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BRIDGING THE DIVIDE: STRATEGIES FOR EXPANDING DIGITAL PAYMENT SYSTEMS IN RURAL AREAS OF ANDHRA PRADESH, INDIA

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ABSTRACT

Digital payments such as UPI, mobile banking and QR codes are now part of everyday life in India. In 2025-26 the country handled more than 24,000 crore UPI transactions worth about ₹314 lakh crore. Yet the benefit is not equal everywhere. Andhra Pradesh, where about 70 per cent of people live in rural areas, ranked sixth among Indian states in UPI transactions in June 2026, but its share of national volume (2.78 per cent) is smaller than its share of population.

This review paper uses only secondary data, namely reports of the Reserve Bank of India (RBI), the National Payments Corporation of India (NPCI), the Government of India, the Government of Andhra Pradesh, books, research papers and newspaper reports, to explain where rural Andhra Pradesh stands and what is holding it back. Eight barriers are identified: weak internet, thin banking and payment infrastructure, low awareness, low digital literacy, mistrust, fear of fraud, low income, and limited access to banking services.

The paper then reviews recent steps taken in the State, such as the Mana Mitra WhatsApp governance platform (1,126 services by July 2026), the BharatNet pact of May 2026 covering 13,426-gram panchayats, and the State Level Bankers' Committee directions on cyber fraud of June 2026. It ends with a practical action plan in simple language for government, banks, telecom firms and village institutions.

KEYWORDS: Digital payments; Unified Payments Interface (UPI); Financial inclusion; Rural Andhra Pradesh; Digital literacy; Jan Dhan Yojana; BharatNet; Mana Mitra; Cyber fraud; Self-help groups.

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1. INTRODUCTION

Paying for goods and services without cash has grown step by step over fifty years: credit cards and electronic fund transfers in the 1970s, internet banking in the 1990s, mobile wallets and e-commerce in the 2000s, and, in India, the Unified Payments Interface (UPI) from 2016. UPI lets a person send money from one bank account to another within seconds using a mobile phone number, a QR code or a UPI ID. Nilekani and Shah (2015) argued that such shared public systems, built once and open to all, can lift millions of people into the formal economy.

The numbers confirm this. According to the Ministry of Finance, UPI crossed 24,162 crore transactions worth about ₹314 lakh crore in the financial year 2025-26, almost 13,000 times the volume of 2016-17 (Telangana Today, 2026; Business Today, 2026). In September 2026 alone UPI recorded 24.07 billion transactions worth ₹29.37 lakh crore (StartupTalky, 2026, citing NPCI).

But a national average hides local gaps. A farmer in a tribal hamlet of Alluri Sitharama Raju district, a woman vegetable seller in a Rayalaseema village, or a fisherman on the Godavari delta may have a bank account, yet may not have a stable network signal, a smartphone, or the confidence to press "Pay". This paper therefore looks closely at **rural Andhra Pradesh (AP)**, where, as per the 2011 Census, about 70 per cent of the population lives in villages (Registrar General of India, 2011). The title of the study, "bridging the divide", refers to the gap between the town user who pays with a tap and the village user who still carries cash.

The global shift. Across the world, people are moving away from cash. The COVID-19 pandemic pushed shops and customers towards contactless payment, and governments of developing countries used digital transfers to deliver welfare directly to bank accounts. The World Bank's Global Findex survey shows that account ownership and digital payments have risen sharply in the last decade (Demirgüç-Kunt et al., 2022). India is now one of the leading examples of this change, because its public payment network (UPI, Aadhaar and Jan Dhan accounts) is open to every bank and every app.

2. OBJECTIVES AND METHOD OF THE REVIEW

Objectives.

(i) To describe the national picture of digital payments and financial inclusion with the latest data;

(ii) to understand the position of Andhra Pradesh;

(iii) to explain the main barriers in rural areas in simple terms;

(iv) to review recent government and bank initiatives in the State; and

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(v) to suggest workable strategies.

