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Walden University

College of Management and Technology

This is to certify that the doctoral study by

Linda Faye Jolly-Evans

has been found to be complete and satisfactory in all respects,
and that any and all revisions required by
the review committee have been made.

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Walden University
2019

Abstract

Strategies for Providing Loans to Small Businesses

by

Linda Faye Jolly-Evans

MS, American International University, 2008

BS, American International University, 2007

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

April 2019

Abstract

Between 2007 and 2013, the number of loans banks provided to small and medium-sized enterprises (SMEs) declined. The purpose of this single case study was to explore the strategies that senior bank lending officers used to improve lending to SMEs. The sample size consisted of 4 senior small business lending officers who have in lending for 5 or more year in Houston, Texas. The conceptual framework used was agency theory. Data were collected using semistructured interviews with 4 senior bank lending officers from a bank in the Houston, Texas area, a review of documents from lending officers, and other artifacts from the Small Business Administration. Data were analyzed with the support of software to generate themes. The data analysis included process coding of the data collected from the participants. Member checking and methodological triangulation enhanced the credibility of the findings in this study. Three themes emerged from the data analysis: the barriers and challenges lenders face when lending to business owners, bankers' strategies to overcome challenges in lending to their customers, and lenders' use of relationships and lending experience to provide loans to their customers. The findings from this study may contribute to social change by providing insights that can be used by senior lending officers related to strategies for providing loans to SMEs. The results of this study may also contribute to increased job creation for local residents, which can positively impact the economic viability of the Houston area.

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Dedication

I dedicate this study to my son and mother for their love and support during this journey. I also dedicate this study to my grandfather and grandmother who loved and had faith in me. I also dedicate this study to my church family for all the encouragement, prayers and love during my journey. I also dedicate this study to my employer, managers, and co-workers for all the help and encouragement. They always had a word of encouragement. The doctoral study was for all the people that I know to tell them that all things are possible.

Acknowledgments

I like to thank God for the strength and resource to completed this doctoral study. God is my strength, and when I was able to give up, He strengthens me. I want to thank my research committee chairman Dr. Kevin Davies, Dr. Gaytan, and Dr. Stokes. I would also like to thank my editor for all his hard work.

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Section 1: Foundation of the Study

U.S. banks lost more than a trillion dollars and suffered a sharp reduction in bank lending during the financial crisis of 2008 (Egly, Escobari & Johnk, 2016; Schoen, 2017). The Federal Deposit Insurance Corporation (FDIC) closed more than 100 banks in 2009, and another 397 failed between 2009 and 2011 (Schoen, 2017). By the end of 2011, the FDIC listed 813 banks on the list of financial institutions that had lost their ability to continue extending corporate loans (Santos, 2011; Schoen, 2017). The meltdown of financial markets produced higher rates of unemployment and a decline in lending to small-medium size enterprises (Dolar, 2014; Schoen, 2017)

Background of the Problem

The losses banks incurred during the financial meltdown of subprime mortgages caused concerns about the ability of banks to continue lending to small and medium-sized enterprises (SMEs). There was an unprecedented decline in lending to SMEs during and after the 2008 economic crisis (Dolar, 2014). Lending to SMEs declined from the U.S. $659 billion to the U.S. $543 billion, an almost 18% drop between 2008 and 2011 (Cole, 2013). The crisis caused a severe recession in the U.S. economy and further decreased demand for credit and loans to small businesses (Dolar, 2014; Schoen, 2017).

The financial market fallout led regulators to introduce the Dodd-Frank Act to improve corporate governance in the banking industry (Peck, & Halloran, 2016.). The Dodd-Frank Act was the largest financial regulation since the Great Depression in the 1930s (Peck, & Halloran, 2016).). The Act contains rules regarding identifying and regulating systemic risk. The Dodd-Frank Act introduced various forms of mortgage

lending practices and called for stricter lending standards that increase dependence on factors like leverage and the amount of capital for short-term funding (Peck, & Halloran, 2016).). Stringent lending requirements affected lending to small and medium-sized enterprises (Berg & Kirschenmann, 2015; Cole, 2014).

Problem Statement

The loan amounts to SMEs from banks declined by 20% between 2007 and 2013 (Fligstein, & Roehrkasse, 2016). Forty percent of SMEs owners seek loans through unregulated and informal institutions other than banks (Kegel & College, 2016). The general business problem was that regulatory restrictions hindered banks' ability to lend to SMEs resulting in lost business opportunities for banks, which decreased banks' profitability (Akhigbe, Martin, & Whyte, 2016). The specific business problem was that some senior bank lending officers lack strategies to improve lending to SMEs.

Purpose Statement

The purpose of this qualitative single case study was to explore strategies senior bank lending officers use to improve lending to SMEs. The target population was bank lending officers in the southern United States. The participants consisted of four senior lending officers of a bank in Houston, Texas, with successful experience in lending to SMEs. The findings of this study may help bank lending officers identify strategies to improve lending to SMEs owners able to benefit from the available funds for business growth. The implication for positive social change is that small business growth may increase employment opportunities for the local community.

Nature of the Study

In qualitative research, an appropriate methodology was important to ensure the study was valid and researchers understand the experience (Abro, Khurshid, & Aamir, 2015). I used a qualitative single case study design to explore the strategies small business bank lending officers in Houston, Texas use to improve lending to SMEs. I chose a qualitative research method over a quantitative or mixed methods approach. Qualitative research answers *how to* questions and provide an understanding of the study with a focus on the information context (Marshall & Rossman, 2016; Yin, 2014).

Leedy and Ormrod (2013) viewed qualitative research as a method to address a phenomenon difficult to explore with statistical methods. This study aligns with a qualitative method more than a quantitative due to the exploratory nature of the study to gather and analyze data to learn about the participant's real-life experiences pertaining to a phenomenon. Park and Park (2016) stated that the quantitative method was used to examine the relationship between independent and dependent variables and generalize results using numbers. In this study, the relationship between variables and statistical measures did not provide detailed information about senior bank lending officers' experiences, so the quantitative method was not suitable. Mixed methods research was the combination of quantitative and qualitative research techniques, method, concepts, or language into a study (A˚gerfalk, 2013; Mertens, 2014). Venkatesh, Brown, and Bala (2013) noted that researchers use the mixed-methods research methodology to analyze the data twice using both qualitative and quantitative method and it can be time-consuming. The mixed-methods research methodology was not a good fit for this study

because of time constraints and because I did not test a hypothesis or examining the relationship between independent and dependent variables and generalize results using numbers.

A case study can define a real-life issue (Yin, 2014). A researcher can use the case study research design to investigate and analyze real-life issues of a person, people, a clinic, an institution, policy, process, or system (Petty, Thomson, & Stew, 2012). There are three types of case studies: exploratory, explanatory, and descriptive (Yin, 2014). A descriptive case study was used to describe an event (Yin, 2014). The descriptive case study design does not answer the how, why, and what questions central to this study. Exploratory research provides information to help identify the main issue or to sort the problem (Hollow, 2014). An exploratory case study does not answer the how, why, and what questions that are the focus of this study. The explanatory design answered the questions of how, why, and what necessary to obtain an understanding of the phenomenon under study (Yin, 2014), and therefore, was the best fit for this study.

The other designs in qualitative research are the narrative inquiry, ethnography, and phenomenology, which do not provide an in-depth understanding of the problem, and therefore, are not appropriate for this study. An ethnography study focuses on the culture-sharing group, and this type of research needs to understand the cultural anthropology (Birks & Mills, 2011; Yin, 2014). Ethnography designs are not the best fit for this study because this study was not about a specific cultural group but rather to explore strategies of senior bank lending officers use to provide loans, so I did not select an ethnography design. A narrative inquiry was a collection of stories from an individual or individuals

(Petty, Thomson, & Stew, 2012). This design was not appropriate as I did not intend to tell stories. A phenomenological research study was used to explore the unique lived experience of individuals in their view (Opsal, et al., 2015; Petty et al., 2012). The purpose of this study was not to explore individuals lived experiences from their viewpoint. The purpose of this qualitative single case study was to explore strategies senior bank lending officers use to improve lending to SMEs.

Research Question

Interview questions are the fundamental data collection instrument in this qualitative case study. The analysis of the participants' responses to the interview questions provided a better understanding of the types of strategies senior bank lending officers can use to increase lending to SMEs. The central research question is: What strategies do senior bank lending officers use to improve lending to SMEs?

Interview Questions

Q1: What barriers or constraints exist for SMEs business owners when borrowing money from the bank?

Q2: What strategies do you use to overcome such barriers or constraints to improve lending to SMEs owners?

Q3: What are the challenges you face while implementing such strategies?

Q4: How do you overcome such challenges?

Q5: What type of regulatory challenges exist when improving lending to SMEs owners?

Q6: How do you overcome such regulatory challenges?

Q7: How do you know if you are successful in providing loans to SMEs owners?

Q8: What else would you like to share about your experience in implementing strategies to improve funding to SMEs?

Conceptual Framework

The conceptual framework may enable researchers to identify the worldview of their research topic and explain their expectations and predeterminations about the study (Dawar, 2014: Green, 2013). Most researchers find it useful to use a conceptual model as a guide while collecting and analyzing data (Cakmak, Isci, Uslu., Oztekin, Danisman, Sahin, & Karadag, 2015). Stephen Ross and Barry Mitnick created agency theory. Ross developed the economic theory of agency in 1972, and Mitnick developed the institutional theory of agency in 1973 (Mitnick, 2013). Ross (1973) focused on the principal issue of providing compensation for the administrator. Mitnick (2013), focused on an extensive study of agency concepts, identifying types of administrator relationships and behavior. However, according to Perrow (1986), the principal and the agent get into the contract with self-interest and both parties seek to maximize their self-interest. In this study, the bank lending officers are the agents acting in the best interest of the principals, the SMEs business owners. When the agent does not act in the best interest of the principal, there was a conflict of interest and increase in agency cost (Bouckova, 2015; Cakmak et al., 2015). Agency theory was a suitable conceptual framework for this study because the bank lending officer's decision to improve lending shows that the bank officer was acting in the best interest of the SMEs' business owner. Such a decision may minimize the conflict of interest between the principal and the agent, and thereby reduce

the agency cost for both parties. Bank lending officers may use agency theory to develop strategies to improve lending to SMEs business owners, which may increase bank profitability. Cuevas-Rodriguez et al., (2012) stated that business leaders used agency theory as a platform to maximize the principal-agent relationship to minimize the agency cost.

Operational Definitions

Corporate governance: Corporate governance was the rules and recommendations for businesses are under supervision concerning the board and structure of the company (Hopt, 2013).

Credit crunch: Credit crunch is a general decline in the availability of credit as financial institutions tighten their standards and raise the cost of borrowing (Dolar, 2014).

Small- and medium-sized enterprises (SMEs): SMEs are nonfarm entities with fewer than 500 employees and account for about half of the privately-owned corporations, partnerships, or sole proprietorships (SBA, 2014).

Small Business Administration (SBA): SBA is a U.S. government agency that provides support to entrepreneurs and small business (Cole, 2014).

Small business loans: Small business loans are loans under the U.S. $1 million for small businesses secured by nonfarm, nonresidential properties, and commercial real estate loans (Dolar, 2014).

SBA loans: SBA loans are loans made through banks, credit unions, and other lenders that collaborate with the SBA (Cole, 2013).

Assumptions, Limitations, and Delimitations

Research studies contain underlying assumptions, limitations, and delimitations that are critical parts of a research proposal. Without the components of assumption, limitations, and delimitations, a question may arise on the credibility of the proposal. I have identified various assumptions, limitations, and delimitations for this research study.

Assumptions

Assumptions are unsubstantiated facts not in the control of the researcher, but relevant to the study (Leedy & Ormrod, 2016). Assumptions are a basic part of a study, and without them, the research problem did not exist (Leedy & Ormrod, 2016). The first assumption was that the participants provided an honest and candid response to the interview questions. The second assumption was that participants can articulate their knowledge of the phenomenon. The third assumption was that I can capture and understand participants' responses. The fourth assumption was that captured data from the interviews provided a complete understanding of the phenomenon under study. The fifth assumption was that I reach data saturation during the interview.

Limitations

A limitation was an uncontrollable threat to the validity of a study (Marshall & Rossman, 2016). Participants might limit their response to the interview questions on bank policies out of concern for confidentiality. The first limitation was obtaining documentation from the participants. Another limitation was that small business bank officers kept some of their business information private to protect their customers and the organization. The third limitation was that my experience as a quality control specialist

for loans in the banking industry may unwittingly contribute to a bias in the answers I expect from the participants. The possibility of participants withdrawing from the study, which may affect the research results, was another limitation of the study.

Delimitations

Delimitations are the boundaries researchers set for their study (Leedy & Ormrod, 2016). The scope of this study delimitations was to bankers in the city of Houston, Texas. Another delimitation was the boundary of the research sample size limitations. I limited my sample size to four. Yin recommended five or less sample size for a qualitative case study (Yin, 2014). The final delimitation was that I not be collect data from the non-officers of the bank in this study.

Significance of the Study

Contribution to Business Practice

The findings from this research study might aid bank lending officers to identify strategies to overcome challenges from regulatory restrictions to improve lending to SMEs. The SBA (2014) reported over 28 million SMEs in the United States, and this number was growing at a 1.7% annual rate. These SMEs offer business opportunities for banks looking to lend. The study findings may provide opportunities for the bank to increase their loan portfolios with small business loans (Bernanke, 2014), thereby increasing bank productivity and credit capital. The changes in lending as a result of study findings may impact the financial significance to small business owners by lowering regulations to ease the lending process and decrease credit constraints (Hu, Lian, & Su, 2016). The findings of the study may also help SMEs owners obtain loans

from their bank, which in turn, may result in business growth for SMEs. The relationship between the bank officer and SMEs owners may lead to a stable and long-term business relationship (Bernanke, 2014), and this relationship may result in better investments, lower cost of debt for debt, and increased credit for both officers and SMEs owners.

Implications for Social Change

SMEs need to have access to credit which was vital to their success, and commercial banks are an important supplier of credit (Byrd et al., 2013). SMEs hold an important role in the economy as they account for 62% of the employment in the United States and half of the products produced (SBA, 2014). The findings of this study might identify strategies that can help senior bank lending officers improve lending to SMEs. Lending allows SMEs to buy new equipment, sign a contract for new trade deals and services, introduce new products, and hire new employees. The infusing of money to small businesses led to SMEs growth, making a more stable economy for local communities. A stable local economy has attracted more businesses, bring more families into the community, and increase property values. When we multiply these growths across thousands of community banks in the United States (population), we found that lending decisions to SMEs are helping the broader national economy.

A Review of the Professional and Academic Literature

The purpose of this qualitative single case study was to explore strategies for senior bank lending officers use to improve lending to SMEs in Houston, Texas. In the literature review, I addressed the components of the strategies and changes in lending standards. The findings of my study showed strategies that bank lending officers used to

provide loans to SMEs. The literature review includes articles that support the general business and specific business problems, which explore lending strategies

The literature review section of this study contained information gathered from scholarly, peer-reviewed journals from the Walden Library databases. The sources in the literature review also included scholarly books and government databases. Other sources include the information gathered from ProQuest, ABI/IMFORM Global, Business Source Complete, EBSCOhost, Banking Information Source, Small Business Administration, and documents provided by participants. The literature review contained information that supports or does not support the grounds of the theories for this study. The keywords for the search are *banking lending standards, bank loans, relationship banking, credit crunch, corporate governance, lending, loans, and small businesses.* The 92 works in this literature review include 91 journals and one website. Eighty-six references out of the 92 (85%) are within the last five years, and 86 references out of 92 (85%) were peer-reviewed.

