

Working Paper No. 60

Crisis coping and saving pattern of vulnerable street and working children in Bangladesh

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Abstract

Vulnerable street and working children continuously struggle for their survival; and living on the street gives them new knowledge and tough experiences. They are constrained in making their future plans or cope with crisis. Sometimes the meager surplus that is sometimes earned is wasted as these children have no avenues to save their money safely. The present study on 1,000 children (covering 600 children involved in saving programmes of NGOs and 400 non-participants in such programmes) shows that girls have a higher tendency towards savings than boys. The sampled children face problems belonging to three broad categories: physical, psychological and social. Nearly 49 per cent feel helpless. The regression results show that being female, having stable income, and access to savings or loans by the child's family is significantly related to child's savings. The study findings also show that the street and working children have demand for financial services. Albeit they are mostly micro and short run savers; they have demand for credit services as well to cope with emergencies.

Keywords: Street and working children, Savings, NGOs, Financial inclusion

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1. Introduction

An important component of Bangladesh's development agenda is to empower, include and educate all children and youth for a life free from poverty and financial instability. In this context, an important challenge is to ensure financial empowerment and inclusion (FEI) for the vulnerable street and working children. Mostly they come from families with financial hardship, often plagued by poverty and indebtedness. Overall, the vulnerable street children face many barriers to accessing financial services, including restrictions in the legal and regulatory environment, inappropriate and inaccessible products and services, and low financial capabilities. They live and work in what is known as the 'informal' economy. Even though these children have little money, they still save, borrow and manage day-to-day expenses. However, without access to a bank, savings account, or debit card, they rely on informal means of managing money. This includes family and friends, cash-on-hand, money lenders, or keeping money under the mattress. In most cases, these choices are insufficient, risky, expensive, and unpredictable although they have demand for formal financial services in spite of their poor financial conditions. They want to save; they send and receive money from relatives, borrow from informal sources to meet obligations or tend to attain some benefits from existing financial opportunities.

Overall, the extent of financial inclusion of children and youth is very low in Bangladesh. According to World Bank Financial Inclusion Data Book 2015, only 20.8 per cent of all young adults (aged 15-25 years) have a bank account in Bangladesh, while only 1.6 per cent of young adults over 15 years use bank accounts to receive wages. This shows that opening bank accounts for the working and street children will no doubt ensure their financial inclusion in a sustainable manner.

In most cases, street children engage in the labour force but do not have access to formal institutions for saving. Consequently, they are more likely to spend their income on non-essential items to reduce the chance of their money being stolen or lost, or deposit it in a way that increases the risk of exploitation, such as with their employers. A number of NGOs in Bangladesh operate informal savings services to encourage children to save their money. However, being under no formal regulations, these services face risks and are not likely to be sustainable or secure in maximising children's financial interests in the long run. Considering the shortcomings of NGOs in operating financial services, a scheme pioneered by Bangladesh Bank (BB), the central bank of Bangladesh, has been introduced to change the situation. BB has provided directives to the banks to launch banking for working street children through a circular in March 2014 which stipulates that there should be no cost in opening such an account, no charge should be levied on the account, and the savings accounts should be opened with participating banks for as little as Taka 10 (USD 0.12). This forms a part of BB policies for extending financial inclusion programme to marginalised children.

The initiative is directed to benefit small working children, adolescents living at home, street, in train stations, bus stands, launch terminals and footpaths with greater welfare by allowing them to make savings, protect their earnings, and minimise the likelihood that they will spend their money on unproductive purposes by bringing them within the formal banking sector and therefore improving

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their financial wellbeing. Similarly, by bringing more people into the formal financial system at an earlier age, and giving them access to more diverse strategies for own/household economic management, it will increase young people's financial knowledge as well as create good habits among them.

The expectation has been that the opening up of these accounts will enhance the incentives for vulnerable street and working children to have better interactions with the participating NGOs which eventually will lead to building their skills in numeracy, saving and financial planning. It is also expected that the programme will create sustainable linkage between these children and the banking and financial system leading to realisation of unique benefits of financial inclusion for these underprivileged street and working children along with offering them a sustainable path out of poverty. It is also argued that it may be desirable to broaden the scope of these programmes to transform these into life skills development initiatives through efforts such as providing accounting and financial literacy and helping to establish/expand family businesses and microenterprises.

As the street and working children are most vulnerable, the NGOs act as mentors for the children rather than deciding how the money is spent and participating NGOs are closely monitored. BB has its own monitoring system for the working children's accounts. Among the 56 scheduled banks, sixteen have so far opened street children's accounts. However, the major challenge is: how to include street and working children under saving programmes? How to design and deliver sustainable, age-appropriate savings accounts that have a positive impact on young clients?

This study explores the current status of FEI of vulnerable street children in Bangladesh along with providing an in-depth assessment of the present BB initiatives of providing these children with access to bank accounts through participating banks and NGOs. The objective of this study is to analyse the financial behaviour of vulnerable street and working children. How these children spend their incomes? Are they saving a portion of their incomes or are they spending it all? If they save, where do they prefer to save; in banks or informally? What are the factors that motivate them to save and how they manage their shocks?

2. Financial Products and Services: Global and National Perspectives

There are different banking products for children and youth. In the developed countries, the governments have policies and implement them to embrace the children and youth under financial inclusion. On the other hand, in developing countries, majority of financial programmes especially for the age group below 18 are implemented by private organisations such as commercial banks which may not be suitable for the vulnerable low income groups. It is mainly due to the fact that it takes a lot of administrative work to serve these segments as these groups do not have proper education and financial knowledge. Also many of these children are floating and therefore do not have a permanent address. On the other hand, children from vulnerable low income groups do not feel comfortable to go to the banks as they feel banks are for the rich people. There are only a few initiatives taken for the vulnerable children and mostly are found in Africa and South Asia.

