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

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

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