Table 1

Literature Review Sources

Sources	5 Years or older	2014 or newer	Total
Peer-reviewed articles	4	86	90
Non-peer reviewed articles	1	0	1
Government websites	0	1	1
Seminal Works	0	0	0
Dissertations	0	0	0
Total	5	87	92
Percentage of peer-reviewed articles	5%	95%	100%

The academic literature review included information on: (a) agency theory (b) small business and bank lending, (c) relationship lending and SMEs, (d) SMEs and banking crisis, (e) corporate governance in the banking industry, (f) Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, (g) regulation and deregulation (h), troubled asset relief program, (i) securitization, and (j) shadow banking.

Agency Theory

The literature review contained information essential for SMEs to understand bank lending. Agency theory was the conceptual framework that I used in this study. I used agency theory as a framework to explore strategies for senior bank lending officers use to improve lending to SMEs. The agency theory applies to employer-employee,

lawyer-client, buyer-supplier, borrower–lenders, and other agency relationships (Gerard & Weber, 2014). In this study, the bank lending officers are the agents acting in the best interest of the principals, the SMEs business owners. I explored the information that lenders needed to develop strategies to provide the loans to SMEs. The foundation of agency theory was the relationship between one party, the principal, that perform tasks and make decisions to benefit another party, the agent (Bendickson, Muldoon, & Liguori, 2015; Plumlee, Xie, Yan, & Yu, 2015). The study provided evidence that the specific information provided by the borrower and used by the lender did provide the expected outcome that profited for the lender in increased loan spreads and loans to the borrowers. The theory developed in two different directions: positivist and principal-agent research (Bendickson et al., 2016). Positivist researchers are more empirical than mathematical researchers. Positivist researchers use the principal-agent approach to investigate the relationship between owners and managers. Principal-agent researchers are more concerned with the general theory of the principal and agent relationship. The principal-agent theory was where the principal and the agent have different interests. (Chen, Love, & Ching Liu, 2016). The principal-agent research was not suited for this case study because the changes in lending standards was an interest to both small businesses and lending officers in banks.

Change in the lending process might affect an SME manager's approach to borrowing and the credit availability of business. In small or large businesses, managers may raise funds from investors or other sources to be able to produce goods and services (Pande & Ansari, 2014). SMEs seek funds from loans provided by financial institutions.

Investors need to manage specialized human capital to ensure a return on the funds that they have invested in the business. Researchers use agency theory to suggest that the board of directors used care in restricting managerial discretion in demanding compensation for the loss of control of external monitoring of financial reporting (Lail, Macgregor, Stuebs, & Thomasson, 2015). SME managers needed to ensure the firm complies with all rules, regulator monitors, and pay any fines for noncompliance with regulations by management. In comparing the agency theory and stewardship theory, agency theory was the best fit for this study. I selected agency theory for this study.

Researchers can apply the agency theory to studies of corporate governance and banks' lending practices (Moore, 2014; Shin, 2017). Agency theory was one of the main theories for studying corporate governance and the financial interests of the shareholders (Shin, 2017). Researchers use agency theory to research the topic of SMEs lending. Researchers started using agency theory in finance and business research as early as the 1950s. Researchers use agency theory in a study may explore the control of quality and standards of small bank lending officers.

Goal Alignment

Researchers can used agency theory to explain the effect of an agent's action on that of the principal (Bendickson et al., 2015). Researchers used agency theory to provide insight into the relationship between an agent's interest and the manager's interests when the manager asks the agent to provide capital for their firm (Gerard & Weber, 2014). The goal of using agency theory was to explore and show the positive relationship between the borrower-lender. In the banking system, a strong borrower-lending relationship

characterizes the financial market (Oh & Johnston, 2014). It was important for the lenders to establish and support a long-term commitment in the bank-customer relationship. A long-term commitment can aid the borrower in obtaining lending and provide agency cost savings to the lender. A bank can provide the capital that businesses need to increase their credit availability. Some of the risks involved in the lending process for businesses which need to increase their firm's credit availability may include a lack of credit, lack of collateral, high-interest loans, or short repayment period for their loans (Du, Bian, & Gan, 2017). I explored the factors that affect goals in SMEs contracts at Houston's bank in the way they process lending to SMEs.

Alternative Theories to the Agency Theory

There are several theories that stand out for their use in banking and SMEs research. Two of these theories are organizational theory and stewardship theory. Researchers using organizational architecture theory examine the environment on the health and the behavior of humans in organizations. (Bouslama, 2014). Business researchers applied this theory to study inside the organization. Organizational theory resolves conflict through negotiation and coalitions in corporate governance (Andersen, 2015). Researchers used organizational theory mechanisms to solve problems of control in an organization in the absence of decision-making rights. Economists Alchian and Demsetz first debated the theory in 1972 (Phillips & Strachan, 2016). Agency theory was different from organizational architecture theory. Organizational theory focuses on decision making between the principal and agent. Whereas, the agency theory concentrations on the relationship in which one or more individuals engage another

individual to perform some work on their behalf. Therefore, the agency theory was the best fit for this study because the study was about the strategy's banks needed to provide loans to SMEs and did not deal with decision rights or incentive mechanisms.

I also explored the stewardship theory, developed by Donaldson and Davis in 1989 and 1991 to understand the relationship between ownership and management of a company (Matherne, 2015). The basics of stewardship theory focus on survival needs, psychology and sociology, empowering structures, collaboration in motivation, and compatible or aligned goals of management (Balakrishnan, Malhotra, & Falkenberg, 2017). In stewardship theory, a researcher focused on the relationship between loan officers and the success of the business. The researchers that use the stewardship theory view SMEs owners as trustworthy guardians (Lail et al., 2015). The researchers that support the theory believe that SMEs owners are prudent and use their judgment while providing information to bank officers for the loan. Similarly, in the steward theory, the researchers assume that loan officers consider the long-term wellbeing of SMEs success and their businesses. The difference between the agency and stewardship theory was the role of human nature and human action (Hiebl, 2015). The agency theory was when the principal engages an agent to perform a service on their behalf that includes some decision making by the agent (Obid & Naysary, 2014). In the stewardship theory concept, the manager protects shareholders' wealth through firm performance, and, at the same time, the managers may withdraw decision-making rights from some employees (Glinkowska & Kaczmarek, 2015). Stewardship theory was not the best fit for this study because it does not deal with strategies bank lenders need to provide loans to SMEs. The

bank officers' position was to protect the stakeholder and increase their capital through a business performance. Banking officers' role as stewards was to protect and preserve the trust by fulfilling their responsibilities shareholders place in the bank managers (Glinkowska & Kaczmarek, 2015). In agency theory concept, there are checks and balances on the behaviors of both the lending officers and SMEs owners. Checks and balance on human behaviors may improve governance and lending practices. Lending standards and corporate governance can affect the economic stability of the domestic and global economy ((Fooladi, Shukor Saleh, & Jaffar, 2014).

Small Business and Bank Lending

Small business lending from 2008 – 2011 declined between $159 billion to $300 billion, which was a 17% drop in three years (Kiser, Prager, & Scott 2016). The changes in the banking systems in the United States are affecting the economy of small businesses. The relationships between banks and small businesses are important during a fiscal crisis. The supply and the demand for credit does influence loan growth during a financial crisis (Chen, Tsai, & Tzeng, 2015; Cowling, Liu, & Zhang, 2016). Small businesses are crucial to the United States economy, and banks play a critical role in financing small business (Kozubíková et al., 2015). The U.S. Small Business Administration (SBA) reported that half of the private sector in the U.S. produced and hired about 64% of net job growth between 1993 and 2008 (SBA, 2014). Small businesses generated more than half of the 6 million non-farms gross domestic product (GDP) in the world and employed over 70% of people in the United States (Kucharska, 2016). All regions of the world saw a decrease in lending volumes and the loan value of

the world GDP 2009 (Durate & de Lima, 2017). Business managers do need to understand that the development and changes in financial regulation may occur during and after an economic crisis. Supply and demand on bank credit were a barrier to small business borrowing (Dolar, 2014). Small businesses face barriers, including low productivity in the business, long distances to market, lack of skilled works, and inadequate infrastructure (Rostamkalaei & Freel, 2016). Low productivity, lack of skilled workers, and inadequate infrastructure did affect banks' lending process to small businesses.

The tendencies to lend to small businesses declined as banks discover it was difficult to keep pace with the increase in the cost of lending to borrowers and the risk to capital (Rostamkalaei & Freel, 2016). Dasilas and Papasyriopoulos (2015) disagreed with Rostamkalaei and Freel, (2016) in the ways that bank size affects the lending to small businesses. Dasilas and Papasyriopoulos (2015) found that business performance declines in firms that have low cash reserves and not the size of the bank that serves the firms.

Banks responded to the losses in their capital market and rise in funding cost by reducing their loan portfolios (Butzbach & von Mettenheim, 2015). Banks increase the interest rate, increase collateral requirement, require more guarantees, and shorten the terms of when loans mature this create a problem for SMEs needing to borrow money. The cost of loan fees that banks charge a firm to borrow increase based on the length and nature of the relationship of the lender to the borrower (Neuberger & Rathke-Doppner, 2015). The size of the bank determined the amount of loan risk banks provided in the

lending process to businesses. The larger banks incur higher loan risk and loan cost, which influenced the number of loans approved (Butzbach & von Mettenheim, 2015).

Small banks do not require the gathering of hard information to lend to small business customers, as large banks do. The loans provided by small banks use the lenient information to make lending decisions based on the status of the company. Bank officers use their relational knowledge of the circumstance of the SMEs and its management to provide funds to businesses (D'Aurizio, Oliviero, & Romano, 2015). Large banks do a higher number of transactions-based lending. Transactions-based loans are for the use of specific purposes like a line of credit, mortgage, energy, or revolving credit agreements (D'Aurizio et al., 2015). Loan officers working at large banks make lending decisions using information that includes the past and current borrowing history, company's past and current business performance and relationship with the bank (D'Aurizio et al., 2015). Small banks may use the bank relationship with the borrower to aid in the decision to lend to a company.

Lending techniques, government policies, and market structure characteristics of financial systems and economies have affected lending to small business (Beck, Degryse, & Kneer, 2015). Transactions cost and risk reduce small businesses access to external funding. Lending techniques and government policies may seem to focus on the lending needs of large firms and not small businesses.

Small businesses marginal tax rates have a positive impact on external funding. Tumanyants (2018) uncovered that tax laws enable small businesses to reduce interest expense of their taxable income. The impact on the profitability of external loans to

businesses results reflect on the company's ability to pay back the loans. The way firms use external loans might reflect business characteristics. Small businesses are compressed, have less collateral, and their financial statements may not provide a clear picture of the business finances compared to large firms (Beck et al., 2014). The small business financial picture needs to be clear and line up with regulatory requirements.

Regulatory distortions or insufficient contestability causes lenders not to outreach fully to small businesses. The lending techniques of factoring, leasing, fixed-asset lending, credit scoring, and centralized structures are costly for the small business (Beck et al., 2014; Brown, Davis, & Mayes, 2015). Regulatory policies are essential in moving the banking system toward small business and building a relationship.

Policymakers are concerned with small businesses being able to create jobs in their community. Kiser et al., (2016) found that policymakers concentrate on lending to large businesses during the crisis. Policymakers' reason for the lack of focus on lending to small businesses was their retrenched and limited expansion. The legal structure and business environment are additional factors that affect small business financing during a monetary crisis (Wegman et al., 2016). U.S. Small Business Administration provides knowledge that helps both small businesses and policymakers to take action that leads to more credit availability and a better working relationship with banks (Baradwaj, Dewally, & Shao 2015). Business manager strives to build a working relationship with their banking officer.

The U.S. and world government conduct meetings and summits to develop strategies to improve lending practices. In 2009, Pittsburgh G-20 Leader's Summit

committed to finding ways to improve small business access to finances (Duarte & de Lima, 2017). The Summit introduced the G20 reform roadmap in lending at the summit that Germany and South Africa co-chaired (Duarte & de Lima, 2017). Small businesses are important in creating jobs and products; regardless, they face higher barriers to receiving external financing. The Basel Committee (Huang & Thomas, 2015) added the general macroprudential principles to the global regulatory framework. One of the instruments the committee developed was the Basel III. The Basel III capital limits lending by banks to small and large businesses (Huang & Thomas, 2015). The Basel Committee regulation provides different instruments to small businesses depending on the status of their loans (Huang & Thomas, 2015). The Basel III report contains discussions of the Basel committee on the tighter capital, liquidity requirements, and stress testing for banks (Beck et al., 2014; Warren, & Szostek, 2017).). The construct of capital was to strengthen the banks by increasing the liquidity requirement for banks. This process has decreased bank leverage. Another tool introduced by the committee was stress testing. The stress testing located banks' weakness. Bankers use Basel III to provide loans to firms large or small by improving the banking sector (Beck et al., 2014).

The improved banking sector aids business with a lack of cash flow. The lack of internal cash flow was the primary reason small businesses went to banks for capital (Olszak, Pipień, & Roszkowska, 2016). Small businesses found it hard and very difficult to obtain large commercial bank financing for long-term loans during a monetary crisis. Rancière, & Tornell (2016) result aligns with Duarte and de Lima (2017) study on ways that a small business was not able to obtain loans due to the lack of collateral and

difficulties in proving creditworthiness. Small businesses are also not able to obtain loans due to small or slow cash flow, insufficient credit history, high-risk assets, no established bank-borrower relationships and high business expenses (Duarte, Gama, & Esperanca, 2016). The lack of requirements like credit history, high-risk assets and relationship can limit the funds a bank can provide to a SMEs. The lack of obtaining loans from commercial banks may cause businesses to obtain financing through unregulated and informal institutions (Duarte et al., 2016). SMEs leaders use earnings from within the business and credit cards as financial sources prior to applying for loans from a bank.

Small business managers discovered that informal sources met short-term needs more than medium and long-term financial requirements (Kozubíková et al., 2015). The informal sources of borrowing do not contain a high rate of interest, exploitative relationship, and unfavorable terms. The consumer loans are short-term loans and the requirements are not as tough. SMEs can strengthen their bank-borrower relationship by obtaining short-term loans. Bank credit was a crucial source of outside finance for young small businesses and was the key source of capital help (Kozubíková et al., 2015.; Santikian, 2014). SMEs can use the same type of credit they did before the financial crisis to review loans, but after the crisis, banks did not provide loans to SMEs (Maxfield, Wang, & Magaldi de Sousa, 2018). SMEs needed to build their credit and relationship with their bank to obtain a loan without going to an outside source. A strong relationship between a bank's rating and its change in lending was necessary to provide SMEs with needed funding (Kiser et al., 2016). A bank's strength lies in their relationship with the borrowers.

The centralized and decentralization of banks affects small businesses when rolling out new branches due to the dependent on banks for growth and survival (Canales, & Nanda, 2012: Kozubíková et al., 2015). Decentralized banks are far more efficient at processing information and are better able to improve financing constraints for small businesses (Kozubíková et al.,2015). Small young businesses usually have a small amount of internal cash flow to support their operation.

