

Crypto transactions grow in the US among lower-earning and unbanked adults

Article

The news: Transactional cryptocurrency usage may be taking root in the US, which could benefit those with lower incomes or the unbanked, per a Federal Reserve Bank report.

The Economic Wellbeing of US Households in 2021 report surveyed 11,874 participants of all ages, incomes, ethnicities, and educational levels.

How is crypto used? Adoption of crypto has been growing in the US, but adults use the asset in varying ways.

- **12% of adults held or used cryptocurrencies** in the prior year.
- **11% of adults** had held cryptocurrency as an **investment**.
- **Two percent of adults** used cryptocurrency to **buy something or make a payment**.
- **One percent** used it to **send money to friends or family**.

Investments versus transactions: The most eye-opening data point about cryptocurrency usage is who's using it. Traditionally, cryptocurrency **users** have primarily been 26- to 45-year-old white males with white collar jobs, such as a lawyer or accountant. This study reveals that this group mostly uses cryptocurrency to invest.

- **46%** of those using cryptocurrencies only for investment had an **income of \$100,000 or more**.
- **99%** of those investing in cryptocurrency, but not using it for transactions, **had a bank account**.

But the picture looks very different when it comes to cryptocurrency transactions.

- **Nearly six in 10 adults** who used cryptocurrencies for transactions had an **income of less than \$50,000**.
- **13%** of those who **used cryptocurrency for transactions lack a bank account**, compared with 6% percent of adults who did not use cryptocurrency.
- **27% of transactional cryptocurrency users did not have a credit card**, exceeding the 17% of non-users without a credit card.

The tides may be turning: The trend of lower-earning adults and unbanked or underbanked adults using cryptocurrency for transactions highlights something in the US that resembles developing countries: Cryptocurrency may allow these adults to access financial services and opportunities that otherwise would not be available to them. Cryptocurrency is often **touted** as a way to promote financial equality.

- It's easier to access if users have internet access and a connected device.
- Users generally don't need a bank account to access cryptocurrencies.
- Transactions and movement of the digital assets are likely cheaper than other financial products.
- Cryptocurrencies may aid in the storage of value, especially in regions that face hyperinflation.

In developing countries, these benefits have been listed as potentially helping to establish financial equity—but they haven't yet been recorded as already occurring. This report seems to indicate that they are already happening in developed countries like the US.

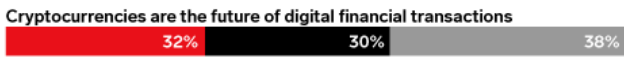
Critics aren't so sure: They have valid points about crypto's drawbacks.

- The **gas** fees that cryptocurrency exchanges charge for transactions can be pretty steep. Users who are only making small transactions in the currency may become overwhelmed by fees.
- Currently, not many retailers or other companies in the US accept cryptocurrency as a form of payment. Users may need to convert their crypto assets to cash—which means they need a bank account available for the cash deposit.
- The speculative nature of cryptocurrencies makes it difficult to justify the assets as a store of value. As seen in the past few weeks, even **stablecoins**, which are supposed to track the US dollar, are not as reliable as their issuers presented.

The big takeaway: The report's results challenge conventional thinking about cryptocurrency users. Crypto payments by the underbanked is a trend to watch. But extrapolating from the survey sample about the broader US population may be a stretch. The sample size of less than 12,000 adults is relatively small. Additionally, the report doesn't expand on what the cryptocurrency is paying for. Buying groceries and other necessities would tell a different financial story than buying luxury goods.

What Do US Adults Think About Cryptocurrency?

% of respondents, May 2021



- Definitely agree or tend to agree
- Neither agree nor disagree
- Definitely disagree or tend to disagree

Source: YouGov as cited in company blog, June 10, 2021

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