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Financial Empowerment of Vulnerable Street and Working Children/Youth

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Financial Empowerment of Vulnerable Street and Working Children/Youth

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Financial Empowerment of Vulnerable Street and Working Children/Youth

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Executive Summary

1. Introduction

Street and working youth/children are among one of the most deprived and disadvantaged segments in Bangladesh society. The vulnerable street children/youth 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. Overcoming these barriers and achieving successful financial empowerment and inclusion (FEI) requires a multi-stakeholder approach that engages government (including policymakers, regulators and line ministries), financial service providers, NGO-MFIs and other stakeholders.

The FEI efforts seek to ensure that all individuals, regardless of their income levels, have access to and can effectively use appropriate financial services (FS) they need to improve their lives. Almost all street children/youth 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 inefficient, risky, expensive, and unpredictable.

Bangladesh Bank has contributed directly to financial inclusion of street and working children. In 2014, Bangladesh Bank (BB) issued a circular enabling the scheduled banks to provide working and street children with access to a bank account with support from NGOs. The circular 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 Tk. 10.

This study explores the current status of FEI of vulnerable street children/youth 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. In this context, the study examines the hypothesis that providing street children with access to banking services can be most effective when the service is provided within a package of complementary services such as financial literacy, communication skills and mentoring.

2. Research Issues and Methodology

Both primary and secondary data are collected. For primary data collection, we have used a multi-stage sampling strategy to make the study effective. Initially, we 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.

A total of 1,000 children (covering 600 children involved in saving programmes of NGOs and 400 non-participants in such programmes) were selected from four districts (Dhaka, Khulna, Comilla and Chittagong).

Primary data was collected from both the demand and supply side actors through structured questionnaire. Working and street children were interviewed to assess their financial behaviour and financial needs of the children. The NGOs were interviewed to observe the operation process of existing financial inclusion programme for children.

3. Financial Inclusion of Street and Working Children/Youth--An Overview

From survey findings it is found that the mean age of the vulnerable street children is 13.9 years. The programme participant children are more educated compared with the non-participant group. The average age of starting the first job is found to be 11.4 years. Most of the street children are engaged in business sector as labourers. However, in case of programme participant children, large portions are involved in the service sector (32 percent). The non-participants children are largely engaged in transport labour, industrial labour, and as *tokai* (garbage collector) compared with the programme participant children. An absolute majority of the respondents (77 percent) live with their parents and 33 percent of the children share their feelings only with their friends.

During FGDs/case studies and field survey, the participants expressed their views and listed a series of problems that the street children face in their daily life. They identify their problems covering three broad categories: physical, psychological and social problems. Around 49 percent of them feel helpless. Interestingly, very few are aware about receiving education and their future career.

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 (IDAs).There are different banking products for children and youth around the world. In 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. Also one of the important characteristics of many developing countries is the prevalence of working street children whereas the existing banking products do not target the street children although they earn their livelihoods. 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. These factors create entry barriers for the vulnerable low income group children and youth and therefore this segment needs customised financial products so that they can also be a part of financial inclusion. There are only a few initiatives taken for the vulnerable children and youth. Mostly these products are found in Africa and South Asia.

Financial inclusion is a priority policy agenda in Bangladesh for ensuring faster and more inclusive growth and development. In this regard, the government has introduced school banking programme and working street children banking programme in recent years. Some NGOs have also taken initiatives to provide financial services to children.

4. Characteristics of Financial Behaviour and Awareness

One of the crucial objectives of this study is to consider the financial behaviour of vulnerable street and working children and design appropriate financial products for this specific segment of the population. From the primary survey data, it is found that all children/youth in our sample are working children and 96 percent of them are engaged in labourious jobs. It is important to analyse how these children spend their income. Are they saving a portion of their income or are they spending it all? Even if they spend where are they spending? Are they spending larger portion of their income on necessary things or they are blowing their income away on unnecessary activities? If they save a portion of their income, where do they prefer to save; in banks or informally? What are the factors that motivate them to save? Also we need to observe their financial management skills while they are in sudden shocks such as sickness, theft etc. Do they take loan for resilience purposes while facing shocks? If yes, from where do they take loan? All these and similar factors define the financial behaviour of vulnerable street and working children. Therefore, we need to explore financial behaviour of these children through several behavioural patterns such as: (i) spending/consumption behaviour; (ii) saving behaviour; and (iii) borrowing behaviour.

Spending/consumption behaviour

Our analysis shows that around 34 percent of the children are engaged as business sector labourer. The average monthly income is Tk. 3,304. Around 69 percent of the children indicate that they have regular monthly income. The monthly average expenditure is Tk. 2,780 and the share of average monthly food expenditure (80 percent 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 (children having BDT 10 account in scheduled banks) and nonparticipant children (children having informal savings and no bank savings) are more or less similar in various quintiles. However, in all quintiles, nonparticipant children have comparative higher income.

Saving behaviour and existing saving pattern

It is important to know why some children do save and others do not. Also why some children choose to save informally and others choose to save formally. We have used selected socioeconomic characteristics to explain these behaviours. Our analysis shows that girls have a higher tendency towards savings than boys. We also find that girls are more interested in formal savings than boys. We also observe that children involved as day labours or garbage collectors have a lower propensity to save. Around 11 percent of non-savers are involved in garbage collection whereas this figure is only around 1 percent for the savers. Similar trend is also observed for formal and informal savers. Stable income is another crucial factor behind positive interest to save in banks. We find that around 75 percent of children having stable income save in 10 Taka account whereas the figure is only around 62 percent in the case of informal savers. Similar trend is observed in the case of savers and non-savers. 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 and spending habit play important roles in developing saving habits among the sample children. It is important to note that formal savers in the sample are involved with NGOs where NGO officials motivate them to save. Most of the children initially opened the savings account because they felt very encouraged by the NGO officials who made them aware of the benefits of savings. Overall, the results support the hypothesis that, for both formal and informal savers, willingness to save and spending behaviour play important roles in actual savings indicating that if these children are well motivated to develop savings habit, they could be successfully involved in saving activities.

Now that we know the characteristics of savers, it is important to analyse what they do with their savings. In practice, not all savers withdraw their savings and use it. Especially it is more applicable for formal savers where withdrawing system is complex and it requires approval from the designated NGO officials to draw the cheques. Only 16 percent of the formal savers in our sample have used their savings from the banks whereas the figure is 73 percent for informal savers. The use pattern of savings is, however, different between formal and informal savers. In general, children involved in formal savings utilise their money more in productive activities than informal savers. Around 50 percent of formal savers utilise savings primarily for meeting educational expenses such as paying exam fees, admission fees etc. whereas the figure is only 21 percent for the informal savers. On the other hand, children involved in informal savings have a higher tendency to spend their savings for consumption purposes like purchase of dress, shoes or cosmetics, food and others. It is easier for them to do so as withdrawal of saving is relatively easy in case of informal savings and there is no restriction in amounts and timings of the withdrawals. It is also important to observe that greater percentage of formal savers utilise their savings in treatment of family members compared to informal savers. The findings on utilisation of savings imply that if we can formulate policies that promote formal savings for working children, the children will not only develop financial assets for themselves but also they will develop a tendency to utilise the savings in a more productive manner such as investing in health or developing human capital. Policies can also be taken to provide incentives for the children using their savings in education or health purposes so that they feel motivated to use their money productively.

It is observed from the survey data that financial knowledge plays a significant role in having a formal saving account. In the survey questionnaire, information is collected on financial institutions (such as do you know about banks/MFIs), benefits of savings and simple mathematical operations to evaluate the status of their financial knowledge to generate literacy score of the children. It is found that financial literacy has a strong influence on saving habit. All groups have better knowledge in mathematical operations relative to other indicators. On the other hand, the knowledge on financial awareness is the lowest among all indicators for all groups. For the savers, the average score on financial awareness is 43 out of 100 against only 28 in the case of non-savers. It is also important to note that formal savers have low financial awareness score as well. On an average, this group has a score of 45 whereas the informal savers' average score is 30. When we observe the total literacy score we find that formal savers have the highest value (around 68) and non-savers have the lowestof41 out of 100. Hence we can say that financial literacy has a strong influence on formal savings and as well as saving habit.

Borrowing behaviour and existing borrowing pattern

It is observed from the analysis that children do not have access to formal loan. It is obvious as the law of Bangladesh does not permit them to avail loans from formal market. Moreover, as they are minors informal lenders are also not very keen to provide them with loan. Only around 3 percent of the children have taken loan from informal lenders. It is important to note that around 16 percent of the children have taken informal loan ever in their life. It is observed that children prefer to borrow from their friends rather than informal lenders or other sources of informal borrowing. Around 70 percent of the children who have taken informal loans report that they usually take loan from their friends. Around 55 percent 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 emergencies. Another 30 percent report that normally they can get loans from their friends. It is important to note that the sample of this study consists of vulnerable children of Bangladesh who cannot manage themselves financially when they suffer from any shock. For them it is significant that whenever they need money during shock, they get it easily without any time lag. This is the most desired feature of the loan product for them. It is also found that around 9 percent of children borrow from friends because they do not have to pay interest on loan.

Around 52 percent of the borrower children use the loan for consumption purposes. It is of no surprise because these children are vulnerable. They have to manage on their own. To maintain their sustenance they need to borrow sometimes. Hence most of the borrowers utilise the loan for consumption purposes. Another 17 percent 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 percent of the borrower children take loan for meeting the expenses of drugs or smoking. This points out that the children need proper guidance on use of funds. Therefore increasing financial and social awareness among these children is important if they are to be brought under the financial inclusion process.

