

Racial Disparities in Cryptocurrency: Diversity or Bias?

Di Qing, Carolina University¹

Ying Chen, Central Connecticut State University²

Blain Pearson, Coastal Carolina University³

Weihong Ning, Central Connecticut State University⁴

Researchers have recently uncovered several determinants of participation in cryptocurrency financial (crypto) markets. Crypto market participation has been linked to risk tolerance attitudes, investment experience, and financial literacy considerations; however, little is known regarding the racial and ethnic discrepancies of crypto market participation. This study first reviews the characteristics and the relevant background of crypto market participation. Second, this study explores the racial and ethnic differences in crypto market participation via Fairlie's decomposition estimation.

This study examined data collected from the 2021 Survey of Household Economics and Decision-making (SHED), which comes from the Federal Reserve Board. SHED is conducted every year and focuses on economic well-being and financial considerations, such as savings, retirement planning, debt, and investment behaviors.

The results reveal that Blacks are more likely to own crypto compared to Whites, and the results also reveal that the most important contributors to crypto ownership are age and financial literacy. Stock ownership, total investment amount, and other savings narrowed the crypto market participation gap. Our findings and ensuing discussion highlight several practitioner implications and offer insights for financial literacy training and education.

¹ Di Qing (qingd@carolinau.edu), Assistant Professor, Patterson School of Business

² Ying Chen (ying.chen@ccsu.edu), Assistant Professor, School of Business

³ Blain Pearson (bpearson@coastal.edu), Assistant Professor, Department of Finance and Economics

⁴ Weihong Ning (weihong.ning@ccsu.edu), Associate Professor, School of Business