Does Social Capital Matter in Banking?

Evidence from Community Banks*

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Abstract

This study investigates the impact of social capital on banking operations and performance. Using data from 2006 to 2018, we examine how varying levels of social capital across U.S. counties affect different types of banks, finding an impact mostly at community banks. We employ a novel proxy for social capital that exhibits county-year variation: the percentage of tax filings reporting charitable contributions. To address endogeneity concerns and validate the measure, we instrument it with other well-established yet less-varying proxies for social capital—organ donation rates and high voter turnout—showing consistent results throughout. Our findings reveal that community banks in high-charitable contribution counties experience higher deposit growth, are less likely to exit these markets, and show a greater propensity to lend. This favors underserved businesses, including small businesses and minority- or female-owned enterprises. Conversely, larger banks exhibit opposite or no trends.

Keywords: **Social Capital, Community Banks.**

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1 Introduction

The role of social capital has been a subject of interest in economics and finance (e.g., Hasan et al. (2017), Lins et al. (2017), Guiso et al. (2004), Maksimovic et al. (2023), An et al. (2023)). In this paper, we ask whether social capital plays a significant role in the banking sector. By investigating the relationship between social capital and banking practices, we aim to study how interpersonal relationships, i.e., social capital, may influence financial operations and outcomes in the local banking environment.

To address our main research question of how social capital may influence the operations of banks, we examine several specific aspects of traditional commercial banking in relation to local social capital levels. We specifically investigate the deposit-taking and lending sides of bank operations, and analyze whether and which types of banks in high-social-capital counties exhibit different deposit-taking and lending patterns compared to their counterparts in low-social-capital counties. We find that only community banks—small, local banks, with assets below $1 bn and/or a strong focus on deposit-taking and lending within a narrowly defined geographical area—respond to local social capital levels, in both their deposit-taking (deposit growth) and lending (small business loans) activities, consistent with the mandate imposed on deposit-taking institutions outlined in the Housing and Community Development Act of 1977, commonly known as the Community Reinvestment Act. We then examine whether social capital influences these community banks' propensity to lend to female- and minority-owned small businesses. We also examine the financial performance of such community banks, focusing specifically on interest income and return on assets (ROA), as well as various risk measures. We further examine the relationship between social capital and decisions to open or close community bank branches (or entire institutions) to answer how local social capital might influence community banks' choices to operate in specific local financial markets and their resilience during local economic distress. Finally, we provide a series of robustness checks to confirm our findings.

Our study finds that social capital significantly influences community bank operations, but does not have a significant impact at larger institutions. More precisely, community banks experience increased deposit growth following increases in local social capital, contrasting with larger banks that tend not to respond to social capital or lose deposits in the same areas. The loan portfolio of community banks in areas with higher social capital displays greater volumes of loans to small enterprises (small businesses and small farms), and, to a lesser extent, of mortgage loans. Of note, community banks show a greater propensity for inclusive lending practices, offering more loans to small businesses, minority-owned businesses, and female-owned businesses in high-social-capital areas, and granting more mortgages to minorities relative to larger banks. On the performance side, while community banks in high-social-capital counties exhibit higher interest income growth, they also face lower net interest margins, though their overall ROA remains unaffected. Furthermore, even taking on more lending (and more lending inclusivity) in higher social capital areas, community banks do not display higher riskiness. Lastly, community banks in high-social-capital environments also demonstrate a slower rate of branch and bank closures, even at times of local economic distress. These findings are robust to various controls and to instrumental variable analyses, and therefore suggest that social capital is crucial in shaping community banking practices.

A key construct in our study is that of social capital. While prior work in finance has utilized it at face value (see, for example, Guiso et al. (2004), Hasan et al. (2017)), for the purposes of our work, it refers to the individuals' confidence in each other, their institutions, and their communities. As such, social capital may serve a fundamental role in reducing transaction costs and enhancing the overall functioning of economic and social systems.

In this paper we introduce a novel measure of social capital, i.e., the incidence of charitable giving as noted on Schedule A of the individual (or household) annual tax form, as sourced at the county-year level by the IRS. We further supplement this proxy by instrumenting it throughout the analysis with two other well-known proxies in the literature: the county-year level of organ

donations as provided by the United Network of Organ Sharing (UNOS) (first used in Hasan et al. (2017) at the state-year level), and general election voter turnout (first used in Guiso et al. (2004)).

We posit that social capital could matter for banking operations for three primary reasons. First, it may play a role in lending practices. This could happen through two channels: by potentially lowering default risk, and by potentially lowering monitoring and legal costs. In high-social capital environments, individuals and businesses are more likely to honor their commitments. This could extend further to financial commitments, as breaching trust may be viewed by borrowers as a costly loss of personal social capital. Therefore, when social capital is high, banks may lend more confidently, based on the expectation that borrowers will act in good faith and accordingly repay their loans. If individuals and businesses are more likely to honor their financial commitments, banks may also be able to reduce costs associated with monitoring loans and enforcing complex legal contracts, thereby increasing their lending efficiency and capacity. Our results suggest that these dynamics are particularly relevant at community banks, where indeed local knowledge and reputation are more likely to significantly influence credit decisions.

Second, if high social capital in the local community reinforces mutual trust between banks and the community, it could lead to greater financial inclusion. In high-social capital environments, individuals may be more likely to engage with banking services, primarily through entrusting banks with their deposits, and banks, in turn, are more likely to engage with underserved segments of the local population, in part as a response to the mandate imposed on them by the Community Reinvestment Act. This increased engagement can foster broader economic development by improving access to capital for entrepreneurs and businesses, while at the same time growing the deposit base of the banks. Again, we find this to be the case, especially at community banks.

Third, social capital can serve as a buffer during financial crises, potentially preventing panic and bank runs. When depositors have confidence in their bank's stability and the security of their deposits, they are less likely to withdraw funds precipitously, mitigating the risk of liquidity crises. Moreover, banks that have built strong, trust-based relationships with their clients may be better

positioned to navigate economic downturns collaboratively, potentially leading to more flexible approaches to loan restructuring and debt management. Again, we find this to be the case, especially at community banks.

Our study contributes to a growing literature on the importance of social capital in financial markets. While the impact of social capital on various economic outcomes has been widely studied, the literature specifically addressing its role in banking is relatively sparse. However, several key studies provide valuable insights that inform our research.

Guiso et al. (2004) examine the relationship between social capital and financial development across Italian regions, observing that the effects of social capital are more pronounced in regions with weaker legal environments. This suggests that social capital may serve as an informal institutional mechanism, potentially substituting for formal legal structures in facilitating financial transactions and development. Our study builds on these findings to further investigate how varying levels of social capital across different counties influence the operations and performance of commercial banks.

Within the same line of research, Hasan et al. (2017) offer a more direct examination of how social capital influences lending relationships and corporate financing decisions in the United States. Their study reveals that firms headquartered in counties with higher social capital benefit from lower bank loan spreads; that these firms face less stringent non-price loan covenants and incur lesser at-issue bond spreads, and that there is a preference for public bonds over bank loans in high social capital areas. They interpret these findings as evidence that social capital acts as a constraint on opportunistic corporate behavior in debt contracting, thus suggesting that social capital may reduce information asymmetries and moral hazard problems in financial transactions. Building on these studies, our research aims to extend the understanding of social capital's role, specifically in the context of commercial banking and the local economy.

Lins et al. (2017) provide compelling evidence for the value of social capital during times of economic stress. Their study, using the corporate social responsibility (CSR) intensity as a proxy for

social capital, reveals that during the 2008-2009 financial crisis, firms with high social capital experienced higher stock returns, greater profitability, higher sales growth and greater ability to raise debt. These findings are particularly relevant to our study of commercial banking, as they suggest that social capital can serve as a buffer during economic downturns and thus help maintain the stability and resilience of financial institutions during economic downturns.

Recent research has also examined the role of social capital in financial decision-making and lending practices. Maksimovic et al. (2023) demonstrate that social capital is an important predictor of risk-free loan take-up within communities. Their findings suggest that strong social capital particularly benefits larger, low-growth stores in less dynamic areas. Interestingly, they also note that virtual connections have the most substantial effect in already advantaged locations. This study highlights the nuanced ways in which social capital can influence lending dynamics across different community types and business profiles. In contrast, we focus on the operations and functions of financial institutions.

Lastly, An et al. (2023) explore the impact of community-level social capital on mortgage approvals to document that households in communities with higher social capital are more likely to have their mortgages approved, suggesting that social capital enhances lenders' ability to screen and monitor borrowers effectively. Moreover, they posit that higher social capital increases the social costs of defaulting for borrowers, thereby potentially reducing default risks. We build on these findings to examine the broader effect of social capital on financial institutions, across various types of loans.

The rest of the paper is organized as follows. Section 2 presents the data. Section 3 presents results on social capital and bank operations. Section 4 presents results on community bank performance and resilience. Section 5 provides ancillary robustness results. Section 6 concludes.

2 Data

Most of the analysis is conducted at the bank-county-year level. In our opinion, this level of aggregation well represents local banking options for the consumer, as well as allows us to control rather uniformly for the administrative and cultural components of the geography.

Bank data. Throughout the analysis, we distinguish between *small community banks* (SCBs), *big community banks* (BCBs), *large banks* (LBs), and *big 4 banks* (B4Bs). We introduce this framework to better capture cross-sectional differences across banks. The framework categorizes banks based on common traits in size, geographical coverage, and scope of operations. More in detail, depository institutions with total assets below $1bn are *small community banks* (SCBs). These institutions have a very narrow geographical reach and are known to rely heavily on the soft information they gather through repeated, in-person interactions with their customers. *Big community banks* (BCBs) are then institutions that embrace some economies of scale but keep within the boundaries and the modus operandi of the community bank business model by only being present in a few metropolitan areas and being highly reliant on community deposits and lending. We follow the methodology in FDIC (2012) to identify them.[1] A distinct category is then dedicated to the *big 4 banks* (B4Bs): Bank of America, Chase, Citi, and Wells Fargo. All remaining depository institutions fall into the residual category of *large banks* (LBs)—banks with assets above $1bn and regional/national coverage, known to rely heavily on hard information in their decision-making processes and to maintain a transactional approach with their customers. Panel A of Table 1 reports summary statistics for each bank type during the sample's time frame. We employ several data sources for bank-related data. For local deposit growth and number of

[1] According to FDIC (2012), big community banks are banks satisfying the following conditions: (i) total assets above $1bn, (ii) a loans-to-assets ratio of $> 33\%$, (iii) a deposits-to-assets ratio of $> 50\%$, (iv) 75 branches at most, (v) coverage in < 3 large metropolitan statistical areas, (vi) coverage in < 4 states, and (vii) no branches with more than $5 billion in deposits. Such institutions have been shown to significantly contribute to small business lending and to present more community bank-like traits than their larger counterparts (Hughes et al. (2016), Nguyen and Barth (2020)).

branches we aggregate FDIC Summary of Deposits branch-level data. Because no single detailed public dataset covers all lenders, we use several sources of lending data depending on the entity and the loan type. For SCBs, we rely on FDIC Call Report balance sheet entries regarding commercial and industrial loans, farm loans, real estate loans, and individual loans. These data are at the institution level, but since 90% of small community banks have most of their deposits in one county, we can link them to said county with a small measurement error. For larger banks (BCBs, LBs, B4Bs), we use Community Reinvestment Act (CRA) data, which cover originations of loans to small businesses and farms by bank and borrower location.[2] Bank performance data (interest and non-interest income, margins, ROA, loan loss provisions, Z-score) also come from FDIC Call Report data.

Social capital proxies. Throughout the analysis, we use one main proxy for social capital: the county-year percentage of tax filings reporting charitable donation, from the IRS Tax Statistics of Income. This proxy should well capture the prevalence of altruistic behavior and the tightness of the local community. Panel B of Table 1 reports summary statistics for this variable across the years until 2017, due to an increase in the threshold for reporting charitable contributions on tax filings contained in the Jobs Act of that year. Our analysis therefore spans 2006 to 2018, as we lag this variable in our specifications. The advantage of this proxy is that, unlike the proxies previously used in the literature, it has geographical and especially temporal variation. For robustness and to validate our new proxy, we further employ two instruments of social capital: the percentage of organ donors over deaths according to the Organ Procurement and Transplantation Network data, and a dummy equal to 1 if the county was in the 90^{th} percentile for voter turnout in the previous general election according to the Voter Turnout Rates collected at the University of Florida Election Lab. Both of these measures have been previously used in the literature as proxies for social capital,

[2] CRA reports are filed yearly and are mandatory for banks with assets above a predetermined threshold ($\sim$ \$1.1-1.2 billion during my sample period).

albeit organ donations mostly at the state-year level (Hasan et al. (2017), Guiso et al. (2004), for reference). Panel C of Table 1 reports summary statistics for the organ donor variable.

Additional data. We further complement the bank and social capital data with other data sources. Small business counts by county and demographics of the owner come from YourEconomy data. Mortgage counts by demographics come from HMDA data. The mass shootings data used in the robustness section come from the Violence Project at Hemline University.

3 Social capital and bank operations

While the impact of social capital on various financial and economic outcomes has been widely studied, the literature specifically addressing its role in banking is relatively sparse. We begin by assessing whether different types of banks react differently to local social capital levels in their day-to-day operations.