5. Demand for Financial Product and Services

As mentioned previously children do not have access to formal loan as they are not entitled to apply for loan before they reach adulthood. However, that does not mean they do not have demand for loan. While we asked in the survey questionnaire whether the children will take loan if they need it, around 90 percent of the children report that they are interested to take loan. They were also asked about the utilisation of the loan meaning for what purpose they would like to take the loan. Around 45 percent of the children mentioned that they intend to do business in future if they get loan. It is observed that investing in shop is on high demand as around 42 percent of the children in the sample wants loan for opening own shop and the children reported that their fund requirement for establishing a shop is on an average BDT. 93000. Investment in tailoring or cloth business requires around BDT. 266000 loan on an average. 18 percent of the children want loan to set up their own cloth business or do tailoring with the loan service.

As the sample purposively consists of 60 percent of formal savers we did not find strong preference for informal loan especially among the children who already have formal saving account. We asked the respondents who are interested in taking loan in future whether they prefer informal loan over formal loan. Our analysis shows that it is due to the relationship with the lender that children primarily want to take loan from informal market. Around 42 percent of households reported that they are interested in informal credit because it is convenient to borrow from a known lender and the repayment policy is flexible for them. As we know from the analysis that children prefer formal loan than informal loan now the question is do they prefer bank or MFI? While we asked them whether they will go to MFIs if they need loan, 71 percent of the children answered ‘NO’. Our analysis suggests that MFIs are mainly unpopular among children due to high interest rate and their lack for knowledge about MFIs. On the other hand, when we asked the children would you like to take loan from banks for business purpose in future, 64 percent of children answered ‘Yes’. The result may seem surprising as the general preference of the marginalised people of Bangladesh is for MFIs due to easy availability of loan and less hassle in loan documentation process. It is important to note that 60 percent of the sample have or had bank accounts for savings. Therefore, they obviously have a natural inclination towards banks as they have relatively more knowledge about banks.

As mentioned in Chapter 4, the sample of the study consists of 600 children having BDT10 bank account which makes 60 percent of the sample. However, children who do not have bank account also save. Around 70 percent of children in the sample have a saving habit either formally or informally which means around 30 percent of children do not save at all. Now the question is why some children have such reluctance towards savings. When we asked the reasons to the children who do not save. It is found that around 73 percent of children perceived that their income is not sufficient for savings. However, our analysis in chapter 4 indicates that their perception might not be true. We found that stable earning is an important factor for being able to save, 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 in chapter 4 shows that the average income of savers is around BDT 3,000 whereas the average income of non-savers in around BDT 3,600. It is important to note that 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, children who do not save do not have any involvement with NGOs. They are working and street children who work under vulnerable condition just to maintain sustenance without any particular goal in life. They have no one to guide them. 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 income. This notion is further validated when we find around 10 percent of the children mentioned that they do not save because they cannot control their spending habit and 3 percent of children do not feel the need for savings.

From the previous chapter it is observed that around 14 percent of children among the savers save informally. It is interesting to note that the children who save informally have a higher average savings (BDT. 3795) than the children save in formal institution only (BDT. 1060). One probable reason for this could be that to save in formal institution can be inflexible sometimes as withdrawal is not easy. This notion supports our analysis too. We find that more than 65 percent of the children having informal savings mentioned that they do save informally because the can withdraw or deposit anytime and any amount can be deposited or withdrawn.

Both the programme and control children were asked about what can be done to design a saving product for them. The result varies depending on which group the children belongs to. For example the children who do not have savings at all will save in formal bank if the bank officials assist them with the documentation procedure and fill up the form for them. Around 30 percent of the children not having bank account suggest this service. On the other hand, children having informal savings mentioned that if the safety of the money is ensured they will start saving in bank. Around 23 percent of the children having informal account mentioned this the most desired feature for them. Another interesting service that this group demand for is that there should be an arrangement for saving collection. The informal savers do not want to go to bank rather they want bank officials to collect savings from them. This group also want to be aware of their saved money like at what time of the year they are getting profit, at what rate they are receiving the profit from bank, whether any service charge is there 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 percent of the children prioritise this feature while they are asked about the desired feature of saving product.

6. Financial Products for Working and Street Children: Supply Side Perspectives

The analysis of the features of existing financial products and children's accessibility to them suggests that an effective mechanism for delivering formal financial services to this target group has yet to be developed. Bangladesh Bank's initiative to provide banking services for the working street children by allowing them to open savings accounts with participating banks for as little as Tk. 10 gave momentum to the country's financial inclusion process. To open a bank account, a street working child, however, has to engage with an NGO, approved by Bangladesh Bank. No service charge or fees are deducted from these accounts. The highest rate of regular interest is paid twice a year based on the daily balance.

However, there are some constraints in the process. Generally, street children save very nominal amount – from Tk.10 to Tk. 50 per month, on an average. It might not be viable for the banks to go for all the paper works for this small amount of money. On the other hand, NGOs usually do not get any fund for facilitating the children's savings in the banks. Therefore, once the account is opened there is no usual follow up from the side of the NGOs as they have to facilitate the saving programme along with their regular work. Thus the NGOs face financial constraints in operating the programme, and the banks face operational constraints in running the savings programme for street and working children.

Product design issues

Working children who are responsible for their own or their family's livelihood may want to take a demand deposit product that allows them to deposit and withdraw money at any time. Given the irregular income pattern of street and working children, this product fits their need for irregular deposits while allowing for withdrawals in the case of consumption needs or emergencies. The youth savings product, on the other hand, can benefit the street and working children with irregular income by providing discipline in the form of illiquidity, which enables them to save larger sums.

Financial awareness and financial literacy are considered to be two crucial factors in the process of financial inclusion. Currently, there are more than 3,500 children savings accounts, but regular transactions happen in only a few of them. Most of the children are not aware of the benefits of formal savings through bank accounts. However, both banks and NGO-MFIs must come forward with improved coordination mechanism in order to facilitate the process of financial inclusion in an effective manner. Another possible way to make the formal saving programme effective as an attractive financial product for the street and working children is to give them easy access to banks and non-bank financial institutions. It is important to note that except in Dhaka city, there are not adequate numbers of bank branches located within the reach of low income groups or people living in remote areas. Agent banking can, however, be a solution to this problem. Well-reputed NGO-MFIs can act as agents of banks to serve the low income street and working children as NGO-MFIs are more accessible to them than banks.

Delivery channels

Providing financial services for children and youth may be a profitable venture where low-cost delivery channels such as mobile banking or agent banking are feasible. However, banks might be enticed to serve these groups of people with the following three arguments in the absence of low-cost delivery channels.

- First, with increased financial education among the street and working children, attempts can be made to persuade the financial institutions into serving this large population who, having greater potential to grow as important financial players compared with low-income adults, can become loyal, lifetime-value clients for them.
- Second, financial institutions may take the advantage of engaging and cross-selling products to the parents or relatives of accountholder working children, thereby marketing their brands and increasing profit.
- Finally, serving the children and youth may be viewed by the financial institutions as a way to fulfil their corporate social responsibility (CSR). Such contribution to society by the financial institutions is likely to benefit them with improved client loyalty and the potential for cross-selling.

However, a central barrier to the inclusion process is cost, which, can be managed through low-cost financial services as mobile or agent banking. Another limitation of the current policy measures is that they could not facilitate linking non-formal savings group to formal financial institutions. A policy promoting financial literacy and awareness among these groups of children can help them receive formal financial services.

7. Developing Financial Products and Services: Concluding Remarks

In recent times, action towards raising widespread awareness of the importance of including the underserved children and youth in national financial inclusion strategies, adding financial education to school curricula, and advancing tailor-made financial products for this group of children have gained critical momentum. Based on the literature, findings from the current supply, expert opinions, and local/international experiences of financial inclusion of street and working children suggest that developing innovative and low-cost delivery channels for providing banking services can increase account uptake and usage. However, there still remain a number of challenges particularly in the form of policy and regulatory constraints to devising an effective plan of action for providing financial services for these children.

The causes of financial exclusion include market barriers, institutional barriers, cultural barriers and other barriers. It is the reality that even for the eligible adult persons, the market barriers are in some cases the major constraints in some areas. 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.

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. As a part of a basic bank account product, the children require access, control, incentives, security, relevant knowledge and awareness.

In a nutshell, a financial product design for the disadvantaged group like the street children should contain some desirable characteristics: (a) zero or minimal level of access cost, like the minimum amount to open an account; (b) the services should be accessed at minimum transaction costs so that the benefits accrued from the received services is maximised; (c) the 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; (d) incentive driven financial transaction: incentive should be given for smooth and regular transaction making financial inclusion meaningful; (e) attachment of short-coverage of

insurance services along with the received financial services, (f) maintain zero or minimum operation costs, and (g) instant and anytime withdrawn facility to cope with emergencies.
In terms of delivering appropriate financial services for street and working children, the role of NGO-MFIs is critical in addition to that of the financial institutions. Findings from the consultations indicate that the NGOs are unlikely to bear the responsibility of managing children's accounts unless these are brought under any regular programme of action. On the other hand, 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.

Based on the present analysis, the suggested model for street and working children/youth incorporates four types institutions: (i) service providers e.g. NGO-MFIs/local organisations or agent banking network of formal banking system; (ii) formal banks as financial service promoters through financial support to the service providers; (iii) central bank as the facilitator and for removal of policy barriers; and (iv) service recipients.

Policy recommendations and regulatory adjustments

Based on the present analysis, the following policy and regulatory measures may be considered for expeditious financial inclusion of street children/youth:

- Bangladesh Bank should monitor and take strategies to motivate and ensure the financial inclusion of the street and working children through changing and relaxing the legal barriers.
- 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.
- Multi-stakeholder platforms consisting of the government, public, private and academic sectors can be promoted with a view to reflecting the voices of street and working children.
- Focusing on the unique needs of this group of children, national financial inclusion strategies should provide that financial inclusion of street and working children combines access to financial services, and financial, social and livelihood awareness.
- Effectiveness of financial inclusion policies and strategies must be monitored and evaluated on a regular basis through comparing current status with the policy objectives or key performance indicators.
- Leveraging local, national, regional and global advocacy events, actions towards financial inclusion of working children and youth can be strengthened by engaging key stakeholders, sharing resources and advancing innovative approaches to service provision.

