

Press Release:

**INTRODUCTION OF BUSINESS CORRESPONDENTS MODEL FOR SPEEDY
DISBURSAL OF PAYMENTS TO WORKERS UNDER THE MGNREGA**

August 4th, 2011

- The number of individuals claiming inclusion under MGNREGA has increased exponentially over the last few years. However banks and post offices have not grown in proportion to meet this demand.
- These issues, among others, were discussed at the National Workshop for Social Audit held by the Ministry of Rural Development and chaired by the Union Minister for Rural Development on 19th July 2011 at New Delhi. It was felt that these shortcomings would be best addressed by the introduction of the Business Correspondents model.
- Therefore, as part of its on-going efforts towards greater transparency and strengthening of the system for the payment of wages, the Ministry of Rural Development has decided to introduce a Bank Correspondents model.
- Under this model the Banks shall appoint Business Correspondents who will be delivering the banking services straight to the door steps of the intended beneficiaries at the village level. These Correspondents will also be charged with the responsibility to educate the villagers about the new provisions of Schedule II.
- Furthermore State Governments have been allowed to pay a fee/remittance charge to Banks/ Business Correspondents as a fixed charge per account or a percentage of the transaction value up to Rs. 80 per account per year through which transactions for MGNREGA works has been made during the year. This may be absorbed in the 6% administrative expenses permissible under MGNREGA. All state governments have also been advised to identify unserved areas where this model would be required and to roll it out expeditiously.
- This follows and enhances the amendment to Schedule II which puts in place a statutory requirement that wage disbursements to workers shall be through institutional accounts in Banks of Post Offices within a time limit of 15 days.
- It has also been decided that State Governments shall make wage payments through Banks with bio-metric identification at the village

level. For the execution of this task Banks may follow the Business Correspondents model details of which have already been dispatched to the State Governments through an advisory.

- A monthly progress report in this regard is to be submitted by the states to the Ministry for Rural Development.
- Launching this new initiative the Minister for Rural Development observed “*This is one step forward in a series of initiatives to ensure that hassle free wage payments to job seekers are made within the 15 day time limit from the last day of employment*”.
- A copy of the letter that has been sent to all State Governments on the August 3rd, 2011 is attached.

NoJ-11060/01/2011 - MGNREGA-I
Government of India
Ministry of Rural development
Department of Rural Development
(Mahatma Gandhi NREGA Division)

Krishi Bhawan , New Delhi,
Dated 2nd August, 2011

To,

All State Principal Secretaries / Secretaries of Rural Development

Subject: Introduction of the Business Correspondence model for speedy disbursal of payments to workers under Mahatma Gandhi NREGA

Dear Sir/Madam

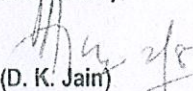
With a view to infusing transparency and enhancing the integrity of wage payment under Mahatma Gandhi NREGA, and also to encourage savings among the rural poor, Schedule II of Mahatma Gandhi NREGA Act has been amended to make wage disbursement to Mahatma Gandhi NREGA workers through institutional accounts in Banks of Post Offices a statutory requirement. The pace of financial inclusion under Mahatma Gandhi NREGA has surpassed the pace of institutional outreach of Banks and Post Offices as well as their current capacity to manage such a large number of accounts. This has led to delay in wage disbursements which legally entails payments of compensation. It is imperative therefore that the twin legal mandates of wage payments within the stipulated 15 days as well as of wage disbursement through institutional accounts be scrupulously adhered to.

2. To strengthen the institutional outreach for Mahatma Gandhi NREGA wage disbursement the option of the Business Correspondence model has been under discussion for some time. This issue was, inter-alia, extensively discussed in the National Workshop on Social Audit under Mahatma Gandhi NREGA held at Vigyan Bhavan, New Delhi on 19th July, 2011 under the Chairmanship of Union Minister for Rural Development who has desired to take a decision in the matter on priority.

3. Now, it has been decided that State Governments should roll out the model to make wage payment through Banks with Bio-metric authentication at village level. For this provision, the Bank can follow Business Correspondent Model. This should be done by State Governments on competitive bid from Banks by inviting Expression of Interest (EOI)/ Request for Qualification (RFQ). The fee/remittance charges to be paid to Banks/Business Correspondents, etc by way of fixed charges per account or a percentage of the transaction value should not, however, exceed Rs. 80 per annum per active account through which transaction for MGNREGA works has been made during the year. In case the amount exceeds the limit of Rs. 80/- per annum per active account, it would be met by the State Government from its own budget. The service charges to be paid may be absorbed in the 6% administrative expenses admissible in Mahatma Gandhi NREGA.

All the State Governments are, therefore, advised to identify unserved areas where the BC model may be required and roll out the Business Correspondent Model as per procedure detailed above. A monthly progress report on this account may be sent to the Ministry regularly. The bidding documents used by some of the States are attached for information.

Yours faithfully,


(D. K. Jain)

Joint Secretary to the Government of India