3.1 Social capital and deposit growth

Higher levels of social capital are often associated with higher trust in institutions. For this reason, we conjecture that higher social capital might spur demand for deposits. In particular, the closer the operating institutions (here, banks) are to the local community, the more they might benefit from higher levels of local social capital. To test this hypothesis, we sort banks into four categories, based on common traits in size, geographical coverage, and scope of operations, as outlined in section 2. Of these categories, small community banks (SCBs) are the ones that have been historically viewed as the most in tune with the local business community (Berger and Udell (1994), Petersen and Rajan (1994), Berger et al. (2005), among others), and, more recently, big community banks (BCBs) (Hughes et al. (2016)). On the other hand, large banks (LBs) and the big 4 banks (B4Bs) are known to have less of a focus on ad-hoc catering to the local community and more of

a tendency towards offering a wider set of rather standardized services (Cole et al. (2004), Berger et al. (2005), among others). Based on this premise, we run the following regression:

$$deposit\ growth_{b,c,t} = \alpha_b + \alpha_c + \alpha_t + \beta_1\ \%\ filings\ w/charit.\ don._{c,t-1} +$$
$$+ \beta_2\ I(bank\ type_{b,t}) + \beta_3\ \%\ filings\ w/charit.\ don._{c,t-1} * I(bank\ type_{b,t}) + \gamma\ X_{b,c,t-1} + \varepsilon_{b,c,t} \quad (1)$$

where $deposit\ growth_{b,c,t}$ is the year-on-year change in the natural logarithm of bank b deposits held at branches in county c and year t; $\%\ filings\ w/charit.\ don._{c,t-1}$ is the percentage of county c year t-1 tax filings reporting charitable donations; $I(bank\ type_{b,t})$ is an indicator variable for bank b being either a small community bank ($I(SCB)$), or big community bank ($I(BCB)$), or big 4 bank ($I(B4B)$) according to the framework introduced in Section 2; $X_{b,c,t-1}$ is a set of county-year (population, number of large businesses, number of small businesses, employment rate, personal income per capita, county GDP) and bank-year (number of county branches, ROA, net interest margin, tier 1 leverage capital ratio) controls; α_b, α_c, α_t represent bank, county, and year fixed effects, respectively.

In Column 1 of Panel A of Table 2, we estimate Equation 1 using ordinary least squares. Here, the standalone coefficient on $\%\ filings\ w/charit.\ don._{c,t-1}$ represents the effect of social capital on the bank type that is left out for collinearity, large banks (LBs), and it is not significant. However, the interaction of $\%\ filings\ w/charit.\ don._{c,t-1}$ with $I(SCB_{b,t})$ presents a positive and significant coefficient, suggesting that a one standard deviation increase in the local percentage of filings reporting charitable donations translates into approximately a (0.0912*0.109=) 0.99% increase in deposit growth at small community banks (SCBs).[3] Big community banks (BCBs) report a similar effect, but with lower statistical significance, while the big 4 banks (B4Bs) report a smaller effect in magnitude.

[3]This is an economically significant effect given that the average deposit growth at small community banks throughout the sample is 7.74%.

In Column 2 of Panel A of Table 2, we report the second stage results of a two-stage least square analysis where we instrument the $\%\ filings\ w/charit.\ don._{c,t-1}$ with two other established proxies of social capital from the literature: the number of organ donors (normalized by the number of deaths), $\#\ organ\ donors\ over\ deaths_{c,t-1}$, and a dummy for high turnout (greater than the 90^{th} percentile) during the last general election, $I(>\ 90th\ pctile\ pres.\ el.\ voter\ turnout_{c,t-1})$. We choose this approach to show continuity with the previous literature and validate our new proxy of social capital as capturing sincere altruistic intentions. The first stage is omitted for readability, but the two instruments positively and significantly predict the percentage of tax filings reporting charitable contributions, as well as its interactions with bank-type indicators, with an F-stat of 81.4. In the second stage, only the effect of social capital on SCBs persists, and nearly doubles in magnitude. The weaker and smaller effects on BCBs and B4Bs witnessed in Column 1 do not survive instrumentation. We take these results as evidence that it is mostly small community banks that seem to recognize and benefit from greater local social capital.

In Panel B of Table 2, we split the sample across the different bank types (small community banks *SCBs*, big community banks *BCBs*, large banks *LBs*, and the big 4 banks *B4Bs*) and regress deposit growth on the local percentage of tax filings reporting charitable donations within each subsample. This methodology allows us to compare how similar banks fare across different geographies, where they are exposed to different levels of social capital. According to Column 1, SCBs witness (0.0912*0.290=) 2.6% higher deposit growth in counties with a one-standard-deviation higher percentage of tax filings.[4] On the other hand, BCBs seem indifferent to social capital levels (positive but non-significant coefficient on $\%\ filings\ w/charit.\ don._{c,t-1}$), while conversely LBs and B4Bs appear to witness less deposit growth compared in counties with higher social capital levels (negative and significant coefficients on $\%\ filings\ w/charit.\ don._{c,t-1}$).

[4]This is an economically significant effect given that the average deposit growth at SCBs throughout the sample is 7.74%.

Overall, we take away that there is solid empirical evidence of small community banks achieving greater deposit growth in areas with increasing social capital, while larger banks do not respond or negatively respond to social capital instead.

3.2 Social capital and lending

There are a few reasons why social capital might impact lending dynamics. First, high social capital might lower default risk: individuals and businesses might be more likely to honor their financial commitments, leading to lower default rates. The presence of high social capital may enable banks to lend more confidently, based on the expectation that borrowers will act in good faith. Second, in environments characterized by high social capital, banks may also be able to reduce the costs associated with monitoring loans and enforcing contracts. The diminished need for complex legal agreements and frequent follow-ups can lead to greater cost efficiency and smoother financial transactions.

Given the differential effects across bank types found in our deposit analysis, we proceed to analyze the role of social capital across banks' lending operations, again by bank type. In particular, we estimate the following regression:

$$ln(lending\ amount_{b,t,c}) = \alpha_b + \alpha_c + \alpha_t + \beta_1\ \%\ filings\ w/charit.\ don._{c,t-1} + \gamma X_{b,c,t-1} + \varepsilon_{b,c,t} \tag{2}$$

here, the independent variable of interest is $\%\ filings\ w/charit.\ don._{c,t-1}$, the percentage of county c year t-1 tax filings reporting charitable donations. $X_{b,c,t-1}$ is then a set of county-year (population, number of large businesses, number of small businesses, employment rate, personal income per capita, county GDP) and bank-year (number of county branches, ROA, net interest margin, tier 1 leverage capital ratio) controls; α_b, α_c, α_t represent bank, county, and year fixed effects, respectively. With regards to the dependent variable, unlike for deposits, there is no unique dataset covering all banks and all lending at once. Therefore, we are forced to use a split-sample approach

where we separately analyze small community banks (SCBs) versus larger banks (big community banks (BCBs), large banks (LBs), and the big 4 banks (B4Bs)).

3.2.1 Social capital and small community banks' lending

For small community bank (SCB) lending, we employ Call Report data on the amount of lending of different kinds on the bank's balance sheet each year. Even if these data are at the institution level, we can confidently link them to counties with a small measurement error since 90% of small community banks have most of their deposits in one county. Therefore, in Table 3 we estimate Equation 2, with the dependent variable $ln(lending\ amount^{c}_{b,t})$ being the natural logarithm of the year t amount of either commercial and industrial loans below \$1 mn (Panel A, Columns 1 to 3), or small enterprise loans (sum of commercial and industrial loans below \$1 mn and farm loans below \$0.5 mn) (Panel A, Columns 4 to 6), or mortgages (Panel B, Columns 1 to 3), or individual loans (car loans, student loans, etc.) (Panel B, Columns 4 to 6) on the balance sheet of small community bank b in year y, linked to county c where small community bank b has most of its deposits in. We particularly focus on commercial and industrial loans below the million as they have been shown be a good proxy for small business lending at small banks (FDIC (2020), for reference).

Table 3, Panel A shows that small community banks also witness higher levels of small business/small enterprise lending following increases in local social capital as proxied by the percentage of tax filings reporting charitable donations. In particular, a one-standard-deviation increase in the share of filings with charitable donations translates into approximately a (0.0912*6.668=) 60.81% increase in the natural logarithm of the amount of commercial and industrial loans below \$1 mn on the balance sheet of local SCBs. In a similar fashion, a one-standard-deviation increase in the share of filings with charitable donations translates into approximately a (0.0912*7.090=) 64.66% increase in the natural logarithm of the amount of small enterprise lending (the sum of commercial and industrial loans below \$1 mn and farm loans below \$0.5 mn) on the balance sheet of local small community banks.

These results are robust to instrumenting the percentage of tax filings reporting charitable donations with organ donations and high voter turnout, as Columns 2-3 and 5-6 point out. The first stages (Columns 2 and 5) confirm the relevance of organ donations and high voter turnout for the percentage of tax filings with charitable donations (positive and significant coefficients), with an F-statistics of 134.15. The second stages (Columns 3 and 6) confirm the OLS results (Columns 1 and 4), albeit presenting significantly higher magnitudes. This is likely due to the lower levels of variation in the instruments with respect to the instrumented variable: 0.46% of deaths results in organ donations in the sample on average (Table 1, Panel C for reference) and high voter turnout is constant for the 4 years after an election, while the percentage of tax filings reporting charitable donations varies significantly across counties and years (Table 1, Panel B for reference).

Panel B of Table 3 repeats the analysis in a similar fashion for mortgages (Columns 1 to 3) and individual loans (car loans, students loans, personal loans, etc.) (Columns 4 to 6). While social capital increases seem to spur both mortgages and individual loans—a one-standard-deviation increase in the share of filings reporting charitable donations results in approximately a (0.0912*2.210=) 20.15% increase in small community bank mortgages and a (0.0912*1.765=) 16.10% increase in small community banks loans to individuals, respectively—, only the mortgage results is robust to instrumenting the share of local tax filings with charitable donations with organ donations and high voter turnout.

Overall, we find strong evidence of small community banks increasing their lending after local social capital increases, especially to small businesses and farms. This further confirms the social capital channel, as we indeed witness the largest effect in exactly those loans that target the most opaque borrowers (small enterprises), to which now small community banks can lend with significantly more confidence, based on the greater expectation that they will act in good faith.

3.2.2 Social capital and other banks' lending

Given the above results, for non-small community banks—i.e., big community banks (BCBs), large banks (LBs) and (B4Bs)—we mostly focus on small enterprise lending and use Community Reinvestment Act data (CRA data). We cannot keep using Call Report data for these larger institutions, since Call Report data are at the bank level and we would not be able to link them to our county-year social capital proxy without large measurement error. Conversely, CRA data report small business loan and farm loan originations by borrower location for banks with assets above a predetermined threshold, allowing us to directly link the borrowers' location and loan supply to our social capital proxy at the county-year level. During the 2006-2018 time frame, the assets threshold for CRA reporting hovered around $1 billion-$1.25 billion. Hence, CRA data cover all non-community banks (large banks and big 4 banks) and $\sim$ 75% of the big community banks in our sample. Whereas magnitudes will not be directly comparable with the SCB analysis in the previous subsection due to the different data sources, we are still able to capture general lending trends at larger banks.

Therefore, in Panel A of Table 4 we estimate Equation 2, with the dependent variable $ln(lending\ amount_{b,c,t})$ being the natural logarithm of the amount of loans to small businesses originated by CRA-filing bank b in year t and county c, where the borrower is located. In Columns 1 to 3 we pool all CRA-filing banks (BCBs, LBs, B4Bs), while in Column 4 we separately analyze BCBs, and in Column 5 LBs and the B4Bs. Unlike for small community banks, these larger institutions do not display an increase in local small business lending following increases in local social capital (proxied by the share of county-year tax filings reporting charitable donations). Columns 2 and 3 further present two-stage least square estimates where we instrument the percentage of local tax filings reporting charitable donations with organ donations and high voter turnout. While the instruments are relevant and present a high F-statistic (278.17), they confirm the absence of a

relationship between small business lending at larger banks and local social capital levels since the second-stage coefficients of interest are not significant.

Panel B of Table 4 replicates the same analysis, but with $ln(lending\ amount_{b,c,t})$ defined as the natural logarithm of the amount of loans to both small businesses and small farms originated by CRA-filing bank b in year t and county c. Only BCBs seem to increase their lending to small enterprises following increases in local social capital as proxied by the share of county-year tax filings reporting charitable donations (Column 4). This is in line with previous results, as BCBs are larger institutions that, however, still base most of their business around deposit-taking and lending and maintain a focus on the local community (albeit at a greater scale than small community banks).

Overall, we do not find evidence that banks beyond small and big community ones adjust their loan supply to local levels of social capital.

3.3 Social capital and banking inclusivity

In this section, we assess whether higher social capital is linked to higher levels of banking for potentially underserved segments. If higher levels of social capital spur deposit taking and lending, by the same token it might be the case that they also increase banking inclusivity. Since higher levels of social capital are often associated with higher trust in institutions, social capital might incentivize underserved segments to trust banks more, and banks to trust underserved segments more. While we cannot distinguish across depositors and therefore our deposit growth analysis cannot be tested for inclusivity, the lending data allow us to inderctly explore this dynamic.

