

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

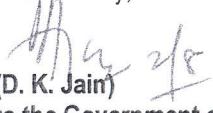
With a view to infusing transparency and enhancing the integrity of wage payment under Mahatma Gandhi NREGA, and also to encourage savings among the rural poor, Schedule II of Mahatma Gandhi NREGA Act has been amended to make wage disbursement to Mahatma Gandhi NREGA workers through institutional accounts 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 MGNRGA 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