Small businesses created about two out of every three new jobs in the United States since 1995 (Mill & McCarthy, 2014). However, small businesses suffered during the fiscal crisis in 2008. Bank loans are critical to the lifeblood of small businesses. Mill and McCarthy (2014) concluded that small businesses are not unlike many large firms that have some credit or capital availability during a fiscal crisis. The changes in small business profits during a financial crisis can make retained earnings less stable, causing SMEs to depend more on banks to raise capital (Eisenbies, & Kaufman, 2016). Businesses with low financing constraints experience a lower decline in performance than businesses with higher financing constraints ((Dasilas & Papasyriopoulos, 2015). The lower financing constraints on businesses cause obtaining external funding difficult.

Bank managers said they are lending money, but with small business earnings in trouble, it was hard to find creditworthy borrowers. Banks require that companies have adequate collateral with credit (Rancière, & Tornell, 2016)). Small business bankers add that the effect of an increase in regulatory oversight on the availability of credit in small business put a damper on lending (Mill & McCarthy, 2014). One of the problems in the lending process was the lending decision of officers' due to regulatory changes and the

available capital for the banks to use when providing loans. The increase in lending leads banks to review capital of borrowers and regulators guidelines for each loan application more closely to ensure they are creditworthy (Adbou, Tsafack, Ntim, & Baker, 2016). Lending officers are to review the loan application to ensure the borrower collateral and capital meet the regulatory guidelines.

Banks are required to raise capital levels to satisfy bank examiners and other regulators (Mill & McCarthy, 2014). The raising of capital levels by banks undermines their ability to underwrite small business loans. Banks raise capital levels and increase the interest rate to double-digits were some of the measures use to tighten loan terms for small businesses (Mill & McCarthy, 2014). Ghosh (2016) concluded that banks depend on being able to cover the excessive cost associated with lending to customers. Raised capital levels made it hard for qualified borrowers of small firms to find willing lenders. Banks need to collect information over time from the owners, management, and the local community where they have a relationship to understand the lending needs of the businesses managers (Ghosh, 2016). Community banks are a very significant source of funding for SMEs.

Amel and Prager (2016) study results indicated that the decisions of small banks and community banks to provide loans to small businesses that contain risk-averse and value- maximizing behavior was higher than that of large commercial banks. About two-fifths of all small businesses receive some credit from large commercial banks (Amel & Prager 2016; Kiser et al., 2016). SMEs owners can spend up to 25 hours on paperwork and visit multiple banks during the whole lending process (Kiser et al., 2016). Many

SMEs owners cannot afford to spend this amount of time from their business and need the funds in days not weeks. Borrowers can wait a couple of weeks up to a couple of months before approved and funds are available.

The risk of lending to small businesses was higher than to large businesses and firms. The changes in the economy, higher failure rate, and fewer assets for collateral on loans can affect small business (Mill & McCarthy, 2014). Few owners of small businesses have the cash flow, collateral, or credit score to borrow money from banks during a fiscal crisis. The existence of little or no collateral affected new small business when borrowing from banks (Riley et al., 2014). Well, established businesses have a strong relationship with their banks, strong collateral and experience better credit condition in lending.

During economic growth, bank credit was high, and business profitability was high. The high bank credit and profitability resulted in profitable loans, increasing bank capital, and lower rates (Amel & Prager, 2016). The difference between small and large business was the lower liquidity, higher leverage, activity measures, and higher profitability (Mill & McCarthy, 2014). Small companies that have higher cost and financial constraints discover they may have difficulty when they access the capital markets (Dasilas, & Papasyriopoulos, 2015). The businesses with lower liquidity experienced a lower decline in performance and returned in on assets may have issues during an economic downturn.

In the economic downturn, profitability declined, loan payments were delinquent or default, bank capital decline, and fewer loans with higher rates. The economic

downturn leads to decrease in small business loan supply. The provision of small business loans cannot keep pace with the growth in total bank assets (D'Aurizio et al., 2015). Major banks change the way of lending to small business. The large banks provided more loans for smaller amounts to businesses (Maxfield, Wang, & Magaldi de Sousa, 2018). Small businesses in the past have gone to small banks as a primary source for loans. Policymakers discovered that bank consolidation might affect the supply of small business loans, particularly with large banks. Legislators did need to promote and protect small business's relationship with their banks during mergers of banks.

Relationship banking was a strategy of small banks to develop relationships with customers' by-products and interactions over time (Kozubíková et al., 2015). Small business was important to the United States and business relationship plays a significant role in the loan decisions of small banks (Kozubíková et al.,2015). Small banks benefit from developing strong relationships with their customers. The banks' relationships with businesses are strong because they rely on qualitative criteria based on personal interactions with loan applicants (Santikian, 2014).

The relationship between strategic business orientation and performance increased over the years. Kozubikova et al., (2015) concluded that entrepreneurial orientation (EO) mitigates an adverse effect of the economic crisis on both the firm's operations and financial performance. The recession brought rising interest rate and decreasing sales that then cause small business financial distress. Bank lending officers need to be aware of the affect of EO on the company's performance and operations during the different business cycle. Managers need to remember and be aware of actions like heavy borrowing and

taking on unknown ventures during an economic downturn. Managers need to keep in mind committing large volume of the firm's assets or investments containing high-risk consequence can be detrimental during a downturn in the economy and need to develop strategies for securing loans (Kozubíková et al., 2015). Small firms apply or develop strategic tools like strategic planning and financial management to secure a loan.

Strategic planning was a tool that small business managers can use to help ensure credit availability (Tokman, Richey, & Deit, 2016). Strategic planning introduced to SMEs did not work if the business was not willing to put it into actions to grow the firm (Weber, Geneste, & Connell, 2015). Strategic managers had to ask the following questions: what was the business, what are your key activities, and what was the main purpose? (Weber et al., 2015). A business manager did need to apply these listed steps below to answer the above question. The steps: 1) understand their environment; 2) analysis the internal resources; 3) set goals and targets that are reachable; 4) implement plans to reach the goals; 5) measure and modify the plan as needed (Weber et al., 2015). Ineffective strategic planning of a company may affect the environment of the firm and cause gaps in their resources. In a company, the gaps in their resources can be the changes in the banks' lending standards. Strategic planning can assist in recognizing the gaps and develop strategies to utilize available funds, modify the corporate financial structure (Karadag, 2015). Strategic planning was a tool that small business use to strengthen their financial structure. A small business that was successful also incorporated strategic financial management.

Strategic financial management was another tool that small business can develop to guide a company to cope with the demands that may arise inside and outside the company. Strategic management in small business was the process of developing a plan that guides the company in it strive to reach their goals, mission, and strong financial freedom. A company needs to develop a long-range plan, generate implement and control basic strategies and sub-strategies and utilize the SWOT analysis (Karadag, 2015). The lack of financial management can be the leading cause of business failure due to the lack of financial planning, limited access to funding, lack of capital, unexpected growth, excessive fixed-asset, low financial projection and lack of capital management (Karadag, 2015; Cohen, 2014). Businesses that have a financial plan in place with excessive to a fixed asset may not fail during a financial crisis.

Small business relies on bank loans to finance their business followed by earnings and credit cards for funds (Cardoso-Cabral et al., 2016 & Du, et al., 2017). External funds like bank loans are not a substitute for internal funds (Andreou, Karasamani, Louca, & Ehrlich, 2017). The commercial and industrial (C&I) loan provide funds to small companies to fund operations and finance capital investments that aided in the growth of the business (Kiser et al., 2016). Loans can establish a business to leverage financial statement. A leverage financial statement enabled a business to make improvements and grow (Ayub, 2016). Business needs to understand the management of the business and to plan to aid in business growth.

Strategic management and strategic planning are both tools a business can use to help it grow before and after a financial crisis. Businesses need to implement strategies to

concentrate on obtaining loans. A bank loan officer can make funding decisions on the information collected from the interview and business plan of the firm. A business manager needs to understand and beware of the five Cs of commercial lending character, capacity capital, collateral and conditions (Wilson, 2015). The five Cs can be barriers for small business managers if they are not aware of the information needed to satisfy the five Cs.

Relationship Lending and SMEs

An important tool in lending for bank officers was building a strong relationship with their customers. Banks can build a relationship in lending to customers from the information that a bank collects over time by developing close ties with its borrower (Brancati, 2015). The information that banks collect can be critical in determining credit access. Some of the information that bank collect on their customers like in-depth financial records, the history of payments, stock returns and quantity of output by the firm may not be enough to evaluate strong creditworthiness (Brancati, 2015). SMEs may discover it was difficult to raise external finance because they lack hard information that some bank requires in providing loans. SMEs that have a relationship with a bank has a better option in borrowing funds.

Relationship banking was a source of modest advantage for a small bank because loan officers are better able to reduce the information needed between bank and firm (Han, Zhang, & Greene, 2017). SMEs may maintain multiple banking relationships. The multiple banking relationships provide SMEs the ability to lower borrowing costs (Ghosh, 2016). The lower borrowing cost was a great benefit to SMEs. Smaller and

younger SMEs may not be able to maintain multiple lending relationships (Ghosh, 2016). Many SMEs may have to forge multiple lending relationships. The forging of multiple lending relationships may increase during the crisis period (Ghosh, 2016). A lack of a banking relationship can lead a SMEs to look for an alternative source of funding. SMEs that do not have a strong relationship with their main or second bank may seek financial help in the company to company support.

The relationship between the bank and SMEs can benefit both parties. Banks that are the primary bank for SMEs benefit from an increase in profitability of time more than from non-bank customers (Karadag & Akman, 2015). Cross-selling of various bank products like lockbox service was a way to increase profitability. The cross-selling did strengthen the bond between the bank and the SMEs. The increased bond for the SMEs improved the ability to borrow funds. A stable and long-term relationship with the main bank resulted in a firm from suffering significant credit constraints (Allen, Goldstein, Jagtiani, & Lang, 2016). A firm with a long-term relationship with a bank reached out to their main bank for help. The longer the relationship with a bank the lower borrowing interest rates and the requirement for collateral (Abe, 2015). A longer relationship with a bank enabled small firms improved their credit. The bank was able to gather more soft information about the borrower, which relaxed the borrowing requirement (Andries, Ihnatove, Fora, & Ursu, 2016; Sahar, & Anis, (2016).

The impact on the way bank market on small firm finance was important. The way bank concentration on small finance was a long-term issue in the United States (Han et al., 2017). SMEs can be subject to extensive credit constraints compared to larger

companies making survival and growth more difficult. The effect of extending credit to SMEs was apparent during financial crises (Liang, Huang, Liao, & Gao, 2017). During a recession, banks tend to lend toward their lending policy. Banks seem not able to understand SMEs urgent need for capital and the SMEs managers do understand bank practices. The traditional lending practice during recessions is usually tight.

SMEs and Banking Crisis

In 2008-2010, the worst financial crisis since the great depression of 1929 was in the United States. The financial crisis of 2008 was the subprime mortgage crisis, which was the start of the lending crisis (Kahian & Tao, 2014). The subprime mortgage crisis resulted in the foreclosure of homes and lack of funding for small business. The failure to regulate Fannie Mae and Freddie Mac involved an estimated 25 million mortgages (Pospisil & Margulescu, 2015). Frame, Fuster, Tracy, and Vickery (2015) and Herring (2016) agreed that the top of the list of regulatory violation was the failure of Fannie Mae and Freddie Mac. Frame et al., (2015) results stated that the United States subprime mortgage disrupted the global financial market. The collapse of Bear Stearns started off the financial collapse of 2008. The bank regulatory problems led to the failure of many of the banks in the United States.

Chakroun, Matoussi, & Mbirki (2017) and Mugarura (2016) agreed that the role of corporate boards, institutional investors, and large shareholders at the time of the 2008 financial crisis and capital raising created a negative environment for the failed banks' customers. Aldamen and Duncan (2016) research deal with the effect of corporate governance on short-term firm performance and action during the current financial crisis.

The corporate governance of banks that was weak added to the failure of the many other banks. Bank failures caused a negative effect on other banks by the creation of loss of confidence in the financial system (Bergmann, Securato, Savoia, & Contani, 2015). The loss of confidence in banks was due to subprime mortgages decreasing capital adequacy. The decreasing of capital adequacy may cause businesses to raise capital to avoid regulatory intervention and banks fail to sell their assets Aldamen & Duncan, (2016). Businesses needed to develop strategies to increase capital.

Managers at firms with independent board members ensure adequate business capital, which reduces the risk of bankruptcy. Capital equity offering lower the value of equity in bankruptcy (Aldamen & Duncan, 2016). Banks can increase their capital by increasing their shareholders which were the bank's sources of new money (Caldarelli, Fiondella, Maffei, & Zagaria, 2015). The cost of raising capital was very costly during a financial crisis. The length of the crisis affected the bank’s willingness and ability to provide loans to businesses due to the lack of new money (Caldarelli et al., 2015). The U.S. government had to step in to help reduce the failing banks and businesses.

At the end of the third quarter of 2008, officials in the United States government initiated a large bailout called the Troubled Asset Relief Program (TARP). The federal government executed TARP to restore financial stability when a systemic failure in the banking system occurred (Calomiris & Khan, 2015). The federal government set aside the U.S $180 billion to bail out failing banks, which developed the term “Too big to fail” (Herr, Rudiger, & Pédussel, 2016). Aldamen and Duncan (2016) and Calomiris and Khan (2015) argued that TARP does not spur lending by banks that receive the funds and the

program caused an increase in moral hazard in the financial system. The TARP regulation only sets the governance for the too big to fail firms (Calomiris & Khan, 2015). The federal government encourages the banks and some business to take part in the TARP program to reduce their change for failure.

Corporate Governance in Banking

The public and private industry failed to protect against tragedies like the financial crisis. Just before the financial crisis, the growth of the subprime lending quickly increased, the financial sector lowered interests below 3%, and housing prices dropped (Kowalewski, 2016). The subprime mortgage crisis triggered the financial crisis in 2007. Between 2007 and 2008, the United States lost over $1.3 trillion and reported over $100 billion in losses (Kim, 2015). The subprime mortgage crisis affected the bank's ability to provide loans to many SMEs.

After the financial crisis, the data from over a million commercial and industrial transactions indicate that the parent bank reduced the number of loans and types of loans provided to corporations (Chouchene, Ftiti, & Khiari, 2016). D'Aurizio et al., (2015) concluded that banks reduced their lending terms and lending standards to the corporations during the financial crisis. Hu, Lian, and Su (2016) find that banks with cash flow did not lend to businesses during an economic crisis; however, banks with lower cash flow lend more to businesses. Banks with low deposits lend to businesses to increase their capital. The global financial crisis affected banks' ability to provide loans to SMEs. Ghosh (2016) noted the reduction in the availability of bank finance has a greater impact on SMEs than corporations. According to Vermoesen, Deloof, and Laveren (2013),

SMEs are more financially dependent on banks compared to larger business. SMEs success was important because SMEs play a significant role in the global economy. Therefore, there was a need for corporate governance to increase the performance of a financial system to ensure the success of SMEs through the availability of funds.

