

To bank or not to bank: describing the banking status of black households

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Abstract

Purpose – Unbanked status in the United States varies across the population, but the phenomenon of being unbanked tends to be more pronounced for Black households. This paper extends the current body of literature by conceptualizing banked status as an element of financial inclusion and by expanding the number and type of variables used to describe banked status.

Design/methodology/approach – This study's theoretical orientation was informed by the work of Blanco *et al.* (2019). Survey data used in this study were gathered between May 2021 and February 2022 by Elevate's Center for the New Middle Class. Data were analyzed as a secondary dataset for this study. Three methods were used to evaluate the data. First, sample descriptives were calculated. Second, a correlation analysis was conducted to evaluate the associations between variables and to ensure that multicollinearity would not be an issue at the third stage of analysis. Third, a logistic regression was estimated to identify the variables that were significantly associated with being banked (i.e. holding a checking or savings account) (coded 1) or being unbanked (coded 0).

Findings – In this study, 17% of Black households were currently excluded from the financial marketplace. Factors of particular importance in describing unbanked status include being younger than age 55, identifying as male, being married, reporting higher income, relying on the use of credit more often, experiencing employment/financial stress more frequently, less trust in mainstream banking institutions, and inaccessibility to banks and credit unions. Implications for policy and practice are discussed.

Originality/value – This study adds to the financial inclusion literature by illustrating how unbanked status in the United States varies across the population, but that in general, a few common markers differentiate the banked and unbanked status of Black households. Factors of particular importance in describing unbanked status include being younger than age 55, identifying as male, being married, reporting higher income, relying on the use of credit more often, experiencing employment/financial stress more frequently, less trust in mainstream banking institutions, and inaccessibility to banks and credit unions. Implications for policy and practice are discussed.

Keywords Financial inclusion, Black Americans, Household finance, Unbanked, Accessibility to banks, Trust in banks

Paper type Research paper

1. Introduction

According to the consulting firm [McKinsey and Company \(2020\)](#), in 2016, the average Black American family held total wealth of \$17,600—about one-tenth the wealth of the average White American family (i.e. approximately \$171,000). Over the nearly 10 year period since McKinsey and Company reported on the racial wealth gap, little has changed. In fact, post COVID-19 pandemic, the racial wealth inequality has expanded. The average gap in net



worth between Black and White households increased by 38% between 2019 and 2022 (Addo *et al.*, 2024). This wealth gap places Black households at an economic disadvantage. Not only are some Black households living with daily financial insecurity, but they are also unable (or unwilling) to fully participate in the economy via interactions with traditional financial intermediaries. In one Federal Deposit Insurance Corporation (FDIC) (2019) study, it was reported that approximately 14% of Black households were unbanked in 2019, which was substantially higher than the unbanked status for White households at that time. The gap has remained consistent since the FDIC report. In 2023, researchers at the Federal Reserve (2024) reported that 14% of Black adults were unbanked in 2023. This fact would not be alarming if the costs associated with being unbanked were negligible; however, household and societal costs are actually large and meaningful. Throughout their lifespan, the lack of bank product use costs the average Black household over \$40,000 in financial transaction fees (Fellowes and Mabanta, 2008). Further, as noted by McKinsey and Company, “. . . a lack of access to financial services is not just a symptom of the racial wealth gap; it is also a cause. Without the ability to affordably save, invest, and insure themselves against risks, many Black families struggle to translate the income they earn into wealth” (p. 1).

This study considers the banked status of Black households living in the United States with a financial inclusion lens. Financial inclusion, as conceptualized in this study, is defined as a condition where individuals and businesses have access to valuable and affordable financial products and services that meet their needs (e.g. transactions, payments, savings, credit, and insurance) and are delivered responsibly and sustainably (The World Bank, n.d.; Polloni-Silva *et al.*, 2021). Few studies to date have focused exclusively on the use of checking and saving accounts among Black households (i.e. previous studies have tended to examine unbanked status through comparisons across groups). Nearly all previous research has compared the ownership of bank products across racial categories, often comparing Black and Hispanic (and sometimes Asian) households to White households (e.g. Barcellos and Zamarro, 2021; Blanco *et al.*, 2019). The purpose of this study is to identify factors associated with the use of checking and saving accounts among Black households. This study adds to the financial inclusion literature by identifying the types of variables that describe banking choices among Black households.

2. Background

The following case study illustrates the challenges faced by households that do not have access to or choose not to use traditional financial intermediary (i.e. bank or credit union) products and services. In this case study, written by researchers at McKinsey and Company (2020), a married couple faces a dilemma when they want to deposit and access their monthly paychecks. Without a checking or savings account, the couple is forced to use alternative financial services, like those offered by storefront check-cashing services. Because the couple is unbanked, they are forced to pay fees (e.g. check-cashing charges), ATM access expenses, penalties, and other costs that can add up to several thousand dollars annually. This continual drain of financial resources can result in the loss of hundreds of thousands of dollars' worth of wealth over the lifespan. In comparison, the average maintenance fee cost of a checking account is \$288 per year (Foster, 2023), whereas nonsufficient fund charges (NSF) cost Americans \$250 in overdraft fees (Etzel, 2022). As this example highlights, being unbanked in the United States is not only inconvenient but also potentially costly over the lifespan, especially when compared to the expenses associated with being banked.

This scenario plays out thousands of times each day for Black households. Several reasons have been identified in the literature to explain why 14%–20% of Black households (compared to 5% of all other U.S. households) are excluded, either by choice or circumstance, from the financial services marketplace. One reason is a lack of access to a

bank or credit union. In primarily non-White neighborhoods, there are approximately 27 banks per 100,000 people, whereas in predominately White neighborhoods, the ratio is closer to 41 per 100,000 (Faber and Friedline, 2020). Another reason is that deposit requirements are inconsistent across institutions. Faber and Friedline (2020) noted that a Black depositor may be required to maintain a higher account balance, and in some cases, Black depositors are restricted in their use of accounts. This generally occurs because of a perceived lack of creditworthiness. These factors combine to make alternative financial services, such as check-cashing services, payday loans, prepaid debit cards, money orders, and other non-bank financial products, more attractive, vis-a-vis bank and credit union products, for some Black households.