Method. This is a desk-based review paper. No new survey was conducted. Data and ideas were collected from (a) official releases of the RBI, NPCI, Press Information Bureau (PIB), the National Statistical Office (MoSPI) and the Government of Andhra Pradesh; (b) World Bank reports; (c) reputed newspapers and news agencies; (d) books and research papers; and (e) a State-wise UPI compilation of NPCI data published by FactoData. Wherever a figure was calculated by the author from published numbers, it is marked as "author's calculation". Every source is listed in the References, which also serves as the acknowledgment of the data used (Kothari, 2004, explains why a clear record of secondary sources is important).

3. What Earlier Studies and Books Say

Poor households need simple, small and safe financial tools. Collins et al. (2009), in *Portfolios of the Poor*, followed the daily money life of families in India, Bangladesh and South Africa and found that poor families do not lack money management; they lack safe and convenient places to save and pay. Banerjee and Duflo (2011) add that small frictions, such as distance to a bank or confusing forms, stop poor people from using services even when these are useful. Yunus (1999) showed in *Banker to the Poor* that women, when given trust and access, are reliable users of finance, a lesson relevant to women's self-help groups in Andhra Pradesh.

Mobile money can change rural lives. In Kenya, Jack and Suri (2014) found that households using M-PESA could receive money from relatives quickly during shocks and kept their spending steady, and Suri and Jack (2016) estimated that access to M-PESA lifted about 2 per cent of Kenyan households out of poverty, with larger gains for women-headed households. Van Hove and Dubus (2019) found that M-PESA helped people to save and not only to pay.

Indian studies point to trust, skills and infrastructure. The RBI's High Level Committee on Deepening of Digital Payments (RBI, 2019) urged that every village should have easy access to payment points and that fraud complaints should be solved quickly. Chauhan (n.d.) notes that illiteracy and the preference of traders and customers for cash slow down a cashless economy. Hilario (2022) stresses that security fears keep rural users away from linking bank accounts. A 2025 study of upland districts of AP (Visakhapatnam, Vizianagaram and Srikakulam) by Kantheti et al. (2025) lists hilly terrain, weak networks, low literacy and fear of fraud as the main hurdles; since some figures in that paper are drawn from older sources, this review uses it only for its qualitative findings.

4. The National Picture: Latest Data

Table 1 collects the most recent official figures. Three messages stand out. First, **access is high**: 96 per cent of Indian adults have a financial account (World Bank, as reported by Moneylife, 2025), and Jan Dhan alone has opened more than 56 crore accounts, two-thirds of them in rural and semi-urban areas and 56 per cent owned by women (PIB, 2025). Second, **use is lower than access**: one in four

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accounts is inactive and only 48 per cent of account holders made or received a digital payment in a year. Third, **the gender and rural gap in phones remains wide**: the 2025 telecom survey of the National Statistical Office found that only 48.4 per cent of rural women aged 15 and above own a mobile phone, against 80.7 per cent of rural men (PIB, 2025b).

Table 1: Digital payments and inclusion at a glance (India)

Indicator	Latest value	Source
UPI volume / value, FY 2025-26	24,162 crore txns; about ₹314 lakh crore	Ministry of Finance, via Telangana Today (2026)
UPI, September 2026	24.07 billion txns; ₹29.37 lakh crore	NPCI, via StartupTalky (2026)
RBI Digital Payments Index (RBI-DPI)	516.76 (Sept 2025) vs 493.22 (Mar 2025)	RBI, via IANS (2026); Arihant Capital (2026)
RBI Financial Inclusion Index	67.0 (Mar 2025) vs 64.2 (Mar 2024)	RBI press release, 22 July 2025
Adults with an account	96%; 25% of accounts inactive	Global Findex 2025, via Moneylife (2025)
Jan Dhan accounts (Aug 2025)	56.16 crore; deposits ₹2.68 lakh crore	PIB (2025a)
Households with internet access (2025)	Rural 83.3%; urban 91.6%	NSO telecom survey, PIB (2025b)
Rural persons 15+ who own a mobile	Men 80.7%; women 48.4%	NSO telecom survey, PIB (2025b)

Note: Figures are reproduced from the sources named; the author has not altered them. RBI-DPI is an index with March 2018 as base (= 100).

