The financial institutions have failed to address all of the requirements in satisfying government regulations as found in the CRA. Some participants think this program incurred more risk in their prospective businesses while attempting to maintain these regulations. Figart (2017) found that some CRA mandated bank managers report poor profitability in LMI communities, which created a high risk environment. After conducting an exhaustive search of scholarly literature and academic publications, I did not find a study that illuminated the strategies that bank managers could use to reduce the risk in LMI communities. The findings in the present study provided some of the strategies that a high-rated bank used to reduce the risks associated with lending in LMI communities.

The findings came from CSR banking managers working in a financial institution in the Eastern Region of the United States. This series of strategies addressing the reduction of risk involved in social lending in LMI communities supports the initial exploratory question of how CSR initiatives and CRA compliance work together in risk reduction. The results illuminated bank managers who prioritize and focus on these strategies reduce the risk of lending. The applications from the findings of this study are

simple, yet powerful, in that they concentrate on the primary requirements needed for responsible lending. Investing in the community through financial education programs creates a more responsible client base in the LMI community, thereby increasing profitability for the organization. Bank managers must invest in their communities to develop a sound and responsive client base. Utilization of strategies such as compliance, regulatory oversight, governance, and employee involvement in a strong CSR organization will lessen the effects of catastrophic events during a downturn (Husted, 2015). However, financial events that create downturns in the U.S. economy may happen in the future. Managers who support and foster a responsible client base in the LMI community would help in improving and reducing negative financial effects (Nautiyal & Kavidayal, 2018).

### **Implications for Social Change**

The implications for positive social change include effective strategies that reduce risks associated with lending in LMI communities. The CRA served LMI communities and mandated that banks serve the limited population (Fitzgerald & Vitello, 2014; FFIEC, 2015). However, some banks have reported low financial performance in LMI communities. The themes I found in this study confirmed that compliance activities, regulatory training, community financial education, and CRA compliance and community outreach are successful strategies that create satisfactory ratings and reduce risk. These strategies are consistent with the research work of Cohen et al., Holder-Webb, & Khalil (2017), Sinclair and Allen (2017), and Sinha et al. (2018) who investigated the

relationship between CSR and financial performance and found that the reputation of an organization can also be affected by CSR activities.

My hope is that these findings will help CSR organizations within financial institutions to formulate new strategies to address the risk associated with LMI lending. My findings can also help senior managers and CSR organizations participate in dialog leading to offering greater products in disadvantaged communities, helping to reduce the risk of lending and consequently, having a positive social benefit. My ultimate goal for the study is to create an environment in which financial institutions could have a lower risk in LMI communities, which would increase the desire to expand lending through programs and internal training. I want my study to help CSR managers make informed decisions and adopt strategies in lending. The success of this study could come through risk reduction, corporate and community alliances, and new ideas involved in changing the negative perception of lending in LMI communities. Findings from the study revealed that that strategic processes from bank managers focused on three themes (a) reduce risk, (b) need for training, (c) due process importance. These themes covered the strategies that bank managers use to minimize risk associated with LMI lending which addressed the research question of this study.

### **Recommendations for Action**

The findings from this study helped me formulate recommendations for senior CSR leaders to develop strategies that could reduce the risk associated with CSR lending. A process that could involve education, compliance, data analytics, and community strategies are recommendations to resolve the issues that financial organizations face.

Additionally, while financial institution leaders must have strong compliance and training programs, community feedback is vital to foster an environment of lower risk. A recommendation is to build skill sets and tools for the internal organization and communities. The findings from this study are relevant to senior CSR leaders. Using the recommendations, bank managers responsible for social lending could introduce modifications to this process.

The banking industry has always had a large impact on the economic development of society (Leventis et al., 2013). Bank managers manage the scarcity of capital in society (Bushman, 2014). As capital for investments becomes more difficult to come by, the controlling influence by the industry has negatively influenced the interactions between the industry and the public (Bushman, 2014). These interactions between the banking industry and the public, as well as predetermined eligibility criteria, appear to create inequalities and unequal access to their services in LMI communities (Beatty & Liao, 2014). Today many new financial organizations seek out individuals in LMI communities. Some are called predatory lenders; however, with the onset of new financial organizations. These organizations are pop financial companies and endear the customer's lifestyle or social aspirations. They contact the customer via social media, flash advertisement. Although the names are cultural and exude "pop sugar," they still offer the same inequalities.

As an individual who believes in positive social change, I am dedicated to ensuring that my study is a guide for local, regional, national, and international financial institutions. I am available to senior leaders and managers who might need a deeper

understanding of these findings. I hope to disseminate the results of the study through trade organizations, trade publications, CRA conferences, and workshop.