Account access and restrictions are not the only factors that prompt some households to eschew the use of checking and saving accounts. Traditional banking institutions often restrict access to checking and saving accounts based on the creditworthiness of a depositor. Nearly all banks use the ChexSystems banking bureau to evaluate how a potential depositor has interacted with banks in the past. Similar to a FICO score, the ChexSystems model assigns a score based on past banking mistakes (e.g. overdrawing an account, bouncing checks, closing accounts without paying assigned fees). In some cases, a bank or credit union may decline to do business with a potential depositor. In other situations, a financial institution may require a prospective depositor to open a “second chance” account that comes with more restrictions and higher fees. As lending institutions, banks and credit unions also prefer to deal with customers with preexisting lines of credit or other products that provide insight into appropriate debt management behavior. This means that an otherwise financially sound depositor may be declined an account or steered to an expensive account if they have no debt, lines of credit, or have had no previous interactions with traditional banks and credit unions (de la Cuesta-González and Fernandez-Olit, 2022).

The prevalence of financial exclusion is also known to vary by demographic, financial, behavioral, and attitudinal characteristics (Blanco *et al.*, 2019; Caskey, 2002; Yogo *et al.*, 2022). Nearly all studies that have attempted to describe or explain the phenomenon of unbanked status control for a set of demographic and financial characteristics, including gender, income, education, marital and homeownership status, and age (Burton, 1995). For example, Rhine and Greene (2012) observed that single renters with less education and lower household income represent a greater proportion of the unbanked. In an earlier study, Rhine and Green (2006) reported that household financial status can be used to explain being unbanked among U.S. immigrants. They noted that employment characteristics and more robust levels of other socioeconomic attributes lead to greater financial inclusion. Hayashi and Minhas (2018) summarized much of the extant literature by stating that the probability of being unbanked increases in alignment with certain demographic and socioeconomic factors, including less education, older age, and less than full-time employment status. They reported that, in general, lower-income households are more likely to be unbanked. Younger single renters with less education and greater income variability are also significantly more likely to report being unbanked, although there is some evidence to suggest that older adults, especially those who are part of a minoritized group, are less likely to hold a bank account (Blanco *et al.*, 2019).

Behavioral factors are also important descriptors of general unbanked status. As previously noted, the ChexSystems model is premised on the importance of past banking and borrowing behaviors. Campbell *et al.* (2012) showed that those with previous problematic behavioral scores resulting from unpaid overdraft fees, bounced checks, fraudulent transactions, and involuntary account closures tend to be excluded from banking services. This can result in a push-pull relationship in which unbanked status results from behavioral mistakes. This can then lead to additional behavioral missteps. Regardless of the type of household, the result is permanent unbanked status.

Attitudinal factors, including feelings of control, financial worries, economic concerns, and community perceptions (e.g. access to transportation and banks), have also been linked with choices to establish banking relationships (Barr, 2012; Boel and Zimmerman, 2022; Lakew and Azadi, 2020). Campbell *et al.* (2012) reported that actual and perceived bank characteristics can influence the degree of financial inclusion in a community. Perceptions of access (see Goodstein and Rhine, 2017), competition, and confidence that one will not be embarrassed or involuntarily judged as irresponsible or unworthy of help describe choices to establish banking relationships. Trust is another variable that is sometimes used to describe the likelihood of being unbanked (Akhtlaq and Ahmed, 2013; FDIC, 2021; Grable *et al.*, 2023; Hale, 2021; Kesharwani and Bisht, 2012). In the banking field, Servon (2017) noted that the lack of bank fee transparency and perceptions of service quality (i.e. factors that influence perceptions of trust), particularly among traditionally disadvantaged households, can offset cost issues, which makes banking services appear less competitive in the marketplace.

2.1 Banked status and financial inclusion

Cociug and Turcan-Munteanu (2021) defined financial inclusion as the process of ensuring that people have access to basic financial services offered by traditional financial intermediaries. This aligns with this paper's conceptualization of financial inclusion (i.e. a condition where individuals and businesses have access to valuable and affordable financial products and services that meet their needs and are delivered responsibly and sustainably). Cociug and Turcan-Munteanu noted that the long-term economic growth of a nation and region depends on the sustainability of financial inclusion initiatives. A country cannot achieve inclusion or maximize financial equality if some citizens fail to utilize, or are excluded from using, the services of formal financial intermediaries (van Esterik-Plasmeijer and van Raaij, 2017; Koomson *et al.*, 2020). One reason policymakers are interested in financial inclusion is that removing barriers to bank products and services is known to lead to deeper levels of social engagement and economic growth (Fernández-Olité *et al.*, 2018), a reduction in poverty (Birkenmaier and Fu, 2018), and an increase in generalized socioeconomic benefits (Geraldés *et al.*, 2022; Neaime and Gaysset, 2018; Sarma and Pais, 2011).

Financial inclusion in the United States relies on access to, acceptance of, and use of checking and saving accounts. If it is assumed that the mainstream financial marketplace offers and maintains quality products and services rather than being strictly an issue of accessibility, it is reasonable to hypothesize that being unbanked can be explained by a financial decision-maker's demographic characteristics, financial factors, financial behavior, and attitudes. A foundational step in confirming this hypothesis is the identification of factors associated with the use (or lack thereof) of checking and saving accounts among those who are banked and unbanked. With this description, policymakers can better tailor legislation and regulation recommendations to meet the specific needs of the unbanked. Financial educators and financial counselors can also benefit from having an empirically validated description of the unbanked. Such a resource can provide insight into how educational and counseling interventions can be tailored for financially excluded audiences.