The RBI's own indices tell the same story of steady progress: the Financial Inclusion Index rose from 64.2 to 67.0 in one year, and the Digital Payments Index from 493.22 to 516.76 in six months. Progress is real, but the remaining distance is largest in villages, among women and among the poor.

5. Andhra Pradesh: Where Does the State Stand?

5.1 UPI use compared with other large States

NPCI's State-wise data for June 2026, compiled by FactoData (2026), show that Andhra Pradesh recorded **632.22 million UPI transactions worth ₹1,08,222.52 crore**, ranking **sixth** in volume among 36 States and Union Territories. Its share was 2.78 per cent of national volume and 3.74 per cent of national value. The State's population is roughly 4 per cent of India's (author's estimate from Census-based projections), so its volume share is below its population share, which suggests room to grow,

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especially in villages.

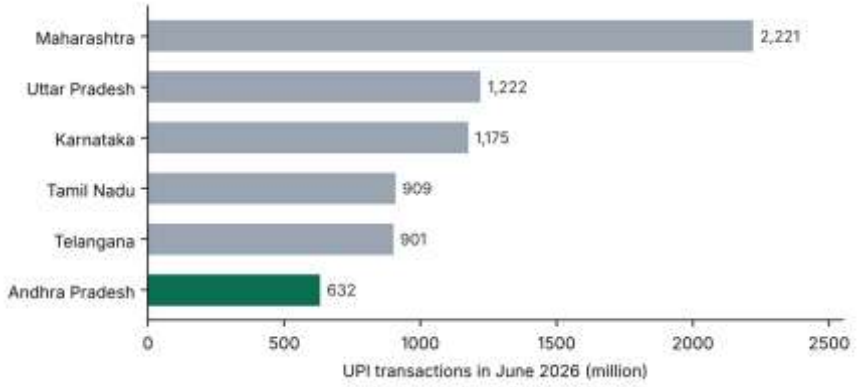


Figure 1: UPI transactions, June 2026 (million). Source: NPCI data compiled by FactoData (2026).

Interestingly, when the value is divided by the number of transactions (author's calculation), the average UPI payment in Andhra Pradesh is about **₹1,712**, the highest among the six States shown (Maharashtra ₹1,204; Uttar Pradesh ₹1,254; Karnataka ₹1,414; Tamil Nadu ₹1,560; Telangana ₹1,642). This means people in AP use UPI for fairly large payments, but not yet for as many small daily payments (milk, vegetables, tea) as in the leading States. Small, frequent payments are exactly where rural users can benefit most.

5.2 Recent initiatives in Andhra Pradesh

Table 2: Important digital-payment related steps in Andhra Pradesh

When	Initiative	Key facts and source
Aug 2020	UPI QR payment at Village and Ward Secretariats (AP Government, NPCI, Canara Bank)	Over 15,004 secretariats; QR code shown on screen, Digital Assistant helps the villager (NPCI, 2020)
Jan 2025	'Mana Mitra' WhatsApp governance launched	Began with 161 services; grew to 1,126 services in 35 departments by July 2026; 58.2 lakh citizens served, 3.42 crore sessions (Deccan Herald, 2025; Deccan Chronicle, 2026a)
Aug 2025	Paytm and MEPMA agreement for women's SHGs	UPI QR, soundbox and POS machines for SHGs in urban areas (YourStory, 2025)

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When	Initiative	Key facts and source
May 2026	Amended BharatNet agreement between Digital Bharat Nidhi and AP Government	Centre's support ₹2,432 crore; 13,426 gram panchayats; 3,942 villages on demand; over 5 lakh rural home fibre connections (Deccan Chronicle, 2026b; Indian Infrastructure, 2026)
June 2026	State Level Bankers' Committee (SLBC) meeting chaired by Chief Minister	Banks told to act fast on cyber fraud and set up Central Transaction Monitoring Cells (UNI, 2026)

Note: A fuller list of rural-specific figures at district level was not available in public sources at the time of writing; see Limitations.