Banks play a significant role in the economy of the world. Banks are the primary source of outside financing for many businesses. Therefore, banks sustainability and survival along with SMEs survival are crucial for the national economy (Liang et al., 2017). Shin (2017) indicated that business-increasing finances externally led to better investments, growth, and the creation of employment. Corporate governance associated with safety and stability results in a lower cost of debt for business in the United States. Shin (2017) support the study of Aldamen and Duncan (2016) that poor corporate governance results in an adverse impact on the economy. The strong corporate governance system design ensured that investors receive a healthy return. Corporate governance monitors the board and management's activities of banks large and small (Fooladi et al., 2014). Banks like business have corporate governance to monitor all activates. Corporate governance of banks was different from manufacturing firms (Orazalin, Mahmood, & Jung, 2016).

Corporate governance responsible for a corporation was to deal with administrator power, control, direction, guidance, management, and rules of business Shin, 2014). Corporate governance was like a system of relationships between the company, shareholders, employees, customers, and suppliers. The boards of directors are among the most important internal corporate governance to monitor management, which can affect

the availability and credibility of information disclosed to outsiders (Aldamen & Duncan, 2016). Banks with strong corporate governance can provide their customer with the lending services they seek and are accountable to their customers.

The shifting of the financial sector caused a limit of creditworthiness collateral from the borrowers to provide to the bank for loans for their business. Borrowers had to make sure they limit their market share through well-underwritten loans or take on collateral-based loans that banks and other financial institutes find profitable (Kowalewski, 2016). Improved governance increased the performance of the financial system and enhance the flow of information about risk that enables decision-makers to understand the risk (Kowalewski, 2016).

Aldamen and Duncan (2016) indicated that banks are the opaquest industries in the economy that depend on their stakeholders. The actions of the stakeholders do affect the banks. The stakeholders in banks are the government, depositors, debt holders, and equity-holders. To understand the function of business governance, individuals needed to understand the industry as a whole. Aldamen and Duncan (2016) agreed with Orazalin et al., (2016) that boards of the financial firms have the same responsibilities a board of nonfinancial firms. Weak corporate governance in a bank can lead to poor risk management and insufficient risk monitoring by the board (Kirkpatrick, 2014; Maxfield, Wang, & Magaldi de Sousa, 2018). Ferry & Ahrens (2017) agrees with Orazalin et al., (2016) that poor corporate governance was one of the important causes of the result financial crisis that affected the lending to small business.

Much of the blame for the failure of a corporation's board was in the financial structure of the firm (Orazalin et al., 2016). The federal agents used banking governance forces to establish the regulating of credit risk to review the range of financial risk to protect the shareholders and the bank (Caldarelli et al., 2015). The governance uses external agents to apply the disciples. The external agents established the regulating of credit risk between shareholders and managers. The boards of directors are to develop business strategies and supervisions of the business assets (Chakroun, Matoussi, & Mbirki, 2017). Board of directors for a bank work to ensure the strategies of the bank did not provide risks for the bank and their customers always and during a financial crisis.

Kowalewski (2015) indicated that the United States Congress plays a significant role in helping banks to thrive during a financial crisis. The lack of proper control over banks' activities by regulators can produce an enormous negative credit supply among SMEs. There was also a concern that government involvement may displace market discipline and change the nature of banks (Kowalewski, 2015). When dealing with new or expanding forms of risk, the regulators need to go to Congress for approval of the expansion of regulations (Kowalewski, 2015). The expansion of regulation that lacks the proper control of Congress can produce an enormous negative credit supply among small businesses globally. Small businesses reduce their investment significantly when they have a high volume of long-term debt due for renewal (Tang, Mori, Ong, & Ooi 2016). The reduction of investments allowed SMEs to focus on repaying the loans that renewed that extended the maturity date. The U.S. government provide acts and regulations to ensure banks can provide funds to borrowers.

Dodd-Frank Wall Street Reform and Consumer Protection A**ct**

The legislation and regulatory agencies created The Dodd-Frank Financial Reform Act in 2010 to protect borrowers and the banking industries from another subprime mortgage crisis (Lu & Whidbee, 2016). As lending and market conditions change, regulations are added to deal with the new forms of risk that emerged during the subprime mortgage crisis (Akhigbe, Martin, & Whyte, 2016). The issuing of regulations, especially ones related to stakeholders, took an ample amount of time to develop. Stakeholders with an interest in financial regulation do and did influence the fractionalized system of regulatory agencies for financial institutions in the United States (Kowalewski, 2015). The regulatory agencies and legislation with the stakeholders' influence work to improve and implement the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Reform and Act provide the necessary steps to manage systemic risk. The systemic risk enables the Federal Deposit Insurance Corporation (FDIC) to regulate nonbank financial firms such as insurance companies and investment firms (Kowalewski, 2015). The Dodd-Frank Act was the largest financial regulation since the Great Depression in the 1930s (Akhigbe et al., 2016,). The Act contains rules regarding identifying and regulating systemic risk. The Dodd-Frank Act was a practical way to mitigate moral hazard and prevent the systemic risk buildup across banking and nonbank systemically significant financial institutions (SIFIs).

The Dodd-Frank Wall Street Reform and Consumer Protection Act provided new and relevant authority to the FDIC (Akhigbe et al., 2016). The act regulates nonbank

financial firms by imposing higher capital requirements, liquidity requirements, limiting leverage limits, and counterparty risk limits (Kim & Muldoon, 2015). The Dodd-Frank Act included a proposal to end the “too big to fail” for banks and businesses. The “too big to fail” increases the difficulty for regulatory agencies in the past decade to let major banks and large firms fail. The managers and board members of failing banks and firms use the “too big to fail to request bailouts from the government. Investment banks and financial institutions can participate in financial lending deals that created major issues over leveraging (Akhigbe et al., 2016). Akhigbe et al., (2016) results align with Kim & Muldoon (2015) in that larger banks in the United States depend on the “too big to fail” to protect them in financial deals that cost consumers, government and stakeholders millions. The United States government started a push to repeal the Glass-Steagall Act that supports the “too big to fail” policy (Akhigbe et al., 2016). The Dodd-Frank Act calls for systemic institutions to participate in an annual stress test (Kim & Muldoon, 2015). The Dodd-Frank Act expanded the responsibilities of the Federal Reserve in the United States. The act prevents, or limits federal emergency assistance, and reinstated a limited form of Glass-Steagall, the Volcker rule which in part of the Dodd-Frank Act (Allen, Goldstein, Jagtiani, & Lang, 2016). The act provided central clearing for standardized derivative and allowed the creation of the Bureau of Consumer Financial Protection (Kim & Muldoon, 2015). The Dodd-Frank Act also introduced various forms of mortgage lending practice, conflict resolution, and a requirement for the securitization in lending. The regulations created by the Dodd-Frank Act may shape regulations for years. One regulation created by the Dodd-Frank Act was capital regulation.

Capital Regulation was the life and blood of the financial system when there was stress in the economy (Kim & Muldoon, 2015). Financial firms held on to their capital at the time of stress, which can cause small businesses borrowing problem. The Dodd-Frank Act called for stricter standards that increase dependence on factors like leverage and amount of capital for short-term funding. If the capital regulation in the Dodd-Frank Act is not enough the next step in defense is, the version of the Glass-Steagall Act called the Volcker Rule. The Glass-Steagall Act name was from the former Federal Reserve chairperson Paul Volcker (Kowalewski, 2015). The Volcker rule manages systemically important financial institution (SIFI) and the systemic risk of banks (Kowalewski, 2015).

The Volcker Rule highlights macroprudential as an essential part of the financial regulatory system. The macroprudential was a first for the act requiring regulatory agencies to measure systemic risk, designate firms, and provide enhanced regulation of enterprises and industries (Kim & Muldoon, 2015). The Volcker Rule called for systemic institutions to take the annual stress test and the Federal Reserve conducted the annual stress tests from 2009 -2014 (Kim & Muldoon, 2015). Banks have to undergo a stress test and hold more financial capital (Epstein & Rhodes, 2016). The stress test was a way to ensure that the FDIC had control of the failed banks and businesses. The Dodd-Frank Act provided the FDIC the authority to resolve a SIFI that was under financial stress. The FDIC established a new Office of Complex Financial Institution to monitor risk in complex financial firms, develop a response to potential crises, and work with regulators overseas with cross-border resolution (Akhigbe, Martin, & Whyte, 2016).

Regulation and Deregulation

The government uses various tools to monitor the lending by banks like regulations and deregulation. The additional reasons for the lack of lending to businesses included reduced regulation and over deregulation in banking (Pop, 2015). Regulators expect the board of directors to act to ensure the financial institutions. Financial institutions report to the following regulatory agencies Securities and Exchange Commission, Office of Thrift Supervision, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency (Cassell, 2016). The Office of Comptroller of the Currency oversees national banks. The Office of Thrift Supervision manages savings and loan associations and their holding companies. The Federal Deposit Insurance Corporation supervises state-chartered bank are not members of the Federal Reserve System (Keldon, 2015). The Federal Reserve System oversees state-chartered banks that are members of the Federal Reserve System and bank holding companies. Banks must make some changes to their capital structure to survive.

When capital was high, banks do not worry about breaching their regulatory capital minimums. Additional capital may result in the bank's ability to participate in more high-risk lending projects (Amel & Prager, 2016). Banks report that regulatory agencies and bank examiners are inconsistent the way they defined as bad loans. Inconsistency in regulatory guidelines can lead to trouble in the lending process for small business loans (Epstein & Rhodes, 2016). Confusion and lack of taking risk among business resulted in the falling of loan to deposit ratios in 2009. Small businesses, large corporations, and individuals are depositing funds in banks, however not requesting

business loans. The lack of lending to small business was due to some of the financial regulations imposed on banks and other financial institutions (Epstein & Rhodes, 2016).

Additional causes of lack of lending and available funds include over deregulation, poor regulation, and financial innovations that produced the latest trends in products and securitizations involving derivative and risks (Harimaya & Kondo, 2016). The Riegle-Neal Act of 1994 (RNA) had an impact on mergers and acquisitions activities through deregulation (Harimaya & Kondo, 2016). The creation of RNA leads to an adverse effect on the number of banks that lend to small business. During the disassembling and replacing banking regulators served as a way for governments to move the blame to regulatory agents (Harimaya & Kondo, 2016). The act of shifting the responsibility for the crisis to the regulatory agencies did restore public confidence by sending a message to a new and sound regulatory system (Kleibl, 2015). The government may lower the regulatory responsibilities of banking regulators during the time of an economic crisis. Kleibl (2015) agrees with Kozubíková et al., (2015) that disassembling and replacing banking regulators was costly, required developing new and complex legislation and necessitates the amendment of various laws. There was a need for the government to apply regulatory measures that eased small business needs to use formal financial.

Kozubíková et al., (2015) indicated that small enterprises and firms that rely more on minimum information can obtain loans from the decentralized banks easier than from centralized banks. Bank managers of small banks may be better at alleviation credit constraints for small business. With credit constraints decrease, bank managers of

decentralized banks worked harder to provide loans to small businesses (Kozubíková et al.,2015). Regulations restrict centralized bank from using only 25% of their total capital and surplus to one borrower per loan (D'Aurizio et al., 2015). Decentralization of banks can lead to extensive increased lending to small business even with the wave of mergers of small, decentralized banks due to the decrease in credit constraints.

Troubled Asset Relief Program

The Troubled Asses Relief Program (TARP) contains programs to help banks and business in operation during financial crises. The TARP was the most despised, misjudged, but affected policies in the history of banking and business (Calomiris & Khan, 2015; Fisher, Gilsinan, Islam, & Seitz, 2014). One of the programs that are part of the TARP was the Capital Purchase Program (CPP). The CPP was a program design to purchase troubled mortgage-related assets straight from financial institutions (Calomiris & Khan, 2015; Paracini-Guenin, Gendron, & Morales, 2015). President Bush signed TARP, which provided over $700 billion of total spending for the government to bail out banks and businesses (Calomiris & Khan, 2015; Fisher et al., 2014). The program provided monies to the large banks to enable them to survive the financial crisis

Securitization

I also examined the securitization of banks' small business loans, which can affect the personal income of the borrower. Securitization was the process of converting cash flow arising by repackaging and trading cash held on the balance sheet (Buchanan, 2016). The process allowed the originator to raise asset-backed securities. As the recession developed the credit supply decreased, this affected small businesses disproportionately

and caused a loss of jobs. The loss of jobs was due to the high level of external financing through loans (Gu, Hernandez, Liu, & Shao, 2017). The securitization was beneficial to small businesses. Securitization improved the strength of small business owners and their workers' personal income (Gu et al., 2017). Securitization activities enhanced and not jeopardize the financial stability of small businesses. Gu et al., (2017) disagreed with the findings of Goddard, Mckillop, & Wilson (2016) that securitization, derivatives, and auction rates securities contributed to issues of lending. Buchanan (2016) and Gu et al., (2017) agreed that banks' securitization loan portfolios can cause risk reduction, and benefits borrowers in aiding with their personal income and uses.

Shadow Banking

The lenders that have loans in the shadow banking can have large volumes of loans that depend heavily on loan securitization (Plantin, 2015). Shadow banking was a sector with traditional banks with fewer regulations and can be more profitable for a bank (Keldon, 2015). The banking functions in shadow bank regulations are less than other banks. Banks had been in search of a way to achieve greater yield and liquidity. The banks with greater yield and liquidity abandoned the move from the originate-to-hold and distributed to shadow banks (Plantin, 2015). In the originate-to-hold, the senior bank managers supervised junior managers. The monitoring of these junior managers proves to incur agency costs. The shadow banking enabled many banks to get around the capital requirement and to take the risk of lending (Keldon, 2015).

Small businesses struggled to make loans and acquire credit they need to thrive in a financial crisis (Huang & Stephens, 2015). The small business problem was not finding

affordable credit due to the fact the US Federal Reserve kept the interest rates low. The problem small businesses face was obtaining loan approval. The lenders can reduce lines of credit, call loans in and refuse new loans. The government can keep the interest rate low to increase credit, but banks need to lend to small borrowers (Huang & Stephens, 2015). For a government to effect a change in small businesses, the government needs to develop a stimulus for small business loans. The US government introduced the National Credit Act (NCA) of recovery idea for the people that make decisions on small business loans. The thought of recovery gave strength to NCA that influences sensemaking. Sensemaking was a process grounded in identity construction, social, ongoing, retrospective, and in cues to lending (Daellenbach, Zander, & Thirkell, 2016). Sensemaking enabled managers to make sense of in ways the loan officers are making lending decisions.

Crowdfunding (CF) was part of the Title III of JOBS Act (Hildebrand, Puri, & Rocholl, 20147). Small business can raise funds for their businesses via the JOBS Act using the CF. The CF rules allow small businesses to raise more money at lower costs and the backers provide needed support (Hildebrand, Puri, & Rocholl, 20147). CF was a source of funding for small businesses an opportunity for small ventures in small businesses.

Transition

Section 1 was the introduction point of this study. The purpose of this qualitative single case study was to explore strategies senior bank lending officers use to improve lending to SMEs. A sample of least four lending executives with extensive experience in

bank lending responded to semistructured interviews with open-ended questions. The research problem, research question, and the conceptual framework contribute to an understanding that some senior bank lenders lack strategies to improve lending to SMEs. In this study, the purpose was to explore the strategies some senior bank lending officers use to improve lending to SMEs.

The literature review provides the theory used in this study agency theory, small business and bank lending, relationship lending and SMEs, SMEs and banking crisis, corporate governance in the banking industry, Dodd-Frank Wall Street Reform and Consumer Protection Act 2010, regulations and deregulation, Troubled Asset Relief Program, securitization, and shadow banking. This section provided an explanation of the study and the selected methodology. The research method and design are a qualitative case study approach.

