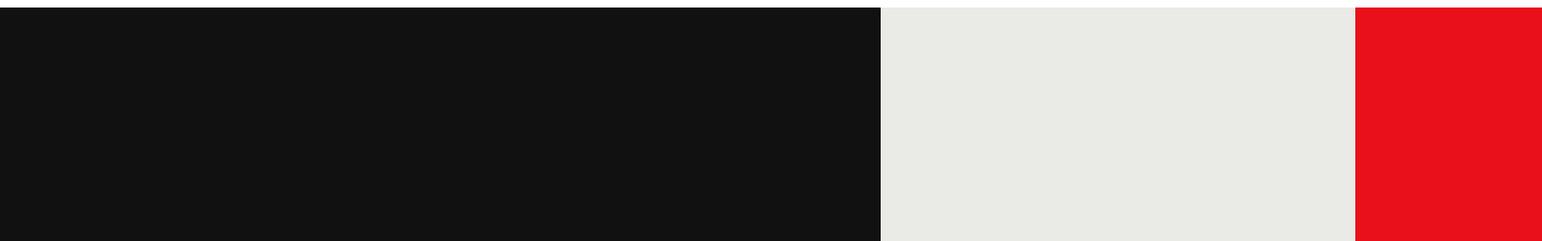


US cannabis market provides greenfield for digital payment startups

Article



Startups worth watching: Payment startups are tapping the cannabis industry with solutions aimed at digitizing the historically cash dependent sector.

- **CanPay.** The Colorado-based startup's app lets customers at **more than 800 cannabis dispensaries** make Automated Clearing House Payments (ACH) payments by scanning a QR
- 

code at checkout. Partner merchants are required to bank with CanPay-approved financial institutions (FI) that are compliant with federal guidelines.

- **SuperNet.** Customers can use the fintech's card to [pay](#) for products at **100 California dispensaries**. SuperNet also processes transactions for the dispensaries and offers a loyalty program.
- **POSabit.** The Washington-based fintech offers point-of-sale hardware and software for cannabis dispensaries. POSabit recently [expanded](#) into several states, including Georgia, Texas, and West Virginia.

Why it matters: The cannabis market is huge—but federal regulation prevents mainstream FIs from offering payment services to customers and merchants.

Legal cannabis sales in the US hit a record \$17.5 billion in 2020—a 46% year-over-year (YoY) increase, per data from BDSA [cited](#) by Forbes. Overall sales are likely significantly larger if illicit marijuana sales are taken into account. Cannabis is also growing more popular as an investment: **43% of US investors** currently hold at least one cannabis-related stock, [according to](#) a 2021 MagnifyMoney study.

But because cannabis is still illegal at the federal level, banks are hesitant to offer transaction services for the industry.

- Legislators have tried to address this: The Secure And Fair Enforcement (SAFE) Banking Act, which would prohibit federal regulators from penalizing FIs for serving legitimate cannabis-related businesses, has [passed](#) in the House six times—only to burn out in the Senate each time.
- This is why major banks have yet to serve the cannabis sector—though smaller regional banks and credit unions tend to be “more comfortable” serving the market, Dan Muller, founder and CEO of digital payments firm Aeropay [told](#) Banking Dive.

The big takeaway: Startups like CanPay, SuperNet, and POSabit see an opportunity to fill the digital payments gap in the cannabis space.

The overwhelming majority of cannabis transactions (legal or not) are cash-based, per TechCrunch. This creates security issues for dispensaries, and managing these transactions requires a lot of time and effort. Offering digital payment acceptance and processing solutions can mitigate these issues—and the startups enabling those solutions can capitalize on a mostly untapped market.

How Do US Investors Feel About Cannabis Stocks?

% of respondents, June 2021

53% of US investors currently not invested in cannabis stocks would consider investing if the plant became federally legal.

48% of US cannabis investors expect to hold on to their current cannabis investments for one to three years.

46% of US cannabis investors predict long-term growth.

43% of US investors currently hold at least one cannabis-related stock.

Source: *MagnifyMoney* as cited in company blog, June 14, 2021

267444

[InsiderIntelligence.com](https://insiderintelligence.com)