These steps cover the three pillars of digital payments: **connectivity** (BharatNet), **convenient services** (Village and Ward Secretariats, Mana Mitra) and **safety** (SLBC fraud directions). They show that the State government is moving in the right direction. Two gaps are visible, however. First, the Paytm–MEPMA arrangement is for *urban* SHGs; a similar arrangement for rural SHG women is still needed. Second, the sources reviewed do not show that Mana Mitra yet allows citizens to *pay* fees by UPI inside the chat, which would be a natural next step.

5.3 Government services moving online

Digital payment grows faster when people already use the phone for government work. The Mana Mitra platform, launched in January 2025, now offers 1,126 services from 35 departments. By July 2026 it had served 58.2 lakh citizens and recorded more than 3.42 crore service sessions. The State also receives grievances through its AI-based system (AI4PGRS), which accepts text, photos or voice; more than 17.6 lakh grievances had been received since June 2024 (Deccan Chronicle, 2026a). The voice and photo options matter for villagers who find typing difficult. When a villager gets used to asking for a certificate on WhatsApp, paying a fee on the same chat becomes a small step.

5.4 National programmes that Andhra Pradesh villages can use

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Table 3: National programmes that support rural digital payments

Programme	What it offers	Source
Pradhan Mantri Jan Dhan Yojana (PMJDY)	Zero-balance account, RuPay debit card (38.68 crore issued); 56.16 crore accounts nationally	PIB (2025a)
PM Gramin Digital Saksharta Abhiyan (PMGDISHA)	20-hour free digital literacy course for one person in every rural household aged 14 to 60; started in February 2017	ETV Bharat (2021)
BharatNet	Optical-fibre connectivity to gram panchayats; in AP, ₹2,432 crore central support for 13,426 gram panchayats	Deccan Chronicle (2026b)
UPI Lite, UPI 123PAY and *99#	Small-value and phone-call based payments for weak networks and basic phones	NPCI (n.d.)

These programmes already exist; the task in rural Andhra Pradesh is to make sure that the *same* family receives all of them together: an active bank account, a trained member, a signal and a nearby shop that accepts QR.

6. Barriers to Rural Digital Payments

The eight barriers listed in the earlier version of this paper remain valid. They are restated below in simple words and updated with recent evidence.

(1) Weak internet connection. National data show that 83.3 per cent of rural households have internet access in the home (PIB, 2025b), but access is not the same as a *stable* signal. Hilly and forest areas of the Eastern Ghats, coastal villages hit by cyclones, and dry Rayalaseema hamlets often see signal drops, which make a UPI payment fail halfway. Failed payments quickly damage trust.

(2) Thin payment infrastructure. Many village shops and weekly markets (shandies) have no QR code, no POS machine and no nearby ATM. Without a place to pay and to withdraw, the shopkeeper prefers cash.

(3) Low awareness. Many villagers know of PhonePe or Google Pay but not of other options such as UPI Lite for small payments, USSD-based *99# banking for basic phones, or Aadhaar-based payments. People cannot use what they do not know.

(4) Low digital literacy. In AP, only about 21 per cent of women had ever used the internet according

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to NFHS-5 (2019-21), the second-lowest figure among States (Down To Earth, 2021). Nationally, rural women are far behind rural men in mobile ownership and internet use (PIB, 2025b). Older persons and those who studied in a regional language also find English menus difficult.

(5) Mistrust. People worry that "money may go to the wrong person and cannot be got back". A single bad experience in a village spreads quickly through word of mouth.

(6) Fear of fraud and data theft. Fake calls, fake links and "wrong payment" requests are common. On 19 June 2026 the Chief Minister, at the SLBC meeting, expressed concern that delays in tracing criminals cause big losses and directed banks to set up Central Transaction Monitoring Cells (UNI, 2026). A frightened new user is likely to stop using digital payments altogether.

(7) Low and irregular income. Farm and wage incomes in villages are seasonal. A smartphone, data pack and the risk of losing money feel costly when income is uncertain.

(8) Limited banking services. Jan Dhan opened 56.16 crore accounts nationally, yet 25 per cent of accounts are inactive (Moneylife, 2025). An account that is never used is not a bridge to digital payments. Distance to branches, shortage of Banking Correspondents ("bank mitras") and cash-out difficulty keep many accounts dormant.