This study categorized potential classification factors, as described in the review of literature, into one of four conceptual groupings: (a) demographic characteristics, (b) financial factors, (c) financial behavior, and (d) attitudes. Age, gender, marital status, household size, education, and homeownership status represent demographic characteristics. Household financial factors are represented by credit scores, personal income, employment status variables, and job stability. Financial behaviors include holding more than one job, experiencing employment/financial stress, and facing a financial shortfall, which is a proxy for engaging in behavior or experiencing a situation that is problematic. A variety of perception-type variables represent the attitudinal domain, including locus of

control (LOC), trust in financial institutions, financial worries, economic concerns, and community perceptions. The resulting description is one that differentiates banked and unbanked Black households.

The remainder of this paper describes the empirical model used to guide this study, the research methodology, and the test results. The paper concludes with a discussion of findings and a presentation of policy implications.

2.2 Empirical model

This study's theoretical orientation was informed by the work of [Blanco et al. \(2019\)](#). They noted that a person's decision to hold a bank (or credit union) account can be modeled as the net utility of holding an account for an individual i with

$$u_i^* = \beta_0 + \beta_1 x_i + \varepsilon_i \quad (1)$$

where the vector x comprise personal and household characteristics, and ε_i is an error term. When viewed this way, a utility-maximizing individual will elect to hold a bank (or credit union) account only if the net utility gained is greater than the utility obtained by remaining unbanked. This can be modeled as

$$y_i = \begin{cases} 1 & \text{if } u_i^* > 0 \\ 0 & \text{if } u_i^* \leq 0 \end{cases} \quad (2)$$

The model can be estimated and tested using a binary logit model, which was the approach taken to address this study's research aims.

3. Data and methodology

3.1 Data

Data for this study were gathered over a 30-day period using a sample of Black respondents between May and June 2021. Those in the sample were randomly selected from a longitudinal survey panel maintained by the [Center for the New Middle Class \(2022\)](#). Those who were selected completed a unique survey that was written to assess the challenges faced by Black financial decision-makers. Specifically, the survey focused on ascertaining the earning, spending, saving, and borrowing behaviors and attitudes of Black households and financial decision-makers living in the United States. As a way to represent the broadest group of individuals who may or may not have been banked, the process of data collection oversampled individuals with low Fair Isaac's Company (FICO) credit scores (i.e. scores between 601 and 660). Data were analyzed as a secondary cross-sectional dataset for this study. The initial sample included 1,830 Black household financial decision-makers who indicated managing their household finances. The final sample of 1,214 respondents included those aged 18 years or older and those not yet retired with complete survey data.

3.2 Outcome variable

Banked status was measured categorically by asking respondents to indicate if, at the time of the survey, they held (1) a checking account or (2) a savings account. Respondents were then classified nominally as 0 if they held neither a checking nor savings account and as 1 if they held either (or both) a checking or savings account. Approximately 17% of respondents indicated they held neither account ($N = 206$). Slightly more than 83% indicated holding either a checking or savings account ($N = 1,008$).

3.3 Covariates

3.3.1 Demographic characteristic variables. Age was measured using the following six ordered categories: (1) 18–24 years, (2) 25–34 years, (3) 35–44 years, (4) 45–54 years, (5) 55–64 years, and (6) 65 or older. For the purposes of the analysis, the variable was recoded at the mean so that those who were older than 55 years were coded 1, otherwise 0. Gender self-identification was coded 1 = male and 2 = female. Marital status was coded 1 = married, otherwise 0. To account for multigenerational effects, household size was measured by asking how many adults and children under the age of 18 years, including the study respondent, lived in the household. Response categories ranged from one to ten. Education status was measured using the following ordered classifications: (1) some high school, (2) high school graduate, (3) some college but no degree, (4) Associate's or technical degree, (5) Bachelor's degree, and (6) postgraduate degree. The variable was recoded dichotomously at the median so that those with a Bachelor's degree or higher level of education were coded 1, otherwise 0. Homeowners were coded 1, whereas renters were coded 0.

3.3.2 Financial factor variables. Financial variables included in the analyses included a respondent's personal credit situation, personal income, employment status, job stability, and household debt. To measure a respondent's credit situation, the survey asked respondents to rate their credit situation using the following FICO classifications: (1) I have excellent credit (FICO 800+), (2) I have very good credit (FICO 750 to 799), (3) I have good credit (FICO 700 to 749), (4) I have fair credit (FICO 650 to 699), (5) I have poor credit (FICO 620 to 649), (6) I have very poor credit (FICO 550 to 619), and (7) I have bad credit (FICO less than 549). Personal income was measured ordinally with the following nine categories: (1) less than \$15,000; (2) \$15,000 to \$24,999; (3) \$25,000 to \$34,999; (4) \$35,000 to \$49,999; (5) \$50,000 to \$74,999; (6) \$75,000 to \$99,999; (7) \$100,000 to \$124,999; (8) \$125,000 to \$149,999; and (9) \$150,000 or more; the variable was recoded so that those above the median range of \$50,000 were coded 1, otherwise 0. Employment status was coded as employed full-time = 1, employed part-time or unemployed = 0. How a respondent was paid was measured with four categories: (a) salary, (b) hourly, (c) by the job, or (d) commission. Each category was coded dichotomously as 1, otherwise 0. The salary category was used as the reference group in the analyses. Job stability was evaluated by asking respondents to rate the stability of their current employment. Response options ranged from very stable (coded 1) to very unstable (coded 5). Household debt was assessed by asking respondents to report, "How much debt does your household currently hold (excluding your mortgage, auto loans, and student loans if you have any)?" This variable was log-transformed.