The idea of children's saving account (CSA) was first developed by M. Sherraden 22 years back in his book, *Assets and the Poor*. These accounts are known as individual development accounts. Uganda Finance Trust Ltd (UFT) is one of the oldest microfinance institutions in the Republic of Uganda, providing financial services to low and medium income economically active Ugandans. It offers savings account, financial education and non-financial assistance to two different age groups: 12-17 and 18-24. About 60 per cent of UFT's clients are below 18 years old.

Another programme named 'SEED/SUUBI-Uganda project' served 286 HIV-AIDS orphans aged 12

to 15 with special saving account. Studies show that the participants of this programme are more likely to experience increased levels of self-esteem, have a higher level of confidence in their future educational plans; and are less likely to skip schools than non-participants (Ssewamala, Han, and Neilands 2009).

Poste Finances, a postal savings bank in Senegal, has entered into an agreement with the National Agency for the Welfare of Young Children for opening free savings accounts for underprivileged children ages 0 to 6 years. Children's sponsors commit themselves to deposit at least 2,300 CFA (5 USD) a month (WSBI 2007). The objective of this account is to motivate the underprivileged children to use their savings for meeting educational expenses. In Philippines, Aflatoun programme uses a child-friendly banking approach to govern the savings process for cooperatives where cooperatives support children's learning about Aflatoun and their savings accounts services, but do so in a child friendly manner, that respects children's inability to open high cost accounts or to have restricted access to their savings. A child can open a savings account with individual passbook for PHP 5 (0.09 Euros). Deposits and withdrawals exceeding a certain amount (generally in the range of 9 to 18 Euros) must be explained with valid reason presented, such as school expenses, shoes for a school play or programme, emergency, etc. Parents can encourage their children to save but cannot participate directly in the savings scheme, though cross-selling for adult savings products sometimes occurs. This programme has been scaled up in 2009 and 39 cooperatives have become a depository of Aflatoun children's savings for some of the most remote schools in the country.

In India, 'Children's Development Bank' was established in 2001 where any children can save money with the Bank and earn interest. There is also provision of taking loans if the children are over fifteen years. This bank is managed jointly by children and adults. This banking structure brings many advantages to the vulnerable children as they can save money without fear of it being stolen or lost. The bank, known as the Children's Development Bank or Khazana (CDK), was set up and is now run by children in Old Delhi, India. The NGO volunteers from child rights organisation named 'Butterflies' assist the day-to-day operations of the bank and sort out any logistical issues. Children aged nine to eighteen years can deposit any amount and get 3.5 per cent interest on their deposits. They can then withdraw up to £5 at a time. The bank is opened seven day a week. As of December 2015, CDK has a total membership of 14,809 children and an amount of \$62,192 saved in mainstream banks. With this success, CDB have started opening branches in other Asian countries and has spread to 120 branches across Afghanistan, Bangladesh, India, Nepal and Sri Lanka.

In Nepal, an NGO named Child Workers in Nepal has started a Children Development Bank for the street children allowing them to keep their earnings safe. Customers are also provided 6 per cent interest on their savings. In Sri Lanka, the Children Development Bank (CDB) is developed by an NGO named KanthaShakthi. It also promotes market where children sell organic produce from the gardens of their homes and can save their earnings in the CDB. The children can also take loan for business purpose.

For promoting financial inclusion, Banking for Working Children Advocacy Group (BWCAG) has been formed as a coalition in Bangladesh in advocating for establishing mainstream banking services for working and street children. Basically, BWCAG is an alliance formed with the representatives of 11 NGOs, who are working to establish the rights of street and working children in Bangladesh while twelve commercial banks are implementing this service both in urban and rural areas of the country. The accounts for street working children under the programme require a co-signature from an NGO staff, who retains the control of it until the child turns 18. The NGO participation is aimed at making certain that children's money may be used in meeting their major needs like endurance, urgent needs and planning for the future. As the street and working children

are most vulnerable, the NGOs act as mentors for the children. At the end of June 2016, 3,465 accounts have been opened for the working and street children and Tk. 22.01 lakh have been deposited in the street children's accounts. They get interests against their savings and become more familiar with formal banking activities. The process helps in recognising the children as dignified and respectable citizens which enhance the opportunities for non-discriminatory participation of children and increases child participation on issues that benefit children.

Padakhep, an NGO started a programme which aims to encourage the habit of savings from a young age by providing flexible savings and withdrawal options for street children. It also aims to develop enterprising capability among the street children. Hence they keep the provision of taking loan against the savings amount. Ahammed (2009) mentions in his study that about 7,000 street children have borrowed from Padakhep till June 2009 and the total outstanding loan amount is \$295,000 and children that have borrowed earned on average \$2 per day. One key lesson that emerged from Ahammed's study is that Padakhep's flexible terms and conditions for non-financial and financial products have made this programme a success for vulnerable street children.

Recognising the perception that street and working children do not save for their future, Aparajeyo Bangladesh initiated the Children's Development Bank (CDB) in 2008 following the CDB model in India which provides security to street and working children to save their money for their future life. This programme is targeted to street and working children aged 8-16 years. It aims to provide savings and credit facilities to the street and working children which is organised and operated by its members (the children). One of the important features of this saving scheme is that the savings can be recycled into loans, and this makes the children much more careful on how they use the loans that they take out, as they know that it is their money, and the savings of their friends that is at risk. It is also important to note that this saving scheme discourages the children to earn from illegal sources to save.

3. Definition of Street and Working Children

Considering the international standards and the law of Bangladesh, the present research considers anyone up to the age of 17 years as child and field survey was conducted on children belonging to the age group 9-19. According to Bangladeshi law, children may only work in specified occupations, for a limited number of hours per day, if they are more than 15 years old. Among children aged 5-14, about 7.4 million are economically active and according to ILO, about 3.2 million child labour exist in Bangladesh and 1.2 million remain in the worst form of child labour. As per ILO, child labour is primarily the types of work that deprive children from their childhood, interrupts their physical and mental development, and diminishes their esteem and potential growth. As around 96 per cent of the sample population are aged below 18, they are obviously vulnerable and also all children in our sample are involved in income earning activities so that they all belong to working children category.