Section 2 included the purpose statement and a detailed explanation of the study. The section described my role as the researcher, detail of the participants, ethical consideration, and research method and design. In section 2, I also discussed the procedures for gaining access to participants, data analysis, and reliability and validity of the study.

Section 2: The Project

In this study, I explored strategies that SMEs lending officers in one commercial bank in the Houston area used to provide loans to SMEs. The research involved collecting data through interviews with bankers and data from government databases on small business lending. The outcome of the study may provide strategies to overcome challenges from regulatory restrictions to improve lending to SMEs. Section 2 includes the role of the researcher, participants, research methodology and design, data collection, organization and analyses techniques. Moreover, Section 2 includes details about my population, and sampling, data collections analysis procedures, issues of ethical research and maintaining validity and reliability of the study.

Purpose Statement

The purpose of this qualitative single case study was to explore strategies senior bank lending officers use to improve lending to SMEs. The target population was bank lending officers in the southern United States. The participants consisted of four senior lending officers of a bank in Houston, Texas familiar with lending strategies to SMEs owners. The findings of this study helped bank lending officers to identify strategies to improve lending to SMEs owners can benefit from the available funds for business growth. The implication for positive social change was that small business growth increased employment opportunities for the local communities.

Role of the Researcher

Marshall and Rossman (2011) stated that the role of the researcher as the primary instrument for data collection in a case study was to ensure in-depth description and

conduct an analysis of the answers to the interview questions. In this study, my role as the researcher was to collect data from SMEs lending officers, define the research method and design and analyze collected data. I was responsible for selecting participants. The interview involved interviewing four SMEs lending officers from a bank in Houston, TX. In this qualitative case study design, I was the data collection instrument. I selected the appropriate research methodology, design, the participants, and analyze the data as my role as the researcher in the study. Baxter and Jack (2008) argued that researchers construct a case study to answer the how and why of problems. The role of the researcher was to provide good research questions and conduct interviews (Barratt, Choi, & Li, 2011; Comi, Bischof, & Eppler, 2014).).

Qualitative researchers embark on the study with their understanding, current theory, engage in the discussion, increase interaction with participants, and make assumptions about possible outcomes of the study (McKee, Guimaraes, & Pinto-Correia, 2015). My 30 years in banking and 15 years in the commercial loans back office establish my qualifications to conduct this research study. I am familiar with the topic of loans provided to SMEs. I have limited knowledge of the process of making loans to SMEs. I work in the department of the bank that processes the small business loans after the SMEs lending officers have completed the loans.

I, as the researcher, needed to listen, avoid being judgmental, stay focus and remain interested in the participants. The Belmont Report summarizes the basic ethical principles that underlie the conduct of behavioral research that involves human subjects and their well-being (Vollmer & Howard, 2010). I conducted the study in an ethical

manner that aligned with the Belmont Report protocol by ensuring that the participant's identity was confidential. I did not use any name or organization in this study.

I completed the National Institute of Health web-based training program on the way to protect research participants (Appendix C) and remained in compliance with the Belmont Report Protocol. My role was to explore the views and key actions of the participants involved in small business lending. Researchers can develop a close relationship with their research topic and that created biases. During the research process, the researcher role was to minimize biases that may affect data collection and data analysis (Sorsa, Kiikkala, & Astedt-Kurki, 2015). To minimize bias, I did not let my years of experience in the banking industry impair my judgment during data collection and analysis. Rather, I used my banking experience to select senior banking officers that are knowledgeable in improving lending to SMEs. I did not personally know the participants or have any interest in their businesses. I avoided developing a relationship with the participations. To help eliminate any potential bias or personal influence from the research, I applied the bracketing method and member checking in the study. Bracketing was a self-reflexive process to avoid personal bias in the research (Chan, Fung, & Chien, 2013).

To ensure the reliability of a case study was to create a case study protocol. Yin (2014) suggested that an interview protocol helped the researcher during the data collection process. The interview protocol was a guideline to aid the researcher in conducting an interview and ensure that the participants are comfortable in the interview process (Yi, 2014). Moreover, the interview protocol help maintains the ethical standard

when working with participants (Yin, 2014). A qualitative researcher needs to maintain the privacy and confidentiality of participants. The interview protocol for this study was in Appendix B. The protocol includes an informed consent from the participants. The informed consent form contents research criteria for the participants, background about the study, and what the participants might expect if they decide to participate (Mealer & Jones, 2014).

Participants

The primary source of data for the research study was face-to-face semistructured interviews with four loans officers. Hensman and Smith (2011) conducted interviews with participants with an average experience of five or more years in banking. The participants in this study were individuals that have at least 5 years of experience and are familiar with lending to SMEs and changes in regulatory lending standards. A researcher needs to select participants with knowledge of the phenomenon (Hays & Woods, 2011). Berg and Kirschenmann (2015) collected lending information from loan officers at Access Bank for his studies dealing with SMEs. I looked for information on bank lending officers from a commercial bank located in Houston, Texas, to find out their lending experience and amount of SMEs loan in their lending portfolio. I selected participants responsible for a lending portfolio that contains SMEs loans ranging from the U.S. $ 25,000 to the U.S. $ 1,000,000.

I obtained the names and contact information of prospect participants from the commercial loan managers, a bank employee directory, and email addresses of lending employees from the lending department managers. I contacted each participant by phone

or e-mail before conducting the study to communicate the purpose of the study. I requested participants to carry out the interview in their office. When a participant chooses a location for the interview that they feel comfortable, it provides them with the freedom to express their experiences freely (Rubin & Rubin, 2012).

Building a relationship with participants in the study was vital to successful qualitative research. To establish a working relationship with participants was by building trust. Researchers need to be open and honest with the participants in all aspects of a study (Rubin & Rubin, 2012). The assurances of confidentiality and open communication can lead to a trustful relationship (Lohle & Terrell, 2014). In this study, I handed out consent forms to participants so that they are aware of research guidelines and protocol. Researchers use the consent form to ensure their anonymity was assisted in gaining their trust. Another way a researcher can gain and maintain trust is was by protecting and safeguarding all private data (Cooper, Fleischer, & Cotton, 2012). The consent form included a clause that safeguarded the data and after five years destroy the data as per the IRB protocol.

Research Method and Design

The purpose of the qualitative research study was to present insight into the strategies some senior bank lending officers use to improve lending to SMEs. The qualitative study approach to research was to aid the exploration of a phenomenon through open-ended questions (Hensman & Smith, 2011; Yin, 2014). I determined that the qualitative method be best for this study. Qualitative research methods enable researchers to explore the information collected from the study in natural surroundings.

The use of the qualitative case study enables researchers to record observations of verbal expression of the participants (Newington & Metcalfe, 2014). In a qualitative method study, a researcher answers why and what questions to explore the phenomenon through more than one avenue (McCusker & Gunaydin, 2015). In this study, I obtained data from interviews with participants about their working experiences. I also collected data from government sources.

Research Method

Hensman and Smith (2011) noted that, in the qualitative method, a researcher needs to focus on developing an understanding of insider viewpoints and the purpose that ascribes to their actions. A qualitative method contained interviews and data analysis to define and clarify participants' experience. Barratt et al., (2011) define qualitative research as empirical research that uses rich data from the real world to study a phenomenon. In this study, I used a qualitative approach based on the type of information needed to answer the research question and to explore the strategies some senior small business bank lending offices use to provide small business loans. Blum (2013) and Nyaribo (2013) noted that qualitative research gives room to the research to amend the interview during the interview and allow researchers to incorporate findings to aid in understanding the research problem. The qualitative method requires conducting one-on-one interviews and writing observational notes to capture data to understand the social phenomena (Kaczynski et al., 2014). A qualitative research method provides I, the researcher, with a method for obtaining an understanding of the problem from the participant's viewpoint. In a qualitative study, the researcher was able to observe the

attitudes and behavior of the participants and able to analyze data with an open mind (Kaczynski et al., 2014; Lewis, 2015; Marshall & Rossman, 2016). In this study, I used open-ended questions, which allowed me to incorporate findings that aided in understanding the research problem and answer the research question.

Park and Park (2016) argued that the quantitative method of study can examine the relationship between independent and dependent variables and generalize results using numbers. Therefore, the quantitative method in business was used to determine the relationship between the numerical characteristic of the population and use the closed-ended question using a survey not involving the participants lived experiences (Yin, 2014). The quantitative method was not the best fit for my study because I did not test hypotheses or measure variables. I did not obtain statistical data because it was not feasible for this study. A quantitative method was a deductive approach to examining and measuring a phenomenon in a systematic manner, which produces data in a statistical format (Bambale, 2014, Hafford-Letchfield, 2014). Quantitative methods are an objective process of inquiry that simplifies statistical findings (Rubin & Babbie, 2014). In this study, I used open-ended questions to explore the phenomenon, without regard to the numerical characteristic of the data. The quantitative approach was used to test theories using empirical data. I did not use the quantitative method because it was not appropriate for addressing the research problem, variables were not measurable in a reliable way, and the literature does not exist to support statements of hypotheses.

The mixed research methodology was to study new questions and initiatives, complex phenomena and hard-to-measure constructs (Abro et al., 2015). Mixed method

research required applying a complex methodological framework for a study, thinking in diverse ways, was ideal for longitudinal studies and being open to understanding social relationships using both qualitative and quantitative approach (Bristowe et al. 2015; Mertens, 2014; Renukappa, Egbu, & Goulding, 2013). The mixed method was not suitable for this study because I wanted to understand the issues related to strategies some senior bank-lending officers use to improve lending to SMEs. Mayoh and Onwuegbuzie (2013) noted that the mixed research method combines both qualitative and quantitative to validate quantitative data and require an extended amount of time. A mixed method approach was not suitable for this study because of the excessive amount of time required to conduct both qualitative and quantitative in terms of the data collection process. Also, I did not use the quantitative method because I did not test any hypothesis.

Research Design

Qualitative research methodologies include the following designs: case study, ethnography, narrative, and phenomenology (Yin, 2014). Ethnography was derived from anthropology and was a study of human groups and understanding the culture (Marshall & Rossman, 2016). Additionally, ethnography instructs the researcher in ways to examine the patterns of behavior, belief, and language shared within a cultural group (Petty et al., 2012). I did not use ethnography design because it contains instruction on ways to capture the cultural view of the participants and the not business problems. A narrative design was to build or structure experience as narratives of the individual’s life story (Venkatesh et al., 2013). The narrative study was not the best fit for this study

because the basics of this study focus on worldviews and experience a phenomenon from one or more individuals and not narratives of individuals' life story.

The phenomenological design approach allows a researcher to capture or explore the worldviews and the experience lived by individuals pertinent to the phenomenon (Marshall & Rossman, 2016; Moustakas, 1994). I did not select a phenomenological design because this proposed study was not about the worldview and experience lived by individuals. The focus of this study was to explore strategies some senior Houston SMEs bank lending officers use to provide small business loans. A case study research design was the best research design for this study. I did use a case study to answer the how and why of the research questions. A case study also enabled me to interpret the meanings of the participants. A case study design enabled the researcher to better capture the complexity of the social problem through the interview and documentation methods (Petty et al., 2012). A case study can connect the data to a study's initial research question and the study's conclusions (Yin, 2014). A case study design allows the researcher to ask how, why, and what of the study to obtain information about the phenomenon (Baxter & Jack, 2008). The interview questions in this study ask how and what strategies senior lending officers use to provide lending to SMEs.

The primary source of data for this study come from interviews. Researchers may continue interviewing participant until no new themes emerge (Bistowe et al., 2014; Hubrich., & Wittwer, 2014). Often in a qualitative study, data saturation depends on sample size (O'Reilly & Parker, 2013). Dworkin (2012) noted that in a qualitative case study, data saturation occurred with four-sample size. Researchers can ensure data

saturation by interviewing participants between 45 to 60 minutes until no new themes emerge (Daroush & Ohman, 2013). I did interview the participants for 45to 60 minutes. To ensure data saturation, I did continue to interview participants to identify missing facts or until no new themes emerge. Data saturation may occur through data collected and analyzed from the interview (Yin, 2014). I did conduct member checking with the repeated interviews with the four participants.

Population and Sampling

The research design was a qualitative single case study concerning a bank in Houston SMEs lending officers. Tronnberg and Hemlin (2014) noted that bank loan officers have decision strategies in lending, and they have access to key information that influences lending to SMEs. The target population for this study was SMEs located in the southern United States. There needs to be a reliable sampling strategy to ensure the data collection method was trustworthy (Elo et al.; 2014). I did use a purposeful sampling method to select participants that have experience in study phenomenon. Purposeful sampling was to ensure that participants selected for the study were able to provide information related to the phenomenon (Duan et al., 2015; Jones, Nix, & Snyder, 2014). Benoot, Hannes, and Bilsen (2016) suggested that purposeful sampling provided rich information on a research topic. The criteria for selecting participants was that they (a) belong to a bank located in the Houston area, (b) have access to key information on leading practices, (c) are knowledgeable about lending practices to SMEs, and (d) are willing to provide an honest and unbiased response to interview questions.

To select participants for this study, I did obtain permission from the division manager of a bank in Houston, Texas to gain access to the participants. I did invite participants to the research via email by attaching a copy of a consent form of the participants to agree to participate. Ghobadian and O'Regan (2014) suggested that the researcher contact the participants to set up a time and place for the interview. I did set up a meeting to conduct a 45 to 60-minute interview in an appropriate and convenient setting (e.g., work office or conference room).

Bernard (2012) and Kaczynski, Salmona, and Smith (2014) suggested that there was no set number of participants in a study to reach data saturation in a qualitative study. However, Marshall, Cardon, Poddar, and Fontenot (2013) mentioned that to ensure data saturation the sample size of participants was large enough to collect all the data sufficient for analysis and small enough to prevent loss of valuable time (Marshall et al., 2013). Data saturation was when data collected become redundant and when no new information to add (Marshall et al., 2013). After conducting interviews with four participants, Moin et al., (2015) reached data saturation. In this study, I selected four participants from a bank to answer open-ended questions in a semistructured interview to provide their insight on research phenomenon. I did ask participants the interview questions and follow up questions until no new data and themes arise to ensure data saturation. Moreover, I did utilize methodological triangulation and member checking to ensure data saturation. Methodological triangulation was collecting data from different sources. (Denzin, 2012). Member checking allows the researcher to add new information if there are any after data analysis (Morse, 2015).

Ethical Research

The relationship and intimacy that develop between researchers and participants in qualitative research can create different ethical concerns (Bahramnezhad et al., 2014). The qualitative researcher needs to uphold ethical standards (Bromley, Mikesell, Jones, & Khodyakov, 2015; Damianakis & Woodford, 2012). Researchers implemented ethical checks to ensure they are speaking and writing in an ethical matter (Damianakis & Woodford, 2012).

I did follow the three basic principles important to the ethics of research involving human subjects: (a) respect for persons, (b) beneficence, and (c) justice, which are in the Belmont Report. Researchers are to show respect by treating individuals as autonomous agents and protected (Belmont, 1979). The beneficent was do not harm and ensure a maximum of possible benefits and minimum harm (Belmont Report, 1979). The justice in the study was individuals that are to receive the benefits of the research and bear its burdens (Belmont Report, 1979). Injustice in the research occurs when an individual does not receive the benefit the induvial was to receive, without a good reason or some burden was unduly applied. Ethical research contained all three principals: respect for persons, beneficence, and justice to ensure the ethics of the research study (Damianakis & Woodford, 2012). The other aspects of ensuring the ethics of a research study are risk and ethical dilemmas.

