

## Chapter 4

# Times Have Changed, Don't Lose Business Because of "Sorry We Don't Accept Cards!"

Silas Verkijika

*University of the Free State, South Africa*

### ABSTRACT

*Over the past decade, many mobile payment systems have been introduced to facilitate the ease with which businesses and customers' process payments. For these mobile payment systems to succeed, merchant acceptance is of utmost importance as merchants play a central in the mobile payment value chain. As such, the main purpose of this chapter is to assess the determinants of merchant acceptance of mobile card payment systems using the technology-organization-environment (TOE) framework. The study made use of structural equation modeling to evaluate the hypothesized association in the proposed model. Using data from 259 small businesses in the South African retail sector, this study found that two technological (i.e., relative advantage and perceived cost), one organizational (i.e., top management support), and two environmental (i.e., competitive pressure and customer pressure) context factors were significant determinants of merchant acceptance of mobile card payment systems. The chapter culminates with a discussion of the implications of the findings.*

### 1. INTRODUCTION

Over the past two decades, mobile devices have advanced significantly, opening up new opportunities for the delivery of a wide range of services over these devices. One such service that has received sufficient attention in over the years is mobile payments. Researchers generally agree that mobile payments provide numerous benefits over traditional payment systems such as convenience, bulk payments, security and speed of transactions (Johnson, Kiser, Washington & Torres, 2018; Slade, Williams, Dwivedi & Piercy, 2015). These benefits can be experienced by both customers (e.g. convenience) and merchants (e.g. increase in transaction volumes). For merchants, some of the key benefits include an increase in transaction volumes, a reduction in transaction cost, and an increase in customer loyalty (Johnson et al., 2018).

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Despite these known benefits of mobile payments, existing evidence suggests that their adoption is still very low around the globe (Johnson et al., 2018; Koenig-Lewis, Marquet, Palmer & Zhao, 2015). As such, many researchers over the years have embarked on examining the factors that influence the adoption of mobile payment systems. This has led to the identification of numerous factors that explain consumer adoption of mobile payments using various sophisticated models and analyses. However, one area that has been relatively understudied is the acceptance of mobile payments by merchants (Dahlberg et al., 2015). This is a critical concern because merchants are necessary for consumers to be able to use their mobile payments solutions to complete payment transactions. In fact, Dahlberg et al. (2015) argue that “if merchants are unable to accept mobile payments, it might be the end of the game.” As such, the primary aim of this chapter is to examine the factors that influence merchant adoption of mobile payment systems. In order to achieve this aim, this study uses the Technology-organization-environment (TOE) framework as the theoretical foundation for the study. The TOE is one of the most widely used theories for evaluating the adoption of technologies at the organizational-level (Aboelmaged & Hashem, 2018; Albar & Hoque, 2017; Hsu & Yeh, 2016) and thus will be valuable in unearthing the determinants of merchant acceptance of mobile payments since most merchants are business entities.

Besides looking at mobile payment solutions from a merchant perspective, the chapter also focuses on a unique type of mobile payments. Prior research on mobile payments has primarily focused on payment systems in which consumers use their mobile devices to make payment. However, in recent years, there has been an increase in mobile payment solutions that accept card payments. These mobile card payment systems often constitute a mobile app that connects to a portable card reader using Bluetooth technology and then allows a merchant to accept debit and credit card payments even in remote locations. Some examples of such mobile payment systems include iKhokha, ZipZap, and Yoco. These mobile systems are specifically aimed at merchants as they provide them with a mobile solution to accept card payment. Focusing on this specific type of mobile payment solution provides new insights as prior studies have shown that “mobile payment is not all the same” (Ramos-de-Luna et al., 2018).

The rest of the chapter is structured as follows. Section 2 presents an overview of the TOE framework. Afterward, the proposed model and development of hypotheses is presented in Section 3. Following that is the presentation of the methodology in Section 4 and the Data analysis in Section 5. Lastly, the discussion of the findings and conclusion are presented in Section 6 and Section 7 respectively.

## **2. BACKGROUND**

### **2.1. Merchant Adoption of Mobile Payment Systems**

While it is generally acknowledged that there is a dearth in studies focusing on merchant adoption of mobile payment systems (Dahlberg et al., 2015), several researchers (Liébana-Cabanillas, Leiva & Fernández, 2017; Liébana-Cabanillas & Lara-Rubio, 2017; Mallat & Tuunainen, 2008; Teo, Fraunholz & Unnithan, 2005; Van der Heijden, 2002) over the years have nonetheless attempted to fill this gap. However, unlike with studies on consumer adoption of mobile payments, the majority of these studies focusing on the merchant perspective have adopted a qualitative methodology. A common theme among these studies has been to identify the barriers to merchant adoption of mobile payments some of which include: the high cost associated with the adoption and use of the technology, complexity of the systems, lack of a relative advantage, security concerns, limited knowledge on mobile payments, the

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