3.3.3 Financial behavior variables. Variables used to measure behavioral factors included employment/financial stress, the number of times a household faced a financial shortfall that required relying on credit, and whether a respondent held a second job. Employment/financial stress was proxied with a measure of employment instability. An index score was estimated by summing positive responses to the following scenarios: (a) lost a job with severance, (b) lost a job without severance, and (c) left a job. Facing a financial shortfall that required the use of credit was evaluated by asking, "In the past 12 months, how often has your household run out of money before the end of the month, including when you had to use credit to get by?" Response categories included (1) every month, (2) every other month, (3) every two or three months, (4) 2 to 3 times a year, (5) once a year, and (6) never. Those who indicated working a second job to supplement income were coded 1, otherwise 0.

3.3.4 Attitudinal variables. Attitudinal variables included locus of control, trust in banks and credit unions, financial worry, current event concerns, and perceptions of transportation and bank convenience. Locus of control (LOC) was assessed by asking respondents to indicate their level of agreement, ranging from 1 = strongly disagree to 5 = strongly agree, to the following statement: "I have control over the things that happen to me." Trust in banking institutions was measured by summing responses to three financial institution categories

using the following scale: (1) I don't trust them at all, (2) I somewhat trust them, (3) I mostly trust them, and (4) I trust them completely. The categories were: (a) small/regional banks (e.g. local banking brand); (b) national banks (e.g. Chase Bank or Bank of America, etc.); and (d) credit unions. Scores were summed, with higher scores representing more trust. Cronbach's alpha for the summed scale was 0.72.

Financial worry was evaluated by asking respondents to indicate their level of agreement, ranging from 1 = strongly disagree to 5 = strongly agree, to the following statement: "I am one unexpected event away from being broke." Respondents were then asked to indicate their level of agreement, using the same scale, with the following statement: "Current events make me concerned for the future of my financial well-being." Finally, community perceptions were assessed by asking respondents to "Consider your current lifestyle when rating whether your access to easy transportation is (1) very convenient, (2) somewhat convenient, (3) neither convenient nor inconvenient, (4) somewhat inconvenient, and (5) very inconvenient." The same question was asked about accessing a physical bank location.

3.4 Data analysis methods

Three methods were used to evaluate the data. First, sample descriptives were calculated. These are reported in [Table 1](#). Second, a correlation analysis was conducted to evaluate the associations between variables and ensure that multicollinearity would not be an issue at the third stage of analysis. The coefficient estimates are shown in [Table 2](#). Third, a logistic regression was estimated to identify the variables that were significantly associated with being banked (i.e. holding a checking or savings account) (coded 1) or being unbanked (coded 0). The empirical model was estimated as:

$$\ln \left[\frac{P(Y)}{1 - P(Y)} \right] = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_k x_k \quad (3)$$

where $\ln \left[\frac{P(Y)}{1 - P(Y)} \right]$ is the odds of the outcomes, Y is the binary outcome, x_1, x_2, \dots, x_k are the independent variables, β_0 is the intercept, and $\beta_1, \beta_2, \dots, \beta_k$ are the regression coefficients. In alignment with [Boateng and Abaye \(2019\)](#), [Fernandes et al. \(2020\)](#), and [Stoltz \(2011\)](#), the independent (predictor) variables were measured dichotomously, ordinally, or continuously in this study.

4. Results

Those who participated in this study represent a cross-section of the U.S. Black community. The age composition of the sample matched the U.S. age distribution for Black households; however, income skewed lower in the sample compared to the national average ([Tamir et al., 2021](#)). One-quarter of the sample held a Bachelor's degree level of education, which matched the U.S. educational status for Black households in 2019. One difference from the national average is that the sample was overrepresented by single households (i.e. 28% of the sample reported being married, whereas nationally 38% of Black households are comprised of married individuals). In other respects, the sample was generally representative of the U.S. Black household population.

[Table 2](#) shows the correlation coefficients that were estimated between the variables of interest in this study. As shown in the table, while statistical significance was noted widely across the set of variables, nearly all of the associations represent small effect sizes. The largest correlation was observed between the perception of the convenience of transportation and the perception of the convenience of banks in the community (i.e. a medium effect size, $r = 0.52$).

Variable	Mean/SD	Frequency
Age		
Less than 55 Years		37%
55 Years or older		63%
Gender		
1 = Male		50%
2 = Female		50%
Education		
Less than a Bachelor's Degree		50%
Bachelor's Degree or higher		50%
Marital Status		
Single		50%
Married		28%
Other		22%
Homeowner		42%
HH Size	3.66/1.51	
FICO		
Excellent (FICO 800+)		11%
Very Good (FICO 750 to 799)		17%
Good (FICO 700 to 749)		22%
Fair (FICO 650 to 699)		23%
Poor (FICO 620 to 649)		8%
Very Poor (FICO 550 to 619)		11%
Bad (FICO less than 549)		8%
Income		
Less than \$50,000		50%
More than \$50,000		50%
Employment Status		
Full-time		56%
Part-time		44%
Paid Hourly		56%
Paid by Job		10%
Paid Commission		4%
Job Stability	1.35/0.84	
2nd Job (1 = yes)		48%
Rely on Credit	3.77/2.07	
Emp/Fin Stress	0.43/0.76	
HH Debt	\$18,185/\$50,809	
Log of Debt	2.84/1.71	
LOC	3.20/1.27	
Trust in Banks	7.22/2.32	
Fin Worry	3.13/1.26	
Economic Concerns	3.78/1.10	
Convenience of Transportation		
Very Convenient		37%
Somewhat Convenient		29%
Neither		19%
Somewhat Inconvenient		9%
Very Inconvenient		6%
Convenience of Banks		
Very Convenient		45%
Somewhat Convenient		28%
Neither		13%
Somewhat Inconvenient		8%
Very Inconvenient		6%

Table 1.
Sample
descriptives
(*N* = 1,214)