All researchers need to anticipate risk and identify possible ethical dilemmas (Damianakis & Woodford, 2012). When ethical dilemmas surface in a study, researchers need the knowledge to preserve confidentiality and make correct decisions to prevent

harm to the participants. Ethical research needs to practice throughout the research process. I did treat each participant with dignity and trust to build trust that can ensure a working relationship with the participants. Damianakis and Woodford (2012) noted that recognizing the emotions and problems involved enabled a researcher to treat participants with respect, protect them and save them from harm and embarrassment.

The participant needed to sign a consent form sent electronically via email, before answering the interview questions. Marshall et al., (2013) and Yin (2014) suggested that the researcher gained consent from all persons to protect their privacy and confidentiality. The signed consent forms from participants illustrate that participants are willing to participate in the research. Nebeker, Linares-Orozco, and Crist, (2015) suggested that a consent form letter in any study needs to outline the measures during research of the study to ensure the application of ethical procedures during the study. Prior to contacting the participants, I did obtain approval from Walden University's IRB. The participants can withdraw from the study by exiting the interview at any time during the study without penalty. The participants were made aware that their contribution to the study was voluntary and they can withdraw from the study at any time without penalty (Yin, 2014). The participant consent form explained that the participation in a study was voluntary and they can withdraw without penalty at any time (Nebeber et al., 2015). If the participants agree with the content of the consent form, they can confirm by emailing me. When the participants withdraw, I shred any notes and audio-recording data related to study destroyed immediately. The data collected from the interview will be in a locked safe and disposed of after five years to ensure confidentiality.

Payments to recruit participants are common practice but might raise ethical concerns of potential coercion or undue influence (Largent, Grady, Miller, & Wertheimer, 2013). I did not offer any incentives for the participants in this study, but the participant may have access to the report of the findings. I kept participants and their organizations' name confidential. The researcher had a way to identify the participants without using their name and identifying the data collected (Damianakis & Woodford, 2012). Only I contacted and knew the participants are during the study. I did (a) use an assigned identification to identify the participants without using of their name, (b) an identification mark for all data collected, and (c) identify all the data collected from databases. The collected data from the databases are public information and no protection was a requirement.

Data Collection Instruments

Data collection involves assessment techniques incorporating open-ended questions in an interview with participants (Wiseman & Harris, 2015). I was the primary data collection instrument in this qualitative case study. I used face-to-face semistructured interviews with open-ended questions to collect data to answer the research question. Janghorban, Roudsari, and Taghipour (2014) suggested that interviewing participants provided information about the participants' experience and viewpoint of a particular topic. I interviewed the participants about their strategies for providing loans to small businesses. The interview questions are available in Appendix B. Semistructured interviews are the most efficient way to allow researchers to ask open-ended questions to gather data for their study (Gopalan, Udell, &Yerramilli, 2011). I

asked each participant the same interview questions, the participant's interview responses were on an audio recording, transcribed, and then analyzed the data.

Before the interview, I provided participants with a copy of the interview questions (Appendix B) and a copy of the consent form (Appendix A) to read and sign electronically. Moreover, I followed an interview protocol (Appendix B). The interview protocol was a guideline that aided me in conducting an interview and ensure that the participants are comfortable in the interview process. The interview protocol enabled me to keep the focus on the topic in the study and assist with reliability. The interview protocol consists of procedures and activities during the interview.

After the interview, I emailed each participant a transcript of the interview and have them review for any errors and missing information to ensure the accuracy of the interview data. A review of the transcribed interview ensured that the researcher captured the correct wording and accurate meaning (Houghton et al., 2013). Houghton et al. (2013) noted that the transcribed interview allowed participants to read their transcription and analyze interviews to ensure that the researcher captured the correct wording, accurate meaning, and data are credible. After data analysis, I contacted participants for member checking by sending to his or her interview that I transcribed to validate the accuracy of the information provided by them during the interview process. Member checking was an opportunity for participants to enhance reliability and validity of the participant response to the interview questions (Killawi et al., 2014; Simpson & Quigley, 2016).

Qualitative researchers can use multiple data that are credible like interviews, observation, and written documents (Baxter & Jack, 2008). The use of triangulated data sources can influence the development of the framework in a study and can affect the research outcome (Barratt et al., 2011; Shorki-Ghasabeh & Chileshe, 2014). Triangulation enhances the research study validity (Ross, Petersen, Johnsen, Watt, & Groenvold, 2012). Case studies do benefit from methodological triangulation of data collected for the study by improving the range and use of the data from one source (Carter, Bryant, DiCenso, Blythe, & Neville, 2014). Researchers may use government databases, company or archival documents as instruments for collection data (Marshall & Rossman, 2015). Small Business Administration database and bank lending reports for small businesses can provide additional data showing past trends, and greater insight into the way the strategies of the senior bank lending officers use provided loans for SMEs.

Data Collection Technique

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Data Organization Technique

Data organization was valuable to a researcher because it helped to access relevant information during data analysis (Marshall & Rossman, 2016). I used the interview questions (Appendix B) to gather data for this study. In this study, I used a digital audio recorder to record the participants' responses during the face-to-face interviews. After the interview, I asked the participants to email any documents that may contain information on the strategies used to assist in providing loans as supplementary data for analysis.

Data organization techniques required tools to classify, store, and sort the collected data (Yin, 2014). I transcribed, organize, analyze, and safeguard data

Researchers of qualitative research use coding to identify the participants. Excel™ spreadsheets, Zotero™, and research logs are tools available for data organization (Yin, 2014). I stored my data in Microsoft Excel and analyze data for easy access. According to Sweeney et al., (2012), the organizing of the data was by themes for easy retrieval (Sweeney et al., 2012). Data in an excel spreadsheet allows the information to organize by themes or coding. I printed the spreadsheets and store them in a locked cabinet. The spreadsheets can be password protected. Some researchers use NVivo to sort and arrange data during the data analysis portion of the research (Geldenhuys and Cilliers, 2012). I used NVivo a software program to code and analyze the collected data for this study. I uploaded the information from the excel spreadsheet to the software program NVivo.

The storage of data on the original tape was in an envelope and backup copies of tapes stored separately in a locked cabin. The original and copies of the tapes were in storage for five years and then destroyed. The written transcripts of recordings are in a file folder and labeled in a locked cabin. All electronic data and papers contained labels and numbers assigned in sequential order to each data collection event. I am the only person with a key to the cabinet.

Data Analysis

An important practice in the analysis phase of any case study was the return to the propositions to provide a different view of the explanation of a phenomenon (Baxter & Jack, 2008). I used the following framework for data analysis. Yin’s (2015) approach consists of five steps to analyze data: (a) compiling (b) disassembling, (c) reassembling, (d) interpreting, and (e) concluding. Compiling was the process researchers use after

collecting data from the participant's interview to serve as the foundation for sorting data collected for the study (Yin, 2015). I imported the transcripts of the interviews into the software NVivo10. Geldenhuys and Cilliers (2012) collected data from interviews with the participants and transcribed the data by using NVivo10 qualitative data analysis software. NVivo10 was the latest qualitative research analysis software for coding and analyzing (Geldenhuys & Cilliers, 2012). A copy of the transcription of the interview was collected and coded by using the coding technique to develop categories and analyzed using NVivo10. I read the transcripts of the interviews and mark the answer to the research question. Themes evolve from the conceptual codes, subcodes and relationship codes (Gau & James, 2013). I compiled all the information with similar words and phrases. Disassembling occurred after compiling the data (Yin; 2015). I arranged the data in a smaller group. I then disassemble the information and assign codes to each element in the study. The codes aided to identify emerging patterns and themes. I used the auto-coding option in NVivo10 for the coding process. When I complete disassembling the data, I started the process of reassembling the data.

Reassembling helped link coded words and phrase to identify themes (Castleberry, 2014). This process in the data analysis was the arrangement of the date until themes emerge (Yin, 2015). I repeated this process until the identification and coding of all themes are complete. The themes are a pattern in the data sets important to the description of a phenomenon and associated with the research question in the research study (Gau & James, 2013). The next step was interpreting the data. Interpreting in the data analysis is to review the chain of evidence in the data collected or the links

established in the study (Yin, 2015). The last step in data analysis was concluding. Concluding was the understanding the finding of the qualitative study of the themes and patterns that develop relating to the central question (Yin, 2015). I took the findings that I derive from the themes to ensure there was a relationship to the central question Themes develop from data and investigator's prior theoretical understanding of the phenomenon under study (Gau & James, 2013). Themes come from the induction of empirical data, texts, images, and sounds. Themes develop even with a fixed set of open-ended questions. Coding was one of the methods that are in team-based qualitative data analysis of a study (Sweeney, Greenwood & Williams, 2012). I categorized and code the data from the interview by using Nvivo 10. I validated the findings and interpretation by discussing the findings after the interview. The coding of experiences of selected participants was their contributions providing finances to small businesses.

I was able to tie the conceptual framework of agency theory to the data collected in this study. The strategy for researchers to follow the conceptual framework led to the case study (Baškarada, 2014). The strategy for researchers to follow the conceptual framework led to the case study (Baškarada, 2014). I used agency theory to structure the interview questions to collect data concerning strategies some bank officers use to provide loans to SMEs. The key construct of agency theory that helped me to understand the context of the research. In a literature review, I correlated key themes with the literature including any new studies written since the proposal and the conceptual framework of diffusion of innovation. The data analysis resulted in emerging themes. I

compared the themes that emerge from data analysis with the literature to see the similarities and differences.

Methodological triangulation was a common type of triangulation used in qualitative research (Heale & Forbes, 2013). I used methodological triangulation consisting of interview questions with the participants and company documents showing the trend of strategies for providing loans to SMEs. Methodological triangulation uses multiple sources to increase the validity of the case study findings (Verner & Abdullah, 2012. The integration of data can provide a better view than providing the information by each source separately (Callery, Kyle, Banks, Ewing, & Kirk, 2013). The integrated data involved different information from compliance, leaders, and lenders.

Reliability and Validity

This section contained information and description on ways to ensure the study was reliable and valid. Reliability and validity are a way to assess the quality of the procedure used to collect data in a study. Qualitative research depends on tools like semistructured questions and interview protocols to help establish reliability and validity (Marshall & Rossman, 2016). Reliability was the consistency and repeatability of the research procedures in a qualitative case study to maintain a chain of evidence (Yin, 2014). Validity was essential for evaluating the quality of the research study (Zohrabi, 2013).

Reliability

Reliability was the consistency and repeatability of the research procedures in a qualitative case study to maintain a chain of evidence (Yin, 2014). Reliability is

important to a study. The lack of reliability testing was a crucial weakness in any study (Wiseman & Harris, 2015). The protocol was the procedural guide for collecting the data for a case study (Yin, 2014). The procedural guide includes field questions, questionnaire, and survey instrument that are ways to increase the reliability of any qualitative study. Poor reliability can affect the accuracy of the test in a study.

I was able to ensure the reliability of the study by conducting member checking I used dependable data collection, organization, coding, and analysis throughout the study. Recording the interview safeguarded the interviewers' responses to protect reliability. Bank managers and lending officers are the main data source for this qualitative case study. Participants answered pre-established open-ended interview questions. I conducted a one-on-one recorded interview with four senior lending officers from a bank in Houston, Texas, to explore the strategies to bring success to small business owners. Reliability was also referred to as dependability of the study (Apers et al., 2016)

Dependability. Dependability in qualitative research was to ensure the study findings are consistent and dependable during the research process of the study. (Petty et al., 2012). Baxter and Jack (2008) suggested that participants in a study needed to have the opportunity to discuss and clarify the interpretation and contribute new or additional information on the issue in the study. I followed the interview protocol (Appendix B) for the interviews which I conducted with participants in this study. I used the member checking process involving participants to establish that the research was dependable. Dependability practices in a case study included the application of direct study replication

and adaptation (Lishner, 2015). I was able to ensure this application by conducting member checking.

Houghton et al., (2013) stated that personal recording thoughts on the research process during the research improves dependability and clarity of the procedure. Methodological triangulation was a type of triangulation can ensure the dependability of the content in a research study (Yin, 2014). Qualitative research requires that the outcome of a study be similar to previous studies to ensure reliability (Grossoehme, 2014). I used research logs to document the procedures during the data collection and analysis process. I also followed the case study protocol.

Validity

Qualitative and quantitative researchers debate the value of the term validity in the outcome of the researchers' study (Khan, 2014). Validity was a crucial issue in the legitimacy of qualitative research. Validity was not the property of a particular method but refers to the data or accounts in the research study using a specific context for a particular reason (Glozah, 2015). Steps need to be in place to ensure the validity and trustworthiness of the study. Committing to a reasonable amount of time to build trust and rapport with the participants before the interview was important. The three criteria steps to validating a qualitative study are credibility, confirmability, and transferability (Macduff, Stephen, & Taylor, 2016).

Data saturation occurs in a study when no new themes, findings, or problems are evident in the data in subsequent interviews (Bistowe et al., 2014). I conducted interviews with four small business lending officers. In a qualitative case study, reaching data

saturation can depend on the sample size (O'Reilly & Parker, 2013). To ensure data saturation, I also looked for additional information from participants' responses, the emergence of new themes, and the opportunity for further coding. Data saturation occurs when the researchers collect data that adequately reflect participants' perspectives and collecting new data does not result in new themes or ideas (Yin, 2014). I also conduct member checking to validate the interviews with four participants.

Credibility. Credibility was the value and trustworthiness of the findings in a study (Phillips et al., 2014). Member checking ensured the accuracy of the finding in the study by allowing the participants to verify their responses. Member checking was an opportunity for participants to check aspects of the interpretation of the study data provided by the researcher (Killawi et al., 2014). Researchers reviewed the individual participants' interviews before the data coding (Houghton et al., 2013). I identified and recorded any recurrent themes by asking open-ended questions in semistructured interviews to ensure the credibility of the study. To improve the credibility, I incorporated member checking and methodological triangulation to minimize researcher bias. When the participants have verified the accuracy of their information and the research findings through member checking, this was able to ensure the establishment of the credibility of the data. Data saturation ensured credibility in this study (Daroush & Ohman, 2013). I achieved data saturation by interviewing participants until no new themes emerge. In qualitative research, researchers may conduct multiple interviews, review company documents and interview transcripts for methodology triangulation. (Bristowe et al., 2014; Fusch & Ness, 2013; Houghton et al., 2013). I reviewed

information through secondary research of documents provided by lending officers and from the Small Business Administration website to utilize data and methodological triangulation. I also used a comparison method to identify new data to previously coded participant data to ensure data saturation.

Confirmability. Confirmability was the neutrality and accuracy of the data that reflects the intention of the study and the bias of the research (Petty et al., 2013). Member checking and data triangulation are suitable to show the finding was lacking the researcher's bias (Drisko, 2016). Member checking can occur by reviewing the data collected from the participants, presenting analysis and the interpretations of the participants' information for validation and credibility of the study (Harper & Cole, 2012). The participants need to receive a transcribed copy of the interview prior to coding and removing themes. Once the participants confirm their responses to the transcribed interview, then the coding commenced.

