

Banking on Marijuana

Survey Analysis: Understanding reputational opportunities and risks for banks and credit unions serving the legal cannabis industry

Overview

In November 2016, the Portland, Oregon-based firms of [LT Public Relations](#) and [DHM Research](#) conducted a study to help financial institutions begin to understand how the public's changing views toward legalized marijuana might inform their decision to offer services to the cannabis industry. The scientific study specifically surveyed residents in Oregon, where recreational marijuana was officially legalized July 1, 2015.

Including Oregon, eight states have legalized the use of recreational marijuana, and another 29 states have legalized medical marijuana. The legal cannabis industry is now one of the fastest growing industries in the United States and estimated to top \$7 billion in sales this year. Despite growing support for legalization and the industry's robust economic growth in states permitting recreational use, only a small percentage of applicable banks and credit unions accept deposits or provide banking services to marijuana businesses.

In addition to regulatory concerns at the federal level, where marijuana remains a controlled substance, financial institutions must also contend with reputational risks that may be associated with financing the cannabis industry. Though Americans' attitudes toward marijuana are rapidly changing, it is unclear just how and to what extent this growing openness should inform a decision by banks and credit unions to serve this nascent and controversial industry. What are the reputational risks? What are the challenges and opportunities from a public perception standpoint? Banks and credit unions should consider these questions and the results of this study before determining whether to move forward with financing the cannabis industry.

Methodology

Between November 10 and 17, 2016, a demographically representative sample of nearly 800 Oregonians were anonymously surveyed on a wide range of questions related to banking, marijuana, and what it would mean if their personal bank or credit union began serving legal marijuana businesses. The survey was conducted exclusively online and has a margin of error of +/- 3.5%.

Major Findings

The research indicates that a strong majority of Oregonians approve of banks and credit unions offering financial services to the legal cannabis industry. In fact, financial institutions may even strengthen their reputation overall and attract new individual customers or members by doing so. Asked if their impression of their financial institution would change if it held deposits and made loans to various industries, Oregonians indicated they see a partnership between financial institutions and legal marijuana businesses as desirable. The clear majority said that offering

financial services to the legal cannabis industry would improve or not alter their impressions. In fact, more people surveyed indicated that such a move would improve their impression than those who said it would not change their impression. There is evidence that banks and credit unions seeking to work with marijuana businesses will retain their current customers and members as a result of the decision, possibly even attracting new ones.

The research also indicates which reasons for offering banking services to marijuana businesses are most persuasive. Overall, Oregonians were relatively dismissive of arguments against offering related banking services, instead indicating it is better to provide them.

Below are the seven key findings of the study.

1. **The Stigma is Largely Fictional.** When asked if their impression of their bank or credit union would change if it held deposits or made loans to marijuana businesses in Oregon, 87% indicated their views would not be negatively impacted. Only 12% indicated the move would negatively affect their impression.
2. **Serving the Cannabis Industry May Attract Consumers.** While 43% said the decision of their bank or credit union to serve marijuana businesses in Oregon would not change their views of the institution, a notable 44% said their impression would actually improve. Serving marijuana businesses outside of Oregon is slightly less likely to improve their impression (36%).
3. **Current Customers Will Likely Stay.** As noted above, 87% of those surveyed said their impression would improve or remain unchanged if their financial institution partnered with marijuana businesses. A similar proportion (81%) indicated they would likely keep their account without concerns; 74% said they would be very likely to stay.
4. **Millennial Support Stands Out.** Of those under age 35, 62% said offering financial services to marijuana businesses would improve their impression of their bank or credit union. Looking at the industry as a whole, 88% of those under 35 viewed the recreational marijuana industry positively. Of all participants surveyed, 66% viewed the industry positively.
5. **Weed is better Than Walmart.** Only 12% of respondents expressed disapproval of their financial institution offering financial services to the cannabis industry. In contrast, more said their impression of their bank or credit union would become more negative if it offered services to other industries. Negative impressions of serving big box stores (e.g., Walmart, Costco) is 25%, adult entertainment 30%, pharmaceutical companies 38%, oil companies 41%, and tobacco companies 48%.

6. **Public Safety is a Compelling Reason to Serve the Cannabis Industry.** Oregonians responded particularly well (81% overall) to the argument that a lack of access to banking services and the resulting dependency on cash, make marijuana businesses targets of crime and violence that can spread to their local neighborhoods. 54% considered it to be a *very good* reason and 26% said it is a *good* reason. Those under the age of 35 are nearly unanimous (92%) in their belief that public safety is a reason to support access to banking services.

7. **Federal Regulation is Viewed as a Poor Reason Not to Participate.** The claim that violating federal regulations and putting customers' financial security at risk was seen as a poor reason to oppose the idea by 51% of respondents. Only 38% saw it as a good reason. Oregonians were even more dismissive of other arguments: Just 16% considered the assertion that marijuana is still controversial to be a very good or good reason to oppose banks and credit unions working with marijuana businesses in Oregon, and 13% said the same of the claim that marijuana is a harmful and dangerous drug.

Conclusion

Though the uncertainty of federal laws and regulations may still be valid reasons for financial institutions to delay providing financial services to marijuana businesses, this research indicates reputational concerns are largely unfounded. If attitudes of Oregonians are a good barometer, then financial institutions in states where recreational marijuana is legal may have stronger reasons to enter the market than they do to abstain—at least from a reputational standpoint.

Whatever decision banks and credit unions ultimately make, they will need to carefully consider their brand and mission, as well as internal dynamics in which influential shareholders and decision-makers may still be resistant. For those financial institutions willing to move toward the cannabis industry, there is now research to inform high-level discussions, strategic planning and a subsequent communications strategy with careful messaging to key audiences. Moreover, a vast majority of their employees and customers or members are likely ready and willing to engage in open dialogue about serving the growing cannabis industry.