



Barriers to the Acceptance of Payment Cards by Trading and Service Enterprises in Poland in the Light of Empirical Research

Abstract: The aim of this article is to identify the barriers to the payment cards acceptance among trading and service enterprises in Poland. The attitudes towards payment cards have been presented from the viewpoint of entrepreneurs as people managing the company as well as consumers. The foundation of the article is the qualitative study consisting of in-depth interviews (IDI) conducted with the entrepreneurs at the turn of 2018 and 2019. The starting point of these interviews were the results of quantitative surveys conducted with the use of CATI method in 2013 and 2016. The outcome and linking the results of the study allow to determine the anti-terminal factors among micro-enterprises and to develop guidelines for overcoming them.

Keywords: payment cards, Foundation "Polska Bezgotówkowa", cashless transactions, barriers to acceptance

JEL Codes: C35, D22, E42

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1. Introduction

Cashless transactions is one of the foundations of modern economy. It allows to increase the speed, security and efficiency of economic transaction service. It also helps to reduce the scale of the shadow economy which is mainly based on the use of cash money (Schneider, 2016). Although the Polish banking sector is one of the european leaders in

terms of implementing innovative payment solutions, Polish market remains dominated by cash transactions (Polasik, Marzec, Fiszeder & Górką 2012; Polasik 2017). A systematic increase in the use of cashless payment instruments by Polish residents has been observed. However, the distance in relation to the European Union countries, which are characterized by the highest rates of using payment cards and bank transfers, remains highly significant (Polasik & Piotrowski 2015).

It should be emphasized that a particularly strong dominance of cash payments occurs in the case of transactions conducted in physical outlets (Polasik, 2013, pp. 79–102). Considering the widespread availability of payment cards, of which there are already 41.2 millions in Poland, the potential on the payers' part seems to be sufficiently large (NBP, 2020). However, the payments market is a so-called two-sided market. Therefore for its functioning there are needed both active card holders as well as merchants, i.e. enterprises which accept payments for goods and services. As indicated in the report (Polasik, 2017) the factor that is slowing down the development of cashless transactions is the insufficient range of payment cards acceptance, which manifests itself in the presence of large gaps in the availability of EFT-POS terminal network. Moreover, the saturation of terminal networks on the traders' side is very uneven, and the main factors of such differences are the size of the enterprise and its nature, i.e. trading enterprise or service enterprise. In trading industries, the average number of terminals is much higher than in service industries. In major companies in turn, the terminal availability gap is already very small, with a simultaneous relatively low number of terminals in the micro-enterprises (Polasik, 2015).

It is therefore very reasonable to ask what motivations guide entrepreneurs in the decision-making process regarding the start of payment cards acceptance and what barriers block their entry into cashless payments (Loke

2007, Jonker 2011, Bounie, François & Van Hove 2017). Therefore, in this article, the main reasons for the lack of acceptance of payment cards by entrepreneurs will be examined, and the scale of their impact will be estimated based on quantitative surveys. Then, various barriers will be recognized in detail using in-depth individual interviews.

2. Reasons for the lack of acceptance of payment cards according to quantitative surveys

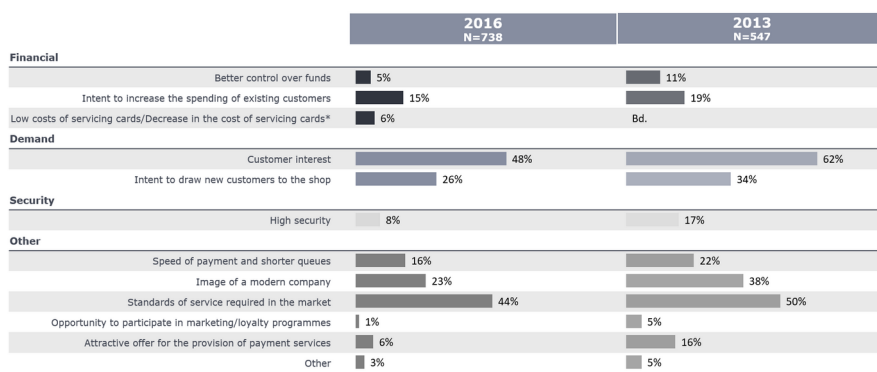
The starting point for conducting qualitative research, carried out in cooperation with the Foundation “Polska Bezgotówkowa” (Polska Bezgotówkowa, 2020), was previous quantitative research of POLASIK Research company on the retail payments market in Poland from the perspective of commercial and service entities in 2013 and 2016.