Transferability. Transferability refers to whether or not the findings of the study are transferable to other studies (Apers et al., 2016). Transferability ensured that the results of the findings in this study were available for use by others interested in researching a similar study. Methodological triangulation includes multiple data sources to increase the validity of the case study findings (Verner & Abdullah, 2012).

Transition and Summary

Section 2 included and restates the purpose of the study and describes the research model. The section provided my role as the researcher, the participants, research method and design. I discussed the criteria for the participants in this study and expanded on the

discussion in section one. Further discussion on the use of a case study and a qualitative method was also in section one. Section 2 included a discussion and details on data collection, sampling method, and analysis process. An in-depth description of the data collection instruments also located in section one. This section included interview questions and the interview methods used in the study. The last part of Section 2 also included a discussion of the measurements to ensure reliability and validity in this qualitative study.

Section 3 begins with the discussion of the application to professional practice and implication for social change. The section includes an overview of the study, the presentation of the findings, and applications in professional practice. The section also includes recommendations for action and further studies. Finally, the section includes the research's experience, the summary of the study, and conclusions.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative single case study was to explore strategies senior bank lending officers use to provide lending to SMEs. The target population was bank lending officers in the southern United States. The participants consisted of four senior lending officers of a bank in Houston, Texas, with successful experience in using lending strategies to owners of SMEs. All four participants responded to eight interview questions. Methodological triangulation involved reviewing the transcribed interview data along with the company documents received by each participant. Names of the individuals and businesses were not used to protect the confidentiality of the participants. I imported the data collected from semistructured interviews into NVivo 11 qualitative analysis software and then reviewed the participants' responses. I identified three themes from the analysis of data collected: barriers and challenges for business owners, ease in lending process and regulatory help, and relationships and lending experience. The themes I extracted from the analysis aligned with this study's conceptual framework and review of the existing literature. The associated keywords along with the research questions indicated the patterns used to identify themes, as recommended by Cosenz and Noto (2016).

Presentation of the Findings

SMEs heavily dependent on banks as a source of funding and SMEs success is important for economic growth (Kiser et al., 2016). Thus, the main research question was the following: What strategies do senior bank lending officers use to improve

lending to SMEs? I conducted semistructured interviews with four senior lending officers in a bank in Houston, Texas. I selected four senior managers through purposeful sampling. Purposeful sampling is useful in obtaining rich information on a research topic (Benoot et al., 2016). I obtained approval to interviews lending officers from the bank department manager who oversaw the SMEs business group. After receiving the approval, I contacted four senior lending officers, and they agreed to participate in the study. I conducted face-to-face semistructured interviews guided by open-ended questions with four senior lending officers. Three themes emerged from data analysis (see Table 2).

Table 2

Interview Questions and Primary Themes (N = 4)

Interview questions	Primary Themes	Participants
1. What barriers or constraints exist for SMEs business owners when borrowing money from the bank?	Theme 1 Theme 2	P2, P4, P3 P1, P2, P3, P4
2. What strategies do you use to overcome such barriers or constraints to improve lending to SMEs owners?	Theme 1 Theme 2	P1, P2, P3 P2, P3, P4
3. What are the challenges you face while implementing such strategies?	Theme 1	P4, P3
4. How do you overcome such challenges?	Theme 1	P1, P2, P3, P4
5. What type of regulatory challenges exist when improving lending to SMEs owners?	Theme 2 Theme 3	P1, P5 P1, P3, P4
6. How do you overcome such regulatory challenges?	Theme 2 Theme 3	P1, P3 P4
7. How do you know if you are successful in providing loans to SMEs owners?	Theme 1 Theme 2 Theme 3	P2 P1, P2, P4 P3, P4
8. What else would you like to share about your experience in implementing strategies to funding to SMEs?	Theme 2 Theme 3	P2, P3 P1, P2

Theme 1: Barriers and Challenges for Business Owners

The first theme that emerged from all four participants' responses was the challenges participants faced in lending to businesses. Among the challenges, lenders assumed risks involved in the lending process for businesses. All participants reported the factors that hinder in lending are (a) the lack of collateral to obtain a loan, (b) the

presence of high-interest loans, or (c) the existence of a short repayment period for their loans. All four participants agreed that business owners might be good at what they do in their business, but many things could stop banks from lending to them. Brancati (2015) stated that banks find difficulties in finding creditworthy borrowers. The banks are hesitant to lend because small businesses may face barriers, including low productivity in the business, long distances to market, lack of skilled workers, and inadequate infrastructure (Rostamkalaei & Freel, 2016). Participant 2 stated, "when lending officers are working with small business owners, they are thorough and seek credentials to minimize their risk." Participant 1 and Participant 2 said that lenders need to work with their customers to ensure that the customers have a strategic plan in place to repay the loan obligation.

Participant 1 stated, "the small business owners may not be as experienced as lending officers when it comes to identifying avenues to improve the cash flow. Therefore, a bank officer needs to involve with SMEs in the lending process to identify possible future cash flow, which may help them to make an informed lending decision." Charles and Mori (2017) noted that the lending officer needs to assist business owners in realizing possible means to improve their cash flow. Participant 3 posited small business owners might have great ideas for their businesses and plan to increase future cash flow, but they find difficulties in convincing banks to get the necessary funding. Participant 3 continued to say, "a business owner needs coaching, preferable from the lending institution on what they can do to increase the chances of getting a loan approved." Participant 3 also stated that during loan briefing, the bank officer suggested getting a

contingency business insurance plan to minimize the future loan repayment risk. Participant 1 and Participant 2 claimed to have insurance that aided them in providing a loan. Participant 3 provided me with a copy of a loan application that the client completed during the loan process. The application listed the documents needed at the time of turning in the loan application. All participants stated that a business plan was part of the application. Participant 1and Participant 2 stated they reviewed the SMEs business plan with the business owners, which enabled SMEs owners to make a certain modification to meet lending requirements.

Participant 1 showed me the loan brochures that banks provided to clients during the loan application. The brochures listed the documents the bank needs and criteria for loan approval. Participant 1 and Participant 2 stated they met with business owners to go over the loan criteria and they asked bank officers to review the documents. Participant 1 and Participant 2 claimed document review helped them to sort out the additional papers and highlighted on the materials that matter for the loan approval. Participant 4 showed me a business plan the SMEs business owner initially wrote and the one that was revised after speaking to the loan officer. For confidential purposes, Participant 4 did not disclose the name of the business owner and the company. The revised business plan had expanded financial projections and possible future risk and strategies to mitigate such risk.

My analysis of the company documents also supported the importance of assisting customers with overcoming the challenges and barriers of applying for a loan. The loan brochure and application provided by Participant 1 and Participant 4 emphasized the

dedication by the bank to help borrowers overcoming the challenges in understanding the items needed to complete the lending process. The SBA applications and customer lending applications contain examples of the items the borrower with need to supply during the lending process. The business plan that Participant 4 showed is the result of working with the client to provide assistance to increase the probability of securing a loan. This plan included the building of a relationship between the lender and borrower. Duarte et al. (2016) established that relationships between the bank and the borrower will enable SMEs owners to obtain loans by understanding the process and overcoming barriers.

Participant 2 and Participant 3 presented some approved loan applications in which all SMEs owners provided profit and loss statements, which showed the respective companies spent money on different insurance, such as commercial insurance, general liability insurance, business policy insurance, life insurance, workers' compensation insurance, and property insurance. Participant 3 said, "a loan officer suggested SME owners get some of these insurances to increase the chance of loan approval." Participant 2 added, "insurance is expensive and added cost to the business, but it gave a peace of mind to both us, the bank and the company."

Participant 4 stated, "SMEs' owners face constraints like long-term financial advice, lack of liquidity for down payments, tight cash flow, and limited collateral." Many business owners have assets, but they may not be able to turn it liquid to provide a down payment when applying for loans (Han, Zhang, & Greene, 2017). In this context, Participant 4 added that counseling from a loan officer was helpful in identifying liquid

cash flow to put as a down payment for a loan. Many SMEs lack collateral that they can use when applying for a loan and, if they do have a guarantee, business owners do not know how to use it in the lending process (Charles & Mori, 2017). All participants stated that loan officers requested business owners to show future cash flow for payments when applying for a loan. However, during the interview, all participants indicated that convincing lending officers about possible future cash flow were a challenge to SME owners. Owners of small- and medium-sized enterprises lack competency in gathering the required documents and find difficulties in convincing lenders to obtain the required loan amount, which Ayub (2016) claimed as a significant challenge for business owners.

Emergent theme and current literature. Theme 1 is about the barriers and challenges to small business owners. The challenges were lack of collaterals, high-interest loans, and short repayment period. Ayub (2016) stated that the advantage of a financial statement would enable a business to make improvements and grow by providing information on money available to trade on equity in the company. Participant 1 stated, "insufficient or inconsistent cash flow, lack of quality financial statements and reporting, and absence of a collateral result in loan denial, high-interest rate or shorter repayment period even if a loan is available." SMEs might also not be able to obtain loans due to slow cash flow into the business, insufficient credit history, high-risk assets, no stable bank-borrower relationships, and high business expenses (Duarte, Gama, & Esperance, 2016). The lack of requirements, such as credit history, high-risk assets, and relationship with a bank can limit the funds a bank can provide to SMEs. SME owners need to build their credit with their bank to obtain a loan without going to an outside

source like payday loans (Ayub, 2016). The loan officers need to provide their expertise to increase the chances of loan approval. Consulting and seeking guidance from loan officers could help business owners to meet loan requirement (Charles & Mori, 2017).

Connection to the conceptual framework. The primary strategy loan officers could use to overcome loan challenges is creating an alliance with SME business owners and providing their expertise to streamline the loan process. The propositions of agency theory support the notion that bank-lending officers and business owners need to develop strategies to improve lending, which may increase bank profitability. The agency theory can provide a platform to maximize the principal-agent relationship to minimize agency cost (Cuevas-Rodriguez et al., 2012). Both the lenders and business owners get into the contract with self-interest, and both parties seek to maximize their self-interest (Perrow, 1986). In the lending process, many barriers exist (Butzbach & von Metteniem, 2015). The agency theory can be the basis for lenders and business leaders to build a principal-agent relationship, which is essential for loan approval. Rostamkalaei and Freel (2016) concluded that a mutual relationship might resolve the barriers and challenges that small businesses face in the lending process.

Theme 2: Ease in Lending Process and Regulatory Help

The second theme relates to bankers' strategies to overcome challenges in providing loans and lending experience. SMEs owners can spend up to 25 hours on paperwork and visit multiple banks during the entire lending process (Kiser et al., 2016). Participant 1 stated, "there are times when my customers are impatient with all the documents that must be completed when requiring a loan." Participant 1 talked about

applications for small businesses, which would reduce the application materials from seven to two pages. One of the bank's documents is lending applications, which bankers provide to SMEs borrowers, such as the Business Access Lending application that is only three pages compared to other lending documents that are 20 pages in length for larger businesses. Participant 1 presented the sample of a loan application. The back of the application had examples of how to fill the application. Participant 1 stated that the application is straightforward, but help is available if clients need help in completing it.

My analysis of the company documents supported the importance of assisting customers in applying for a loan. The analysis of the bank documents also supported the importance of innovation and a progressive mindset. The new loan application is three pages in length and is easy for the borrower to complete. The application shows the bank's dedication to innovation and expansion by highlighting the needs of the borrower and offering cutting-edge products. Ghosh (2016) examined the actions of banks to take steps to offer customers products that will meet their needs.

Participant 3 mentioned the bank was working on requiring less documentation and, in some cases, processing the loan by a retail branch rather than requiring loan application submission by business banking or commercial relationship managers. Participant 3 noted that small loans are also processed by a centralized underwriting group for speed and consistency. Participant 1 stated that strict regulation is making lending difficulty for banks. According to Participant 1, "as regulations change and become more involved, banks collect more financial information." Participant 1 stated, "we have to work very closely with our borrowers, to teach them the importance of

regulation and complying with the bank's requirements. The bank is providing the lender with tools that they can use to help their customer understand lending practices." Participant 1 added,

> Some small business owners are not familiar with the Small Business Act and the Small Business Investment Act. When we meet with business owners, we educate them about loans that are guaranteed by the government, long term low-interest loans, and counseling available to small business owners to launch a new business or business continuity.

Participant 4 said, "SBA loans are backed by the government. It is less risky, and we are more lenient in lending as long as clients meet the lending criteria." Participant 1 handed a copy of the Small Business Act and the Small Business Investment Act. During data analysis, I reviewed these documents and noticed the information was overwhelming. However, during the interview, Participant 1 showed the basic outline of these regulations that was easy to understand.

When asked to elaborate on the loan process, Participant 2 stated that the company requests business owners to initiate loan applications online. The online process takes a few minutes to complete. The borrower provides basic information related to the business, loan amount, loan purpose, and credit information. Upon receipt of the information, Participant 2 stated the loan officers review the information and business rating and recommend various options, including a line of credits and payment terms. Participant 2 stated that, if there is asymmetry of information, the loan officer will request a personal interview with the business owner rather than simply denying the loan.

Participant 2 showed me the screening application which was a 1-2 page in total length. Participant 1 and Participant 2 claimed it should not take more than 10 minutes to complete the application. Participant 2 stated the information is quantifiable and it helps the loan officer make a quick subjective judgment on the client's loan eligibility.

All participants agreed that the business of lending money could be risky. However, risk can be reduced through good lending practices. Participant 2 stated that, in hassle-free lending practices, the loan officer counsel small business leaders on how to eliminate business risk, transfer risk to others, and manage at the firm level. According to Participant 2, "we require a business plan for all businesses, small or large." Participant 2 also noted that the bank found that often counseling on how to minimize risk helps customers to prepare a business plan that is worth reviewing. All participants agreed that approving or rejecting a loan requires sound judgments from the loan officer. Participant 4 noted the ease of the application process also depends on the knowledge and expertise of loan officers. Participants 4 stated that a lack of expertise in loan officers could result in a moral hazard or adverse selection. According to Participant 4, the moral hazard is unable to identify sound borrowers and adverse selection is issuing loans to risky borrowers. All participants claimed they have the best loan officers in the industry.

Emergent theme and current literature. Karadag (2015) and Weber et al. (2015) supported the notion that lending officers and banks should develop strategies to ease the lending process. Banks providing an easy-to-follow application process, assisting with a regulatory requirement, and hiring qualified loan officers support the information found in the literature. For instance, Karadag and Akman (2015) stated the loan officer

supporting borrowers strengthens the relationship between bank and SMEs business owners, which could lead to more business in the future through repeat customers. Moreover, Ghosh (2016) found that forming a relationship with clients enables bank officers to lower borrowing cost to SMEs. There is a benefit to borrowers as well. A stable and long-term relationship with the bank could ease the future borrowing process or ease credit constraints (Allen, Goldstein, Jagtiani, & Lang, 2016).

Connection to conceptual framework. Kiser et al. (2016) suggested that bank officers ease the lending process for an improved customer experience. The foundation of agency theory construct supports one party, the principal performing tasks and making decisions to benefit another party, the agent (Bendickson, Muldoon, & Liguori, 2015; Plumlee, Xie, Yan, & Yu, 2015). Theme 2 is about easing a lending process to improve lending. Beck et al. (2015) noted that lending techniques, bank policies, financial systems, and economies affect lending to firms. Therefore, the tenets of agency theory support the fact that the loan officer, acting as a principal, must provide benefit to small business owners, the agent, for mutual benefits.