- All attempts will be in vein if the incumbent group of people do not respond to the stimulus. The incumbent service recipient should respond to the stimulus of financial inclusion strategy by the service providers.

The present study shows 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. 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. For success, savings products should be designed and implemented in such a manner that they can be served within the financial system. Therefore, a meaningful expansion of financial inclusion net requires several actions:

- Increasing financial literacy through educating the children in schools or through various targeted financial education programmes.
- 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.
- 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.
- 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.
- Organising workshops or programmes for the excluded groups for motivation is a useful option.
- The potential service recipients should be made receptive to the initiatives for financial inclusion.

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List of Acronyms

B	BB	Bangladesh Bank
	BBS	Bangladesh Bureau of Statistics
	BWCAG	Banking for Working Children Advocacy Group
	BIDS	Bangladesh Institute of Development Studies
C	CDB	Children Development Bank
	CYFI	Child and Youth Finance International
	CSA	Children's Saving Account
	CSR	Corporate Social Responsibility
F	FEI	Financial Empowerment and Inclusion
	FS	Financial Services
	FGDs	Focus Group Discussions
I	ILO	International Labour Organisation
M	MSSUS	Manob Sheba O Shamajik Unnayn Sangstha
	MFIs	Microfinance Institutions
N	NGOs	Non-governmental Organisation
O	OVC	Orphan and Vulnerable Children
S	SDGs	Sustainable Development Goals
U	UFT	Uganda Finance Trust Ltd
	UN	United Nations
	UNCDF	United Nations Capital Development Fund

Chapter 1

Introduction

1.1 Background

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. The aim is to ensure that youngsters of today grow up to become confident and responsible adults of tomorrow who believe in themselves and their ability to guide the country's development towards making the middle income country status a reality for Bangladesh in the near future. In this context, an important challenge is to ensure financial empowerment and inclusion (FEI) for the vulnerable street and working youth/children.

Available evidence shows that street and working youth/children are among one of the most deprived and disadvantaged segments in Bangladesh society. The vulnerable street and working youth/children mostly come from families with financial hardship, often plagued by poverty and indebtedness. Overall, the vulnerable street children/youth 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. Overcoming these barriers and achieving successful FEI requires a multi-stakeholder approach that engages government (including policymakers, regulators and line ministries), financial service providers, NGO-MFIs and other stakeholders. The street children/youth need, of course, to be at the centre of the entire process.

The FEI efforts seek to ensure that all individuals, regardless of their income levels, have access to and can effectively use appropriate financial services (FS) they need to improve their lives. Almost all street children/youth 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.

In 2014, Bangladesh Bank (BB) issued a circular enabling the scheduled banks to provide working and street children with access to a bank account with support from NGOs. The circular 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 Tk. 10. This forms a part of BB policies for extending financial inclusion programme to marginalised children.

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.

This study explores the current status of FEI of vulnerable street children/youth 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. In this context, the study examines the hypothesis that providing street children with access to banking services can be most effective when the service is provided within a package of complementary services such as financial literacy, communication skills and mentoring.

1.2 FEI of Street and Working Children/Youth

Since an overwhelming majority of the people living in the developing world suffers from lack of access to proper financial services, meeting the sustainable development goals (SDGs) remains a formidable challenge. It is seen that, the unbanked people also have demand for 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 even in the absence of formal financial services. Thus providing financial services to the unbanked people is a critical component of the sustainable and inclusive development agenda.

While a growing priority can be observed in the developing world to serve the excluded people with financial services, there seems to exist less attention to bring the children and youth under financial inclusion despite 168 million of the world's population aged up to 14 are estimated to participate in the labour force (ILO-IPEC 2013). Access to financial assets is a key contributing factor to help children and youth make their own economic decisions and escape poverty. Providing financial services to children and youth can facilitate 'asset effects' which means economic, social, psychological and behavioural changes caused by asset ownership that can improve multiple development outcomes for vulnerable youth (Deshpande and Zimmerman 2010). Over the last 20 years, a growing body of evidence shows that building assets specifically savings, can bring a range of benefits to individuals and households, including those with low incomes (Schreiner and Sherraden 2007). In addition, youth-owned savings accounts have the potential to promote financial inclusion. At the most basic level, this would occur by bringing more people into the formal financial system at an earlier age, and giving them access to more diverse strategies for household economic management as they begin their adult lives (Deshpande and Zimmerman 2010). On the other hand, serving children and youth can benefit the financial institutions too. Investing in this segment creates a powerful corporate social responsibility (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.

Despite these benefits, many studies show that young people under 25 are the least likely age group to have access to basic financial services including transaction and savings accounts, credit and insurance, and are particularly less likely to have overdraft protection and insurance (Goodwin, Adelman, Middleton, and Ashworth 1999, Russell, Maitre and Donnelly 2011). The problem is more severe in the context of developing countries. A recent estimate of 2014 by the Global Financial Inclusion Database shows that only around 4 percent of the population in lower middle income countries aged 15-25 have account in any financial institution. It is important to note that one of the crucial characteristics of many developing countries are prevalence of street children. In most cases, they 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 employer. Hence, it is important to tailor special products for the working and vulnerable street children so that they can accumulate financial asset over time which can secure their future along with securing country's economic progress.

There have been several initiates in the field of financial regulation, product development and financial education strategies worldwide to include children and youth under financial services. However, the initiatives in developed countries are different than in developing countries as the rate of school enrolment of children are lower in developing countries compared to that in developed countries and the number of vulnerable street children are much higher in these countries. The review presented below illustrates some customised financial regulation and tailored banking products for children and youth including initiates to design customised financial products for vulnerable and working street children.

1.3 Scope and Objectives of Study

The study examines all major aspects relating to FEI of vulnerable street children/youth in the country. Broadly speaking, the study addresses three major research questions:

- What is the current status in terms of situations, impacts, and issues of existing financial services for street/working children/youth?
- What potential services could be explored and improvements incorporated, and issues addressed in future action researches to develop financial packages that meet the demands and needs of different groups of street children/youth?
- What changes are necessary to improve existing services and regulatory frameworks and operational procedures for successful FEI of street children/youth?

1.4 Organisation of Report

The remaining part of the report is structured into six chapters. Chapter 2 contains a detailed description of the methodology adopted to conduct the study. It provides information on the sampling design and primary data collection procedures. The details of Focus Group Discussions (FGDs), case studies and secondary data collection procedures are also discussed in this chapter. Chapter 3 provides socioeconomic characteristics of street and working children. Additionally, the chapter reviews relevant studies of available financial products for the children at the global level as well as in Bangladesh. Chapter 4 contains characteristics of financial behaviour and awareness, nature of earning as well as spending and savings behaviours of street children.

Chapter 5 describes the types of financial products and services, sources and preferred features of financial products and services for street children/youth. Chapter 6 provides a detailed description of supply side issues. Finally, Chapter 7 suggests a model for financial inclusion of street and working children/youth in Bangladesh.

Chapter 2

Research Issues and Methodology

2.1 Research Issues and Challenges in Financial Empowerment and Inclusion (FEI)

Different kinds of financial institutions—starting from microfinance institutions (MFIs) to cooperatives, postal department and commercial banks-- around the world have been experimenting with savings and credit products for the children/youth groups for bringing them under the financial inclusion umbrella. In recognition of the importance of financial inclusion of street and working children, children's banking system has also been introduced in Bangladesh. A number of NGOs 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 allows children to open savings accounts with participating banks for as little as Taka 10 (USD 0.12). 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 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 creating good habits among them.

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 percent of all young adults (aged 15-25 years) have a bank account in Bangladesh, while only 1.6 percent 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. For promoting financial inclusion, Save the Children led the Banking for Working Children Advocacy Group (BWCAG) that has been formed as a coalition in advocating for establishing mainstream banking services for working and street children. 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. Bangladesh Bank 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? What combinations of product and service characteristics and marketing strategies can lead to profitability and sustainability of different types of financial institution? How to design and deliver sustainable, age-appropriate savings accounts that have a positive impact on young clients?

2.2 Methodological Considerations

Scope and coverage

Street and working children face barriers in accessing education, health services, job, safe drinking water, or food. These unfortunate children have to struggle to create opportunities that will enable them to move themselves out of poverty. Most of the vulnerable street children work in poor conditions to support their families or earn their livelihoods. They are constrained in making their future plans or cope with crisis. Sometimes the meagre surplus that is sometimes earned is wasted as these children have no avenues to save their money safely. Allowing them to open Th. 10 accounts gives them a mechanism to save money. Providing individuals with access to savings instruments increases savings, leads to empowerment and dignity, and enhances productive investment. By owning a bank account, the scope and scale of children dreams and confidence will be changed. A review conducted by Child and Youth Finance International (CYFI) in 2013 suggests that financial education, social education, and financial inclusion are the three building blocks of empowerment and financial capability that underpin economic citizenship for children and youth. The study suggests that outcomes associated with financial inclusion of children and youth include (i) economic and financial well-being, (ii) financial knowledge and skills, (iii) psychological health, (iv) reproductive and sexual health, (v) academic achievement, and (vi) education attainment and expectations.

Data collection procedure

Both primary and secondary data have been collected. For primary data collection, we have used a multi-stage sampling strategy to make the study effective. 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.

Stage One: Selection of location

Prior to data collection, the Research Team held a consultation meeting with the NGOs having saving programme (e.g. *Aparajeyo* Bangladesh; Society of Underprivileged Families, SUF; *Uddipon*; and *Manob Sheba O Shamajik Unnayn Sangstha*, MSSUS) for children to collect the list of children that have saving accounts in the banks. Four districts (Dhaka, Comilla, Chittagong and Khulna) are selected based on the meeting findings as the programmes run in these selected areas.