7. Strategies to Expand Digital Payments in Rural Andhra Pradesh

The earlier version of this paper listed fourteen strategies, some of which overlapped (for example, two separate awareness items). They are now grouped into six clear strategies, each linked to the Andhra Pradesh context.

Strategy 1: Make the network reliable (connectivity)

- Complete the BharatNet work in 13,426-gram panchayats on time and track progress publicly, village by village (Indian Infrastructure, 2026).
- Use community Wi-Fi at the Village Secretariat and offline-friendly options such as UPI 123PAY and *99# for places where mobile data is weak (NPCI, n.d.).

Strategy 2: Put a payment point in every village (infrastructure and banking)

- Give a free QR code and soundbox to every kirana shop, vegetable vendor, milk booth and ration depot, with banks sharing the cost and recovering it from transaction fees on larger business accounts.
- Strengthen Banking Correspondents and the Village and Ward Secretariat Digital Assistants so that "cash-in, cash-out" is always possible near home, as proposed in the RBI's High Level Committee report (RBI, 2019).
- Link every active Jan Dhan account to a UPI ID and encourage a small first transaction, to reduce dormant accounts.

Strategy 3: Teach by doing (literacy and awareness)

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- Run "Digital Payment Days" in Telugu at each Secretariat, with a live ₹10 demonstration, led by local students, SHG leaders and anganwadi and ASHA workers (a trusted face works better than a poster).
- Focus on women and older persons, since they are the least connected (Down To Earth, 2021; PIB, 2025b). Use voice-based and Telugu-language interfaces.
- Merge the earlier 'awareness' and 'education' items into one yearly calendar, so that messages are repeated and not scattered.

Strategy 4: Build trust and safety

- Display a simple "Four Don'ts" poster in every village: do not share PIN or OTP; do not click unknown links; do not pay to receive money; do not trust callers who claim to be from the bank.
- Make cyber complaints easy through the national helpline 1930 and the cybercrime portal, and ensure quick "freeze and refund" action in line with the Chief Minister's directions to banks (UNI, 2026).

Table 4: Common worries and simple answers

Common worry in villages	Simple answer
"Only people with smartphones can pay."	Basic phones can use *99# and UPI 123PAY, which work without internet (NPCI, n.d.).
"If I enter my PIN wrongly, I lose money."	A wrong PIN is simply rejected. Remember: a PIN is needed only to *send* money; you never need a PIN or OTP to *receive* money.
"If a payment fails, my money is gone."	In most cases the bank returns the amount automatically within a few working days. If not, complain to the bank first and then to the RBI Ombudsman.
"Cash is safer than digital money."	Cash can be lost or stolen and leaves no record. Digital payments leave a record that helps in tracing a wrong transfer, provided the PIN and OTP are never shared.

Strategy 5: Design for the village user (products and policy)

- Banks and fintech firms should offer simple, low-ticket products: UPI Lite for small payments, crop-cycle linked savings and credit, and SHG group accounts with QR codes. Extend the Paytm–MEPMA type of arrangement (YourStory, 2025) to rural SHGs.
- Add UPI payment of fees and bills inside Mana Mitra so that a villager can obtain a certificate and pay on the same WhatsApp chat (Deccan Chronicle, 2026a).

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- Offer small incentives, such as lower service charges or recognition awards, to banks and Banking Correspondents that activate the most rural accounts.

Strategy 6: Work together and learn from others

- Joint working of the State Government, SLBC, NPCI, telecom firms, NGOs and SHGs, as the 2020 NPCI–Canara Bank–Government project at Secretariats showed (NPCI, 2020).
- Measure results every quarter with three simple indicators per district: share of active accounts, number of merchants accepting QR, and fraud complaints solved within a set time.

8. Lessons from Other Experiences

Kenya's M-PESA. Launched in 2007 by Safaricom, M-PESA allowed people to send money using even a basic phone and a network of local agents. Studies show that it helped households to receive help from relatives during hardship and to save (Jack & Suri, 2014; Van Hove & Dubus, 2019). *Lesson for AP:* local agents (Banking Correspondents and Secretariat staff) are as important as the app.