Our previous finding that small community banks react to increases in local social capital by increasing small business lending leads us to estimate the following regression:

$$ln(\#[\ ]\ small\ businesses_{c,t}) = \alpha_c + \alpha_t + \beta_1\ \%\ filings\ w/charit.\ don._{c,t-1} + \beta_2\ \%\ filings\ w/charit.\ don._{c,t-1} * \%\ SCB\ deposits_{c,2005} + \gamma X_{c,t-1} + \varepsilon_{c,t} \quad (3)$$

where $ln(\#[\ ]\ small\ businesses_{c,t})$ is the natural logarithm of the number of either [total] or [minority-owned] or [female-owned] small businesses in county c and year t according to YourEconomy data. The main variable of interest is the interaction of $\%\ filings\ w/charit.\ don._{c,t-1}$, the percentage of county c year t-1 tax filings reporting charitable donations, with $\%\ SCB\ deposits_{c,2005}$, the percentage of small community banks deposits over total county deposits before the start of the sample (whose standalone coefficient is absorbed by county fixed effects). This interaction captures whether there is an increase in the number of total/minority-owned/female-owned local small businesses following increases in local social capital in areas with an historically high presence of small community banks. $X_{b,c,t-1}$ is then a set of county-year controls including population, number of large businesses, employment rate, personal income per capita, county GDP; α_c, α_t represent county, and year fixed effects, respectively.

If we expect higher levels of social capital to spur not only higher lending at small community banks but also higher lending inclusivity, we would expect the interaction between our social capital proxy and the share of SCB deposits at the beginning of the sample to display a positive and significant coefficient, especially for minority- and female-owned small businesses. Panel A of Table 5 shows this to be the case; the coefficient is positive and significant across all specifications, with particularly high magnitudes for minority-owned small businesses and female-owned small businesses.

We also use HMDA data to provide a more granular test of increased lending inclusivity. In Panel B of of Table 5, we regress the bank-county-year share of mortgages granted to minorit-

ies over our proxy for social capital, the percentage of county-year tax filings reporting charitable contributions. We separately analyze small community banks (SCBs, Columns 1 to 3) from big community banks/large banks/big 4 banks (BCBs, LBs, B4Bs, Columns 4 to 6). We find that at SCBs a one-standard-deviation increase in the share of tax filings with charitable donations translates into a (0.0912*0.0960=) 0.88% increase in the share of minority mortgages.[5] Conversely, at larger instutions (BCBs, LBs, B4Bs) our social capital proxy is not related to the share of mortgages granted to minorities.

Overall, results suggest that social capital plays a role not only in spurring banking, but also spurring banking inclusivity, especially at those institutions that operate in close contact with the local community—here, small community banks.

4 Social capital and small community banks' performance

Given that it is mostly small community banks that appear to benefit from higher levels of social capital in terms of greater deposit-taking, lending, and inclusivity, we next explore the consequences of this dynamic. We are particularly interested in this section in the profitability- and riskiness-related consequences. Are small banks improving margins and/or increasing their risk when taking more deposits and extending more loans, especially to underserved segments of the population, based on higher social capital? Furthermore, if social capital fosters trust in institutions, are consumers less doubtful of the soundness of small community banks, and do small community banks in areas with higher social capital display more resilience in difficult times?

[5]This effect is economically significant, when compared with the sample average of 9.93%.

4.1 Small community banks' margins and risk

To assess the consequences of social capital-related dynamics on small community bank profitability, we estimate the following specification:

$$bank\ performance\ measure^{c}_{b,t} = \alpha_b + \alpha_c + \alpha_t + \beta_1\ \%\ filings\ w/charit.\ don._{c,t-1} + \gamma X_{c,t-1} + \varepsilon_{c,t} \tag{1}$$

where $bank\ performance\ measure^{c}_{b,t}$ is the dependent variable of choice capturing small community bank b profitability or riskiness in year t (linked to the county c bank b has most of its deposits in), and $\%\ filings\ w/charit.\ don._{c,t-1}$ is the percentage of county c year t-1 tax filings reporting charitable donations. $X_{b,c,t-1}$ is then a set of county-year (population, number of large businesses, number of small businesses, employment rate, personal income per capita, county GDP) and bank-year (number of county branches, tier 1 leverage capital ratio) controls; α_b, α_c, α_t represent bank, county, and year fixed effects, respectively. This specification allows us to capture changes in small community bank performance and riskiness linked to increases in social capital, given the previously documented contemporaneous impact of social capital on bank operations.

Panel A of Table 6 focuses on small community banks' margins. The dependent variables are the natural logarithm of interest income in Column 1, the net interest margin (interest income minus interest expenses, like the rate paid on deposits) in Column 2, the natural logarithm of non-interest income (fees, etc.) in Column 3, and net non-interest margin (non-interest income minus non-interest expenses, like branch maintenance) in Column 4. Results from Columns 1 and 2 suggest that as higher social capital translates into more deposits and lending, small community banks earn higher interest income. However, the net interest margin slightly declines with increases in local social capital, suggesting new depositors might also be lured in by more appealing deposit rates. Columns 3 and 4 suggest that small community banks might also be relaxing their fees re-

quirements to facilitate the on-boarding of new customers in a more trusting environment. Despite the decrease in non-interest income, however, the net non-interest margin is slightly increasing.

In Panel B of 6, we look at overall small community bank profitability and riskiness in relation to social capital. Column 1 suggests that overall bank profitability, as captured by the return on assets, is not impacted by social capital and the contemporaneous expansions of both deposit-taking and lending activities. Column 2 displays a slight increase in loan loss provisions, likely to adjust to the greater lending activity. Column 3 finds no relation between small community bank risk (as proxied by the Z-score measure, computed following Laeven and Levine (2009)) and social capital.

Table A.1 in the Internet Appendix delves deeper into whether the increase in lending at small community banks following local increases in social capital is related to the banks taking on potentially underserved but also riskier borrowers. We look at the average charge-offs two years following an increase in local social capital in the context of commercial and industrial loans, which include both the small business loans we studied before, and other larger loans to businesses, since a breakdown by loan size is not publicly available. While we find in Columns 1 and 2 that indeed charge-offs rise in amount following increases in social capital, Columns 3 and 4 show instead no significant changes once we scale them by the overall amount of commercial and industrial loans. This dynamic suggests that while greater lending volumes under increased social capital push small community banks to report a higher amount of charge-offs in the following years, the new loans are not actually riskier in nature since the charge-offs seem to happen with the same intensity per loan amount as before.

Overall, whereas there is evidence in support of higher interest income from increased lending and more advantageous deposit rates and fees for the new customers following increases in local social capital, there is no evidence of a significant impact of these dynamics on either overall bank profitability or riskiness.

4.2 Small community banks' resilience

Lastly, we ask whether higher social capital in the community—potentially linked to higher social trust in institutions—does not only allow marginal consumers to start using small community banks, but also provides a provides a protective buffer for these banks both in regular times and in times of local economics distress.

To address this question, we first analyze small community banks' branch dynamics around increases in local social capital. In Panel A of Table 7, we estimate parametric Cox survival models where the end event is a small community branch closure in Columns 1 and 2, and a small community bank closure in Columns 3 and 4. Across specifications, we find negative and significant coefficients on our proxy for social capital. These represent hazard ratios below 1, suggesting that an increase in local social capital delays small community bank branch and bank closures (Columns 1 and 3, respectively). In Columns 2 and 4 we repeat the analysis excluding the years of the Great Recession (2008 and 2009), finding consistent results.

In Panel B of Table 7, we additionally look at whether small community banks strategically locate their branches in areas with high local social capital to capture higher deposit and lending market shares. In order to asses this, we estimate Poisson fixed-effects models where the dependent variable is, for each small community bank, the number of branches it operates in all the counties of the state where it is located (therefore being 0 for same-state counties where it could have opened branches but decided against, and a number greater than 0 for where it actually has branches). We find significant evidence that small community banks strategically locate their branches in areas with higher social capital levels (positive and significant coefficients for the county-year share of tax filings reporting charitable donations).

We further corroborate these increased buffer findings regarding small community banks by explicitly regressing bank-county-year small community bank deposits on the interaction of our local social capital proxy with indicators capturing mild and strong county recessions. We define

a mild county recession as a year in which the county experiences an unemployment rate that is at least one standard deviation above the national average. We define a strong conty recession as a year in which the county experiences an unemployment rate that is at least two standard deviation above the national average. Panel A of Table 8 shows that while the coefficients on our social capital proxy are positive and significant, the coefficients on the interactions with local recessions are not significant (Columns 1 and 3), suggesting the beneficial effect of higher social capital on small community banks' deposits does not weaken or reverse during times of local economic distress. In Columns 2 and 4 we repeat the analysis excluding the years of the Great Recession (2008 and 2009), finding consistent results. Panel B of Table 8 repeats the analysis with small community banks' branch closings as the dependent variable instead, showing fewer closings in areas with higher social capital and no attenuation or reversal of this effect in times of local economic distress.

Overall, results suggest social capital improves small community banks' resilience when it comes to branch and bank closures and deposit dynamics, also at times of local economic distress.

5 Robustness

We conduct three sets of robustness checks. The first set addresses concerns linked to our primary proxy for social capital; the second set addresses concerns regarding specification setup and fixed effects; and the third and last set addresses omitted-variable and endogeneity concerns.

5.1 Social capital proxy

The proxy for social capital we introduce and use throughout the analysis is the county-year percentage of tax filings reporting charitable donations. The reader might develop two main concerns regarding a measure so defined.

One concern is that higher levels of wealth might make individuals more prone to make charitable donations, either directly because of higher capital availability or, indirectly, because of tax incentives related to wealth. While we always control for county-year personal income per capita in our regressions, we also further address this concern by offering an alternative methodology to derive our proxy that is robust to this concern. In Table A.2, we replicate the main deposit growth and lending results of Tables 2, 3, and 4 with our proxy now being the county-year percentage of within-county *low-income* tax filings reporting charitable donations. We define low-income filings as those filings falling in the bottom 3 (of 6) income brackets in the IRS Statistics of Income data, i.e., those filings where filers have annual income below $75 k. We find results consistent with the original analysis, where we did not restrict the computation of the social capital proxy to low-income filers. We take it as evidence that our measure is not capturing wealth-related incentives.

The second concern is that, despite one of the novelties of this social capital proxy being precisely its geographical and temporal variability, it mainly varies in the cross-section and not as much over time. This aspect is especially important in our study, where county fixed effects and year fixed effects are non-negotiables given the banking outcome variables on the left-hand side. First of all, the county-year percentage of tax filings with charitable contributions, bounded between 0 and 1, displays a standard deviation of 0.0861 (see Table 1, for reference). When we regress the county-year percentage of tax filings with charitable contributions on county fixed effects and year fixed effects, and compute residuals, we find that the residuals have a standard deviation of 0.0262, which is sizable relative to the overall variation in the variable. Second, we replicate a lighter version of equation 1 and estimate its variance decompositions. Results are reported in Table A.3. The percentage of tax filings reporting charitable donations in interaction with bank-type indicators accounts for around 14% of the average variation explained by the model per observation, confirming the presence of significant explanatory power in our social capital proxy, even under county fixed effects and year fixed effects. Unsurprisingly, most of the explanatory power is concentrated in the interaction between the percentage of filings with charitable donation

and indicators for small community banks and big community banks—the two bank types that are the most responsive to local social capital levels.

5.2 Fixed effects

We conduct most of the analysis at the bank x county (x year) level, maintaining bank fixed effects, county fixed effects, and year fixed effects throughout. The banking literature often entertains denser fixed effects for robustness. In particular, county x year fixed effects, to control for changes in local demand, and bank x county fixed effects, to control for stable patterns that the bank might apply in conducting its business conditional on the geography it operates in.

We are not able to apply county x year fixed effects, given that county x year is the level of variation of our main independent variable of interest (the percentage of tax filings reporting charitable donations). We control for time-varying local demand by using local economic controls instead, like county GDP, income per capita, employment, number of large and small businesses, as well as using population dynamics and pre-existing branch presence.

Regarding bank x county fixed effects, in Appendix Table A.4 we replicate the deposit and lending analysis under this tighter set of fixed effects. Panel A replicates the deposit analysis across all bank types (Panel B of Table 2). Panel B replicates the big community banks, large banks, and big 4 banks lending analysis (Panel B of Table 4). We are not able to replicate the lending analysis for small community banks, since in Table 3 we are mapping the total lending of each small community bank to the county it has most of its deposits in, hence the bank fixed effect in the table is already equivalent to a bank x county fixed effect under the data restrictions we face. We find consistent results across the board when comparing our bank, county, year fixed effects estimates with the more robust bank x county, year fixed effects estimates.

5.3 Exogenous shock to social capital

Lastly, to fully rule out endogeneity concerns related to omitted variable bias we employ negative exogenous shocks to social capital and show that community banks are the only ones to experience repercussions. Mass shootings represent plausibly exogenous negative shocks to trust and altruism in a community. We collect information on mass shootings (defined as shootings in public places with at least 4 victims) from the Violence Project at Hemline University. In Table A.5, we conduct event studies at the bank-county level around these mass shootings. In particular, we look at deposit growth at small and big community banks versus the deposit growth at large and the big 4 banks. A bank-county combination is *treated* if the county ever experiences a mass shooting, then *post* is a dummy variable equal to one in the aftermath of the first mass shooting in the county. For controls, we keep all bank-county combinations where the county borders with a treated county but has never been treated. We find that deposit growth decreases only at small and big community banks following a mass shooting in the community (negative and significant coefficient on *treated* x *post*), which precisely mirrors our previous findings in Table 2 about more deposit growth at said banks following increases in local social capital.

6 Conclusion

Our comprehensive analysis reveals that social capital plays a crucial and multifaceted role in deposit-taking and lending at community banks, but not at larger financial institutions. This finding underscores the unique position of community banks within their local social fabric and highlights the importance of social capital in shaping their operations and success. In counties characterized by higher levels of social capital—which we proxy using the county-year percentage of tax filings reporting charitable donations—community banks demonstrate superior performance across several key metrics. They experience stronger deposit growth, indicating a preference among local

residents to entrust their savings to these institutions. Furthermore, these banks exhibit a lower likelihood of exiting such high-social capital counties, suggesting a more stable and enduring presence in these communities. Perhaps most significantly, community banks in high-social capital areas show a greater propensity to extend credit to traditionally underserved segments of the lending market, including small businesses and enterprises owned by ethnic minorities and women. This finding points to the potential of community banks to foster financial inclusion and economic development in environments of high social capital.