### **Recommendations for Further Research**

My study might be the first to reveal strategies that positive CRA-rated bank managers used to reduce their risk in lending to LMI communities using the Aguilar theory. On June 30, 2012, 42% of mortgages defaulted (Strahan, 2017). My recommendations for future research could include a mixed method approach that would quantify the outcomes of these strategies. This recommendation is in harmony with the findings from (Schreck & Raithel, 2018) that social accounting can strengthen the relevance and accuracy of CSR reporting. A multi-case study utilizing surveys could be the pathway in which CSR lenders across different areas in the United States provide feedback on their risk reduction strategies. Such a study would address a limitation of this research in which one bank in a major metropolitan area in the Northeast provided data. The metrics derived from LMI communities with financial organizations reducing risk could allow future researchers to measure the success of these strategies presented in this study and explore additional strategies that might be helpful to bank managers. This recommendation is consistent with the findings from (Nautiyal & Kavidayal, 2018) on their importance of using metrics in their global business review. A future study could also take place with CRA lending in business communities because there is limited information on the risk associated with CRA lending to businesses in LMI communities is customary.

## **Reflections**

My desire for conducting this study was to enlarge my academic and professional competencies as a researcher, exploring corporate social lending within the financial community. I recruited participants and engaged my contributors in conversations to explore the strategies they use daily to reduce the risk of lending in LMI communities. I was aware of my personal bias throughout the conduct of the study and attempted to focus on gaining more insight into the participant's opinions and perspectives while remaining as unbiased as possible.

The participants in this study recognized the risk that must encompass lending in LMI communities. However, all agreed that financial education was important in limiting the risk in these communities. Contributors also agreed that self-education was essential in helping to reduce the risk of lending in LMI communities. The participants also found that regulatory systems were tedious and complex, and at times thwarted good processes within their organization. While conducting data gathering and data awareness, I was able to identify new information never known concerning CRA regulation, LMI communities, education, and personal dedication of the participants. All contributors did desire to develop new strategies in becoming focal points to reduce some of the regulatory imbalances they faced.

## **Conclusion**

This study concluded a truly exhaustive, yet insightful journey to provide a comprehensive exploration of how CSR banking leaders set strategies to mitigate the risk associated with LMI lending. Senior community bank leaders and stakeholders in

delivering mortgage products must consider using subsidies, marketing through community events that encourage veterans to use the program, offering education programs for loan officers, regulators, and homebuyers, and measuring the organization's compliance of CRA regulations. I offered comprehensive recommendations and a call for action based on the findings of this study. Homeownership is a pillar of the American dream. However, many families succumbed to the locked doors placed on one's home by sheriffs. Many banking institutions mitigate challenges associated with large inventories of foreclosed and empty houses. The houses, listed by a sea of alphanumerical codes, where once the real homes of the indebted. Mitigation of the risk associated with lending is a significant problem and should be a consideration for future research.

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## Appendix A: Case Study Protocol and Procedure Guide

### A. Case Study Introduction

### B. Research Question

### C. Case Study Interview Questions

1. What strategies have you used to reduce risk with CRA lending in LMI communities?
2. What strategies have been effective in reducing the risk associated with LMI lending?
3. What financial training strategies were used to reduce risk in LMI communities?
4. How has your CSR program made a positive difference in the LMI communities in which it operates?
5. Can you offer any additional information you consider important to reduce risks with CRA lending in LMI communities?

### D. Conceptual Framework:

### E. Data Collection Procedures

1. Data to be collected from the review of public documents and the conduct of face-to-face, in-depth interviews with CSR managers working in single financial organization located in the northeastern United States.
2. Expected preparation activities to take place prior to conducting interviews
  - a. Preparation of informed consent forms for each interviewee
  - b. Review and finalization of planned interview questions

- c. Scheduling of conference room to conduct interviews

#### F. Data Collection Tools

1. Digital audio recordings
2. Researcher field notes
3. Case study database

#### G. Data Analysis Techniques and Tools

1. Inductive coding
2. Analysis tools: ATLAS.ti.7

#### H. Study Credibility and Dependability Methods

1. Credibility method
  - a. Multiple data sources (construct validity)
  - b. Assessment of rival explanations, research bias identification, and transcript checking (internal validity)
  - c. Rich description of study sample population (external validity)
2. Dependability methods
  - a. Case study protocol use
  - b. Case study database creation

#### H. Procedural Guide

1. Overview of study
2. Presentation of the findings
3. Applications to professional practice
4. Implications for social change

5. Recommendations for action
6. Recommendations for further study
7. Reflections
8. Summary and study conclusions