Stage Two: Identification of target group

Identification of the appropriate target group is very essential to make the study effective. For this study, vulnerable street and working children/youth are identified and several case studies are done to understand the existing saving programme characteristics and their impact on a child's life.

Stage Three: Selection of street and working children

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. The control group of children (with no access to saving accounts) for this study has been identified. In selecting the control group, three criteria have been emphasised:

1) Children who are served by an NGO with education, health or other programmes but do not have savings account with banks although the NGO in question operates the saving programme with banks.

2) Children who are not involved in any NGO programme and do not have bank account and live in slums and are engaged in child labour.

3) Floating children who live and work on roadsides and change their place frequently and do not have access to any formal financial service.

Table 2.1: Sample Distribution

District	Name of NGO	Sample area for programme group	Number of children	Total number of children in programme participant group by district	Total number of children in nonparticipant group by district
Dhaka	Aparajeyo Bangladesh	Bongshal	70	313	300
		Mirpur	17		
		Fokirapul	17		
		Doyagonj	20		
	Society for Underprivileged Children	Moghbazar	189		
Comilla	Uddipon	Daudkandi	55	55	25
Chittagong		Bashkhali	72	72	25
Khulna	MSSUS	Khulna Sadar	160	160	50
Total				600	400

Source: Field Survey 2017

Concept and definition of street and working children/youth

Prior to moving into the main body of the report, it is useful to recapitulate a few concepts and definitions which are adopted in the report.

Street Children and Youth: Who Are They?

As the main objective of this study is to develop sustainable financial products for street children/youth, we need to know who these target children/youth are. Different organisations define children or youth differently. The Child and Youth Finance International (CYFI) in their 'Banking a New Generation' Report (2014) mentions that children and youth comprise of three generations: generation 'Alpha', generation 'Z' and generation 'Y'. Generation Alpha refers to the children being born today or too young to understand any need in a meaningful manner. Generation 'Z' roughly refers to the age group 5-14. This group also includes young teenagers. Lastly, generation 'Y' approximately refers to the age group 15-25 which also includes young adults. It is found that several UN entities, instruments and regional organisations have used different definitions of children and youth. Table 2 summarises several alternatives in use across different agencies.

Table 2.2:Definitions of Children/Youth

Entity/Instrument/Organisation	Age	Reference
UN Secretariat/ UNESCO/ILO	Youth: 15-24	UN instruments, Statistics
UN Habitat (Youth Fund)	Youth 15-32	Agenda 21
UNICEF/WHO/UNFPA	Adolescent: 10-19, Young people: 10-24, Youth: 15-24	UNFPA
UNICEF /The Convention on Rights of the Child	Child until 18	UNICEF
The African Youth Charter	Youth: 15-35	African Union 2006

Adapted from United Nations Department of Economic and Social Affairs (UNDESA)

According to Bangladeshi law, anyone under the age of 18 is considered as a child. The law also mentions that children may only work in specified occupations, for a limited number of hours per day, if they are more than 15 years old. It is important to mention here that the research team has conducted surveys on children belonging to the age group 9-19. Following the definition adopted in the Bangladeshi law, around 96 percent of the sample belong to children and the rest are youth. However, if the definition of majority of UN entities is followed which considers anyone as a child up to 14 years old, then 60 percent of the sample comprise of children and the rest are youth. Considering the international standards and the law of Bangladesh, the present research considers anyone up to the age of 17 years as child.

Vulnerable street and working children

According to World Bank OVC (orphan and vulnerable children) toolkit, a vulnerable child is defined as being under the age of 18 and currently at high risk of lacking adequate care and protection. A child's vulnerability comes from various factors that hamper his or her capability to function and grow properly. The World Bank also defines a child as vulnerable who falls under any of these categories: (i) orphaned by the death of one or both parents; (ii) abandoned by parents; (iii) living in poverty; (iv) living with a disability; (v) affected by armed conflicts; (vi)abused by parents or their caretakers; (vii)malnourished due to extreme poverty; (viii) HIV-positive; and finally (ix) those marginalised, stigmatised, or discriminated against.

If we consider the categories of World Bank, almost all children and youth belonging to our sample (which is discussed in details later) are vulnerable since they either belong to the category of orphan, or abandoned by parents, or living in poverty/extreme poverty or are marginalised. It is important to note that we consider these children/youth as marginalised because around 96 percent of children/youth in the sample are engaged in physical labour. This also corresponds to the ILO definition 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 percent of the sample population are aged below 18, they are obviously vulnerable and belong to the category of child labour when engaged in strenuous jobs and vulnerable occupations. Moreover, 50 percent of the children in our sample who are engaged in hazardous jobs are around 14 years of age. Also all children and youth in our sample are involved in income earning activities so that they all belong to working children and youth category.

It is important to note that the degree of vulnerability of the children/youth varies significantly within the sample population. For example, around 6.5 percent in the sample do not have a permanent place to stay or, in other words, they belong to floating population and live temporarily by the side of streets, markets, and launch terminals or railway stations. Observing their overall characteristics, they can be termed as street children. Considering all factors, we may conclude that the children and youth included in our sample are both vulnerable and working and mostly engaged as child labour.

2.3 Sampling Design and Techniques

Method Analysis

Primary data analysis

Primary data was collected from both the demand and supply side actors through structured questionnaire. Working and street children were interviewed to assess their financial behaviour and financial need of the children. The NGOs were interviewed to observe the operation process of the existing financial inclusion programme for children.

Literature review and secondary data analysis

As the study is required to suggest appropriate financial products and delivery mechanisms, it will undertake an extensive review of different reports/documents of on-going efforts of providing financial services to the street children/youth by different banks and NGOs under the initiative of Bangladesh Bank and other similar initiatives for adequate understanding of relevant issues. The study reviewed the experience of similar efforts in other countries. We also intend to review Bangladesh Bank financial inclusion policy and National Children Policy to understand the existing policy for protecting working and street children. We also plan to analyse key secondary data from the existing programmes (mostly from BWCAG) and other sources to understand trends in financial inclusion of street children/youth, savings and financial behaviour of the target groups and financial and other characteristics of different groups of street children/youth.

Case studies

Sample survey and analysis was primarily providing quantitative information. However, some process insights are also needed for the study. Therefore, we conducted some case studies to complement the findings from the quantitative analysis. For case studies, the sample was covered both segments: programme and control children. Each segment was further divided into sub-segments based on socioeconomic characteristics. Case studies were identified success stories of street children in terms of creating a financial asset base using the programme services and underlying success factors.

Sampling technique

As mentioned before, the study indicates the need for financial services of vulnerable working and street children and evaluates the effectiveness of existing programmes in Bangladesh. In order to assess the need of working street children, we have collected information from samples of street children in Bangladesh. It is important to note that there is no census data on the actual number of street children in Bangladesh. Bangladesh Bureau of Statistics (BBS) has conducted the Child Labour Survey in 2013. The survey was undertaken to provide reliable estimates of economically active children aged 5-17 years at national level. However, the survey did not mention about the estimates 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 percent. If we take this growth rate into consideration, we find that in 2016 the number of street children is 1,338,429. In the CLS (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 percent of working children are street children. As the main purpose of this study is to assess the financial services for working and vulnerable street children, the target group of the study is street children.

The number of street children for the sample is selected using the Coachran's (1977) sample size determining formula: $n_o = \frac{t^2pq}{d^2}$. In the formula, n_o is the sample size, t is the abscissa of the distribution that cuts off an areaα at the tails (1-α 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.

The banking service programme for vulnerable working and street children is operational in four divisions. ; Dhaka, Chittagong, Khulna and Barisal. As the programme has recently been started in Barisal, we have excluded it from the sample. From the BIDS survey we know the divisional distribution of street children for the year 2005. If we project the divisional distribution for Dhaka, Chittagong and Khulna using the same growth rate of 5.35 percent we get the following numbers:

Table 2.3: Projected Divisional Distribution of Street Children for 2016

	Dhaka	Chittagong	Khulna
Number of Street Children (projected)	465,760	104,396	77,515
Projected Percentage of street children living in division	71.91	16.11	11.96

Source: Field Survey 2017

Therefore, a total of 1,000 sample from these three divisions were selected. If we follow the same distribution of projected population, our sample was distributed as follows:

Total sample	Dhaka	Chittagong	Khulna
1,000	700	150	150

Source: Field Survey 2017

As one of the main objectives of the study is to assess the existing banking service programme for working and street children, we need to assess difference in outcomes of a treated individual with bank account with that of the same individual without bank account. Since this is not possible to observe both outcomes of an individual in a given point of time, we need to find a proper counterfactual group who has the same potentiality/probability of being selected by the programme but has not been treated. Therefore, for impact assessment we need to select treatment group and control group.

We have collected information about working areas and approximate number of children served under financial empowerment and inclusion programme which is around 3,600. The table below shows the working area and number of children's bank account operating under 11 NGOs:

Table 2.4:Number of Children's Bank Account Operating Under 11 NGOs

Name of NGO	Division	District	Working area	Number of children
Society for Underprivileged Families	Dhaka	Dhaka	Mogbazar	125
Manob Sheba O Shamajik Unnayn Sangstha	Khulna	Khulna	Khulna Sadar	1,145
Prodipan	Dhaka	Dhaka	Lalbagh, Nababgonj	275
Aparajeoy Bangladesh	Dhaka	Dhaka	Mirpur, Rahmatgonj	690
Community Participation and Development	Dhaka,	Dhaka	Mohammadpur	20
Nari Maitree	Dhaka,	Dhaka	Mohammadpur	12
BRAC	Dhaka	Dhaka	Not identified	167
UDDIPAN	Chittagong	Comilla, Chittagong,	Daudkandi, Banshkhali	974
Bangladesh Freedom Federation	Dhaka	Dhaka	Mohammadpur	65
Aid Organisation	Barisal	Barisal	Barisal Sadar	95
Action for Social Development (ASD)	Dhaka	Dhaka	Mohammadpur	45
Total				**3,613**

Source: Field Survey 2017

Hence, 3,613 is the population for selecting sample for programme group. By using Coachran's (1977) sample size determining formula, we have selected around 600 children under programme group considering the error level at 3.5%. 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%.