The robustness of these results is reinforced by our instrumental variable approach and several robustness checks. By using the number of organ donations and the level of voter turnout in general elections at the county level as instruments for our social capital measure, we address potential endogeneity concerns and strengthen the causal interpretation of our findings. The persistence of our results under this rigorous methodology underscores the strong and likely causal relationship between social capital and community bank performance. We further show that the results remain consistent when defining our proxy for social capital only based on low-income tax filings, and that a negative exogenous shock to social capital produces the opposite effects at community banks.

In conclusion, our study illuminates an important aspect of banking that has been previously underexplored in the literature. By demonstrating the significant impact of social capital on community banking operations and outcomes, we contribute to a more nuanced understanding of the factors that influence bank performance and financial dynamics in a community. These findings have important implications for policymakers, bank managers, and researchers, highlighting the need to consider social capital as a critical factor in the banking landscape, particularly for smaller, community-oriented institutions. Our results open up new avenues for research into the intersection of social dynamics and financial systems, and underscore the unique role that community banks play in leveraging and potentially enhancing social capital within their local communities.

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Table 1: **Summary Statistics**

Description: This table presents summary statistics for bank characteristics and social capital proxies (the county-year percentage of tax filings reporting charitable donations and the county-year share of organ donations over deaths). Panel A describes the distribution of FDIC-insured depository institutions across the four bank types introduced in Section 2. Panel B reports yearly summary statistics for the social capital proxy based on the county-year share of tax filings reporting charitable contributions. Panel C provides yearly statistics for organ donations over deaths, which together with high general election voter turnout is often used as an instrument for share of tax filings reporting charitable contributions throughout the analysis.

Panel A: The universe of FDIC-insured depository institutions

	# institutions	avg. # branches	avg. deposits	avg. # branches per county	avg. deposits per county	avg. # of counties
small community banks	8,079	4.47	USD 184 mill.	2.06	USD 91.7 mill.	2.11
big community banks	271	21.19	USD 1.52 bill.	3.79	USD 398 mill.	6.51
large banks	245	104.02	USD 10.79 bill.	3.22	USD 2.01 bill.	24.11
big4 banks	4	4,033	USD 733.90 bill.	7.91	USD 1.81 bill.	474.83
full sample	9,516	12.6	USD 1.16 bill.	2.19	USD 201.81 mill.	3.65

Panel B: Charitable Donations

year	mean	st. dev.	min	50^{th} p.	max	obs
2005	0.2138	0.0983	0.0000	0.1976	0.5729	3,143
2006	0.2086	0.0953	0.0000	0.1947	0.5571	3,143
2007	0.1837	0.0893	0.0000	0.1689	0.5296	3,143
2008	0.1937	0.0879	0.0000	0.1790	0.5297	3,138
2009	0.1892	0.0861	0.0000	0.1736	0.5320	3,127
2010	0.1959	0.0857	0.0000	0.1819	0.5345	3,126
2011	0.1925	0.0821	0.0007	0.1790	0.5153	3,127
2012	0.1878	0.0813	0.0000	0.1757	0.5029	3,127
2013	0.1797	0.0794	0.0000	0.1673	0.4942	3,127
2014	0.1742	0.0779	0.0000	0.1611	0.4857	3,127
2015	0.1732	0.0778	0.0000	0.1606	0.4875	3,128
2016	0.1743	0.0786	0.0000	0.1612	0.4905	3,141
2017	0.1758	0.0778	0.0000	0.1633	0.4881	3,126
total	0.1889	0.0861	0.0000	0.1743	0.5729	37,597

Panel C: Organ Donations over Deaths

year	mean	st. dev.	min	50^{th} p.	max	obs
2005	0.0048	0.0060	0.0000	0.0040	0.0833	3,143
2006	0.0050	0.0062	0.0000	0.0040	0.0769	3,143
2007	0.0047	0.0059	0.0000	0.0037	0.0833	3,143
2008	0.0045	0.0061	0.0000	0.0035	0.0909	3,138
2009	0.0046	0.0054	0.0000	0.0039	0.0526	3,127
2010	0.0046	0.0056	0.0000	0.0037	0.0800	3,127
2011	0.0044	0.0054	0.0000	0.0035	0.0800	3,127
2012	0.0043	0.0060	0.0000	0.0035	0.1000	3,128
2013	0.0043	0.0053	0.0000	0.0035	0.0833	3,127
2014	0.0043	0.0058	0.0000	0.0035	0.0909	3,127
2015	0.0042	0.0053	0.0000	0.0035	0.1000	3,128
2016	0.0045	0.0060	0.0000	0.0035	0.0909	3,141
2017	0.0045	0.0054	0.0000	0.0037	0.0588	3,128
total	0.0046	0.0058	0.0000	0.0036	0.1000	37,599

Table 2: **Deposit Growth**

Description: This table examines whether deposit growth across different bank types varies with local social capital. Panel A regresses deposit growth on the interaction of bank type and the social capital proxy. OLS estimates are reported in Column 1, while Column 2 reports estimates of a second-stage 2SLS model where we instrument our social capital proxy with two other established proxies in the literature (namely the county-year percentage of organ donors over deaths, and a dummy equal to 1 if the county experienced voter turnout in the 90^{th} percentile and above during the last general election). Panel B re-estimates Column 1 separately within each bank-type subsample. Across panels, the dependent variable is $deposit\ growth_{b,c,t}$, defined as the change in the natural logarithm of total deposits held by bank b in county c and year t. The independent variable of interest are $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations, and, if present, its interactions with dummy variables capturing bank b's type (SCB for small community bank, BCB for big community bank, B4B for big 4 bank, as defined in Section 2). Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: Deposit growth

	deposit growth$_{b,c,t}$	
	OLS analysis	2SLS analysis
	(1)	(2)
% of tax filings w/charitable donations$_{c,t-1}$	-0.0.0742	$\widehat{-0.431}$
	(0.076)	(1.41)
I(SCB)	-0.0377***	-0.0576***
	(0.013)	(0.021)
% of tax filings w/charitable donations$_{c,t-1}$*I(SCB)	0.109*	$\widehat{0.192}^{**}$
	(0.038)	(0.079)
I(BCB)	-0.0320**	-0.0286
	(0.014)	(0.022)
% of tax filings w/charitable donations$_{c,t-1}$*I(BCB)	0.119^{+}	$\widehat{0.106}$
	(0.049)	(0.090)
I(B4B)	-	-
% of tax filings w/charitable donations$_{c,t-1}$*I(B4B)	0.0646*	$\widehat{0.0949}$
	(0.035)	(0.086)
county-year controls:		
ln(population$_{c,t-1}$)	-0.202***	-0.240
	(0.036)	(0.17)
ln(# businesses >100employees$_{c,t-1}$)	-0.00376	-0.00386
	(0.0041)	(0.0049)
ln(# businesses <100employees$_{c,t-1}$)	-0.0611***	-0.0517
	(0.022)	(0.048)
employment rate$_{b,c,t-1}$	0.600***	0.569***
	(0.079)	(0.15)
ln(personal income per capita$_{c,t-1}$)	0.108***	0.125^{+}
	(0.019)	(0.081)
ln(county GDP$_{c,t-1}$)	0.00859	0.00922
	(0.0071)	(0.0093)
bank-year controls:		
# branches$_{b,c,t-1}$	-0.00274***	-0.00273***
	(0.00061)	(0.00013)
ROA$_{b,t-1}$	-0.258	-0.252^{+}
	(0.72)	(0.16)
net interest margin$_{b,t-1}$	2.232***	2.200***
	(0.77)	(0.39)
tier 1 lev. capital ratio$_{b,t-1}$	0.00394***	0.00394***
	(0.00071)	(0.000073)
county FE	x	x
year FE	x	x
bank FE	x	x
observations	305,025	304,350
R-squared	0.0839	0.0128
F-stat		81.4

Panel B: Deposit growth within bank type

	deposit growth$_{b,c,t}$			
	Small Comm. Banks	Big Comm. Banks	Large Banks	Big4 Banks
	(1)	(2)	(3)	(4)
% of tax filings w/charitable donations$_{c,t-1}$	0.290***	0.207	-0.241*	-0.451***
	(0.11)	(0.24)	(0.13)	(0.14)
county-year controls:				
ln(population$_{c,t-1}$)	-0.298***	-0.179	-0.180***	0.0475
	(0.052)	(0.14)	(0.059)	(0.12)
ln(# businesses >100employees$_{c,t-1}$)	-0.00107	-0.0200*	-0.00886	-0.00504
	(0.0054)	(0.011)	(0.0086)	(0.0097)
ln(# businesses <100employees$_{c,t-1}$)	0.0235	-0.0751	-0.161***	-0.187**
	(0.029)	(0.082)	(0.041)	(0.084)
employment rate$_{b,c,t-1}$	0.932***	0.376	0.161	0.324**
	(0.12)	(0.31)	(0.13)	(0.16)
ln(personal income per capita$_{c,t-1}$)	0.154***	0.0357	0.0406	0.0578
	(0.023)	(0.051)	(0.049)	(0.059)
ln(county GDP$_{c,t-1}$)	-0.00463	0.0363	0.0389**	-0.00360
	(0.0097)	(0.025)	(0.016)	(0.017)
bank-year controls:				
# branches$_{b,c,t-1}$	-0.0240***	-0.0164***	-0.00469***	-0.00194***
	(0.0014)	(0.0017)	(0.00056)	(0.00054)
ROA$_{b,t-1}$	-2.041**	2.471***	2.916***	-12.37***
	(0.88)	(0.53)	(0.36)	(3.53)
net interest margin$_{b,t-1}$	0.240	1.329	9.644***	13.54***
	(0.95)	(2.06)	(1.51)	(3.06)
tier 1 lev. capital ratio$_{b,t-1}$	0.00377***	0.0107***	-0.00219	-0.00807*
	(0.00068)	(0.0033)	(0.0025)	(0.0044)
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	153,798	27,585	100,534	22,829
R-squared	0.151	0.160	0.0670	0.0618

Table 3: **Small Community Banks' Lending**

Description: This table analyzes whether small community banks expand lending in response to higher county-year levels of social capital. Panel A focuses on small businesses and small enterprises, with the dependent variables being $ln(C\&I\ loans < \$1mn^{c}_{b,t})$, the natural logarithm of year t small business loans (commercial & industrial loans under \$1 mn) on the balance sheet of bank b having most of its deposits in county c, in Column 1 to 3, and $ln(SE\ loans^{c}_{b,t})$, the natural logarithm of year t small enterprise loans (the commercial & industrial loans under \$1 mn and farm loans under \$0.5 mn) on the balance sheet of bank b having most of its deposits in county c, in Column 4 to 6. Panel B similarly investigates mortgage lending in Columns 1 to 3 and individual (consumer) loans in Columns 4 to 6. Across panels, the independent variable of interest is $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations; Columns 1 and 4 report OLS estimates, while Columns 2-3 and 5-6 report 2SLS estimates where we instrument the share of tax filings reporting charitable donations with two other established proxies in the literature—namely the county-year percentage of organ donors over deaths, and a dummy equal to 1 if the county experienced voter turnout in the 90^{th} percentile and above during the last general election. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: SCB Lending I

	ln(C&I loans< \$1$mn^{c}_{b,t}$)			ln(SE loans$^{c}_{b,t}$)		
	OLS analysis	2SLS analysis		OLS analysis	2SLS analysis	
	-	1st stage	2nd stage	-	1st stage	2nd stage
	(1)	(2)	(3)	(4)	(5)	(6)
% of tax filings w/charitable donations$_{c,t-1}$	6.668***		$\widehat{39.34}^{***}$	7.090***		$\widehat{38.89}^{***}$
	(1.17)		(8.86)	(1.10)		(8.52)
# organ donors over deaths$_{c,t-1}$		0.0825***			0.0825***	
		(0.014)			(0.014)	
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00485***			0.00485***	
		(0.00032)			(0.00032)	
county-year controls:						
ln(population$_{c,t-1}$)	-2.583***	-0.139***	1.984^{+}	-2.994***	-0.139***	1.450
	(0.60)	(0.0018)	(1.27)	(0.62)	(0.0018)	(1.22)
ln(# businesses $>$100employees$_{c,t-1}$)	-0.106^{+}	0.000508**	-0.123***	-0.161**	0.000508**	-0.177***
	(0.071)	(0.00026)	(0.038)	(0.066)	(0.00026)	(0.036)
ln(# businesses $<$100employees$_{c,t-1}$)	0.982**	0.0255***	0.139	0.536	0.0255***	-0.284
	(0.46)	(0.0013)	(0.30)	(0.45)	(0.0013)	(0.29)
employment rate$_{b,c,t-1}$	1.507	-0.0400***	2.911***	2.521**	-0.0400***	3.886***
	(1.12)	(0.0047)	(0.78)	(1.10)	(0.0047)	(0.75)
ln(personal income per capita$_{c,t-1}$)	0.645**	0.0525***	-1.070**	0.327	0.0525***	-1.342***
	(0.29)	(0.0010)	(0.49)	(0.28)	(0.0010)	(0.47)
ln(county GDP$_{c,t-1}$)	0.128	0.00120**	0.0831	0.247*	0.00120**	0.204***
	(0.15)	(0.00051)	(0.074)	(0.14)	(0.00051)	(0.072)
bank-year controls:						
# branches$_{b,c,t-1}$	0.0948***	-0.000629***	0.115***	0.0783***	-0.000629***	0.0982***
	(0.018)	(0.000092)	(0.014)	(0.017)	(0.000092)	(0.014)
ROA$_{b,t-1}$	2.010^{+}	-0.00231	2.076**	2.088^{+}	-0.00231	2.152**
	(1.24)	(0.0067)	(0.97)	(1.27)	(0.0067)	(0.93)
net interest margin$_{b,t-1}$	13.70***	-0.0953***	16.72***	11.22***	-0.0953***	14.16***
	(4.13)	(0.018)	(2.77)	(4.01)	(0.018)	(2.66)
tier 1 lev. capital ratio$_{b,t-1}$	-0.000871**	0.00000854***	-0.00115***	-0.000866**	0.00000854***	-0.00114***
	(0.00042)	(0.0000021)	(0.00032)	(0.00042)	(0.0000021)	(0.00031)
county FE	x	x	x	x	x	x
year FE	x	x	x	x	x	x
bank FE	x	x	x	x	x	x
observations	76,426	76,374	76,374	76,426	76,374	76,374
R-squared	0.798			0.774		
F-stat		134.15			134.15	