4. Research Methodology

4.1 Sampling

There is no census data on the actual number of street children in Bangladesh. A study by BIDS estimates the number of street children in 2005 in Bangladesh which is around 679,728. The study also provides projected number for 2014. It shows that in 2014 the number of street children would be 1,144,754 showing an average growth rate of street children of around 5.35 per cent. If we take this growth rate into consideration, we find that in 2016 the number of street children is 1,338,429. In the Child Labour Survey of BBS, national estimate of working children is 3.45 million. On the other

hand, the projection of BIDS data shows that the number of street children in 2016 is 1.33 million. This indicates that around 38.5 per cent of working children are street children. The number of street children for the sample is selected using the Cochran's (1977) sample size determining formula: $n_0 = \frac{t^2 pq}{d^2 \alpha}$. In the formula, n_0 is the sample size, t is the abscissa of the distribution that cuts off an area α at the tails ($1-\alpha$ equals the desired confidence level), d is the desired level of precision, p is the estimated proportion of an attribute that is present in the population, and q is just equal to $1-p$. Assuming $p=q=0.5, d=0.03$, and $t=1.96$, we have selected a sample of 1,000 street children. By using Cochran's (1977) sample size determining formula, we have selected around 600 children under programme group considering the error level at 3.5 per cent. For selecting control group, our population is 1.33 million (which is the projected number of street children for the year 2016). Again using the sample formula we have collected around 400 children for control group considering the error level at 5 per cent.

4.2 Data collection procedure

For primary data collection, we have used a multi-stage sampling strategy. Initially, we have identified the appropriate locations for this study. In the second stage, target groups have been identified. In the final stage, children involved in saving programmes and nonparticipants in such programmes have been selected from each study area. Prior to data collection in 2017, the Research Team held a consultation meeting with the NGOs having saving programme for children to collect the list of children that have saving accounts in the banks. Four districts (Dhaka, Cumilla, Chattogram and Khulna) are selected based on the meeting findings as the programmes run in these selected areas. Finally, a total of 1,000 children from four districts (covering 600 children involved in saving programmes of NGOs and 400 non-participants in such programmes) are selected. For control group children, we identified a group of individuals who are characteristically identical to the programme group but do not enjoy any financial services. For selecting this group, we contacted the NGOs that have child protection and right programmes but do not have financial inclusion programme for children. We have collected the profile of children from those NGOs and selected areas that were characteristically identical to the programme areas.

Table 1: Sample distribution

District	Name of NGO	Total number of children in programme participant group	Total number of children in nonparticipant group
Dhaka	Aparajeyo Bangladesh	124	300
	Society for Underprivileged Children	189	
Cumilla	Uddipon	55	25
Chattogram	Uddipon	72	25
Khulna	MSSUS	160	50
Total		600	400

4.3 Data analysis

Primary data were collected from the working and street children by using structured questionnaire. An extensive review of different reports/documents of on-going efforts of providing financial services to the street children by different banks and NGOs under the initiative of Bangladesh Bank and other similar initiatives for adequate understanding of relevant issues was done. Additionally, the study reviewed the experience of similar efforts in other countries. Descriptive and econometric analyses were used to investigate the nature of savings among street and working children in Bangladesh.

Descriptive Analysis

For assessment of the above financial programme, data were analysed using descriptive techniques. The descriptive analysis was used to summarise important characteristics of children and the tabular form was used for presenting the descriptive results.

Econometric Analysis

The Probit model is used to estimate the determinants of savings. It is necessary to know why some children are motivated to save and what the factors behind this. Therefore, we have selected children's socioeconomic characteristics to explain these behaviours.

$$\text{Prob (Saving)} = F (A, G, E, SI, MB, SC, FS, LC) \quad (I)$$

Where

Savings =1, if the child has savings at any formal or informal places

Savings = 0, for other children

In Equation I, Saving is the child's savings, A represents children age, G is the gender of the children, E is the level of education of the street children, SI is the dummy variable where SI=1 refers child has stable income; SI=0 for others, MB is the dummy variable where MB =1 refers children have access to banking through mobile banking; MB=0 for others, SC is the dummy variable where SC=1 refers child's family has savings account; SC=0 for others, FS is the dummy variable where FS=1 if the child financially supports the family; FS=0 for others, and LC is also the dummy variable where LC=1 if the child's family has taken any kind of loan; LC=0 for others.

5. Research Findings

5.1 Socioeconomic characteristics of street and working children

The study reveals information about the livelihood pattern of street and working children. 41 per cent of our sample children are girls while the rest are boys (Table 2). The mean age of the vulnerable street children is 13.9 years. The study findings show that around 60 per cent of the children have access to any formal or informal educational institutions. The most important reason for not attending school is financial crisis. Around 49 per cent respondents report that meeting family needs force them to work and this is the major reason for dropout from school. Additionally, they have uncertain ideas about the importance of education and about 12 per cent view that schooling is not so important in their life. However, the programme participant children are more educated compared with the non-participant group because the participant children received educational services from the shelter homes. Around 84 per cent programme areas children eat three full meals in a day while in control areas 76 per cent children eat three meals in a day. The main reason behind this is programme children live in shelter homes or with their parents.

Table 2: Socioeconomic characteristics of street children

Characteristics	Percentages/Years
Gender distribution (% of girls)	41
Mean age (years)	13.9
Boys	14.1
Girls	13.6
Access to any formal or informal educational institutions (%)	60
Average age of starting the first job (years)	11.4
Children have multiple works (%)	4
Average working day (days)	6
Children eat three full meals in a day (Programme areas) (%)	84
Children eat three full meals in a day (Control areas) (%)	76

Source: Field Survey 2017

The average age of starting the first job is found to be 11.4 years (Table 2). Around 65 per cent of the respondents mentioned that the main reason of starting work is poverty while some others mentioned that for supporting studies in future. Most of the street children are engaged in business sector labour (Table 3). However, in case of programme participant children, large portions are involved in the service sector (32 per cent). The non-participants children are largely engaged in transport labour, industrial labour, and as tokai (garbage collector) compared with the programme participant children (Table 3). The majority of children work below 8 hours per day. The situation is different for non-participant children. Around 41 per cent non participant children work 8-12 hours per day (Table 3). The average working day is six for both categories of working children.