Source(s): Authors' own creation

	Age (A)	Gender (G)	Education (Ed)	Married (M)	Homeowner (HO)	HH size (HHS)	FICO	Income (Inc)	F/T employed (F/T)	Paid hourly (hour)	Paid by job (job)	
A	—											
G	0.05*	—										
Ed	0.07**	0.08**	—									
M	0.16**	-0.03	0.14**	—								
HO	0.13**	-0.06**	0.24**	0.24**	—							
HHS	-0.03	0.04	-0.05	0.35**	0.07**	—						
FICO	0.03	0.06*	-0.26**	-0.16**	-0.37**	0.00	—					
Inc	0.18**	-0.06**	0.32**	0.21**	0.30**	0.03	-0.30**	—				
F/T	0.03	-0.07	0.248**	0.165**	0.20**	0.00	-0.24**	0.44**	—			
Hour	-0.09**	-0.02	-0.04	-0.01	-0.02	0.01	0.00	0.03	0.34**	—		
Job	-0.07**	-0.09**	-0.00	-0.00	-0.01	0.03	-0.03	-0.06*	-0.11**	-0.15**	—	
Comm	-0.08**	-0.05*	0.02	-0.01	0.02	0.01	-0.02	-0.01	-0.06*	-0.09**	0.18**	
JS	0.01	-0.04	0.02	0.07**	0.10**	-0.01	-0.15**	0.17**	0.18**	-0.03	-0.09**	
2nd Job	-0.28**	-0.09	-0.06**	-0.08**	-0.12**	0.06**	0.08**	-0.14**	-0.09**	0.01	0.16**	
ROC	0.13**	-0.05	0.16**	0.12**	0.20**	-0.02	-0.29**	0.30**	0.13**	-0.03	-0.06*	
EFS	-0.21**	-0.04	-0.09**	-0.13**	-0.13**	-0.01	0.12**	-0.22**	-0.16**	-0.02	0.11**	
LD	0.08**	0.07**	0.20**	0.09**	0.06**	0.02	0.09**	0.16**	0.13**	-0.01	-0.01	
LOC	-0.04	-0.01	-0.02	0.02	0.01	0.01	-0.02	-0.02	0.05*	0.06*	0.04	
Trust	-0.18**	-.13	.02	.01	.08**	.01	-.15**	.03	.04	.06*	.11**	
FW	-0.20**	-0.12**	0.06*	0.09**	0.09**	0.09**	-0.19**	0.07**	0.08**	0.11**	0.01	
EC	-0.07**	-0.02	0.06*	0.02	-0.02	0.02	-0.06*	0.10**	0.08**	0.04	0.04	
CT	-0.08**	-0.03	-0.01	-0.10**	-0.03	-0.06*	0.04	-0.09**	-0.07**	-0.00	0.02	
CB	-0.03	-0.02	-0.00	-0.05*	0.02	-0.01	0.05*	-0.10**	-0.02	0.03	0.01	
	Paid commission (comm)	Job stability (JS)	2nd job	Rely on credit (ROC)	Emp/Fin stress (EFS)	Log of debt (LD)	LOC	Trust	Fin worry (FW)	Economic concerns (EC)	Conv. of transp. (CT)	Conv. of bank (CB)

A
G
Ed
M
HO

(continued)

Table 2.
Correlation
estimates (N = 1,214)

	Paid commission (comm)	Job stability (JS)	2nd job	Rely on credit (ROC)	Emp/Fin stress (EFS)	Log of debt (LD)	LOC	Trust	Fin worry (FW)	Economic concerns (EC)	Conv. of transp. (CT)	Conv. of bank (CB)
HHS												
FICO												
Inc												
F/T												
Hour												
Job												
Comm	–											
JS	–0.02	–										
2nd	0.10**	–0.12**	–									
Job												
ROC	0.03	0.17**	–0.23**	–								
EFS	0.00	–0.12**	0.27**	–0.26**	–							
LD	0.03	–0.06*	–0.00	–0.08**	–0.02	–						
LOC	–0.00	–0.10**	0.09**	–0.20**	0.14**	0.09**	–					
Trust	.04	.16**	.14**	-.01	.05*	-.13**	0.06**	–				
FW	0.07**	0.15**	0.11**	0.09**	0.06*	–0.15**	0.05	0.26**	–			
EC	0.05*	0.18**	0.07**	0.12**	0.04	–0.03	0.01	0.19**	0.34**	–		
CT	–0.00	–0.23**	0.04	–0.11**	0.08**	0.02	0.02	–0.08**	–0.12**	–0.24**	–	
CB	0.00	–0.24**	0.03	–0.12*	0.09**	0.03	0.05*	–0.07**	–0.09**	–0.19**	0.52**	–

Note(s): * $p < 0.01$. ** $p < 0.001$

Source(s): Authors' own creation

A logit model was estimated to identify factors associated with being banked. Table 3 shows the results from the regression analysis. The model was statistically significant, $\chi^2 = 126.98$, $p < 0.001$. Based on Nagelkerke's R^2 , it was determined that the variables in the model explained approximately 17% of the variance in the outcome variable (i.e. holding a checking or savings account). Generally, the significant relationships between the independent and dependent variables align with what has been reported in the literature.

Regarding respondent demographic factors, older respondents were more likely to be banked. Identifying as female was found to be positively associated with being banked as was being married at the time of the survey. Those who were older than 55 years were 42% more likely to be banked. Women were approximately 50% more likely to be banked. In the model, being married was negatively associated with being banked. Married respondents were 33% less likely to hold either a checking or savings account.

Significant financial factors in the model included income, relying on credit to meet ongoing budget shortfalls, and debt. Those who reported earning \$50,000 or more were more likely to be banked. Specifically, respondents with elevated earnings were approximately 75% more likely to be banked. Those who indicated rarely or never using credit were more likely to be banked. As household debt increased, so did the likelihood of being banked.