Barriers that inhibit the development of payment card acceptance networks may result from both objective reasons and the state of awareness and preferences of decision makers in enterprises. The results of survey of enterprises indicate that in 2013, 39% of respondents pointed the low interest of customers as the reason for the lack of payment cards acceptance (Figure 1). In turn, 35% of respondents pointed the high monthly costs related to operation, 30% the high merchant service charge on transaction value (i.e. MSC), and 27% the high costs of implementing this method. Therefore, the problem of card service costs seemed to be the main barrier. In addition, 28% of the companies in 2013 (and as much as 42% in 2016) did not see the benefits of payment cards implementation. This indirectly testified to the insufficient knowledge of managers regarding the benefits of accepting cards, including opportunities to increase sales.

In turn, in 2016, after the reduction of interchange fee in 2014 and 2015, the entrepreneurs indicated low interest of customers in a given location as the main barrier of

implementing payment cards (51% of responses). It should be emphasized that the reasons stated relate to the respondent's subjective belief regarding the level of customer interest in using payment cards, and not necessarily to the actual state of this phenomenon. Whereas the costs related to the payment cards acceptance incurred by the entrepreneurs, although still highly significant, have lost some importance in the hierarchy of barriers slowing down the development of acceptance of cashless transactions (Harasim & Klimontowicz, 2013) (Figure 1). Another significant problem, indicated by 31% of non-acceptors, seems to be the preference for cash due to settling accounts with their suppliers and employees. It should be noted that entrepreneurs who operate in the shadow economy and do not register part of their sales may be reluctant to start accepting payment cards, because the use of cards by customers would make it difficult for them to avoid paying taxes. For obvious reasons these entities do not declare directly such a reason for their reluctance to accept cards. On the other hand, some of the declarations indicating, for example, the perception of small benefits from card acceptance or preferred cash for settlements, suggest striving to maximize the use of cash. In some cases, this may be related to participation in the shadow economy (Jakubowska, 2019). Therefore, a significant number of entrepreneurs' indications that customers show little interest in using payment cards in a given location can be simply an excuse.

Figure 1. Reasons for the lack of acceptance of payment cards: years 2013-2016 [%]



Source: POLASIK Research company's estimates based on KANTAR TNS interviews;
Physical sales – entities not accepting payment cards.

The institutional solution to the problem described above, i.e. persistent concerns about excessive costs as barriers to the development of payment cards acceptance, is the Program Wsparcia Obrotu Bezgotówkowego (the Program for Support of Cashless transactions). The main aim of this Program is to radically increase the range of cashless payments acceptance. It was launched at the beginning of 2018, as part of an agreement signed in June 2017, between The Polish Bank Association (Związek Banków Polskich), The Ministry of Finance and Development and the biggest payment card providers (MR, 2020). This Program is targeted at small and medium-sized enterprises, including micro-enterprises, and consists in covering by the Foundation "Polska Bezgotówkowa" the fees incurred by the Acceptor related to the acceptance of card-based instruments. Co-financing consists of covering the costs associated with installing the terminal and commissions related to cashless transactions for a period of 12 months. As a result of the Program a decrease in the level of costs associated with the start of the card acceptance by the entrepreneur to almost zero was observed.

3. Research methodology

This article has been prepared on the basis of the literature on the subject and the results of quantitative and qualitative research carried out in 2013, 2016 and 2019 by POLASIK Research company which were then made available to the author. As part of the quantitative research on the card acceptance market, the company in cooperation with the research agency KANTAR Polska conducted a survey of entrepreneurs in Poland in 2013 and 2016. Research was focused on transactions at physical outlets. The subject matters of the study were the acceptance and use of the following payment instruments: cash, payment cards, transfer orders and payment innovations (e.g. mobile payments, urban cards). As part of the study, nationwide representative samples were obtained: $n = 1140$ (divided into 19 industries) in 2013 and $n = 1631$ commercial and service entities (divided into 22 industries) in 2016. The selection was random-quota, and the interviews were conducted using computer aided telephone interview. The respondents of the survey were people competent in the field of financial economy, including owners and managers of enterprises. The presented research results have been subject to the procedure of weighing to the population structure, which allows to draw conclusions regarding the entire sector of trade and retail services in Poland.

In addition, it is worth mentioning that IDI qualitative research in 2019 was carried out by the POLASIK Research team, of which the author is a member, at the request of the Foundation "Polska Bezgotówkowa".

4. Qualitative research - barriers on the side of traders and service providers

The Research entitled "Conditions for accepting cashless payments by Polish micro-enterprises", conducted from September 2018 to June 2019, allows to indicate structural and individual barriers to the development of payment card acceptance disclosed by micro-enterprises in the retail and services sector. The study was of a qualitative nature and

was carried out by POLASIK Research company using the IDI method, i.e. individual in-depth interviews in 16 voivodships. The survey included 74 respondents among which were the owners of grocery and stationery stores, the owners of florist's and haberdashery, as well as lawyers, taxi drivers, physiotherapists, hairdressers and people of other occupation.