Panel B: SCB Lending II

	$\ln(\text{mortgages}^c_{b,t})$			$\ln(\text{ind. loans}^c_{b,t})$		
	OLS analysis	2SLS analysis		OLS analysis	2SLS analysis	
	-	1^{st} stage	2^{nd} stage	-	1^{st} stage	2^{nd} stage
	(1)	(2)	(3)	(4)	(5)	(6)
% of tax filings w/charitable donations$_{c,t-1}$	2.210***		$\widehat{5.376}$***	1.765***		$\widehat{0.775}$
	(0.26)		(1.69)	(0.42)		(3.09)
# organ donors over deaths$_{c,t-1}$		0.0825***			0.0825***	
		(0.014)			(0.014)	
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00485***			0.00485***	
		(0.00032)			(0.00032)	
county-year controls:						
ln(population$_{c,t-1}$)	0.519***	-0.139***	0.957***	-0.384^{+}	-0.139***	-0.532
	(0.16)	(0.0018)	(0.24)	(0.24)	(0.0018)	(0.44)
ln(# businesses $>$100employees$_{c,t-1}$)	0.0142	0.000508**	0.0127*	-0.0255*	0.000508**	-0.0250*
	(0.010)	(0.00026)	(0.0072)	(0.014)	(0.00026)	(0.013)
ln(# businesses $<$100employees$_{c,t-1}$)	0.510***	0.0255***	0.430***	0.137	0.0255***	0.163^{+}
	(0.082)	(0.0013)	(0.057)	(0.14)	(0.0013)	(0.10)
employment rate$_{b,c,t-1}$	-0.794***	-0.0400***	-0.664***	1.126***	-0.0400***	1.081***
	(0.23)	(0.0047)	(0.15)	(0.35)	(0.0047)	(0.27)
ln(personal income per capita$_{c,t-1}$)	0.217***	0.0525***	0.0484	0.421***	0.0525***	0.474***
	(0.058)	(0.0010)	(0.093)	(0.079)	(0.0010)	(0.17)
ln(county GDP$_{c,t-1}$)	-0.00993	0.00120**	-0.0132	0.0856**	0.00120**	0.0869***
	(0.029)	(0.00051)	(0.014)	(0.036)	(0.00051)	(0.026)
bank-year controls:						
# branches$_{b,c,t-1}$	0.123***	-0.000629***	0.125***	0.105***	-0.000629***	0.104***
	(0.010)	(0.000092)	(0.0027)	(0.012)	(0.000092)	(0.0050)
ROA$_{b,t-1}$	4.391***	-0.00231	4.396***	5.173***	-0.00231	5.158***
	(1.33)	(0.0067)	(0.18)	(1.45)	(0.0067)	(0.34)
net interest margin$_{b,t-1}$	12.71***	-0.0953***	13.03***	15.65***	-0.0953***	15.62***
	(2.84)	(0.018)	(0.53)	(2.42)	(0.018)	(0.97)
tier 1 lev. capital ratio$_{b,t-1}$	-0.000903**	0.00000854***	-0.000930***	-0.00116**	0.00000854***	-0.00115***
	(0.00038)	(0.0000021)	(0.000061)	(0.00053)	(0.0000021)	(0.00011)
county FE	x	x	x	x	x	x
year FE	x	x	x	x	x	x
bank FE	x	x	x	x	x	x
observations	76,426	76,374	76,374	76,426	76,374	76,374
R-squared	0.968		0.0703	0.902		0.0266
F-stat		134.15			134.15	

Table 4: **Larger Banks' Lending**

Description: This table studies whether big community banks (BCBs), large banks (LBs), and the big 4 banks (B4Bs) adjust their local lending to small businesses or small enterprises in response to local social capital increases. In Panel A, the dependent variable is $ln(small\ business\ loans_{b,c,t})$, the natural logarithm of the total amount of loans originated by bank b in year t to small businesses in county c. In Panel B, the dependent variable is $ln(small\ enterprise\ loans_{b,c,t})$, the natural logarithm of the total amount of loans originated by bank b in year t to small businesses and small farns in county c. Across panels, Columns 1 to 3 pool the three bank types together, while Column 4 only focuses on big community banks and Column 5 only on large and the big 4 banks. Furthermore, Columns 1, 4, and 5 report OLS estimates, while Columns 2 and 3 report 2SLS estimates where we instrument the share of tax filings reporting charitable donations with two other established proxies in the literature—namely the county-year percentage of organ donors over deaths, and a dummy equal to 1 if the county experienced voter turnout in the 90^{th} percentile and above during the last general election. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: Larger Banks' Small Business Lending

	ln(small business loans$_{b,c,t}$)				
	BCBs, LBs, B4Bs			Big Comm. Banks	LBs, B4Bs
	OLS analysis	2SLS analysis		OLS analysis	OLS analysis
	-	1st stage	2nd stage	-	-
	(1)	(2)	(3)	(4)	(5)
% of tax filings w/charitable donations$_{c,t-1}$	-0.202		5.609	0.0782	-0.0174
	(0.26)		(7.40)	(0.63)	(0.29)
# organ donors over deaths$_{c,t-1}$		0.109***			
		(0.0053)			
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00143***			
		(0.00012)			
county-year controls:					
ln(population$_{c,t-1}$)	-0.150	-0.112***	0.501	0.526*	-0.267**
	(0.12)	(0.00060)	(0.83)	(0.31)	(0.13)
ln(# businesses $>$100employees$_{c,t-1}$)	-0.00513	-0.000688***	-0.00193	-0.0276	0.00571
	(0.015)	(0.000093)	(0.017)	(0.045)	(0.016)
ln(# businesses $<$100employees$_{c,t-1}$)	0.344***	0.0276***	0.183	0.326^{+}	0.311***
	(0.082)	(0.00044)	(0.22)	(0.22)	(0.089)
employment rate$_{b,c,t-1}$	0.0342	-0.112***	0.689	-0.873	-0.0259
	(0.32)	(0.0017)	(0.89)	(0.93)	(0.34)
ln(personal income per capita$_{c,t-1}$)	0.131*	0.0563***	-0.193	-0.0498	0.191***
	(0.070)	(0.00037)	(0.42)	(0.18)	(0.074)
ln(county GDP$_{c,t-1}$)	0.0469	0.000321*	0.0441	0.0252	0.0557^{+}
	(0.035)	(0.00018)	(0.032)	(0.094)	(0.036)
bank-year controls:					
I(no branch$_{b,c,t}$)	-3.032***	0.000232***	-3.034***	-3.150***	-2.912***
	(0.053)	(0.000046)	(0.0083)	(0.062)	(0.053)
# branches$_{b,c,t-1}$	0.0687***	-0.00000642*	0.0688***	0.174***	0.0652***
	(0.0097)	(0.0000035)	(0.00062)	(0.013)	(0.0095)
ROA$_{b,t-1}$	13.50***	-0.0215***	13.66***	1.133	12.39***
	(0.72)	(0.0044)	(0.78)	(1.99)	(0.77)
net interest margin$_{b,t-1}$	-14.32***	0.0633***	-14.53***	8.392^{+}	-20.70***
	(0.86)	(0.0057)	(1.10)	(5.64)	(0.88)
tier 1 lev. capital ratio$_{b,t-1}$	0.0237***	-0.000183***	0.0248***	-0.0112	0.0193***
	(0.0018)	(0.000011)	(0.0023)	(0.0088)	(0.0019)
county FE	x		x	x	x
year FE	x		x	x	x
bank FE	x		x	x	x
observations	574,326	572,747	572,747	105,754	468,538
R-squared	0.504		0.274	0.472	0.524
F-stat		278.17			

Panel B: Larger Banks' Small Enterprise Lending

	ln(small enterprise loans$_{b,c,t}$)				
	BCBs, LBs, B4Bs			Big Comm. Banks	LBs, B4Bs
	OLS analysis	2SLS analysis		OLS analysis	OLS analysis
	-	1^{st} stage	2^{nd} stage	-	-
	(1)	(2)	(3)	(4)	(5)
% of tax filings w/charitable donations$_{c,t-1}$	-0.0891		3.612	1.570***	-0.0462
	(0.25)		(7.37)	(0.61)	(0.28)
# organ donors over deaths$_{c,t-1}$		0.109***			
		(0.0053)			
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00143***			
		(0.00012)			
county-year controls:					
ln(population$_{c,t-1}$)	-0.200^{+}	-0.112***	0.215	0.117	-0.314**
	(0.12)	(0.00060)	(0.83)	(0.29)	(0.13)
ln(# businesses $>$100employees$_{c,t-1}$)	-0.00772	-0.000688***	-0.00588	-0.0317	0.00280
	(0.015)	(0.000093)	(0.017)	(0.041)	(0.016)
ln(# businesses $<$100employees$_{c,t-1}$)	0.281***	0.0276***	0.178	0.117	0.298***
	(0.082)	(0.00044)	(0.22)	(0.20)	(0.089)
employment rate$_{b,c,t-1}$	0.582*	-0.112***	1.001	-0.234	0.698**
	(0.32)	(0.0017)	(0.89)	(0.89)	(0.34)
ln(personal income per capita$_{c,t-1}$)	0.0615	0.0563***	-0.143	-0.0718	0.127*
	(0.069)	(0.00037)	(0.42)	(0.18)	(0.074)
ln(county GDP$_{c,t-1}$)	0.0355	0.000321*	0.0331	-0.00768	0.0556^{+}
	(0.034)	(0.00018)	(0.032)	(0.089)	(0.035)
bank-year controls:					
I(no branch$_{b,c,t}$)	-2.947***	0.000232***	-2.949***	-2.893***	-2.861***
	(0.055)	(0.000046)	(0.0082)	(0.062)	(0.054)
# branches$_{b,c,t-1}$	0.0714***	-0.00000642*	0.0714***	0.187***	0.0669***
	(0.010)	(0.0000035)	(0.00061)	(0.013)	(0.0097)
ROA$_{b,t-1}$	15.26***	-0.0215***	15.39***	-0.475	14.45***
	(0.74)	(0.0044)	(0.78)	(1.91)	(0.79)
net interest margin$_{b,t-1}$	-14.27***	0.0633***	-14.39***	10.08*	-21.63***
	(0.89)	(0.0057)	(1.10)	(5.44)	(0.90)
tier 1 lev. capital ratio$_{b,t-1}$	0.0135***	-0.000183***	0.0142***	-0.0131^{+}	0.00775***
	(0.0018)	(0.000011)	(0.0023)	(0.0084)	(0.0018)
county FE	x		x	x	x
year FE	x		x	x	x
bank FE	x		x	x	x
observations	574,326	572,747	572,747	105,754	468,538
R-squared	0.493		0.268	0.460	0.510
F-stat		278.17			

Table 5: **Lending Inclusivity**

Description: This table evaluates whether increases in local social capital correspond to greater inclusivity in lending outcomes. Panel A studies whether the number of total, minority-owned, and female-owned small businesses rises more in counties with historically greater SCB presence when social capital increases. The dependent variables are the natural logarithm of the count of total small businesses operating in county c and year t in Column 1, the natural logarithm of the count of minority-owned small businesses operating in county c and year t in Column 2, and the natural logarithm of the count of female-owned small businesses operating in county c and year t in Column 3, according to YourEconomy data. The independent variable of interest is the interaction between $\%\ SCB\ deposits_{c,2005}$, the share of small community bank deposits the year before the beginning of the sample proxying for areas with historically higher small community bank presence, and $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations. Panel B analyzes whether the share of mortgages issued to minority borrowers increases with social capital, separately for small community banks (SCBs, in Columns 1 to 3) and for larger banks (big community banks BCBs, large banks LBs, and the big 4 banks B4Bs, in Columns 4 to 6). The independent variable of interest is $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations. Columns 1 and 4 report OLS estimates, while Columns 2-3 and 5-6 report 2SLS estimates where we instrument the share of tax filings reporting charitable donations with two other established proxies in the literature—namely the county-year percentage of organ donors over deaths, and a dummy equal to 1 if the county experienced voter turnout in the 90^{th} percentile and above during the last general election. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: Small Businesses

	ln(# Small Businesses$_{c,t}$)	ln(# Min. Small Businesses$_{c,t}$)	ln(# Fem. Small Businesses$_{c,t}$)
	(1)	(2)	(3)
% of tax filings w/charitable donations$_{c,t-1}$	-0.598**	-1.870***	-1.177***
	(0.24)	(0.18)	(0.20)
% SCB deposits$_{c,2005}$	-		
% of tax filings w/charitable donations$_{c,t-1}$ × % SCB deposits$_{c,2005}$	0.907***	2.168***	1.333***
	(0.26)	(0.25)	(0.21)
county-year controls:			
ln(population$_{c,t-1}$)	0.712***	1.131***	0.776***
	(0.036)	(0.053)	(0.033)
employment rate$_{b,c,t-1}$	-0.0535	-0.159*	-0.204***
	(0.047)	(0.088)	(0.038)
ln(personal income per capita$_{c,t-1}$)	0.0232*	-0.0599**	0.00823
	(0.012)	(0.023)	(0.0096)
ln(county GDP$_{c,t-1}$)	0.0386***	-0.0205^{+}	-0.0145***
	(0.0056)	(0.013)	(0.0050)
ln(# businesses >100employees$_{c,t-1}$)	0.00813***	0.0304***	0.0104***
	(0.0022)	(0.0047)	(0.0022)
county FE	x	x	x
year FE	x	x	x
observations	38,471	38,471	38,471
R-squared	0.997	0.977	0.997