Regarding the financial behavior variables, those who indicated experiencing more employment/financial stress were 22% less likely to be banked. The two attitudinal factors significantly associated with banked status included trust in banks and perceptions of banking convenience. Each one-point increase in trust was associated with an almost 12%

	B	S.E.	Wald	Exp(B)
Age	0.351*	0.184	3.611	1.420
Gender	0.415**	0.174	5.705	1.515
Education	0.310	0.184	2.831	1.364
Married	-0.394*	0.206	3.670	0.674
Own Home	-0.293	0.188	2.440	0.746
HH Size	0.070	0.057	1.497	1.073
FICO	0.063	0.057	1.234	1.065
Income	0.559**	0.198	7.969	1.749
F/T Employed	0.376	0.199	3.563	1.457
Paid Hourly	0.327	0.200	2.658	1.386
Paid by Job	0.040	0.264	0.023	1.040
Paid Commission	0.359	0.397	0.818	1.433
Job Stability	-0.200	0.112	3.215	0.819
2nd Job	0.174	0.186	0.875	1.190
Rely on Credit	0.227**	0.047	23.752	1.255
Emp/Fin Stress	-0.253*	0.102	6.128	0.776
Log of Debt	0.161**	0.051	10.074	1.175
LOC	-0.063	0.071	0.776	0.939
Trust in Banks	0.112**	0.038	8.590	1.119
Fin Worry	-0.112	0.077	2.130	0.894
Economic Concerns	0.018	0.086	0.041	1.018
Convenience of Transportation	0.062	0.083	0.568	1.064
Convenience of Banks	-0.203**	0.080	6.449	0.816
Constant	-1.301	0.768	2.870	0.272

Note(s): * $p < 0.01$. ** $p < 0.001$; $\chi^2 = 126.98$, $p < 0.001$; Nagelkerke's $R^2 = 17\%$

Source(s): Authors' own creation

Table 3.
Logistic Regression
Results Indicating
Banked Status (coded
1, otherwise
0) ($N = 1,214$)

increase in the likelihood of being banked. Finally, those who reported that banks were inconveniently located in their community were approximately 20% less likely to be banked.

What is also revealing are the variables that were not significant in the model. Homeownership status, household size, and a respondent's FICO score were not significantly related to holding a checking or savings account. Financial factors, including how a respondent was paid (i.e. hourly, by the job, or commission) and job stability, along with financial behavior and attitudinal variables such as working a second job, locus of control, financial worry, and economic concerns were not associated with banked status. In contrast to bank convenience, the perception of a community's transportation convenience was not significant in the model.

5. Robustness check

A robustness check was made to examine the coefficient estimates shown in Table 3 by changing the outcome variable so that 1 = no checking or savings account (i.e. unbanked) (17% of the sample), 2 = holding either a checking or savings account (29% of the sample), and 3 = holding both a checking and saving account (the reference category) (54% of the sample). The resulting multinomial regression was statistically significant ($\chi^2 = 279.37$, $p < 0.001$). Nagelkerke's R^2 was 24%. The results of the analysis, as shown in Table 4,

	No checking or savings account (coded 1, otherwise 0)				Either a checking or savings account (coded 1, otherwise 0)			
	B	S.E.	Wald	Exp(B)	B	S.E.	Wald	Exp(B)
Age	-0.405*	0.196	4.277	0.667	-0.136	0.161	0.721	0.873
Gender	-0.317	0.185	2.942	0.728	0.200	0.150	1.769	1.222
Education	-0.434*	0.195	4.931	0.648	-0.288	0.159	3.288	0.750
Married	0.402	0.218	3.417	1.495	-0.011	0.177	0.004	0.989
Own Home	0.272	0.200	1.860	1.313	-0.053	0.164	0.105	0.948
HH Size	-0.078	0.061	1.619	0.925	-0.012	0.049	0.061	0.988
FICO	-0.044	0.061	0.516	0.957	0.052	0.050	1.044	1.053
Income	-0.780**	0.210	13.832	0.458	-0.533**	0.171	9.778	0.587
F/T Employed	-0.246	0.216	1.291	0.782	0.244	0.185	1.743	1.277
Paid Hourly	-0.303	0.211	2.060	0.739	0.102	0.176	0.339	1.108
Paid by Job	0.192	0.290	0.436	1.211	0.526*	0.240	4.795	1.692
Paid Commission	-0.162	0.429	0.142	0.851	0.404	0.326	1.538	1.498
Job Stability	0.195	0.119	2.659	1.215	-0.006	0.094	0.004	0.994
2nd Job	-0.164	0.197	0.695	0.848	0.061	0.160	0.147	1.063
Rely on Credit	-0.296**	0.049	36.038	0.744	-0.184**	0.040	20.852	0.832
Emp/Fin Stress	0.406**	0.117	12.116	1.501	0.287**	0.103	7.742	1.332
Log of Debt	-0.202**	0.054	13.902	0.817	-0.099	0.046	4.686	0.905
LOC	0.097	0.075	1.658	1.102	0.100	0.060	2.742	1.105
Trust in Banks	-0.128**	0.041	9.763	0.880	-0.037	0.034	1.179	0.964
Fin Worry	0.201*	0.082	6.019	1.223	0.215**	0.067	10.250	1.240
Economic Concerns	-0.073	0.093	0.615	0.930	-0.134	0.077	3.050	0.875
Convenience of Transportation	-0.058	0.088	0.433	0.944	0.021	0.072	0.083	1.021
Convenience of Banks	0.274**	0.086	10.058	1.315	0.167*	0.072	5.360	1.181
Intercept	1.763**	0.822	4.601		-0.702	0.693	1.026	

Table 4. Multinomial Logistic Regression Robustness Check (hold both checking and saving account reference category) ($N = 1,214$)

Note(s): * $p < 0.01$. ** $p < 0.001$; $\chi^2 = 279.37$, $p < 0.001$; Nagelkerke's $R^2 = 24\%$; reference category: Holding both a checking and savings account

Source(s): Authors' own creation

provide a more nuanced insight into patterns of bank account ownership among Black households.