It should be noted that in the case of micro-enterprises, the enterprise is usually strongly associated with the owner (Kuśnierek, 2014). Therefore, the entrepreneur's personal beliefs and preferences directly influence the way of running a business. If the owner of a small company is not convinced of certain solutions, or even has some irrational fears, he will easily transfer them to decisions regarding the company's strategy. In-depth interviews with owners of micro-enterprises have revealed several key barriers of individual nature that affect companies' attitude to cashless transactions. At this point, it should be recalled that this study is complementary to quantitative research and does not allow inference for the entire population, in this case - all micro-enterprises in Poland.

First of all, the study revealed that, especially in the case of retail trade, the owners' reluctance to payment cards (declared lack of individual consumer experience with card payments or occasional experience in this regard) affects the decision not to implement payment terminals to the company. The respondents believed that the cash proves to work better, both as a tool to control individual finances as well as the company's finances. On the other hand, if the owners preferred card payments and considered them a

for household budget management, they consider cashless payments as a

ment.

„This is actually the domain of the 21st century, isn't it? I suppose everything will be plastic.”

[Accountant services]

„Well, cash is better. People are dishonest, really. Believe me, I know such people.”

Secondly, the owners of micro-enterprises, both in retail and in various service companies, had a significant knowledge deficit regarding whether their direct competition accepts card payments. The passivity of entrepreneurs in collecting information about competitors' payment strategies captured in the study is an important barrier in starting card acceptance. Lack of knowledge in this area lowers the sense of pressure from the external environment to introduce terminals to the company.

Beside the above mentioned barriers, there are other important disincentives to starting card acceptance. These are: (a) the method of settlement with suppliers in retail trade (Górka, 2013), (b) the possibility of payment by bank transfer in services, and (c) the waiting time for the inflow of funds to the company's account for transactions carried out with the use of terminal.

In the service sector, the preferences of suppliers and contractors regarding settlement in the form of cash or bank transfers have less impact on the decisions of company owners regarding the implementation of payment card services than in the case of retail trade. In-depth analysis of interviews and the results of previous studies indicate that this is due to two reasons. Firstly, in the case of service activities, contacts with suppliers and wholesalers are usually less frequent than in the case of retail trade, so settlements are less burdening for the company owners in terms of organization. The second significant difference is, on average, higher margins than in trade.

Therefore, the methods of accepting payments by retail suppliers can be a strong anti-terminal factor for the surveyed business owners.

“No, when it comes to the veterinary wholesaler, we settle accounts by means of a bank transfer. There is 30 day payment period and it takes place in the form of bank transfer or invoice.”

[Veterinarian]

„M: Do the suppliers with whom you settle account most frequently accept payment cards?

R: No, most often they accept cash.

M: So only cash or...?


R: Cash, bank transfer.”

[Car mechanic]

In the service industry, the character of providing services (as opposed to selling goods) creates situations that are not always conducive to card payments. The sales process in services is often extended in time and the services can be repetitive. They can also be carried out remotely or without the direct presence of the customer, therefore, the speed of payment is less important. In addition, the customer has time to prepare for the payment transaction, e.g. he can withdraw money from an ATM or log



„I think that payments by cash or by card ensure me that I actually get the money right



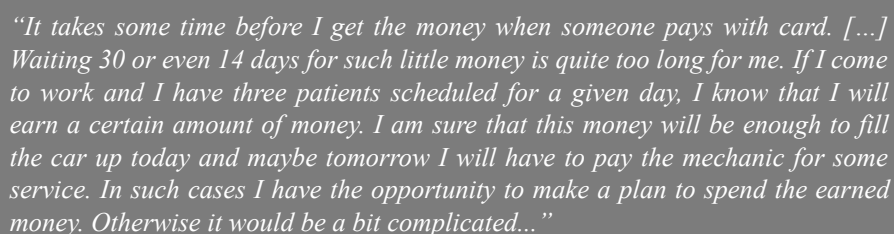
„M: Are there any customers asking for card payments?

R: No, in my case clients

into his bank account. What's more, sometimes making a payment no longer requires a physical meeting of the

entrepreneur and the client. That is why in the service industries card and mobile payments compete not only with cash, but also, and above all, with bank transfers. Due to the fact that a large number of transactions in services is carried out using this form of payment, the pressure to introduce terminals is much lower than in the case of entities from the trade sector.