Panel B: mortgages

	% loans to minorities$_{b,c,t}$					
	SCBs			BCBs, LBs, B4Bs		
	OLS analysis	2SLS analysis		OLS analysis	2SLS analysis	
	-	1^{st} stage	2^{nd} stage	-	1^{st} stage	2^{nd} stage
	(1)	(2)	(3)	(4)	(5)	(6)
% of tax filings w/charitable donations$_{c,t-1}$	0.0960**		0.395	0.0324		−1.487***
	(0.036)		(0.46)	(0.029)		(0.52)
# organ donors over deaths$_{c,t-1}$		0.109***			0.0922***	
		(0.0046)			(0.0042)	
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00387***			0.00241***	
		(0.00010)			(0.000099)	
county-year controls:						
ln(population$_{c,t-1}$)	0.0872***	-0.109***	0.121**	0.0507***	-0.102***	-0.105*
	(0.018)	(0.00061)	(0.051)	(0.015)	(0.00053)	(0.054)
ln(# businesses $>$100employees$_{c,t-1}$)	0.00635***	-0.000289***	0.00647***	0.00482***	-0.000728***	0.00372***
	(0.0018)	(0.000094)	(0.0019)	(0.0015)	(0.000077)	(0.0014)
ln(# businesses $<$100employees$_{c,t-1}$)	0.0291**	0.0239***	0.0225+	0.0302***	0.0263***	0.0702***
	(0.011)	(0.00045)	(0.014)	(0.0095)	(0.00039)	(0.015)
employment rate$_{b,c,t-1}$	0.122***	-0.131***	0.164**	0.0692**	-0.138***	-0.143*
	(0.036)	(0.0016)	(0.069)	(0.031)	(0.0014)	(0.076)
ln(personal income per capita$_{c,t-1}$)	-0.00584	0.0506***	-0.0216	0.00358	0.0533***	0.0853***
	(0.0099)	(0.00037)	(0.024)	(0.0076)	(0.00033)	(0.028)
ln(county GDP$_{c,t-1}$)	-0.0000306	0.00114***	-0.000319	0.00327	0.00112***	0.00474*
	(0.0051)	(0.00019)	(0.0039)	(0.0035)	(0.00016)	(0.0028)
bank-year controls:						
I(no branch$_{b,c,t}$)	-0.00886***	-0.000349***	-0.00883***	-0.0104***	-0.0000172	-0.0104***
	(0.0015)	(0.000062)	(0.0013)	(0.0010)	(0.000041)	(0.00070)
# branches$_{b,c,t-1}$	0.000998***	-0.00000679	0.000989**	0.000815***	0.000000852	0.000815***
	(0.00038)	(0.000020)	(0.00040)	(0.00011)	(0.0000035)	(0.000060)
ROA$_{b,t-1}$	-0.153**	-0.0230***	-0.151**	-0.0587	-0.0225***	-0.0938+
	(0.071)	(0.0032)	(0.065)	(0.059)	(0.0036)	(0.063)
net interest margin$_{b,t-1}$	-0.123	-0.0187***	-0.110	0.235*	-0.00835	0.221*
	(0.16)	(0.0070)	(0.14)	(0.12)	(0.0071)	(0.12)
tier 1 lev. capital ratio$_{b,t-1}$	-0.000141**	0.0000400***	-0.000151**	-0.000552***	0.0000170+	-0.000539***
	(0.000068)	(0.0000036)	(0.000076)	(0.00020)	(0.000010)	(0.00018)
county FE	x		x	x		x
year FE	x		x	x		x
bank FE	x		x	x		x
observations	609,410	607,957	607,957	757,562	755,525	755,525
R-squared	0.274		0.000441	0.299		-0.00676
F-stat		983.66			536.13	

Table 6: **Small Community Banks' Performance**

Description: This table examines whether increases in social capital translate into changes in profitability, margins, and risk for small community banks. Panel A focuses on interest and non-interest income and margins. The dependent variables are the natural logarithm of small community bank *b* year *t* interest income in Column 1, the difference between small community bank *b* year *t* interest income and expenses over lagged total assets in Column 2, the natural logarithm of small community bank *b* year *t* non-interest income in Column 3, the difference between small community bank *b* year *t* non-interest income and expenses over lagged total assets in Column 4. We link these bank-level Call Report metrics to the independent variable of interst $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$ (the county-year share of tax filings reporting charitable donations) based on the county *c* where small community bank *b* has most of its deposits in. Panel B focuses on overall small community bank performance and risk. The dependent variables are the ratio of net income to assets in Column 1, the ratio of loan loss provisions to total loans in Column 2, and the Z-score (computed following **?**laeven2009bank)) in Column 3. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: Margins

	ln(interest income$^{c}_{b,t}$)	net interest margin$^{c}_{b,t}$	ln(non-interest income$^{c}_{b,t}$)	net non-interest margin$^{c}_{b,t}$
	(1)	(2)	(3)	(4)
% of tax filings w/charitable donations$_{c,t-1}$	1.306***	-0.00554***	-1.309***	0.00552*
	(0.20)	(0.0017)	(0.34)	(0.0032)
county-year controls:				
ln(population$_{c,t-1}$)	0.430***	-0.00203**	1.052***	0.00270^{+}
	(0.12)	(0.00097)	(0.18)	(0.0018)
ln(# businesses >100employees$_{c,t-1}$)	0.0158**	-0.0000287	-0.00304	0.0000464
	(0.0073)	(0.000075)	(0.014)	(0.00011)
ln(# businesses <100employees$_{c,t-1}$)	0.372***	0.000596	0.179*	0.00263***
	(0.058)	(0.00069)	(0.11)	(0.00071)
employment rate$_{b,c,t-1}$	0.0659	0.00474**	1.296***	0.0121***
	(0.18)	(0.0020)	(0.38)	(0.0038)
ln(personal income per capita$_{c,t-1}$)	0.169***	-0.00131***	0.0641	0.00258***
	(0.044)	(0.00048)	(0.064)	(0.00078)
ln(county GDP$_{c,t-1}$)	0.0343^{+}	-0.000305	-0.0667**	0.000332
	(0.022)	(0.00023)	(0.029)	(0.00026)
bank-year controls:				
# branches$_{b,c,t-1}$	0.113***	0.000211***	0.143***	0.0000399
	(0.0065)	(0.000038)	(0.012)	(0.000066)
tier 1 lev. capital ratio$_{b,t-1}$	-0.00122***	-0.00000213*	-0.00197***	-0.00000960***
	(0.00041)	(0.0000013)	(0.00055)	(0.0000034)
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	76,425	76,425	75,167	76,425
R-squared	0.944	0.651	0.898	0.905

Panel B: ROA and Risk

	$ROA^{c}_{b,t}$	loan loss provisions o/loans$^{c}_{b,t}$	Z score$^{c}_{b,t}$
	(1)	(2)	(3)
% of tax filings w/charitable donations$_{c,t-1}$	-0.00295	0.00423*	57.48
	(0.0034)	(0.0022)	(46.2)
county-year controls:			
ln(population$_{c,t-1}$)	0.00334*	-0.00436***	-38.89+
	(0.0017)	(0.0011)	(25.0)
ln(# businesses >100employees$_{c,t-1}$)	0.0000733	0.0000754	-3.925+
	(0.00014)	(0.00012)	(2.61)
ln(# businesses <100employees$_{c,t-1}$)	0.00214**	-0.000247	18.91
	(0.00084)	(0.00080)	(15.2)
employment rate$_{b,c,t-1}$	0.0354***	-0.0379***	139.8***
	(0.0048)	(0.0032)	(49.3)
ln(personal income per capita$_{c,t-1}$)	0.00242***	-0.00218***	5.372
	(0.00089)	(0.00061)	(11.0)
ln(county GDP$_{c,t-1}$)	-0.000271	0.000648**	-0.468
	(0.00035)	(0.00025)	(5.48)
bank-year controls:			
# branches$_{b,c,t-1}$	0.0000382	0.000271***	1.499
	(0.000079)	(0.000053)	(1.16)
tier 1 lev. capital ratio$_{b,t-1}$	-0.0000102***	0.00000134	2.216***
	(0.0000035)	(0.0000010)	(0.54)
county FE	x	x	x
year FE	x	x	x
bank FE	x	x	x
observations	76,425	76,001	72,368
R-squared	0.844	0.420	0.569

Table 7: **Resilience - Branch Dynamics**

Description: This table assesses whether higher social capital improves the resilience of small community banks by reducing the likelihood of branch or bank closures and by shaping branch location decisions. Panel A presents Cox parametric survival models, where the end-event is either a small community bank branch closure (branch-level analysis, Columns 1 and 2) or a small community bank closure (bank-level analysis, Columns 3 and 4). Columns 2 and 4 repeat the analysis in Columns 1 and 2 excluding the years of the Grear Recession (2008-2009). The independent variable of interest is $st.\ \%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the standardized county-year share of tax filings reporting charitable donations. Panel B estimates Poisson models of small community bank branch counts across counties in the bankâs operating state. The independent variable of interest is $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: SCB branch and bank closings

	SCB Branch Closure		SCB Bank Closure	
	full sample	excl. 2008-2009	full sample	excl. 2008-2009
	(1)	(2)	(3)	(4)
st. % of tax filings w/charitable donations$_{c,t}$	-0.338***	-0.381***	-0.476***	-0.515***
	(0.028)	(0.029)	(0.040)	(0.041)
county-year controls:				
st. ln(population$_{c,t}$)	2.122***	2.260***	2.840***	3.011***
	(0.21)	(0.23)	(0.34)	(0.35)
st. ln(# businesses >100employees$_{c,t}$)	-0.478***	-0.553***	-0.764***	-0.805***
	(0.10)	(0.10)	(0.14)	(0.14)
st. ln(# businesses <100employees$_{c,t}$)	-1.331***	-1.461***	-1.699***	-1.868***
	(0.19)	(0.21)	(0.30)	(0.30)
st. employment rate$_{b,c,t}$	-0.225***	-0.213***	-0.235***	-0.175***
	(0.021)	(0.024)	(0.040)	(0.043)
st. ln(personal income per capita$_{c,t}$)	0.653***	0.696***	0.915***	0.962***
	(0.041)	(0.044)	(0.051)	(0.048)
st. ln(county GDP$_{c,t}$)	-0.219	-0.142	-0.278	-0.216
	(0.17)	(0.17)	(0.23)	(0.24)
bank-year controls:				
st. ROA$_{b,t}$	-0.125***	-0.121***	-0.146***	-0.138***
	(0.021)	(0.024)	(0.043)	(0.036)
st. net interest margin$_{b,t}$	-0.239***	-0.191***	-0.222	-0.0579
	(0.038)	(0.043)	(0.17)	(0.076)
st. tier 1 lev. capital ratio$_{b,t}$	-1.134***	-1.124***	-1.974***	-1.634***
	(0.081)	(0.080)	(0.36)	(0.33)
observations	320,603	270,708	84,711	72,081

Panel B: SCB branch openings

	# branches$_{b,c,t}$
	(1)
% of tax filings w/charitable donations$_{c,t-1}$	1.556***
	(0.18)
county-year controls:	
ln(population$_{c,t-1}$)	-0.509***
	(0.12)
ln(# businesses >100employees$_{c,t-1}$)	-0.0221**
	(0.0090)
ln(# businesses <100employees$_{c,t-1}$)	0.0365
	(0.086)
employment rate$_{b,c,t-1}$	-0.743***
	(0.20)
ln(personal income per capita$_{c,t-1}$)	0.227***
	(0.054)
ln(county GDP$_{c,t-1}$)	-0.0410
	(0.030)
bank-year controls:	
ROA$_{b,t-1}$	-0.202
	(0.26)
net interest margin$_{b,t-1}$	6.649***
	(0.81)
tier 1 lev. capital ratio$_{b,t-1}$	-0.00259
	(0.0023)
county FE	x
year FE	x
bank FE	x
observations	7,113,423