Table 3: Distribution of street children by type of work and working hours

Current occupation/work	Participants	Non-participants	Total
Day labourer	1.33	3.5	2.2
Industrial labourer	13.67	20	16.2
Business sector labourer	36.17	31	34.1
Service sector labourer	32	19.25	26.9
Transport labourer	2.33	9.5	5.2
Job holder	7.17	0.25	4.4
Tokai	0.5	10	4.3
Self employed	4.67	4.5	4.6
Others	2.17	2	2.1
Working hours			
Average working hours in a day (Hours)	5.08	6.58	5.68
Below 8 hours (%)	75.83	57	68.3
8-12 hours (%)	23.16	41.25	30.4
Over 12 hours (%)	1	1.5	1.3

Source: Field Survey 2017

Around 34 per cent children spend their leisure time on watching TV or going to cinema or listening radio and 45 per cent spend their leisure time by playing/gossiping with their friends. Only 4 per cent of the children spend their time on reading books. The non-participant children are more vulnerable compared with the participant groups in terms of smoking, getting physically tortured, facing police harassment and getting access to basic services such as sanitary latrines (Table 4).

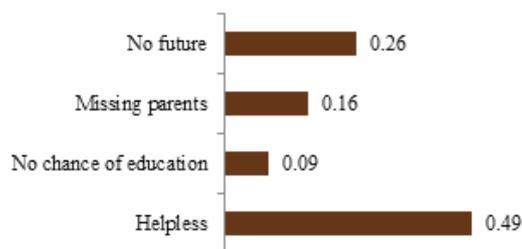
Table 4: Living conditions of street children

Characteristics	Participants	Non-participants	Total
Have you been caught by police (Yes %)	1.67	7.50	4.00
Have you been physically tortured? (Yes %)	4.67	18.75	10.30
Do you smoke (Yes %)	3.50	16.25	8.60
Do you know the minimum age for working (Yes %)	15.83	6.50	12.10
Do you refer your siblings to do the same work? (Yes %)	46.67	33.25	41.30
Do you know the name of any organisation which supports the children? (Yes %)	100.00	29.75	71.90
Have you ever visited any child supporting organisation? (Yes %)	100.00	20.25	68.10
Percentage of children use sanitary latrine (%)	94.99	87	92

Source: Field Survey 2017

As they are the vulnerable group, the surrounding environment of them is brutal and risky. Almost 49 per cent of our sampled children said that they feel helpless. Interestingly, very few are aware about receiving education and their future career (Figure 1).

Figure 1: Problems faced in the street lifere



Source: Field Survey 2017

5.2 Crisis coping mechanism of Vulnerable Street & Working Children

It is important to know why some children do save, while others do not; why some children choose to save informally and others to save formally. Are they saving a portion of their income or are they spending it all? Even if they spend where are they spending? What are the factors that motivate them to save? Along with this we also need to observe their financial management skills while they are in sudden shocks such as sickness, theft etc. Therefore, we need to explore of these children through several financial behavioural patterns such as: (i) earning and crisis coping behaviour; (ii) saving behaviour; and (iii) borrowing behaviour.

Earning and crisis coping mechanism

Most of our sample children (around 34 per cent) are engaged in the business sector and a considerable numbers are found to be involved in different occupations (e.g. tokai, tailoring, garment worker, servants etc.). The average monthly income is BDT 3,304. The monthly average

expenditure is BDT 2,780 and the share of average monthly food expenditure (80 per cent of total expenditure) is very high. An interesting picture emerges from the income levels of respondents in various income quintiles. The average annual income of programme participant children and nonparticipant children are more or less similar in various quintiles. However, in all quintiles, nonparticipant children have relatively higher incomes (Table 5).

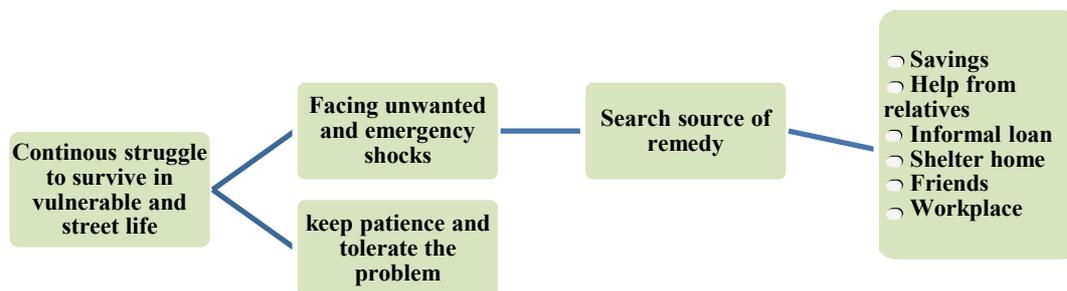
Table 5: Income quintile of street children

Income quintile (in BDT)	Participants	Non -participants	Total
Lowest	19673.67	21245.77	20161.02
Second	28299.74	28458.28	28363.16
Third	33677.51	34371.41	33875.27
Fourth	41632.71	43199.68	42314.98
Highest	73705.56	75964.33	75006.43

Source: Field Survey 2017

The vulnerable and street children face various kinds of shocks like disease, accident/death of earning members, theft/robbery, police harassment, sickness and so on, which are common in street life. A common strategy generally adopted by the vulnerable and street children is to keep patience and withstand the problems. However, they also try to find out alternative solutions. Around 52 per cent children indicate that sickness is the most common shock in their life.

