



## Research Working Papers

# Which Types of Unbanked Households Are More (or Less) Likely to Open a Bank Account?

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Unbanked households are more likely to open a bank account if they had one before and have access to digital payment methods.

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Using multi-year survey data, we conduct a regression model analysis to examine which types of unbanked households are more likely to open a bank account and which types are less likely. We proxy for households' likelihood of opening a bank account using their prior banking status and interest in having a bank account. Unbanked households who previously had a bank account and are interested in having a bank account are more likely to open an account. These households tend to be more educated, to be native-born, to use alternative financial services, and to have access to digital technology. In contrast, households who never had a bank account and are uninterested in a bank account are less likely to open an account. These households tend to be less educated, to be of a racial minority, to be foreign born, to lack access to digital technology, and to rely heavily on cash. Moreover, they tend to distrust banks. Advancing financial inclusion for this group will require strategies to increase their trust in the financial services industry.

JEL Classifications: D12, G21, G23, G41

## Article Citations

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Aditi Routh is an Economist in the Economic Research Department at the Federal Reserve Bank of Kansas City. Her research focuses on payment behavior of consumers, the financially underserved population in the payments market, and payment innovations. She is also studying payment system preferences of small businesses in the U.S. Aditi joined the Bank in June 2022, after earning her Ph.D. in Consumer Economics at University of Georgia, Athens. She also holds a M.A. in Economics from University of California, Riverside, and a B.A. in Economics from Jadavpur University, India.



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