Table 8: **Resilience - Local Economic Distress**

Description: This table examines whether the beneficial effects of social capital on small community bank deposit growth and branch closures persist during periods of county-level economic distress. Panel A focuses on small community bank deposit. It regresses bank-county-year deposit growth on the interaction of $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations, with either $mild\ county\ recession_{c,t}$ (an indicator variable if county c in year t presents an unemployment rate at least one standard deviation above the national average) or $strong\ county\ recession_{c,t}$ (an indicator variable if county c in year t presents an unemployment rate at least one standard deviation above the national average). Panel B focuses on small community bank branch closings. It estimates Cox parametric survival models, where the end-event is small community bank branch closure. The independent variable of interest is the interaction between $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations, and $mild\ county\ recession_{c,t}$ or $strong\ county\ recession_{c,t}$. Across panels, Columns 1 and 3 are based on estimates over the full sample, Columns 2 and 4 exclude the years of the Great Recession (2008-2009). Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: SCB deposits

	deposit growth$_{b,c,t}$		deposit growth$_{b,c,t}$	
	full sample	excl. 2008-2009	full sample	excl. 2008-2009
	(1)	(2)	(3)	(4)
% of tax filings w/charitable donations$_{c,t}$	0.295**	0.264**	0.299***	0.266**
	(0.11)	(0.11)	(0.11)	(0.10)
mild county recession$_{c,t}$	0.00299	0.00554		
	(0.011)	(0.012)		
mild county recession$_{c,t}$ × % of tax filings w/charitable donations$_{c,t}$	-0.0171	-0.0188		
	(0.067)	(0.075)		
strong county recession$_{c,t}$			-0.00447	-0.00236
			(0.015)	(0.017)
strong county recession$_{c,t}$ × % of tax filings w/charitable donations$_{c,t}$			-0.0277	-0.00193
			(0.091)	(0.11)
county-year controls:				
ln(population$_{c,t-1}$)	-0.291***	-0.206***	-0.290***	-0.206***
	(0.052)	(0.043)	(0.051)	(0.043)
ln(# businesses >100employees$_{c,t-1}$)	-0.00550*	-0.00657**	-0.00544*	-0.00655**
	(0.0028)	(0.0032)	(0.0028)	(0.0032)
ln(# businesses <100employees$_{c,t-1}$)	0.0273	0.0130	0.0280	0.0130
	(0.028)	(0.026)	(0.028)	(0.026)
employment rate$_{b,c,t-1}$	0.939***	0.849***	0.917***	0.827***
	(0.12)	(0.12)	(0.12)	(0.12)
ln(personal income per capita$_{c,t-1}$)	0.155***	0.151***	0.156***	0.151***
	(0.023)	(0.023)	(0.023)	(0.023)
ln(county GDP$_{c,t-1}$)	-0.00453	-0.00283	-0.00477	-0.00315
	(0.0095)	(0.010)	(0.0095)	(0.010)
bank-year controls:				
# branches$_{b,c,t-1}$	-0.0240***	-0.0222***	-0.0240***	-0.0222***
	(0.0014)	(0.0012)	(0.0014)	(0.0012)
ROA$_{b,t-1}$	-2.364***	-0.380	-2.364***	-0.380
	(0.88)	(1.19)	(0.88)	(1.19)
net interest margin$_{b,t-1}$	0.390	0.722	0.388	0.718
	(0.96)	(1.44)	(0.96)	(1.44)
tier 1 lev. capital ratio$_{b,t-1}$	0.00376***	0.00353***	0.00376***	0.00353***
	(0.00068)	(0.00068)	(0.00068)	(0.00068)
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	153,202	129,255	153,202	129,255
R-squared	0.151	0.149	0.151	0.149

Panel B: SCB branch closings

	SCB branch closing		SCB branch closing	
	full sample	excl. 2008-2009	full sample	excl. 2008-2009
	(1)	(2)	(3)	(4)
st. % of tax filings w/charitable donations$_{c,t}$	-0.332***	-0.361***	-0.331***	-0.362***
	(0.026)	(0.027)	(0.025)	(0.026)
mild county recession$_{c,t}$	0.0468	0.0484		
	(0.075)	(0.081)		
st. % of tax filings w/charitable donations$_{c,t}$*mild county recession$_{c,t}$	0.0600	0.0190		
	(0.072)	(0.073)		
strong county recession$_{c,t}$			0.133	0.173
			(0.12)	(0.13)
st. % of tax filings w/charitable donations$_{c,t}$*strong county recession$_{c,t}$			0.159	0.0679
			(0.12)	(0.12)
county-year controls:				
st. ln(population$_{c,t}$)	2.132***	2.242***	2.135***	2.248***
	(0.21)	(0.22)	(0.21)	(0.22)
st. ln(# businesses >100employees$_{c,t}$)	-0.401***	-0.480***	-0.403***	-0.481***
	(0.093)	(0.096)	(0.093)	(0.096)
st. ln(# businesses <100employees$_{c,t}$)	-1.345***	-1.457***	-1.349***	-1.461***
	(0.18)	(0.19)	(0.18)	(0.19)
st. employment rate$_{b,c,t}$	-0.126***	-0.0991***	-0.127***	-0.0969***
	(0.025)	(0.029)	(0.024)	(0.027)
st. ln(personal income per capita$_{c,t}$)	0.650***	0.679***	0.649***	0.679***
	(0.037)	(0.039)	(0.037)	(0.039)
st. ln(county GDP$_{c,t}$)	-0.292*	-0.195	-0.288*	-0.194
	(0.16)	(0.16)	(0.16)	(0.16)
bank-year controls:				
st. ROA$_{b,t}$	-0.104***	-0.0962***	-0.104***	-0.0961***
	(0.016)	(0.018)	(0.016)	(0.018)
st. net interest margin$_{b,t}$	-0.221***	-0.164***	-0.221***	-0.166***
	(0.041)	(0.044)	(0.041)	(0.044)
st. tier 1 lev. capital ratio$_{b,t}$	-1.280***	-1.222***	-1.280***	-1.223***
	(0.093)	(0.092)	(0.093)	(0.092)
observations	344,642	294,855	344,642	294,855

Appendix to:

Does Social Capital Matter in Banking? Evidence from Community Banks

(intended for online publication)

Table A.1: **Commercial and Industrial Loans Charge Offs**

Description: This table analyzes whether increases in social capital lead small community banks to take on riskier borrowers by studying charge-offs on commercial and industrial loans (C&I loans) in the two years following exposure. The dependent variables are the natural logarithm of the average amount of C&I charge-offs in the two years following the increase in local social capital in Column 1 which reports OLS estimates, the average amount of C&I charge-offs in the two years following the increase in local social capital in Column 2 which reports Poisson fixed effects estimates, and the ratio of the average amount of C&I charge-offs in the two years following the increase in local social capital over the amount of C&I loans on the balance sheet of the small community bank in the year following the increase in local social capital in Columns 3 and 4. The independent variable of interest is $\%\ of\ tax\ filings\ w/charitable\ donations_{c,t-1}$, the county-year share of tax filings reporting charitable donations. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

	ln(avg C&I loans charge offs$_{b,c,t\&t+1}$)	avg C&I loans charge offs$_{b,c,t\&t+1}$	$\frac{avg\ C\&I\ loans\ charge\ offs_{b,c,t\&t+1}}{C\&I\ loans_{b,c,t}}$	
	OLS analysis	Poisson analysis	OLS analysis	Poisson analysis
	(1)	(2)	(3)	(4)
% of tax filings w/charitable donations$_{c,t-1}$	3.258***	5.578***	-0.00591	-0.488
	(0.94)	(1.67)	(0.0075)	(1.74)
county-year controls:				
ln(population$_{c,t-1}$)	-0.468	1.419^{+}	-0.00136	0.342
	(0.44)	(0.90)	(0.0030)	(0.79)
ln(# businesses >100employees$_{c,t-1}$)	-0.0107	0.0405	-0.000235	-0.0714
	(0.044)	(0.10)	(0.00044)	(0.12)
ln(# businesses <100employees$_{c,t-1}$)	0.743***	-0.276	-0.000135	-0.191
	(0.27)	(0.64)	(0.0020)	(0.53)
employment rate$_{b,c,t-1}$	-10.78***	-9.549***	-0.0480***	-9.176***
	(1.09)	(1.60)	(0.0091)	(1.87)
ln(personal income per capita$_{c,t-1}$)	-0.629***	-0.953**	-0.00350*	-0.930*
	(0.22)	(0.41)	(0.0019)	(0.49)
ln(county GDP$_{c,t-1}$)	0.0544	-0.0645	0.000913	0.0307
	(0.12)	(0.24)	(0.00089)	(0.27)
bank-year controls:				
# branches$_{b,c,t-1}$	0.189***	0.113***	0.000146	-0.000531
	(0.021)	(0.023)	(0.00022)	(0.065)
ROA$_{b,t-1}$	-0.528	2.419	-0.0244	-1.124
	(1.21)	(1.81)	(0.029)	(2.15)
net interest margin$_{b,t-1}$	22.39***	25.34**	0.0228	9.278^{+}
	(4.06)	(10.2)	(0.039)	(6.00)
tier 1 lev. capital ratio$_{b,t-1}$	-0.00171**	-0.00349	-0.00000720*	-0.00154
	(0.00074)	(0.0041)	(0.0000038)	(0.0018)
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	73,278	63,514	71,117	63,330
R-squared	0.549		0.258	

Table A.2: **Share of low-income tax reports with charitable contributions**

Description: This table re-estimates the main deposit-growth and lending regressions in the analysis using, as an alternative social-capital proxy, the percentage of *low-income* tax filings reporting charitable contributions instead of the percentage of all tax filings reporting charitable contributions. We define low-income tax filings as those included in the bottom 3 of the 6 income brackets of the IRS Statistics of Income (i.e., those filings where filers have income below $75 k). In Panel A, we replicate Panel A of Table 2; in Panel B, we replicate Table 3; in Panel C, we replicate Table 4. Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively.

Panel A: Deposit growth

	deposit growth$_{b,c,t}$	
	OLS analysis	2SLS analysis
	(1)	(2)
% of low-inc. tax filings w/charitable donations$_{c,t-1}$	-0.313***	$\widehat{-1.104}$
	(0.083)	(1.64)
I(SCB)	-0.0468***	-0.0757***
	(0.013)	(0.027)
% of low-inc. tax filings w/charitable donations$_{c,t-1}$*I(SCB)	0.253***	$\widehat{0.476}^{**}$
	(0.061)	(0.19)
I(BCB)	-0.0314**	-0.0342
	(0.016)	(0.029)
% of low-inc. tax filings w/charitable donations$_{c,t-1}$*I(BCB)	0.213**	$\widehat{0.245}$
	(0.098)	(0.22)
I(B4B)	-	-
% of low-inc. tax filings w/charitable donations$_{c,t-1}$*I(B4B)	-0.109*	$\widehat{0.256}$
	(0.058)	(0.21)
county-year controls	x	x
bank-year controls	x	x
county FE	x	x
year FE	x	x
bank FE	x	x
observations	304,829	304,154
R-squared	0.0839	0.0126
F-stat		64.9

Panel B: SCB Lending

	ln(C&I loans< $1*mn* $_{b,c,t}$)	ln(SE loans$_{b,c,t}$)	ln(mortgages$_{b,c,t}$)	ln(ind. loans$_{b,c,t}$)
	(1)	(2)	(3)	(4)
% of low-inc. tax filings w/charitable donations$_{c,t-1}$	7.416***	8.407***	2.423***	1.692***
	(1.20)	(1.19)	(0.27)	(0.44)
county-year controls	x	x	x	x
bank-year controls	x	x	x	x
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	76,357	76,357	76,357	76,357
R-squared	0.798	0.774	0.968	0.902

Panel C: Larger Banks Lending

	ln(small business loans$_{b,c,t}$)		ln(small enterprise loans$_{b,c,t}$)	
	Big Comm. Banks	LBs, B4Bs	Big Comm. Banks	LBs, B4Bs
	(1)	(2)	(3)	(4)
% of low-inc. tax filings w/charitable donations$_{c,t-1}$	0.0654	-0.494^{+}	2.286***	-0.527*
	(0.68)	(0.31)	(0.65)	(0.31)
county-year controls	x	x	x	x
bank-year controls	x	x	x	x
county FE	x	x	x	x
year FE	x	x	x	x
bank FE	x	x	x	x
observations	105,635	468,285	105,635	468,285
R-squared	0.472	0.524	0.460	0.510

Table A.3: **Variance Decomposition**

Description: In this table, we report the variance decomposition of the following regression:

$$\begin{aligned} deposit\ growth_{b,c,t} = \alpha_b + \alpha_c + \alpha_t + \beta_1\ \%\ filings\ w/charit.\ don._{c,t-1} + \\ + \beta_2\ I(bank\ type_{b,t}) + \beta_3\ \%\ filings\ w/charit.\ don._{c,t-1} * I(bank\ type_{b,t}) + \\ + \gamma_1\ ln(population_{c,t-1}) + \gamma_2\ ln(GDP_{c,t-1}) + \gamma_2\ net\ interest\ income_{b,t-1} + \varepsilon_{b,c,t} \end{aligned}$$

where $deposit\ growth_{b,c,t}$ is the year-on-year change in the natural logarithm of bank b deposits held at branches in county c and year t; $\%\ filings\ w/charit.\ don._{c,t-1}$ is the percentage of county c year t-1 tax filings reporting charitable donations; $I(bank\ type_{b,t})$ is an indicator variable for bank b being either a small community bank ($I(SCB)$), or big community bank ($I(BCB)$), or big 4 bank ($I(B4B)$) according to the framework introduced in Section 2; $ln(population_{c,t-1})$ is the natural logarithm of county c year $t-1$ population county; $ln(GDP_{c,t-1})$ is the natural logarithm of county c year $t-1$ GDP in \$k (thousands); $net\ interest\ income_{b,t-1}$ is bank b year $t-1$ interest income minus interest expenses, scaled by total assets; α_b, α_c, α_t represent bank, county, and year fixed effects, respectively.

variable	sum of squares	degrees of freedom	mean squares	% of variation
$\%\ filings\ w/charit.\ don._{c,t-1}$	0.0407	1	0.0407	0.04%
$I(SCB)$	4.0086	1	4.0086	4.29%
$I(SCB)$*$\%\ filings\ w/charit.\ don._{c,t-1}$	5.1255	1	5.1255	5.49%
$I(BCB)$	2.0003	1	2.0003	2.14%
$I(BCB)$*$\%\ filings\ w/charit.\ don._{c,t-1}$	2.304	1	2.304	2.47%
$I(B4B)$	0.0000	1	0.0000	0.00%
$I(B4B)$*$\%\ filings\ w/charit.\ don._{c,t-1}$	0.0234	1	0.0234	0.03%
$ln(population_{c,t-1})$	53.2224	1	53.2224	56.97%
$ln(GDP_{c,t-1})$	9.1596	1	9.1596	9.81%
$net\ interest\ income_{b,t-1}$	1.0388	1	1.0388	0.46%
$\alpha_b + \alpha_c + \alpha_t$	3,772.2478	8,750	0.4311	0.46%
residual	49,073.759	3,055	16.0634	17.20%

Table A.4: **Bank x County Fixed Effects**

Description: In this table, we replicate the main deposit and lending analysis under *bank x county* fixed effects. Panel A replicates the deposit analysis across all bank types (Panel B of Table 2). Panel B replicates the big community banks, large banks, and big 4 banks lending analysis (Panel B of Table 4). We do replicate the lending analysis for small community banks, since in Table 3 we are mapping the total lending of each small community bank to the county it has most of its deposits on, hence the bank fixed effect in the Table is already equivalent to a bank x county fixed effect.