It is important to mention that we will identify the programme children by contacting the NGOs operating financial empowerment and inclusion programme for working and street children. The NGOs are working under BWCAG which is led by Save the Children. We have already discussed with Save the Children about the programme outreach and collected information on programme areas and programme children. Moreover, the NGOs under BWCAG maintain a profile of programme children. We contacted the NGOs and collect those profiles of children for identification purpose.

The control group children (400), we identified a group of individuals who are characteristically identical to the programme group but do not enjoy any financial service. The areas from where the information of control group was collected is yet to be decided as these street children may not have any permanent residence for shelter and may belong to the floating population. For selecting the control 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 select areas that were characteristically identical to the programme areas.

2.4 Limitations of the Study

Obviously, given the scope, not all issues, through important, could not be covered under the study. An important consideration that has been left out is the interactions of intensity and diversity of poverty of working street children/youth and financial inclusion imperatives. I reality, working street children/youth is a diverse group having varying poverty status and demands for financial services. Similarly, the issues of access to mobile financial services (MFS) have not been covered as the target groups are under 18 years and hence they do not have any national identification card and are not legally allowed to open mobile money accounts.

The study measures the impact of the savings account programme for working street children/youth, but has not adopted any rigorous econometric analysis for impact assessment. One of the major constraints is the absence of baseline information. Therefore, before and after impact evaluation was not possible. Although, it could be done by using the recall method, but the children were too young, therefore, it is not considered robust to depend on the recall method for this analysis.

2.5 Summary of Findings

- Multi-stage sampling strategy has been used for primary data collection.
- Prior to data collection, the Research Team held consultation meetings with the NGOs having saving programme for street children/youth to collect the list of children that have saving accounts in the banks. Four districts (Dhaka, Comilla, Chittagong and Khulna) are selected based on the meeting findings as the programmes run in these selected areas.
- A total of 1,000 children (covering 600 children involved in saving programmes of NGOs and 400 non-participants in such programmes) were selected.
- Both demand and supply side data are collected through structured questionnaires.
- Some case studies are also conducted to complement the findings from the quantitative analysis.

Chapter 3

Financial Inclusion of Street and Working Children/Youth--An Overview

3.1 Socioeconomic Characteristics

It is important to know important socioeconomic characteristics of the sample children/youth for getting an idea of what types of children/youth comprise study population.

Age and gender distribution

Out of 1,000 street children, 41 percent of the children are girls while the rest are boys (Annex 1Table 3.1). The survey was conducted only on those children who reported their age between 9 and 19 years. The age distribution of street and working children is given in Annex Table 3.2. It can be seen that 43 percent children are of age 12 to 15 years, 37 percent of children between 15-18 years old and 16 percent are of age 9-12 years. Sex-wise variation is very marginal. The mean age of the vulnerable street children is 13.9 years. The mean age for girls and boys are 13.6 years and 14.1 years respectively.

Education

The programme participant children are educated compared with the non-participant group. One of the main reasons behind this is that the participant children received educational services from the shelter homes. The study findings show that around 60 percent of the respondents have access to any formal or informal educational institutions (Annex 1Table 3.1). The distribution of educational qualification is given in Annex Table 3.3.

Reasons for dropout

The most important reason for not attending school currently is family's financial crisis. Around 49 percent respondents report that meeting family needs force them to work and is major reason for dropout from school; 20 percent of the respondents mention that educational cost is too high (Annex 1Table 3.4). It may be suggested from the findings in Annex Table 3.4 that schooling for the majority of these children is possible through motivational work as well as turning schooling more attractive to them. There is also a need to reduce educational cost or they need financial support for continuing their study.

Perceptions about importance of education

The children have uncertain ideas about the importance of education. Around 50percent of the children report that they give importance and about 12 percent view that schooling is not so important (Annex 1Table 3.5) in their life.

Occupation

The average age of starting the first job is found to be 11.4 years. Around 4 percent of the children are engaged in multiple works; 65 percent of the respondents mention that the main reason of starting work is poverty while some others maintain that for supporting studies in future (Annex 1Table 3.6). Most of the street children are engaged in business sector labour.

However, in case of programme participant children, large portions are involved in the service sector (32 percent). The non-participants children are largely engaged in transport labour, industrial labour, and as *tokai* (garbage collector) compared to the programme participant children (Annex 1Table 3.7). The majority of children work below 8 hours per day. The situation is different for non-participant children. Around 41 percent non participant children work 8-12 hours per day (Annex 1Table 3.8). The average working day is six for both categories of working children. Around 23 percent children mention that friends put them to work in their first job. They also report that mothers, neighbours, and parents also put them to work in their first job (Annex 1Table 3.9).

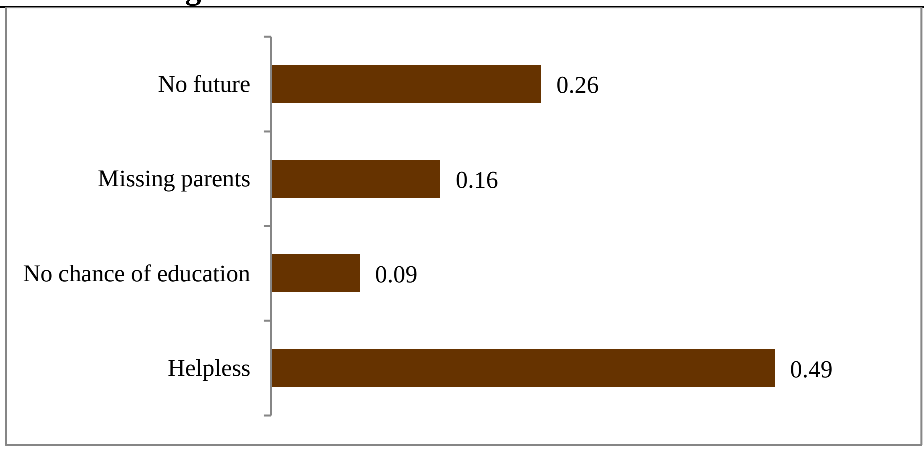
Living conditions of street children

An absolute majority of the respondents (77 percent) live with their parents and 33 percent of the children share their bad feelings only with their friends. Most of them are unmarried except six children. Around 34 percent children spend their leisure time on watching TV or going to cinema or listening radio and 45 percent spend their leisure time by playing/gossiping with their friends. Only 4 percent of the children spend their time on reading books. The non-participant children are more vulnerable compared to the participant groups in terms of smoking, getting physically tortured, facing police harassment and getting access to basic services such as sanitary latrines (Annex 1Table 3.11).

Problems in vulnerable/street life faced by children

During FGDs/case studies and field survey, the participants expressed their views and listed a series of problems that the street children face in their street life. They identified their problems in three broad categories as physical, psychological and social problems. During the field survey, we asked them, what is your main problem during this vulnerable life? Only 257 children answered the questions and 49 percent of them said that they feel helpless. Interestingly, very few are aware about receiving education and their future career.

Figure 3-1: Problems Faced in the Street Life



Source: Field Survey 2017

Food habit of street children

In programme areas, around 84 percent children eat three full meals in a day while in control areas 76 percent children eat three meals a day (Annex 1Table 3.1). The main reason behind this is programme children live in shelter homes or with their parents. The most important finding is that the children spend more money on Fridays compared with other days in a week at lunch hour. Most of the street children usually take carbohydrate (rice or bread) as their main food.

Socioeconomic characteristics of street children and youth

The definition of children suffers from a lot of ambiguities in terms of what the proper age is to be children. For the present study, we have defined children who are up to the age of 14 years and those belonging to ages between 15 and 18 years are treated as youth. Table 3.12 in Annex 1 shows that the consumption pattern, average monthly income, and financial inclusion status of these two groups vary significantly. Hence, we propose different programmes for these two groups to include them under the formal financial system. Along with this, they need financial support from the government such as grants through the banking channel. Therefore, it is important to design special products for two different groups as there characteristics are different.

3.2 Financial Products and Services: The Global Perspectives

Majority of the literatures suggest bringing the children and youth under financial services through basic savings account. 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 (IDAs). In Sherraden's initial vision, IDAs were universal and began at birth but, in practice, most IDAs were targeted at adults and implemented as short-term demonstrations (Butrica 2015). Children's savings accounts (CSAs) characteristics are similar to IDAs in providing services but CSAs are intended to start at early ages. Although they vary in design, most CSAs are savings accounts established in a child's name with an initial 'seed' deposit from a sponsor like a community organisation, private institution, or government (Butrica 2015). The seed might be conditional on meeting certain milestones, for example, bonus grants for signing up for auto-deposit (Phillips and Stuhldreher 2011) or attending financial education classes (Mason et al. 2009). The seed is basically to encourage private savings from the family of the children.
As the benefits of CSAs are gradually recognised, it has been adopted by many countries in various forms over the past two decades. Some of the CSA initiatives are discussed in Annex 1Table 3.14.

Some global initiatives for vulnerable working street children and youth

From the above review, it is clear that 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. Also one of the important characteristics of many developing countries is the prevalence of working street children and the existing banking products do not target the street children although they are earning. 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. These factors create entry barriers for the vulnerable low income group children and youth and therefore this segment needs a customised financial product so that they can also be a part of financial inclusion. There are only a few initiatives taken for the vulnerable children and youth. Mostly these products are found in Africa and South Asia.