Figure 2: Crisis coping mechanism adopted by street children



Source: Field Survey 2017

Saving Behaviour

Around 70 per cent of children in the sample have a saving habit either formally or informally and 14 per cent among the savers are saving informally. It is interesting that the children who save informally have a higher average savings (BDT 3,795) than the children save in formal institution only (BDT 1,060). One probable reason for this could be that to save in formal institution can be inflexible sometimes as withdrawal is not easy. Especially for children it is even more inflexible because they need the approval from NGO officials through a signature on cheque to withdraw the money. Therefore, children might feel comfortable in saving more money in the informal sources.

However, all the savers have not withdrawn their savings and utilised it. It is more applicable for formal savers where withdrawing system is complex. Hence only 16 per cent of the formal savers in our sample have withdrawn savings from banks whereas the figure is 73 per cent for the informal savers. Table 6 shows the utilisation pattern of savings on different items for those children who have withdrawn their savings. However, the findings clearly show that consumption and education

is the main areas for their savings utilisation.

Table 6: Utilisation of savings (in percent)

	Have formal savings only(n=61)	Have both formal and informal savings (n=35)	Have informal savings only(n=71)
Consumption/dress purchase	31.15	40.00	58.91
Education	47.54	51.43	21.91
Treatment	13.11	2.86	1.37
House repair/building/furniture	1.64	2.86	8.22
Support family	3.28	2.85	2.74
Loan repayment	1.64	-	-
Others	1.64	-	6.85

Source: Field Survey 2017

Borrowing Behaviour

It is observed from the analysis that children do not have access to formal loans. It is obvious as the law of Bangladesh does not permit them to avail loans from the formal market. Moreover, as they are minors, informal lenders are also not very interested to provide them with loan (only 3 per cent). From Table 7, it is observed that children prefer to borrow from their friends rather than informal lenders or other sources of informal borrowing.

Table 7: Sources of informal borrowing

Source	Percentage of children
NGO-MFIs	0.6
Siblings	2.4
Friends	71.08
Relatives/ neighbours	12.65
Owner of work place	4.22
Shopkeeper	4.82
Lender	3.01
NGO officials	1.2

Source: Field Survey 2017

Around 55 per cent of the children who borrowed from their friends mention that they know them very well and they do not know someone else who can lend them money during their emergencies. For them, it is very important that whenever they need the money during shock they get it easily without any time lag and do not have to pay interest on loan. This is the most desired feature of a loan product for them.

Table 8: Utilisation of borrowed money

Purpose	Percentage of Children
Business	1.37
Mobile repairing	1.37
Buying dress	2.05
Consumption	52.74
Education	17.12
Treatment	4.11
Repaying loan	2.74
Drug addiction/smoking	6.84
Others	11.66

Source: Field Survey 2017

As these children are vulnerable, they have to manage on their own and, to maintain their sustenance, they need to borrow sometimes. Around 52 per cent of the borrower children use the loan for consumption purposes. Another 17 per cent of the children use the loan in paying fees for education or buying school uniform or stationeries. One important observation from the analysis is that around 7 per cent of the borrower children take loan for meeting the expenses of drugs or smoking (Table 8).

5.3 Demand for financial services

It is seen that working children also have demand for financial services just like adults in spite of poor financial conditions. They also want to save; they send and receive money from relatives, borrow from informal sources to meet obligations or tend to attain some benefits from existing financial opportunities even in the absence of formal financial services.

Analysing preference for loan

Around 90 per cent of the children report that they are interested to take loan and around 45 per cent of them mention that they intend to do business in future if they get loan. This is obvious because children in our sample belong to vulnerable and working classes. They do not have much education to do desk job or white collar job. Therefore they are inclined towards business.

Table 9: Purpose of taking loan

Purpose	Percentage
Business	45.31
Education	23.37
Medical purpose	15.10
Housing	5.29
Marriage loan	2.21
Consumption	5.40
Others	3.30

Source: Field Survey 2017

We have also asked them what sort of business they are interested in and what their demand for fund for that specific business is. As observed from Table 10, investing in shop is on high demand as around 42 per cent of the children wants loan for opening own shop and they report that their fund requirement for establishing a shop is on an average BDT 93,000. Investment in tailoring or cloth business requires around BDT 266,000 loan on an average. Around 18 per cent of the children want loan to set up their own cloth business or do tailoring with the loan services. Some of the children also want loan for vegetable and fruit business. The analysis indicates that children are more interested in getting microenterprise loans in future and the demand for loan is also small compared with the usual microenterprise loan sizes.

Table 10: Preference of business and demand for loan

Types of business	Percentage of children seeking loan for specific business purpose	Demand for loan for specific business (in BDT.)
Grocery/restaurant/tea stall/any shop	42.40	93225
Tailoring/readymade garments/cloth business	18.14	266290
Vegetable/fruit/fish business	7.84	41781
Establishing (automobile or mechanic) workshop	3.92	134375
Beauty parlour establishment	1.23	120000
Other businesses	26.47	147347

Source: Field Survey 2017

Now the question is why the children have a preference of taking loan from informal market over formal market? We find that around 31 per cent of children report that they will take informal loan in the time of need because the loan disbursement process is faster than formal loan (Table 11). Also it can be derived from the analysis that children do not have many sources to borrow.

Table 11: Reason for preferring informal loan over formal loan

Reason	Percentage of children reported specific reason
Low interest rate	2.80
Fast loan	30.84
Do not know any other source	19.62
Know the lender	42.06
Others	4.67

Source: Field Survey 2017

Our analysis shows that children prefer to take loan from the banks over MFIs for business purposes. Around 71 per cent of the children answered 'NO' to the question relating to taking loans from MFIs. Around 40 per cent of children report that they do not prefer to take loans from MFIs because the interest rate is too high. Around 32 per cent report that as they do not know much about MFIs hence they are reluctant to take loan from them (Table 12).