Panel A: Deposit growth within bank type

	deposit growth$_{b,c,t}$			
	Small Comm. Banks	Big Comm. Banks	Large Banks	Big4 Banks
	(1)	(2)	(3)	(4)
% of tax filings w/charitable donations$_{c,t-1}$	0.305***	-0.0783	-0.383***	-0.363***
	(0.11)	(0.26)	(0.14)	(0.14)
county-year controls:				
ln(population$_{c,t-1}$)	-0.438***	-0.461***	-0.282***	0.0137
	(0.051)	(0.14)	(0.069)	(0.11)
ln(# businesses >100employees$_{c,t-1}$)	-0.00385	-0.0133	-0.00366	0.00261
	(0.0028)	(0.010)	(0.0037)	(0.0063)
ln(# businesses <100employees$_{c,t-1}$)	0.0200	0.00228	-0.153***	-0.193**
	(0.028)	(0.075)	(0.042)	(0.084)
employment rate$_{b,c,t-1}$	0.958***	0.211	0.0776	0.346**
	(0.11)	(0.31)	(0.13)	(0.17)
ln(personal income per capita$_{c,t-1}$)	0.149***	0.0374	-0.000162	0.0221
	(0.022)	(0.045)	(0.050)	(0.061)
ln(county GDP$_{c,t-1}$)	-0.00341	0.0250	0.0429***	-0.00278
	(0.0096)	(0.023)	(0.016)	(0.017)
bank-year controls:				
# branches$_{b,c,t-1}$	-0.0577***	-0.0660***	-0.0235***	-0.00517***
	(0.0043)	(0.0081)	(0.0042)	(0.0012)
ROA$_{b,t-1}$	-2.093**	2.516***	2.650***	-10.53***
	(0.86)	(0.53)	(0.35)	(3.40)
net interest margin$_{b,t-1}$	0.364	2.186	9.750***	12.67***
	(0.95)	(1.92)	(1.55)	(3.11)
tier 1 lev. capital ratio$_{b,t-1}$	0.00375***	0.00966***	-0.00101	-0.0100**
	(0.00066)	(0.0031)	(0.0019)	(0.0043)
bank x county FE	x	x	x	x
year FE	x	x	x	x
observations	152,184	26,771	98,838	22,806
R-squared	0.248	0.305	0.213	0.118

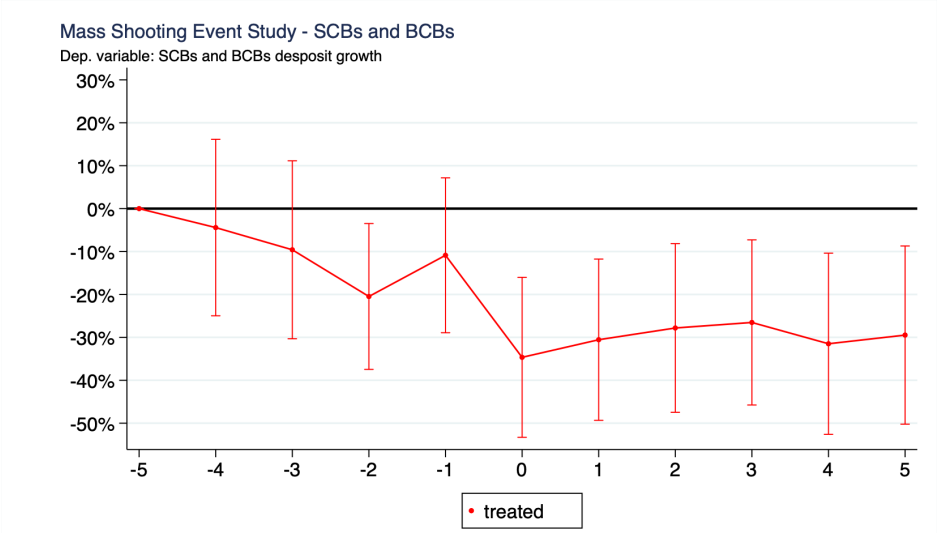
Panel B: Larger Banks' Small Business Lending

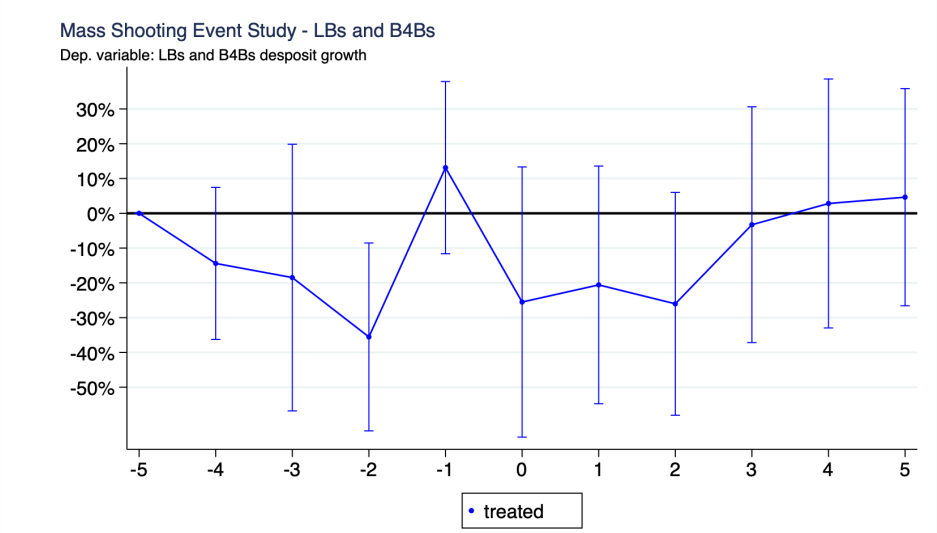
	ln(small enterprise loans$_{b,c,t}$)				
	BCBs, LBs, B4Bs			Big Comm. Banks	LBs, B4Bs
	OLS analysis	2SLS analysis		OLS analysis	OLS analysis
	-	1st stage	2nd stage	-	-
	(1)	(2)	(3)	(4)	(5)
% of tax filings w/charitable donations$_{c,t-1}$	-2.609***		$\widehat{9.058}$	0.624	-3.619***
	(0.36)		(8.70)	(0.73)	(0.40)
# organ donors over deaths$_{c,t-1}$		0.0856***			
		(0.0054)			
$>$ 90th pctile pres. el. voter turnout$_{c,t-1}$		0.00117***			
		(0.00014)			
county-year controls:					
ln(population$_{c,t-1}$)	0.889***	-0.105***	2.117**	0.399	1.217***
	(0.15)	(0.00069)	(0.92)	(0.37)	(0.16)
ln(# businesses $>$100employees$_{c,t-1}$)	-0.0269**	0.000822***	-0.0366***	-0.0264	-0.0242**
	(0.011)	(0.000070)	(0.013)	(0.029)	(0.012)
ln(# businesses $<$100employees$_{c,t-1}$)	0.548***	0.0260***	0.245	0.211	0.473***
	(0.092)	(0.00049)	(0.24)	(0.21)	(0.097)
employment rate$_{b,c,t-1}$	0.331	-0.0884***	1.379*	-1.504^{+}	0.0874
	(0.34)	(0.0018)	(0.83)	(0.96)	(0.35)
ln(personal income per capita$_{c,t-1}$)	-0.168**	0.0460***	-0.707*	-0.190	-0.238***
	(0.073)	(0.00041)	(0.41)	(0.18)	(0.078)
ln(county GDP$_{c,t-1}$)	0.0228	-0.000134	0.0246	0.0569	-0.00326
	(0.037)	(0.00021)	(0.033)	(0.096)	(0.039)
bank-year controls:					
I(no branch$_{b,c,t}$)	-1.450***	0.00257***	-1.479***	-1.317***	-1.311***
	(0.051)	(0.00013)	(0.030)	(0.085)	(0.056)
# branches$_{b,c,t-1}$	0.0395***	-0.000210***	0.0419***	0.102***	0.0389***
	(0.0083)	(0.000011)	(0.0026)	(0.015)	(0.0081)
ROA$_{b,t-1}$	20.61***	-0.0254***	20.97***	2.260	20.14***
	(0.77)	(0.0043)	(0.71)	(2.03)	(0.82)
net interest margin$_{b,t-1}$	-19.63***	0.0530***	-20.28***	16.62***	-26.98***
	(0.82)	(0.0055)	(0.98)	(5.58)	(0.83)
tier 1 lev. capital ratio$_{b,t-1}$	0.00798***	-0.000181***	0.0100***	-0.00681	-0.00202
	(0.0017)	(0.000010)	(0.0023)	(0.0092)	(0.0018)
bank x county FE	x		x	x	x
year FE	x		x	x	x
observations	542,812	541,344	541,344	90,035	447,874
R-squared	0.720		0.0152	0.705	0.727
F-stat		164.50			

Table A.5: **Event Study: Mass Shootings**

Description: This table presents results of an event study conducted around an exogenous negative shock to trust: mass shootings. We use data from the Violence Project at Hemline University to flag counties with shootings in public places with more than 4 victims. We evaluate the shock to deposit growth in counties experiencing a mass shooting across the bank types defined in Section 2. A bank-county combination is treated if the county ever experiences a mass shooting. Post is a dummy variable equal to one in the aftermath of the first mass shooting in the county. For controls, we keep all bank-county combinations where the county borders with a treated county and has never been treated. The dependent variable is deposit growth of bank b in county c and year t. The independent variable of interest is the interaction $treated$ x $post$. Column 1 separately analyzes the subsample of small community banks (SCBs) and big community banks (BCBs), Column 2 separately analyzes the subsample of large banks (LBs) and the big 4 banks (B4Bs). Standard errors are clustered at the county level; ***, **, *, and $^{+}$ denote 1%, 5%, 10%, and 15% statistical significance, respectively. In the next page, coefficient graphs for $treated$ x $post$ are reported, with SCBs and BCBs in the top graph, and LBs and B4Bs in the bottom graph.

	deposit growth$_{b,c,t}$	
	SCBs and BCBs	LBs and B4Bs
	(1)	(2)
treated	-	-
post	-0.0666	-0.0913
	(0.059)	(0.067)
treated x post$_{c,t}$	-0.178*	-0.120
	(0.11)	(0.12)
county-year controls:		
ln(population$_{c,t-1}$)	-0.669	0.157
	(0.81)	(1.35)
ln(# businesses >100employees$_{c,t-1}$)	0.156	0.159
	(0.18)	(0.28)
ln(# businesses <100employees$_{c,t-1}$)	0.0147	-1.962**
	(0.63)	(0.82)
employment rate$_{b,c,t-1}$	2.087	-1.560
	(2.09)	(2.85)
ln(personal income per capita$_{c,t-1}$)	0.500	-0.188
	(0.45)	(0.65)
ln(county GDP$_{c,t-1}$)	0.0623	0.370
	(0.20)	(0.31)
bank-year controls:		
# branches$_{b,c,t-1}$	-0.208***	-0.0334***
	(0.020)	(0.0047)
ROA$_{b,t-1}$	6.325	51.31***
	(6.44)	(9.12)
net interest margin$_{b,t-1}$	-8.566	-25.41^{+}
	(7.87)	(17.4)
tier 1 lev. capital ratio$_{b,t-1}$	0.0146**	-0.0142
	(0.0057)	(0.027)
county FE	x	x
year FE	x	x
bank FE	x	x
observations	65,119	60,624
R-squared	0.250	0.137


Mass Shooting Event Study - SCBs and BCBs
Dep. variable: SCBs and BCBs desposit growth
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-5
-4
-3
-2
-1
0
1
2
3
4
5
treated


Mass Shooting Event Study - LBs and B4Bs
Dep. variable: LBs and B4Bs desposit growth
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-5
-4
-3
-2
-1
0
1
2
3
4
5
treated