Theme 3: Relationships and Lending Experience

The third theme that emerged from the study was the importance of relationships and lending experience in lending. Banks can build a relationship when lending to customers from the information that banks collect over time by developing close ties with their borrowers (Brancati, 2015). Participant 1 and Participant 3 mentioned bankers, relationships and lending experience have an impact on providing loans to SMEs. Participant 1 stated, "when you visit your customer and see the growth in the business,

you know your job as a lender is a success." I was able to sit in on an officer monthly meeting at Participant 1's bank. The bank had a special guest, which was one of their longtime customers. The guest spoke about the relationship that his father had built with this bank and the SMEs officer that handled his business over the years. The guest told the story of how his father started the business in a small building and, with help from his banking officer, the company is now a well-known specialty food distributor in Texas. An explanation for the existence of a firm-bank relationship is that banker will monitor and address some of the information problems of the firm (Ghosh, 2015).

Participant 3 mentioned that lenders need to devote more time to smaller businesses to support the SMEs and educate SME managers when necessary. The benefit of a close relationship with the lender bank significantly helps borrowers to overcome credit constraints and regulatory issues (Brancati, 2015). Participant 1 responded, "we have to work very closely with our borrowers about regulatory changes, bank lending policies updates, and complying with the bank's requirements by building a relationship." All participants agreed that banks have to build a strong relationship with customers if they want their clients' businesses to grow.

Participant 1 revealed that a good banker can explain the bank's lending process if there is a relationship with the client, "your client is not just a body borrowing money but a person you know." Participant 1 also stated, "a good officer will go to the client's kids' games, graduations, and important dates like birthdays and anniversary." Participant 3 revealed that loans are processed in compliance with regulations by bankers with experience working on small loans. Participant 3 mentioned the bank was working on

requiring less documentation and, in some cases, processing the loan by retail branch rather than requiring their submission by business banking or commercial relationship managers. The statement made by Participant 3 aligns with agency theory because it shows that banks and the lending officer have an interest in improving the lending process for SMEs.

Participant 3 and Participant 4 mentioned that the relationship and lending experience is important in the lending process. Participant 3 and Participant 4 revealed that lenders with less experience are encouraged to reach out to more experienced lenders to aid with their customer. Participant 4 mentioned having a problem with a customer desiring the opening of a second location in a new area of town. The customer was not able to locate a building that the customer could use in the desired location. Participant 4 worked with an officer who had customers in that area of town and was able to find the perfect location for Participant 4's customer. The other lending officer was able to help Participant 4's client to purchase the building and ensure that the financial information required was provided to the bank.

Participant 1 stated, "as regulations change and become more involved, banks have been required to collect more and more financial information." SME managers need to ensure the firm complies with all rules, federal regulations, and pay any fines for noncompliance with regulations (Lail et al., 2015). Participant 1 stated, "we have to work very closely with our borrowers to teach them the importance of complying with the bank's requirements." All participants agreed that lenders need to spend sufficient time to

ensure their clients understand the importance of complying with the bank's requirements.

Mill and McCarthy (2014) suggested that in the lending process officers make decisions officers make are guided by regulatory change and capital requirements for the banks. Participant 2 stated, "there is a fine line between what regulation is and what is policy." All the participants agreed that customers think there is just very many bureaucratic requirements needed to be approved for a loan. Participant 3 shared that, "you know you have overcome regulatory challenges when your customers show they have adapted to changes in regulatory changes and new requirements." Participant 1 allowed me to review the material the lending officers use in *The Successful Journey of a Loan* class the bank provides to help educate customers. Participant 1 also shared the *Small Business Act* and the *Small Investment Act* documents. Participant 1 added, "some small business owners are not familiar with the Small Business Act and the Small Investment Act; therefore, we educate clients on these documents."

My analysis of the company documents used to educate their customers supported the importance of assisting their customers with understanding the policies and regulations of the bank. The Small Business Act and the Small Business Investment Act documents are revised and designed for the customer to understand the language. The bank lending officers learn the small business act, the small investment act, and bank policy to be able to explain the acts and policies to customers. The revision of the documents and the officer's ability to explain the information ensure the information meets the customer's need for knowledge.

Participants 1 stated, “you also let them know that the documents being requested aren’t just only our bank policy changing, but every federal bank has a policy and regulatory changes.” Inconsistency in regulatory guidelines can lead to trouble in the lending process for small business loans (Akhigbe, Martin, & Whyte, 2016). All the participants in the study agreed that using their experience in lending helped to educate their customers on the regulations and policies of the bank.

Emergent theme and current literature. The third theme is relationships and lending experience. Wegman et al. (2016) confirmed that banks need to provide knowledge that helps small business owners to understand bank policies. While providing knowledge to customers, the loan officers build trust and relationship with customers. Moreover, Brancati (2015) stated that the banking relationships with customers depend on previous lending experience and banks engagement with their current and potential customers. Business profitability depends on the line of credit (Karmat, 2018). Participants noted the bank lending strategy relies on judiciary concept, meaning helping businesses sustain through information and counseling, thereby opening an avenue for them to seek loans for business profitability from the perspective banks.

Connection to the conceptual framework. Theme 3 relates to Ross’s (1973) and Mitnick’s (2013) agency theory framework, which highlights the importance of relationships between banks (principle) and business owners (clients) for a win-win situation. Epstein and Rhodes (2016) identified inconsistencies in the regulatory guidelines and bank policies, which may lead to issues in lending to small business. Participants stated that educating customers about the regulatory guidelines is important

to make an informed decision. The tenets of the agency theory enable bank officers to focus on improving lending to SMEs through the fiduciary concept, which means doing what is best for customers including training and counseling.

Applications to Professional Practice

The applications of this study to professional practice include providing knowledge to SME lenders and owners to apply strategies for providing loans, which may help business managers when requesting a loan. The findings in this study may help bankers improve lending practices for the community, society, and other bankers by giving effective strategies for providing loans to SMEs. The SMEs' lenders might use the strategies in this study to aid in their banking practices, which may enhance their accessibility to aid in the growth and development of SMEs. The outcomes of this study may also influence bank policy and financial decision-makers in the southern United States to create a healthier atmosphere for SMEs to access lending for the improvement of their businesses, enhancement of productivity, and growth of the businesses.

The findings of this study could contribute to lenders developing strategies to provide lending to SMEs. The information on lending to SMEs might help banks to develop a new process to help lending officers overcome challenges and barriers that may hinder the lending process. The research findings in this study contain information on how bankers are reaching out to their customers to help them understand the lending process. Bankers are developing processes to shorten the time and the amount of paperwork it takes for a SMEs owner to be able to get a loan.

The findings of the study might help small business lending officers and financial institutions to obtain knowledge, which might help them to provide loans to SMEs' owners and help the SMEs to improve their business. Brancati (2015) posited that building a relationship with customers could help develop close ties that can lead to providing loans easier to a borrower. The information collected in this study will help lenders to understand the needs of their customers. The findings may help banks to gain an edge over rival banks in the industry. Small businesses are unrecognized customers for banks. In the United States, debit account and credit card financing used by small businesses account for more than $780 billion in revenue and $10-15 billion in profit (Kamat, 2018). All participants in this study indicated that banks need to recognize the major economic impact that small businesses have on society and improve the lending process for businesses. Additionally, the findings might help business owners understand bank credit policies, which might enable small business to secure more bank loans.

Implications for Social Change

This study may have a positive social change in small business growth that might increase employment opportunities for the local community. The importance of small businesses to the U.S. economy is indisputable (SBA, 2018). Small businesses comprise 99.9% of all firms in the marketplace (SBA, 2018). Bank executives are looking for strategies to increase the number of loans given to SMEs. A relationship with SMEs leaders may help banks provide the products and services to business owners (Du et al., 2017). Small business owners may use the findings in this study to obtain sufficient lending assistance to sustain their businesses through access to funds, leading to business

growth, which may result in job opportunities to communities. The study participants revealed strategies that bankers could use to develop a new process to help lending officers overcome the challenges and barriers that may hinder the lending process. Banks' lending senior executives are developing procedures to shorten the time and the amount of paperwork it takes for a SMEs owner to get a loan.

The infusion of money into small businesses through loans might increase business growth, making a more stable economy for local communities. A stable economy may attract more businesses, bring more families into the community, and increase property values. SME lenders may use the findings in the study to contribute to positive social change by helping lenders to understand the challenges that small businesses face in the Houston area to acquire funds from financial institutions. SME lenders may also use the findings in the study to gain knowledge to develop successful strategies to overcome the problems in providing a loan. When a small business owner operates a successful growing business, it contributes to the prosperity of its employees and their families. A growing business could contribute to the communities and the local economy through increased tax revenue.

Recommendations for Action

Bank lenders need sound strategic planning to assist in recognizing the gaps and developing strategies to provide business loans (Karadag, 2015). Senior bank lending officers may use the findings of this study to identify strategies that can help to improve lending to SMEs. The small business owners may benefit from the study by understanding bank requirements and regulatory compliance necessary in obtaining

loans. Bank lending allows SME owners to buy new equipment, sign a contract for new trade deals and services, introduce new products, and hire new employees. I will circulate the results of this study through conferences and scholarly and business journals. Because I am employed in the banking industry, I will be able to provide the results from this research to my network of banking associates.

Recommendations for Further Research

This case study involved senior lending officers in Houston, Texas. The findings from this study warrant additional exploration in strategies to provide lending to industry-specific SMEs in another geographical area. Increased access to credit for small business is because of the changes in regulation in the banking industry as well as state laws (Pop, 2015). Therefore, researchers should conduct future studies to explore issues not covered in the study delimitations. I recommend further research to include various banks and locations in other parts of the United States. The sample for this study consisted of four SME lending officers. Marshall, Cardon, Poddar, and Fontenot, (2013) recommended a large sample size of participants to collect enough data for analysis. I also recommend further study that involves a researcher using a large number of participants and a more extensive sampling strategy over an extended period.

Reflections

The DBA Doctoral Study process has been a great learning experience. This process has challenged me mentally and academically in a way that was new to me. I started this process to gain knowledge and understanding of the topic. I learned about the small business lending process and challenges. Now I feel comfortable in sharing my

research findings with banks and their small business divisions. As a researcher, I followed the interview protocol to minimize research bias. I chose senior lending officers with whom I had no contact before the study and I did not influence the participants to answer the questions differently. Each of the lenders has been successful in lending to many SMEs; therefore, I appreciate their input in this study. All the lenders shared a passion and desire to see their customers succeed in their businesses.

Conclusion

The objective of this qualitative case study was to explore the strategies lenders used to provide loans to SMEs. I collected data from two data sources, including semistructured interviews and reviewing organizational documentation. I used methodological triangulation to triangulate the data collected. The secondary data consisted of company information on small business lending. I reached data saturation when the data became repetitive and no additional information emerged during the interviews. Semistructured interviews with four senior lending officers resulted in three themes: (a) barriers and challenge for business owners, (b) ease in the lending process and regulatory help, and (c) relationships and lending experience. These three themes include strategies that bank lenders could use to improve lending to SMEs. I recommend further research on this topic using a larger sample size in other geographical location in the United States. Additional research on leading practices to industry-specific SMEs could also help fill the gap in the literature.

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Appendix A: Interview Protocol and Interview Questions

A. Make a telephone call to the prospective participant after approval of the proposal and approval of the division manager to build professional relationships.

B. The interview session will commence with salutations, introducing myself to the research participants, after which I introduced the research topic.

C. I thanked the participant for taking the time to respond to the invitation to participate.

D. I requested the participant read the consent form, as any questions before proceeding to sign the consent form.

E. The participant will be given a copy of the consent form for their records.

F. I seek permission from the participants before recording the interview and process to turn on the audio recorder; note the date, time, and location.

G. The coded sequential interpretation of the participant's name, e.g., the respondent will be indicated on the audio recorder, documented on my copy of the consent form and the interview will begin.

H. The interview will span 45 to 60 minutes for responses to the 8 interview questions, including any additional follow-up questions.

I. I reminded the participant of the purpose of the study before asking questions. The purpose of this qualitative single case study is to explore the strategies some senior bank lending officers use to improve lending to SMEs.

J. Watch for non-verbal reactions during the interview.

K. Ask follow-up questions to obtain more in-depth perspectives.

L. I informed the participant regarding the review of the interview reports that will be made available after my transcription

M. At the end of the interview, I thanked the research participant for taking the time to participate in the study.

N. The follow-up member checking interview it will last approximately 20 minutes.

O. Provide participants with a copy of their interview and ask if the participants might wish to provide additional information.

P. Continue the member checking process until no new date is available.

Interview Questions

Q1: What barriers or constraints exist for SMEs business owners when borrowing money from the bank?

Q2: What strategies do you use to overcome such barriers or constraints to improve lending to SMEs owners?

Q3: What are the challenges you face while implementing such strategies?

Q4: How do you overcome such challenges?

Q5: What type of regulatory challenges exist when improving lending to SMEs owners?

Q6: How do you overcome such regulatory challenges?

Q7: How do you know if you are successful in providing loans to SMEs owners?

Q8: What else would you like to share about your experience in implementing strategies to improve funding to SMEs?

Appendix B: Letter of Cooperation from a Research Partner

(Name of Business)
Contact Information

Date

Dear Linda Evans,

Based on my review of your research proposal, I give permission for you to conduct the study entitled **Strategies for Providing Loans to Small Businesses** within the Zions Bancorporation. As part of this study, I authorize you to interview the small business lending officer and use any data is public acknowledge Individuals' participation will be voluntary and at their own discretion.

We understand that our organization's responsibilities include: the senior lending officer for small business lending, a conference room or lending officer 's office. We reserve the right to withdraw from the study at any time if our circumstances change.

I understand that the student will not be naming our organization in the doctoral project report that is published in ProQuest.

I confirm that I am authorized to approve research in this setting and that this plan complies with the organization's policies.

I understand that the data collected will remain entirely confidential and may not be provided to anyone outside of the student's supervising faculty/staff without permission from the Walden University IRB.

Sincerely,
Authorization Official
Contact Information

Walden University policy on electronic signatures: An electronic signature is just as valid as a written signature as long as both parties have agreed to conduct the transaction electronically. Electronic signatures are regulated by the Uniform Electronic Transactions Act. Electronic signatures are only valid when the signer is either (a) the sender of the email or (b) copied on the email containing the signed document. Legally an "electronic signature" can be the person's typed name, their email address, or not originate from a password-protected source (i.e., an email address officially on file with Walden).any other identifying marker. Walden University staff verify any electronic signatures that do.

Appendix C: Email Interview Letter

Dear (Lending Officer),

I am conducting interviews as part of a research study to increase our understanding of the strategies uses for providing loans to small businesses. As a small business lending officer, you are in an ideal position to give me valuable first-hand information from your own perspective.

The interview takes around 45 to 60 minutes. A second interview may be required that will last no more than 20 minutes. I am simply trying to capture your thoughts and perspectives of being a doctoral student at Walden University in the Business Administration. Your responses to the questions will be kept confidential. Each interviewer will be assigned a number code to help ensure that personal identifiers are not revealed during the analysis and write up of findings.

There is no compensation for participating in this study. However, your participation will be a valuable addition to my research and findings could lead to a greater public understanding of small business lending and the people in the banking industry. If you are willing to participate, please suggest a day and time that suits you and I'll do my best to be available. If you have any questions, please do not hesitate to ask.

Thanks!

Linda Evans