Table 12: Reason for not taking loans from Banks/MFIs for business

Reason	Banks (%)	MFIs (%)
Feel hesitate to enter into institution	2.44	10.08
Institution will not let me enter into their premises	12.20	2.33
Huge documents are needed	9.76	1.55
Do not know much about how institution operates	19.51	31.78
High interest rate	-	40.31
Time is needed to get the loan after application	-	1.55
I know that I will not get loan even if I apply	7.32	1.55
Collateral is needed	43.90	0.78
Do not think it is secured	-	8.53
Others	4.88	0.78

Source: Field Survey 2017

The result may seem surprising as the general preference of the marginalised people of Bangladesh is for MFIs due to easy availability of loans and less hassle in loan documentation process. However, in this case the scenario is a bit different. It is important to note that 60 per cent of the sample have or had bank account for savings. Therefore, they will obviously have a natural inclination towards banks. However, around 36 per cent report that they do not want loan from banks and the reasons are completely different. The data show that about 44 per cent of children do not prefer bank loan because it requires large collateral to get the loan. Another important reason for not being interested in banks is that loan application process is very lengthy and huge documentation is needed (around 10 per cent reported) for the application.

Analysing preference for savings

Around 70 per cent of children in the sample have a saving habit, formally or informally; so one important question is why some children are reluctant to save at all.

Table 13: Reasons for not saving

Reason	Percentage of children
Inadequate income	73.60
Cannot control spending pattern	9.57
No secured place to save	3.45
No need for savings	3.45
Income spent for family support/loan repayment	2.31
Irregular Income	1.32
Others	1.65

Source: Field Survey 2017

It is found that around 73 per cent of children have inadequate income for savings as stable earnings have been identified as an important determinant of the ability to save along with willingness and motivation in developing saving habits among the children. Formal savers in the sample are involved with NGOs where NGO officials motivate them to save. Therefore despite having less income they save in banks. On the other hand, non-saver children do not have any involvement with NGOs. These working street children live under vulnerable conditions to maintain sustenance without particular goals in life. It further points to the importance of financial awareness. If the children can be made aware of the benefits of savings they will be motivated to save even when they have low income. Another important observation is that some children do want to save but they do not have a secure place to keep their money.

More than 65 per cent of the children having informal savings mention that they save informally because they can withdraw or deposit anytime and any amount can be deposited or withdrawn (Table 14).

Table 14: Reason for informal saving

Reason	Percentage of Children
Saving can be withdrawn anytime	29.65
Can deposit anytime	23.62
Can deposit any amount	12.56
Formal savings is complex	14.07
Habituated with informal saving; feeling no need for formal saving	4.02

Source: Field Survey 2017

Flexibility seems to be the main reason of preference for informal saving by the children. It is important for them whenever they need the money they can get it easily without any delay. Another important finding is that around 14 per cent children find the formal saving mechanism complicated. It indicates that these children do not have required knowledge about savings in banks and thus when they need to withdraw their savings they want to avoid the hassle of understanding the 'complex' system of banks.

Around 38 per cent of children do not want to open a bank account because they feel that either banks will not let them enter or they feel uncomfortable with the posh environment of banks. It is also important to note that as most of these children have been deprived of many basic needs since childhood they feel neglected. It is also not an uncommon scenario that most of these children do not get fair and equal treatment that children usually should get due to their poor socioeconomic conditions. Thus children feel hesitant to save in banks. Our result shows that around 6 per cent

children think that bank officials will misbehave with them if they enter into the banks.

Table 15: Reasons for not opening bank account

Reason	Percentage of Children
Never heard of bank account	25.64
Hesitation in entering banks	15.38
Banks will not let me enter	23.08
Lot of documents needed to open account	2.56
Heard of banks but unaware of procedures	19.23
Bank account opening is time consuming	1.28
Bank officials will misbehave	6.41
Others	6.41

Source: Field Survey 2017

6. Socioeconomic Differences between Savers and Non-savers

It is important to know why some children could save and others could not. Therefore, we need to analyse relevant indicators of their socioeconomic characteristics. Our analysis shows that girls have higher tendency towards savings than boys. We also find that girls are more interested in formal savings than boys; 75 per cent of the girl savers save in banks whereas this figure is around 68 per cent in the case of boys. We also observe that children those are involved as day labourer or garbage collector have lower tendency to save (Table 16). Occupation plays an important role in developing saving habit. We find that children involved in service sector have a higher tendency to save. Our analysis shows that around 22 per cent of the savers work in the services sector against only 11 per cent among the non-savers.

Table 16: Socioeconomic characteristics of savers and non-savers

Characteristics	Savers(n=695)	Formal savers (n=598)	Informal savers (n=97)	Non-savers (n=305)
Gender				
Female children (Percentage)	47.77	49.83	35.05	24.92
Occupation				
Service sector labour as main occupation (Percentage)	22.01	23.58	12.37	10.82
Transport sector labour as main occupation (Percentage)	3.31	5.94	9.28	9.51
Garbage collection as main occupation (Percentage)	1.01	0.50	4.12	11.8

Income				
Children having multiple earning (Percentage)	3.45	2.68	8.25	5.57
Children having stable earning (Percentage)	72.52	74.25	61.86	59.67
Monthly income (in BDT.)	3174.47	3018.34	4136.99	3599.68
Children supporting families (Percentage)	66.91	68.23	58.76	68.20
Education and financial awareness				
Years of education	5.34	5.62	3.59	3.34
Knowledge about basic math	63.31	65.22	51.55	54.10
Awareness about benefits of savings	63.60	66.22	47.42	45.90
Financial inclusion status of children's family				
Children's family have formal saving account (Percentage)	16.55	17.39	11.34	9.18
Children's Family have taken formal loan (Percentage)	21.44	22.07	17.53	22.62
Children's family have mobile account (Percentage)	9.35	9.36	9.28	3.61
Children's family does mobile transactions (Percentage)	20.14	20.90	15.46	19.02

Source: Field Survey 2017

It is obvious that saving is a function of income. Around 75 per cent of the savers have stable income whereas this figure is only around 60 per cent in the case of non-savers. In the case of formal savers and informal savers the result shows similar trends. Around 68 per cent of the formal savers do support their families financially whereas this figure is around 58 per cent among the informal savers.