Using the reference category of holding *both* a checking and savings account, it was determined that income, relying on credit to meet budgetary shortfalls, employment/financial stress, financial worry, and perceptions about the convenience of banks were significant across categories and models. Age, education, debt, and trust in banks were significant in describing unbanked status, but not whether someone held either a checking or savings account. Being paid by the job was significant only for those holding either a checking or savings account. In comparison to the factors identified in [Table 3](#), no significant gender or marital status effects were noted.

6. Discussion

Financial inclusion in the United States relies on access to, acceptance of, and use of products and services offered by traditional financial intermediaries. In this study, 17% of Black households were excluded, either by choice or circumstance, from the financial marketplace. This suggests that opportunities to enhance financial inclusion and financial equity exist. This study adds to the financial inclusion literature by illustrating that while unbanked status in the United States varies across the population, a few common markers differentiate the banked and unbanked status of Black households.

The results from this study add some support for several assertions made in the literature while also calling into question common assumptions about the unbanked status of Black households. The existing literature shows that lower levels of income, less formal education, and exhibiting volatile income are indicators of unbanked status ([FDIC, 2019](#)). In addition to demographic characteristics, some researchers have observed a relationship between being unbanked and financial, behavioral, and attitudinal factors. The [FDIC \(2019\)](#) summarized much of this literature by noting the following reasons some households do not hold checking or savings accounts: (a) they do not have enough money to meet balance requirements, (b) they do not trust banks, (c) they are worried about privacy, (d) they believe banking fees are too high, (e) they believe account fees are too unpredictable, (f) they engaged in problematic banking behavior in the past, and (g) they feel inconvenienced. It is worth noting that this list was compiled based on studies involving a variety of underrepresented groups, not exclusively Black households. Even so, the core findings from this study provide evidence that many of the relationships reported in the literature apply to Black households living in the United States.

[Table 5](#) summarizes the primary variable associations identified in this study. Similar to what has been reported in the literature, when comparing banked and unbanked households directly, age (being older than 55 years), gender (i.e. identifying as female), and marital status (being single) were important demographic factors associated with being banked. Income greater than \$50,000, less frequent reliance on credit to meet budgetary shortfalls, and higher levels of debt were useful in describing banked status. Exhibiting employment/financial stress was found to be descriptive of unbanked status. Trust in banks and perceiving banks to be convenient were positively associated with banked status.

When the sample was split into three categories (i.e. unbanked, holding either a checking or savings account, and holding both a checking and savings account), three nuanced variable relationships emerged. Compared to holding both a checking and savings account, those with less education were more likely to be unbanked, whereas those who reported more financial worries were more likely to be either unbanked or to hold either a checking or savings account. Those who reported being paid by the job were more likely to hold either a checking or savings account compared to holding both a checking and savings account.

	Unbanked	Banked	Note
Age	Under age 55	Over age 55	
Gender	Male	Female	
Marital Status	Married	Single	
Income	Less than \$50,000	More than \$50,000	
Rely on Credit	More frequently	Less frequently	
Employment/ Financial Stress	More	Less	
Debt	Less	More	
Trust in Banks	Less	More	
Convenience of Banks	Inconvenient	Convenient	
Education			Compared to holding both a checking and savings account, those with less education are more likely to be unbanked
Financial Worry			Compared to holding both a checking and savings account, those who report worries are more likely to be either unbanked or to hold either a checking or savings account
Paid by the Job			Compared to holding both a checking and savings account, those who report worrying about their financial situation are more likely to hold either a checking or savings account

Table 5.
Summary of unbanked
and banked variable
relationships

Source(s): Authors' own creation

When viewed holistically, findings need to be considered in the context of possible causality and endogeneity issues across the variables of interest. To obtain credit, pay back borrowed money, and establish and build a strong credit score, one needs to hold a checking and/or savings account (Lee *et al.*, 2019). Likewise, it is sometimes necessary to show evidence of appropriate money management skills to establish a checking or savings account that is reasonably inexpensive and accessible. This may help explain why some of the variables used in this study (e.g. FICO scores and homeownership status) were not associated with banked status. Future research is needed to examine some of these potentially causal relationships on a deeper level. Further research is also needed to examine the variable relationships reported in this paper with different samples. While the dataset used in this study was designed to be socioeconomically diverse, it is possible that the results reported here do not broadly represent the experience of all Black households.

Even in the context of possible causality issues, the results from this study provide information about the individual and household characteristics of unbanked and banked Black households. The description that emerged from this study extends the financial inclusion literature by showing that younger, married Black males are more likely to be unbanked. Additionally, Black financial decision-makers with low income and those who tend to rely on credit to meet household budgetary constraints are more likely to be unbanked. Black households that experience employment/financial stress are likewise more prone to being unbanked. Interestingly, holding less debt is associated with being unbanked. A lack of access to credit due to being unbanked means less opportunity to take on debt. It is possible that households that hold low levels of debt use non-bank products and services to meet their debt service obligations. Trust is also an important variable. Those who lack trust in banks and other financial intermediaries are less likely to be banked. Finally, unbanked

status among Black households can be explained, in part, by holding the perception that banks (and other traditional financial intermediaries) are inconvenient.

7. Implications

Moving beyond descriptions of banked status, it is worth considering where unbanked Black households transact day-to-day financial services. According to the [FDIC \(2021\)](#), the unbanked use money orders, check cashing services, bill payment services, international remittances, and person-to-person (P2P) payment services. As noted at the outset of this paper, these financial service providers cost individual households thousands of dollars in unnecessary expenses yearly. Over time, these expenses can add up to significant dollar amounts. More must be done to help low- and moderate-income Black households gain greater access to mainstream financial service providers ([Mogaji et al., 2021](#)). Although policies and regulations, such as the Community Reinvestment Act, have yielded some desired outcomes, these laws and policies have not helped everyone gain access to more reputable financial services providers.