- **Youth Financial Trust (UFT) and SEED/SUUBI-Uganda project in Uganda**

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 percent of UFT's clients are below 18 years old. UFT made the decision to specialise in children and youth-specific products in pursuit of its institutional vision, 'access to affordable financial services for all,' as well as for business and social reasons. It gained appreciation of youth as a viable market segment for savings mobilisation through its experience with initial children and youth-oriented product and the Girls' Choice savings account which is designed for girls aged 10 to 19 both in and out of school.

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, (Ssewamala, Han, and Neilands 2009); have a more positive opinion about using HIV prevention methods (Ssewamala, Alicea, Bannon and Ismayilova 2008); have a higher level of confidence in their future educational plans; and are less likely to skip schools than non-participants (Curley, Ssewamala and Han, in press).

- **Tap and Reposition Youth (TRY) in Kenya**

The Tap and Reposition Youth (TRY) project in Kenya serves the out-of-school adolescent girls and young women aged 16 to 22 residing in low-income and slum areas of Nairobi with saving account. This programme has brought a positive change in their lives. They are motivated to save more. A study by Erulkar and Chong (2005) shows that their savings increased from 1,700 to 3,300 KES (23 to 44 USD) from 2001 to 2004. The TRY participants have significantly more savings than non-participants. In addition, they are more likely to keep savings in a safer place, compared to non-participants who are more likely to keep savings at home where they are at greater risk of being stolen or confiscated by parents, guardians, or husbands.

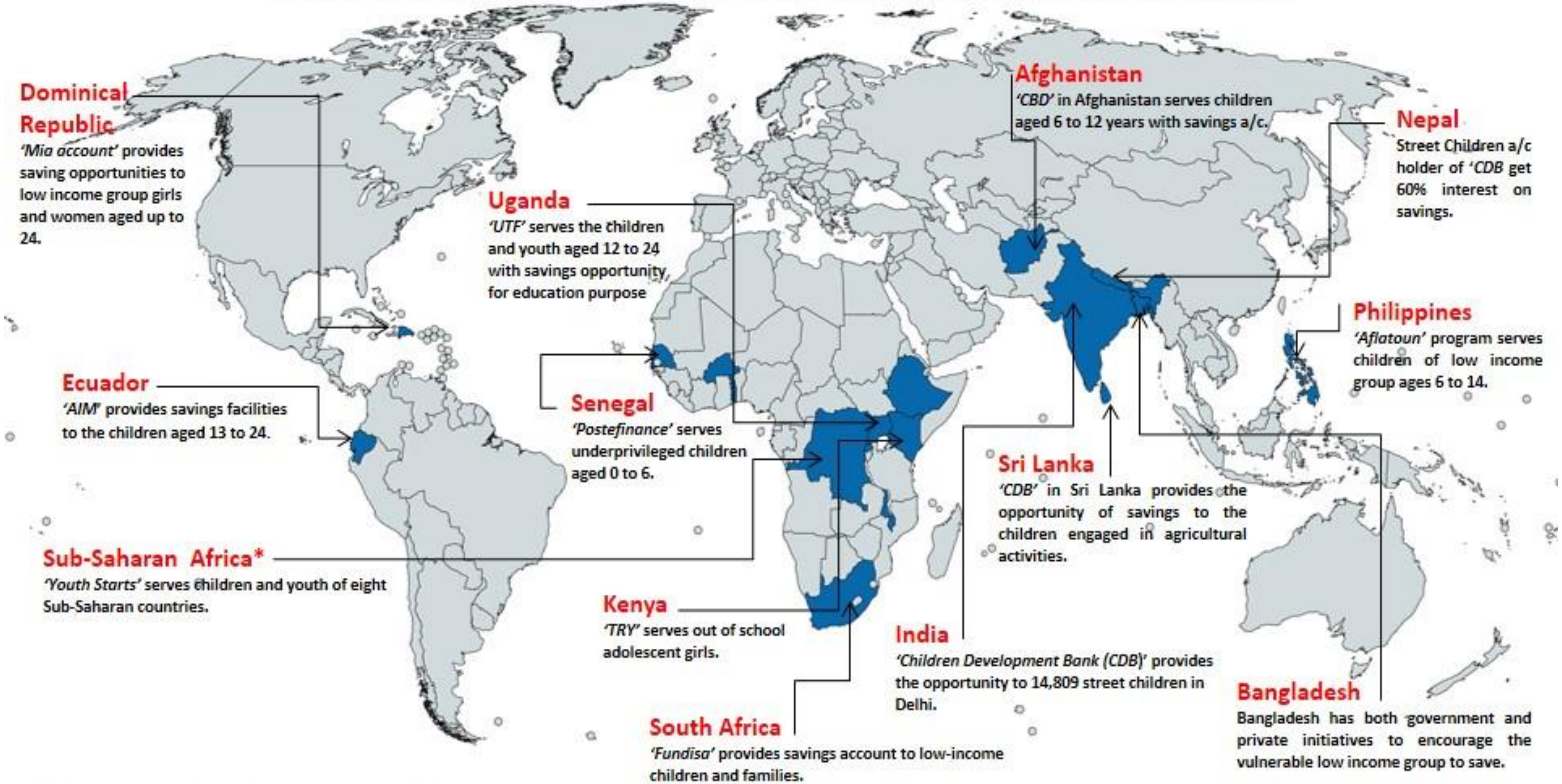
- **‘PosteFinances’ in Senegal**

PosteFinances, 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.

- **Fundisa Fund Programme in South Africa**

The Government of South Africa and the country’s private sector have launched a three-year pilot project known as the Fundisa Fund programme. Fundisa is a savings account that rewards children and their families and friends for saving for education. It provides the opportunity to save for education to the low-income children and families. The minimum saving is as little as 40 ZAR (5 USD) a month. A savings match of up to 600 ZAR (74 USD) per year can be added to the account by the government. The accounts are available at any Absa Bank, Nedbank and Standard Bank branches, as well as South African Post Offices.

Financial Inclusion Initiatives for Vulnerable Children/ Youth Worldwide



* The Sub-Saharan countries are Ethiopia, Togo, Burkina Faso, Uganda, DRC, Malawi, Senegal, Rwanda

- **YouthStart in Sub-Saharan African Region**

UNCDF launched YouthStart in partnership with the MasterCard Foundation in 2010 in response to not only the approaching youth demographic wave, but also to enhance economic opportunities for young people in sub-Saharan African countries named Ethiopia, Togo, Burkina Faso, Uganda, DRC, Malawi, Senegal, and Rwanda. It offers the right combination of saving account along with non-financial services (financial education) to the youth aged 12-24 so that they can make more informed financial decisions, and also build financial (e.g. savings), social (e.g. social networks) and human assets (e.g. skills and knowledge) for their futures and create sustainable livelihoods. To adapt their savings products to the regulatory environment, the majority of the financial service providers under YouthStart had to put in procedures and systems in place to ensure that they complied with the law. For example, some UNCDF-YouthStart grantees require that youth must be present and sign with a guardian for withdrawals. In some countries where more flexible interpretation of regulations exists, youth can choose to use trustworthy school teachers, mentors and other care givers as signatory to the youth account instead of parents or guardians.

- **AIM Youth Programme in Ecuador**

Two credit unions named Cooprogreso and San José have developed savings product in Ecuador for the group aged between 13 and 24 years with initial deposit of around $10 and with no maintenance fees. It should be noted that youth under the age of 18 are required to be accompanied by an adult account holder in order to comply with national regulations. While youth under 18 could make deposits without adults, it is necessary for them to have an adult's assistance for making withdrawals. The credit unions are also required to classify youth account holders as non-voting clients of the credit union—as opposed to credit union members who have voting rights— enabling them to postpone the mandatory purchase of credit union membership until age 18. This distinction has made the youth savings account more accessible for the younger cohort by lowering the minimum opening amount. However, for those aged 18 years and older, the membership requirement is maintained.

- **Mia Account in Dominican Republic**

In 2009, Women's World Banking, with support from the Nike Foundation's Girl Effect, provided technical assistance to Banco ADOPEM in developing Mía, a youth-inclusive savings account coupled with financial education implemented in schools via its affiliated non-profit, ADOPEM NGO. Banco ADOPEM's mission is to serve low-income communities, especially women and girls aged up to 24. At that time, other financial institutions in the Dominican Republic had product offerings for youth through their parents, but Mía was the first to directly target youth to save for themselves. According to the bank's senior management, Míawas launched in order to instill a culture of savings in Dominican youth, promote "*fidelización*" or brand loyalty by introducing the next generation of clients to the bank and, ultimately, advance financial inclusion for low income Dominicans, especially girls. Though originally intended for girls only, Mía is also offered to boys to increase the client pool and the long-term sustainability of the product. It also helps to make the product more attractive to parents and guardians who are interested in both their daughters and sons having access to the programme.

- **Aflatoun Programme in Philippines**

Established in 2005, Aflatoun is a Netherlands-based network of NGOs and other educational institutions from around the world, supported by capacity building and a resource centre. Its social and financial education programme equips children of low income group ages 6-14 with life skills to be agents of change for their own development. Currently, Aflatoun is reaching over 540,000 children in 26 countries. In Philippines Aflatoun programme uses a child-friendly banking approach to govern the savings process for cooperatives. This means that cooperatives support children's learning about Aflatoun and their savings in various methods mentioned above (e.g. 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.

- **Children Development Bank in India**

The first initiative that seeks to include the vulnerable and working children in financial services is the 'Children's Development Bank' in India. It was started in 2001 and was encouraged by the 'Youth Bank' established in the UK. 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. The children's opinions are valued on how the bank will be run and under what conditions it should lend money. 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 percent 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, Children's Development Bank have started opening branches in other Asian countries and has spread to 120 branches across Afghanistan, Bangladesh, India, Nepal and Sri Lanka.