We also observe that while stable earning is an important factor for being able to save, the amount of income does not seem to be important factor for the savers. It seems that the willingness to save or motivation to save plays an important role in developing saving habits among the children. The result shows that the average monthly income of savers is around BDT 3,000 whereas the average income of non-savers is around BDT 3,600 (Table 16). Therefore despite having less income they save in banks. It points to the importance of financial awareness. If the children can be made aware of the benefits of savings they will be motivated to save even when they have low incomes. It is important to note that educational qualification plays an important role both in having a saving account and on the amount of savings. Children with more educational qualification have more savings. Moreover, the ratio of formal savings to informal savings also increases with educational qualification.

Along with educational qualification we also find financial awareness as an important factor of influencing the habit of savings. Children that have savings account with banks are provided with basic financial literacy (such as benefits of savings, basic mathematics, idea about interest rate, idea about banks and so on) by the NGOs that are facilitating them in opening accounts with banks. Therefore, formal savers are more aware of the benefits of savings. We have asked the respondents to name at least two benefits of savings. Around 66 per cent of the formal savers are well aware of the benefits of savings. On the other hand, informal savers do not seem to have much awareness (47 per cent) about benefits of savings as the formal savers do.

It is found that if the child's family is involved in savings the child gets more inclined towards savings. Around 16 per cent of the savers report that their family have formal saving account either in banks or MFIs whereas this figure is only around 9 per cent in the case of non-savers. A similar trend is observed in the case of formal savers and informal savers. It is obvious because children are influenced by their families. We have also observed that families having mobile accounts are a

distinct characteristic of savers. Around 9 per cent of the savers' families conduct transactions using own mobile accounts against only 3 per cent of the non-savers' families. These findings indicate that financial inclusion of family plays an important role in shaping the saving behaviour of children. If families have access to credit, savings and are more aware of digital transactions then the children have higher probability of being financially empowered.

The above discussion points to the fact that saving behaviour of the children are characterised by certain features. We have found that children working in service sector, having stable income, having financial awareness are more motivated to save and furthermore motivated to save in banks. Also financial inclusion status of families is an important factor. We find that the children's families that are already involved in formal savings, formal loans or have awareness about digital transactions are more inclined towards savings.

6.1 Motivational factors to children savings

It is pellucid that the working street children having a tendency to save both formally and informally, but what are the factors motivate them to save? One of the objectives of this study is to examine the important factors that motivate the children to save. Therefore, we have estimated the random effect panel Probit model to identify the determinants of savings. The results of the model are reported in Table 17.

Table 17: Determinants of savings

Variables	Coefficient
Age	0.018194 (0.021401)
Gender	-0.62571 ^{***} (0.092539)
Educational qualification	0.016825 (0.014031)
Child has stable income	0.3295 ^{***} (0.091201)
Accessed mobile banking through agent	0.132307 (0.133621)
Child's family have savings account	0.318445 ^{**} (0.135748)
Child's financially support the family	-0.08317 (0.094941)
Child's family have taken any kind of loan	0.232538 ^{***} (0.088918)
Observations	1000
Log likelihood	-573.89

Standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Source: Field Survey 2017

The result shows that gender has a strong influence on saving habit. Girls have higher tendency towards savings than boys. Moreover, our descriptive analysis gives similar findings. Stable income is another crucial factor behind positive interest to save. If the children have stable income they have a tendency to save more. Family characteristics of children are another distinct feature of savers. It

is found that if the child's family is involved in savings or loans the child gets more inclined towards savings. There is a highly significant relationship between the child's family involvement in savings or loans and child savings. It is obvious because children are influenced by their families. If families have formal savings account it is natural that they will be more aware of the benefits of having a saving account in bank. However, age and education have no significant relationship with savings but there is positive relationship which indicates that educated children have a tendency to save. However, if the child financially supports his/her family, the saving tendency is reduced due to his/her limited income. Overall, the results also support our descriptive analysis findings that gender, stable income, and child's family having access to savings or loans are highly significantly related to savings.

7.Design of Saving Products

Both the programme and control children were asked about what could be done to design appropriate saving products for them. The result varies depending on which group the children belong to. These are shown in Table 18 and 19 respectively. The control group children who do not have savings at all will save in formal banks if the bank officials assist them with the documentation procedure and fill up the form for them. Around 30 per cent of the children not having bank account suggest this (Table 18).

Table 18: Control children's interest in bank saving

	Children with no formal savings	Children with no saving
Bank official's assistance in filling forms	12.90	29.78
Good return from saving	19.35	20.89
Safety of money	22.58	20.00
Provision of saving related knowledge	19.35	12.89
Bank to collect savings from saver's home	19.35	12.89
Withdrawal system less time consuming	6.45	2.22
Others	-	1.33

Source: Field Survey 2017

On the other hand, children having informal savings mention that if the safety of the money is ensured they will start saving in banks. Around 23 per cent of the children having informal account mention this as the most desired feature. The probable reason for this is that the informal savers generally face significant insecurity with the informally saved money. Our analysis shows that around 45 per cent of the informal savers save money at home which is the safest place they can think of. Another interesting service that this group demands is that there should be an arrangement for saving collection. It is difficult for them to manage time to go to banks and deposit money. This group also want to be aware of their saved money like at what time of the year they are getting the profit, at what rate they are receiving the profit from banks, whether any service charge exists and if there is for what purpose the money is charged; they want to be clearly informed about all the terms and condition of the saving product. Around 20 per cent of the children prioritise this feature while

they are asked about the desired feature of saving product.

It is also observed that children do want to have loan service against their saving. Around 40 per cent of the programme children suggest that if small loan can be incorporated against their savings amount, it will be easier for them to start business (Table 19). The more the saving is, the flexible the loan condition should be. Hence, around 32 per cent of formal savers want to receive scholarships for education purpose as an incentive to open savings account.