Given today's banking environment, new efforts should focus on increasing access to traditional banking institutions by adopting mobile ([Keesharwani and Bisht, 2012](#)) and digital banking services ([Mhlanga, 2020](#)). Today's consumers value convenience as a necessity to manage daily time constraints and increase accessibility to financial services. Mobile banking allows people to be able to handle their banking needs from cellular devices, particularly their cellular phones. Federal policy should strive to create more public service announcements (PSAs) to increase the adoption of mobile banking and assist individuals with the best options for banks based on their preferences and credit history. The federal government must also ensure that households, especially those living in rural areas, have access to affordable broadband internet services. Although cellular services have greatly expanded throughout the United States, there are still many areas where service is non-existent or poor. Adopting affordable broadband internet access will allow urban and rural communities to avoid being left out of mobile banking. Resources to help banks create inclusive mobile platforms that are easy for consumers to use is one way to eliminate or reduce barriers to mobile banking adoption. This is particularly important for less tech-savvy households, the elderly, and individuals with disabilities. Best practices should be created and adopted based on the infrastructure of these digital platforms.

Additionally, incentives could be offered for banks and credit unions to create new means of assessing an account holder's riskiness outside of traditional credit and ChexSystems scores as a way to provide a more holistic means of predicting potential financial losses associated with a depositor's actions. Currently, some credit bureaus (e.g. Experian) allow individuals to report non-credit payments (e.g. rent payments, utility payments, etc.) as a way for those who have no or little credit to increase their credit score ([Experian, 2022](#)). However, to take advantage of these additional reporting methods, one must link the bank account(s) used to make these payments. These methods do not provide relief for those who are currently unbanked. Furthermore, the onus of reporting is placed directly on consumers. Instead, creditors could report such information directly to major credit bureaus and the ChexSystems banking bureau. Some creditors currently use credit bureaus for their specific industry (e.g. utilities). This information could be automatically sent to the major credit bureaus to ensure payment information is accounted for when assessing credit and ChexSystems scores. Those whose scores may be hurt due to late- or non-payments should be given the option to opt out of this reporting mechanism to decrease the risk of negative unintended consequences. These alternatives may lead to better credit and ChexSystems ratings for those who desire to open an account but cannot do so due to their poor credit history.

Another way to help increase accessibility for underserved Black households includes preserving minority depository institutions (MDIs) that serve underrepresented communities. Since 2010, the number of banks in majority-Black neighborhoods has decreased by 14.6%, compared to 0.2% in the rest of the United States (Fox *et al.*, 2019), with MDIs representing 14% of banking institutions in 2020, down from 30% in 2001. There are currently only 19 Black-owned banks in the United States (FDIC, 2022). MDIs are a valuable asset to the communities they serve. Nearly 45% of MDIs are domiciled in socially and economically vulnerable counties (Cetina *et al.*, 2022). MDIs are of particular value for minoritized households who seek residential mortgages. These banks account for 37% of mortgages compared to 13% of non-MDIs (Cetina *et al.*, 2022). Black households are the second largest minoritized group to use MDIs for home loans in socially vulnerable counties. Furthermore, MDIs originate the most Small Business Association (SBA) loans for entrepreneurs of color. Given the essential value that MDIs represent for communities of color, particularly Black communities, it is imperative that these institutions are preserved, strengthened, expanded, and reintroduced back into communities that are now banking deserts. Policy or legislation will be needed to create equitable funding for MDIs to ensure their viability while encouraging individuals to be clients of these institutions.

Results from this study can also be used to inform how financial education and counseling are developed and delivered to Black households who may be experiencing degrees of financial exclusion. As noted by Sanchez-Moyano and Shrimali (2021), educational and counseling initiatives should focus on improving perceptions of trust and convenience associated with traditional banking. This can include providing applied information and assistance with financial technology, particularly the use of mobile banking applications.

Another opportunity to build financial inclusivity involves providing tools to assist those struggling to manage household debt loads. Bankruptcy is widely seen as a way to manage a household's budget, but entering into bankruptcy without taking into consideration the impact on one's credit and ChexSystem scores can result in long-term financial exclusion for the person (and household) who elects to enter bankruptcy. One role of education and counseling is to provide alternative sources for debt repayment and debt selection products to those who are new to the financial marketplace and those who are struggling to access traditional banking products and services.

Another role for educators and counselors is that of a community point-of-contact source. Numerous local, state, regional, and national financial, psychological, and health resources exist to help those who have been historically marginalized. Unfortunately, many of these programs and resources are difficult to find and sometimes challenging to access. Educators and counselors can serve as the liaison for those in the greatest need of community and governmental help. As documented in this study, this includes Black household financial decision-makers with low levels of income, less formal education, and volatile sources of income, among other factors (e.g. those who exhibit a lack of trust in banking institutions).

8. Conclusion

Research continues to show that Black households are among the most vulnerable in the United States to being unbanked and excluded from the financial marketplace; however, little research has been conducted on this topic for this specific population. This study set out to describe the banked and unbanked status of Black households without regard to direct comparisons with other groups. This study utilized a conceptual framework that captured demographic, financial, behavioral, and attitudinal contributors to banking status. Single, older respondents in the dataset who identified as female, had income of at least \$50,000, and rarely relied on credit when faced with a household budgetary constraint were more likely to be banked. Unsurprisingly, those who experienced more financial stress were more likely to

be unbanked. Three other factors that were significant in describing banked status included (1) holding more household debt, (2) reporting more trust in mainstream banking institutions, and (3) having banks accessible in the local communities where these respondents lived. While demographic factors tend to be static, reliance on credit to meet financial shortfalls, financial stress, accessibility to banks, and trust in banks are interrelated factors that have clear implications for policy creation. Considering these factors, policymakers, financial institutions, scholars, and financial practitioners can continue to create financially inclusive opportunities for vulnerable populations, like Black households, to build wealth and improve their financial well-being.

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