- **Children Development Bank in Kathmandu, Nepal**

In Nepal, an NGO named Child Workers in Nepal (CWIN) has been working to protect the rights of children living in the streets of Kathmandu. CWIN has started a Children Development Bank for the street children allowing them to keep their earnings safe. Like a regular bank, the CWIN's bank offers its customers the services of depositing and withdrawing money and granting loan against application. Customers are also provided 6 percent interest on their savings. In addition, the street and working children who come to the CWIN's bank to deposit their money are asked detailed questions about their source of income to ensure that the money does not come from any illegitimate source. CWIN aims to advance its plan to promote financial inclusion of street and working children on a larger scale, although its bank currently has a few customers.

- **Children Development Bank in Kabul, Afghanistan**

The Afghan Street Working Children and New Approach (Aschiana) collaborates with 'Butterflies' to serve the street children of Kabul with better financial, educational and economic opportunities. In order to assist these children, it has opened a centre for them in the Shar-I-Naw in 1995.The main purpose of this centre is to provide meals, health education and medical treatment to children between 6 and 12 years. They have an in-house informal bank inside the shelter home. This informal bank is the home for a secured savings for 355 boys and girls in the shelter home.

- **Children Development Bank in Sri Lanka**

In Sri Lanka, the Children Development Bank (CDB) is developed by an NGO named Kantha Shakthi under the project Deepthi (a word which means alive, bright, and radiant). This project includes educational programmes that have the aims to motivate children to environmental protection and contribute to a culture of peace. The children meet once a month participating in a forum where they can express and develop their personal interests. It also promotes market where children sell organic produce from the gardens of their homes and can save his or her earning in the CDB run by Kantha Shakti. The children can also take loan for business purpose.

3.3 Review of Available Financial Products and Services in Bangladesh

Bangladesh is one of the most populous countries in the world with a population of more than 160 million in 2016. Children, who are the human foundation of a nation, constitute nearly one-third (32.3 percent) of the total number of people. This indicates that securing children's rights are integral to Bangladesh's present and future economic and social development. The government is committed to children's development for which it has adopted national policies and strategies and adopted declarations of regional and international conventions. Financial inclusion is a priority policy agenda in Bangladesh for ensuring faster and more inclusive growth and development. In this regard the government has introduced school banking programme and working street children banking programme in recent years. Some NGOs have also taken initiatives to provide financial services to children.

Government Initiatives

- **School banking programme for children**

Bangladesh Bank has taken initiatives to include the school going children under financial services by introducing them to the banking system and digital banking as well as developing saving habits. The programme has been in operation since November 2010. The children can open a savings account with a minimum deposit of Tk.100 and no maintenance fee is charged. They are also given interest on their savings. As per the latest report of Bangladesh bank in June 30, 2016 there are 56 banks currently running this programme where private commercial banks mostly dominate (with around 55 percent of total school banking accounts opened). The report also shows that so far 1,182,179 school banking accounts have been opened which are mostly opened by the children living in urban areas. Though this programme targets all school going children, in practice children from high and middle income groups are observed to open the accounts.

- **Banking programme for working and street children**

In recognition of the importance of financial inclusion of street and working children, children's banking system has been introduced in Bangladesh. Further, a number of NGOs operate informal savings services to encourage children to save their money. However, being under no formal regulations, these services face some risks and may not 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 allows children to open savings accounts with participating banks for as little as Taka 10 Taka (USD 0.12). 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 their financial wellbeing.

Despite having significant success in advancing several social indicators, some social problems still persist including the presence of child labour particularly in the informal sector. Child labour, especially hazardous child labour, is a problem in the country which often denies the children their rights such as right to education. Some child labour is vulnerable to trafficking, abuse, violence and exploitation. 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. Child labour varies with gender; for example, about three-quarters of all working children are boys. In slums, almost one in five children aged 5-14 is economically active, and of them, only 25 percent attend school. The 2015 Child Labour Survey shows that around 3 million households include child labour. Of the child population aged 5-17 (3.96 million), 3.45 million children are working children and the child labour is around 1.7 million of which 1.28 million are engaged in hazardous activities.

These statistics show that, despite a number of initiatives, child labour still remains a fact of life in Bangladesh; and it will require time to eliminate child labour fully from the country. 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. This financial exclusion makes a meticulous irony for working and street children as their resourcefulness and hard work are undermined. Their security with their wages is hampered as they are often the target of thieves and cheats. As a result, working children are more likely to waste their earned money on unnecessary items to reduce the chance of their money being stolen or lost, or hoard in a way that amplifies the risk of exploitation, such as with their employer. Overall, the extent of financial inclusion of children and youth is very low in Bangladesh. According World Bank Financial Inclusion Data Book 2015, only 20.8 percent of all young adults (aged 15-25 years) have a bank account in Bangladesh, while only 1.6 percent 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.

For promoting financial inclusion, Banking for Working Children Advocacy Group (BWCAG) has been formed as a coalition 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.[1] A significant change in procedural requirements is that it drops the earlier requirement of co-signature of a parent or guardian since there are a significant number of cases where the child is an orphan or has been forced to leave home. To resolve the issue, the accounts for the working or street children under the programme require a co-signature from an NGO staff, who retain 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 rather than deciding how the money is spent and participating NGOs are closely monitored. Bangladesh Bank 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. The banks are Sonali Bank, Janata Bank, Rupali Bank, Agrani Bank, Bangladesh Krishi Bank, Bank Asia, Mercantile Bank, Mutual Trust Bank, National Bank, NCC Bank, One Bank, Pubali Bank, The City Bank, Trust Bank, Al-Arafah Islami Bank, and Uttara Bank. After the circular issued to the banks, 3,465 accounts have been opened for the working and street children by 30 June, 2016. According to BB data, Tk. 22.01 lakh have been deposited in the street children's accounts until the end of June 2016.

[1] Led by Save the Children Bangladesh, the NGOs are BRAC, SUF, UDDIPAN, MSSUS, Nari Maitree, Prodipan, Aparjeoy Bangladesh, ASD, BBF, Paribartan Khulna and CPD. The participating banks are: Rupali Bank, Agrani Bank, Pubali Bank, One Bank, National Bank, Southeast Bank, Bank Asia, City Bank, NCC Bank, Bangladesh Krishi Bank, Mercantile Bank and Trust Bank.

Under this inclusive programme, children can keep their earned money safe along with ability to use savings in an emergency for themselves or their families. Working and street children also get used to having formal savings and this helps to build positive attitude towards savings for future which would benefit them as adults. They get interests against their savings and become more familiar with formal banking activities. Thus, the accounts create a key and hopefully lasting connection between children and the banking system. 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. The accounts further increase the incentives for the street and working children to come into contact with NGOs and grassroots organisations building their skills in numeracy, saving and financial planning. Overall, this effort is considered as a promising step in the right direction to see street and working children to avail socioeconomic opportunities to build their future.

Initiatives by NGOs

- **Padakhep's savings and loan product for street 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. Combining efforts from the street children and the stakeholders have made the savings and credit programme fruitful. According to one study by Ahammed (2009), the total outstanding loan amount is $295,000 and children that have borrowed earned on average $2 per day. Till June 2009, about 7,000 street children have borrowed from Padakhep. 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.

- **Aparajeyo Bangladesh's children development bank**

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. The street children usually end up their spending whatever they have earned, as they do not have any savings facilities. Aparajeyo Bangladesh started Children's Development Bank following the CDB model in India which provides security to street and working children to save their money for their future life. It aims to provide savings and credit facilities to the street and working children which is organised and operated by its members (the children). This programme is targeted to street and working children aged 8-16 years. 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.

3.4 Summary of Findings

Based on the review of the current evidences of available financial products for vulnerable working and street children in Bangladesh and selected countries are summarised below:

<u>Financial products for vulnerable working and street children: Global initiatives</u>

1. UNCDF YouthStart: Uganda Finance Trust	
Origin Country	Uganda
Features	• Savings • Financial along with other education
Target Group	• 12–17 and 18–24 years old • Girls aged 10 to 19
Advantages	• Variety in product design and special product for girl children • lower fees for opening accounts • Lower minimum balance requirements • No maintenance or withdrawal charges
Delivery Channels	• Implemented by the trained UFT staffs from the UTF branches being supported by the youth field officers and mentors from field. • Youth are fortified through parents, local leaders and trusted members of the community. • Parent's involvement in this programme is multifaceted as parents provide financial and emotional support to children. • Social mentors are provided to account holders under 18, who are selected from the local volunteers and chosen by the beneficiary. • Mentors do a notable job in associating the gap between youth, parents and field officers.
Challenges	• The challenge for the sustainability of the programme is the delivery of the non-financial services as UTF depends on youth field officers and mentors. • UTF has to pay fees to them for training which endanger the financial sustainability of the programme. It has to find more cost effective model which will require less fees.
2. Child and Youth Finance International: NATCCO-Aflatoun	
Origin Country	Philippines
Features	• Savings • Financial education
Target Group	• 5-16 years old children
Advantages	• Brings youth financial services to where youth are and facilitate and promote financial services for youth.
Delivery Channels	• Children develop a habit of saving money through informal clubs at schools and later in banks through partnership with local banks which are termed as "Child Friendly Banks". • Aflatoun Clubs are operated in the classrooms. • Students' participation is voluntary in this programme and parents need not be signatories to accounts. • Executive Committee of the club comprised of the class president, treasurer and secretary and maintains an informal banking system. • When one wants to deposit or withdraw exceeding a certain amount, have explain valid reason. • Through parents are not directly involved in the process, they are informed.