Table 19: Features for improving existing saving products

Suggestions	Percentage
Small loan provision against savings	39.35
Permission to open mobile account	5.67
Scholarships for education for account holders	32.30
Withdrawal facility without application	6.01
Bank loan with easy conditions	5.50
Include MFIs as small loans are available	0.86
No NGO involvement	4.64
Better behaviour from bank officials	4.64
Others	1.03

Source: Field Survey 2017

It is observed that around 33 per cent of programme children believe that the existing saving withdrawal process is time consuming. They also suggest what can be done to reduce the time lag during saving withdrawal (Table 20). Around 50 per cent of the programme children suggest that for small saving withdrawal, NGO official's permission should not be required. Around 23 per cent of programme children believe that they do not need any elder person or NGO official to operate their account.

Table 20: Suggested process of saving withdrawal

Suggestions	Percentage
No NGO official's permission for withdrawing small amount	49.25
Rapid decisions by NGO officials for larger withdrawal	16.92
No need for written permission	3.48
No need for permission for older children	2.99
No need of bank operation by others/NGO officials	23.38
Others	3.98

Source: Field Survey 2017

8. Conclusions and Way Forward

Of late, the issue of financial inclusion of street and working children has received considerable attention at the global and national levels. Amongst these working children, some return home at night while others live full-time on the streets while all experiences a concern about the safeguard of their meagre earned surplus kept for emergencies and other pressing needs. Their security with their wages is hampered as they are often the target of thieves and cheats. The present study shows that saving and credit products are the most desired services for this group. While it is challenging to bring them under credit services, but the best entry point for their financial inclusion

is meaningful and effective savings programme. Majority of the literatures also suggest bringing the children under financial services through basic savings account. However, from the field survey a number of short term as well as long term recommendations has emerged.

Raising awareness and financial literacy

For bringing the street children under the financial inclusion process, financial literacy is a key tool. Financial education should encompass a comprehensive plan of action that offers them knowledge and awareness of such issues as value of money, savings, budget for expenses, risks and rewards of various financial products, financial negotiations and purchasing power, and financial crimes. Therefore, adding financial education to school curricula or through various targeted financial education programmes or through various workshops will empower the targeted groups. If the children can be made aware of the benefits of savings they will be motivated to save even when they have low income.

Designing appropriate financial products

Designing suitable product is one of the important factors for children's financial inclusion and getting them to receive financial services in an active and sustainable manner. In the process of designing financial product for the street and working children, proper understanding of their needs is of highest importance since any successful product has the consumer at its core. In a nutshell, a financial product design for the disadvantaged group like the street children should contain some desirable characteristics: (i) zero or minimal level of access cost, like the minimum amount to open an account; (ii) services should be accessed at minimum transaction costs so that the benefits accrued from the received services is maximised; (iii) reward to the saved amount should be maximum or higher than the existing market driven reward so that the disadvantaged people get motivated to avail the financial services; (iv) incentive driven financial transaction: incentive should be given for smooth and regular transaction making financial inclusion meaningful; (v) attachment of short-coverage of insurance services along with the received financial services, (vi) maintain zero or minimum operation costs, and (vii) instant and anytime withdrawn facility to cope with emergencies.

Development of BB programme

The formal banks should meet the needs of financial services of all segments of the people either through their traditional system or through alternative approaches like providing services through agent banking or through intermediary institutions. The informal institutions or quasi-formal institutions should take care of the excluded on behalf of the formal institutions with adequate support from the formal institutions. Therefore, BB should monitor and adopt strategies to motivate and ensure the financial inclusion of the street and working children through changing and relaxing the legal barriers. The field level data suggests that the financial products targeted for vulnerable working and street children should have one very important feature which is flexibility and convenience. Children prefer informal loans because borrowing is less time consuming and hassle free. On the other hand, while availing saving products, children want to handle the account independently without the help of NGO official or any adult. Both the programme and control children prefer a design of saving products where the bank officials can assist them with the documentation procedure and fill up the forms.

The involvement of NGOs is particularly important since majority of the accountholders are minor. Although biological parents or legal guardians of working children can be assigned to the children's accounts, children who do not have such parents or guardians will be precluded from accessing financial services in the absence of an effective role of NGOs.

Corporate social responsibility (CSR)

A part of the CSR funds of the formal banks or other institutions could be used for expanding financial services for the street and working children. Investing in this segment creates a powerful CSR propositions as well as interesting opportunities to help boost long-term profitability; improve long term customer relationships; and can serve as a good strategy for risk mitigation.

Removing demand and supply side barriers

The design of financial products for specific groups of people involves a set of issues covering both supply and demand side issues: from bank's side, it includes financial feasibility, legal issues, impact on current products and management, and financial projections; while from the demand side, it includes feasible access at minimal transaction cost, assurance of high reward or incentives, higher savings interest rate for example, to micro-savings, and building awareness of financial access and impacts. The central policy institutions can overarch the demand and supply side institutions through relaxing the legal binding constraints for the excluded or through developing alternate model for inclusion.

Developing low cost delivery channel

Building a comprehensive incentive package for the saver children: this should include better interest payment rate on their savings and more incentives for long-run savings. Technology based low transaction cost oriented mechanism should be followed. Agent banking could be an option for the inclusion of street and working children in financial system. In addition, access to financial services may also be affected by sociocultural, demographic and environmental factors, which should be taken into consideration by the financial institutions. Children living in semi-urban or rural areas may require a different service delivery channel than those living in urban areas.

Considering the positive impact of financial empowerment of children on both micro and macro levels of society and the economy, the policymakers, practitioners, and service providers should come forward with a concerted effort to provide this new generation with financial services as well as financial, social and livelihood awareness. Finally, development and implementation of comprehensive frameworks for the protection of children as consumers are critical to their financial inclusion and require strong collaboration between the stakeholders such as financial institutions and the Bangladesh Bank.

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