The third factor regarding both trade and services, which builds owners' attitudes towards card payments, is the long waiting time for the inflow of funds to the company's bank account from sales carried out at the terminal. A few days between the transaction and the inflow of funds (even 4-5 days) is often an unacceptable period for micro-companies. Enterprises that are using payment terminals point to this fact as one of the company's main "ills". In turn, in the case of companies without terminals there are rumors about very long waiting periods for the inflow of funds (e.g. about 30 days), which increase the fear of losing financial liquidity if terminals were introduced to the company.



"It takes some time before I get the money when someone pays with card. [...] Waiting 30 or even 14 days for such little money is quite too long for me. If I come to work and I have three patients scheduled for a given day, I know that I will earn a certain amount of money. I am sure that this money will be enough to fill the car up today and maybe tomorrow I will have to pay the mechanic for some service. In such cases I have the opportunity to make a plan to spend the earned money. Otherwise it would be a bit complicated..."

[Medical services – nurse]

The three factors described above constitute important barriers which were captured in the qualitative research. They have an external character, not related to

individual preferences or concerns of the owners. They rather relate to well-established schemes of action and the reaction of micro-enterprises to the business strategies of external institutions, such as wholesalers and acquirers. Regardless of the industry, mutually counteracting beliefs appear among company owners. On the one hand, they see the disadvantages of cash management: the need to count it, deliver it to the bank, check the accuracy of banknotes, control employees. On the other hand, they are not sure whether the potential benefits after the introduction of terminals would not be dominated by the new requirements for maintaining these devices: financial costs, technical problems or lack of immediate access to money from the client. It is easy to notice that for large companies such dilemmas are not a problem and are rather resolved in favor of payment cards. However, in the case of small companies the choice whether to introduce the terminals may raise doubts that without institutional support may remain unresolved.

5. Shadow economy as a barrier to card acceptance

Previous studies by prof. F. Schneider (Schneider, 2014) have pointed the negative correlation between grey market and an amount of cashless transactions, especially done with credit cards. On the other hand, research about Greece (Hondroyiannis & Papaoikonomou, 2017) has revealed that in a period of a forced growth of credit cards usage, caused by limitations in cash accessibility during the economic crisis, there has been an increase in the VAT. It indicates a possible reduction of grey market in the case of these transactions, at commercial and service points. Foreign publications has suggested that an influence of cashless transactions on reducing the grey market comes from the fact, that in case of unregistered transaction in banking system, entrepreneurs are less likely to take the risk of not reporting such payments to tax authorities.

However, in the context of own research and the obtained information, about declared barriers against the start of card acceptance, one should also consider the opposite direction. Entrepreneurs, who operate in grey market and do not register part of their sales, may be reluctant to accept cards because the use of cards by customers would make it hard for them to avoid paying the taxes. For obvious reasons, these entities do not declare openly such a reason for their reluctance in accepting cards (IBnGR, 2016). On the other hand, some of declarations indicating, for example, on not so many benefits from card acceptance or preference of cash during settlements, suggests striving to maximize the use of cash. In some cases, it can be tied to participation in grey market. In addition, a very large number of entrepreneurs' indications that customers have little interest in card payment in a given location, may be an excuse for them.

5. Conclusions - How to overcome the barriers to acceptance?

The conducted research indicates that the key tool for breaking the barriers to payment cards acceptance is properly targeted information. This applies particularly to the service sector. The company owners in service sector who do not accept card payments are not negative about payment cards as such. They are rather unable to find sufficient benefits for the company that would convince them to the decision about introducing payment terminals. Therefore, properly formulated, attractive marketing messages advertising the possible benefits of handling cashless payments may encourage them to start accepting payment cards. Some entrepreneurs were on the verge of coming to a decision about accepting terminals, however, there were visible gaps in knowledge related to financial costs, or information about the prolonged waiting time for the inflow of funds to the account, which could have

effectively delay their decision. The conclusion is therefore that communication activities directed at entrepreneurs should be partly focused on the message in the spirit of education.

In particular, this education should be related to the information about the increase in the popularity of card payments among consumers which is a growing trend. The attempts to send customers to an ATM can result in losing them. What is also important is the information on the actual average waiting time for the inflow of funds to the company's bank account from transactions carried out at the terminal. In addition, this education should also take into account the simplicity of technology and the comparison of the terminal with the mobile phone, which can be taken anywhere and which is a device that each of the surveyed owners, of both commercial and service companies, has in his possession.

Based on in-depth research, it can also be seen that not only the habit of using cash, but also the use of bank transfers can be an important barrier to accepting card payments. The advertising message and other forms of communication should therefore show the advantages of using cards, also in relation to transfers, in aspects such as: (a) the security and guarantee of receipt of payment, in cases when the transfer payment may be delayed by the customer, and (b) the speed and convenience for the seller and the customer - the card transaction is settled immediately. There is no need for the client to be equipped with cash which is then transferred to the bank account by the seller.

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