India's Aadhaar Enabled Payment System (AePS). AePS lets a person withdraw cash or check balance at a Banking Correspondent using Aadhaar and a fingerprint, without a smartphone. It suits older and less literate users, but it also needs strong safeguards against fingerprint-related fraud. *Lesson:* offer phone-free options, but protect them.

Uganda's Community Knowledge Workers (CKWs). The Grameen Foundation used trained local community members to spread information; this improved adoption of digital financial services in rural Uganda (Grameen Foundation, 2014). *Lesson:* AP can use SHG members, "Mana Mitra" volunteers and Secretariat staff as local 'payment champions.

Andhra Pradesh's own Secretariat QR model. The 2020 project placed UPI QR payment at over 15,004 Village and Ward Secretariats and used a Digital Assistant to help users (NPCI, 2020). This is a strong base; the next step is to extend the same help to every shop and every weekly market.

9. A Simple Action Plan

Table 5: Who should do what

Who	Action	How progress can be checked
State Government	Finish BharatNet; add UPI payment in Mana Mitra; Telugu training days at Secretariats	GPs connected; services with online payment
Banks and SLBC	QR/soundbox for village shops; more Banking Correspondents; fast fraud response	Active accounts; QR merchants; complaints solved

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Who	Action	How progress can be checked
Telecom companies	Fix coverage gaps in tribal and coastal areas; low-cost data for small payments	Villages with stable 4G
SHGs, NGOs, schools	Peer teaching by women leaders and students; "Four Don'ts" campaign	People trained; repeat users after 3 months
NPCI and fintechs	Telugu voice help; simple UPI Lite and UPI 123PAY use	Small-value transactions share

Looking ahead. If UPI volume keeps growing at the 2025-26 pace, and the RBI-DPI keeps rising as in the last two readings, the next big gains will come from users who are not yet connected, not from those who already pay by phone. For Andhra Pradesh this means the villager, the woman SHG member and the small trader. A realistic goal for the next three years is a QR code at every village shop, at least one trained digital helper in every gram panchayat, and a visible fall in the time taken to solve a fraud complaint. These are simple targets that a common citizen can see and check.

10. LIMITATIONS OF THE REVIEW

This paper is based only on secondary data. Public sources do not yet give district-wise or rural-only UPI figures for Andhra Pradesh, and the State-level results of the 2025 telecom survey were not available in the documents reviewed, so rural AP is described through national figures, State totals, news reports and earlier studies. Some data come from news reports quoting official releases, and these should be checked against the original release before use in official reports. Future work can add a village-level field survey.

11. CONCLUSION

Andhra Pradesh has strong foundations: more than 15,000 Village and Ward Secretariats, a growing WhatsApp-based governance platform, a fresh BharatNet agreement, and a Chief Minister who is directly guiding banks on fraud. The State ranks sixth in UPI use and its average payment size is the highest among the leading States. What remains is to make digital payment *easy, safe and everyday* for the farmer, the woman SHG member and the small shopkeeper in the village. This needs a signal that works, a QR code at every shop, a trained local helper, a quick remedy against fraud, and products made for village needs. If government, banks, telecom firms and community groups work together, the divide between town and village in digital payments can be closed.

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Glossary of Simple Terms

Term	Meaning in simple words
UPI	A system to send money from one bank account to another using a phone, in seconds.
QR code	A small square picture on a shop counter; scanning it with a phone app starts a payment.
PIN and OTP	Secret numbers. Never tell them to anyone, including a person who says he is from the bank.
POS machine	A card machine in a shop that accepts debit or credit cards.
Banking Correspondent	A local agent of a bank who gives cash, opens accounts and helps with transfers in the village.
AePS	Aadhaar Enabled Payment System: cash withdrawal or balance check using Aadhaar number and fingerprint.
Financial inclusion	Every person, rich or poor, in town or village, being able to use bank accounts, payments, savings, credit and insurance.

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