	• From the delivery side, participating organisation regularly collects money sending a collector to the schools. • For the smooth implementation of the programme, implementing organisation conducted a two-day Teachers' Training for public school teachers.
Challenges	• Main challenge is incorporation of teachers as in many schools, teachers view Aflatoun as a disturbance to study what hamper smooth operation of the programme. • Two days training was not enough for the teacher and further planed and expanded training is needed. • Some cases has been reported as forced savings though the programme basically designed for voluntary savings for developing behavioural habit. • The delivery channel is not that smooth as there is difficulty in the withdrawal process and in some cases children were encouraged to withdraw only after graduation. • Though parents are not involved in the programme formally but they are informed about their children's savings. In many cases parents dominates deposit and withdraw of children which hinders empowering children by giving them control over their savings. • The school authority lack clear and compelling motivation for implementing and sustaining the Aflatoun Programme as there is lack of proper coordination among the stakeholders. • For financing the programme relies on the local partners and that fund is not sustainable
3. Women's World Banking: BancoADOPEM and XacBank	
Origin Country	Dominican Republic and Mongolia
Features	• Savings, • Financial education
Target Group	• 7-15 years old • 16-24 years old • 14-24 years old
Advantages	• Provides savings along with financial education • Different products considering age and gender
Delivery Channels	• Inclusive and ensures its long-term sustainability, while still maintaining the focus on girls' empowerment and gender-sensitive marketing and communications • Youth-friendly marketing materials to differentiate their youth savings products from other deposit products at the financial institution • Colourful, inspirational, and age-appropriate passbooks, marketing materials and incentive structures • Student Banker programme, where leading students at the partner schools, serve as student sales representatives. Student Bankers are trained in sales and teamwork, assist branch staff with promotional and financial education events at the schools, refer peers to open accounts • Direct marketing incorporated into the financial education at in-school product presentations and events.
Challenges	• To maintain client and staff momentum around youth savings beyond account opening. • Marketing and promotional events are focused on new accounts, but as a youth savings programme matures, it is important to continue promoting account activity and usage. • Financial education less organised and structured.

4. International Rescue Committee: VSLAs	
Origin Country	Burundi
Features	savings, financial education, small loans
Target Group	• 15-24 years old children and youth
Advantages	• Provides nonfinancial services parallel with financial services • Provide self-managed small loans • Increase employment opportunities and self-reliance among youth; • Encourage regular and lifelong savings habits. • Encourage Girls to Participate
Delivery Channels	• Village Savings and Loan Associations for youth, self-selected young men and women pool their money into a fund from which members can borrow small loans. • Individuals may take out loans to start a business venture or cover a one-time cost, such as payment for medical services. • Members then pay back the money with interest, causing the fund to grow. • The regular savings contributions of the group are deposited with an end date in mind for distributing all or part of the total funds including interest earnings to the individual members • Usually on the basis of a formal system that links pay-outs to the amount saved. • The distribution provides a sum of money that each member can apply to his or her needs.
Challenges	• The challenge for the sustainability of the programme is the delivery of the financial services through the community groups. • For financing the programme relies on partners and that fund is not sustainable
5. KfW: World Savings Day	
Origin Country	Republic of Congo
Features	• Savings promotion • Education
Target Group	• 6-24 years old children and youth
Advantages	• Provides savings along with financial education
Delivery Channels	• In this case KfW encourages banks to go to schools and to motivate students to provide financial literacy and tells them to open accounts • In order to avoid cases of overlapping, KfW helped to mediate between the parties and created a set of universal criteria for assigning financial institutions to schools • KfW tried to involve schools from poorer areas by addressing the topic in joint meetings, but did not make any binding regulations. • Practitioners must accompany financial institutions in their training preparation and work with schools in order to lay a strong foundation and ensure the long-term success • KfW's financial investment in WSD in the DRC was relatively small and primarily comprised of employing a consultant who guided the financial institutions in creating and implementing the event.
Challenges	• Due to lack of experience, the Congolese financial institutions had difficulties finding appropriate training methods and materials. • Financial institutions' preference to visit higher income schools closer to their branches and with high parental income levels. • The participating financial institutions contributed budgets twice as big as that of KfW for this project.

6. Children Development Bank in India	
Origin Country	**India**
Features	Savings, loans (applicable if the children are over fifteen years)
Target Group	9-18 years old children
Advantages	• Children can save money with the Bank and earn interest • Withdrawing money is flexible if they have to buy something like clothes or eatables. The bank is open seven days a week.
Delivery Channels	• The Children's Development Bank (CDB) is managed by the NGO Butterflies located in India. Butterflies networks with grassroots NGOs across states for partnership for this initiative. It interacts with partners and provides technical support to them, sets up and implements a monitoring and evaluation system against which the milestones are tracked, conceptualises and implements several innovations within the project. • Children between the age group of 9-18 years are the members, volunteer managers and promoters of CDB. The bank is run by children themselves, under the guidance of adult facilitators. In CDB, members organise general body meetings, nominate their own child volunteer managers (for six months) and members for the advance committee, who are then provided training to handle their responsibilities, in basic book-keeping and accountancy, communication skills and to work in a team. As part of a practicum child manage their own account on cooperative principles at set timings and members focus on becoming entrepreneurs or learning a professional skill and exiting from their situation of poverty and insecurity.
Challenges	• Though it is claimed that all the money is saved in the mainstream bank, but it is not saved in the account holders' name rather it is saved in the name of trusted officials working in Butterflies. Therefore, if proper coordination lacks between the children and officials withdrawal might get complex. Moreover, as the CDB does not have any formal registration, it is difficult to take any legal action if the money is mistrusted.

Executing financial products for vulnerable working and street children in Bangladesh

Bangladesh Bank initiative for Street Children	
Origin Country	Bangladesh
Features	• Savings at possible highest interest rate • No account maintenance cost
Target Group	• Vulnerable street and working children aged up to 18
Advantages	• Formal banking for working children • Encourages savings behaviour among working children
Delivery Channels	• Bangladesh Bank directed banks to launch banking for working street children through a circular which allows children to open a savings account with participating banks for as little as 10 Taka (USD .12). • Considering the shortcomings of NGOs in operating financial services, it is a scheme pioneered by Bangladesh Bank (BB), central bank of Bangladesh which makes a model to provide financial services to working and street children. • In this model children save in banks through NGOs. A NGO representative works as guardian for the street children and he also assist in savings procedure.

Challenges	• No fund for the NGOs so they are not motivated to run the services • Banks are not that willing to provide services.
Padakhep's savings and loan product for street children	
Origin Country	Bangladesh
Features	• Savings • Small loan
Target Group	• Under privileged children
Advantages	• Works for financial inclusion of street and working children • Provides opportunity of loan service along with savings
Delivery Channels	• Programme aims to encourage the habit of savings from a young age by providing flexible savings and withdrawal options for street children. • It follows the microfinance model for providing savings and loan services. • It develops enterprising capability among the street children. Hence they keep the provision of taking loan against the savings amount. • Combining efforts from the street children and the stakeholders have made the savings and credit programme fruitful.
Challenges	• Main challenge is to sustain the service for the for the underprivileged children • Loan product may fail due to poor recovery as most of the time these children are floating
Aparajeyo Bangladesh's Children Development Bank	
Origin Country	Bangladesh
Features	• Savings and withdrawal
Target Group	• Street and working children of 8 to 16 years
Advantages	• Designed for working and vulnerable children • Provides savings service through informal bank
Delivery Channels	• Provides security to street and working children to save their money for their future life. • Aims to provide savings and credit facilities to the street and working children which is organised and operated by its members (the children). • Discourages children to earn from illegal sources to save.
Challenges	• Do not have any formal basis • The money is deposited in the mainstream bank in the name of NGO officials.

Chapter 4

Financial Behaviour for Vulnerable Street and Working Children/Youth

4.1 Financial Behaviour

One of the crucial objectives of this study is to consider the financial behaviour of vulnerable street and working children and design appropriate financial products for this specific segment of population. From earlier discussions, we know that all children/youth in our sample are working children and 96 percent of them are engaged in labourious jobs. It is important to analyse how these children spend their income. Are they saving a portion of their income or are they spending it all? Even if they spend where are they spending? Are they spending larger portion of their income on necessary things or they are blowing their income away on smoking or watching movies? If they save a portion of their income where do they prefer to save; in banks or informally? What are the factors that motivate them to save? We need to identify all these and related factors to design appropriate financial products for these children/youth. Also we need to observe their financial management skills while they are in sudden shocks such as sickness, theft etc. Do they take loan for resilience purpose from shock? If yes, from where do they take loan? All these factors define the financial behaviour of vulnerable street and working children. Therefore, we need to explore financial behaviour of these children through several behavioural patterns such as: (i) spending/consumption behaviour; (ii) saving behaviour; and (iii) borrowing behaviour.

4.2 Nature of Earnings and Spending

It is evident from the survey data that around 34 percent of the children are engaged as business sector labourer. However, considerable numbers of street children are found to be involved in different occupations (e.g. *tokai*, tailoring, garment worker, servants etc.). The average monthly income is Tk. 3,304.16. Around 69 percent of the children indicate that they have regular monthly income. The monthly average expenditure is Tk. 2,779.89 and the share of average monthly food expenditure (80 percent 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 comparative higher income (Annex-1 Table 3.13).

Figure 4-1:**Share of food and non-food expenditure**

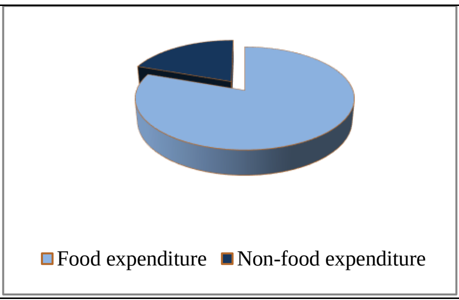
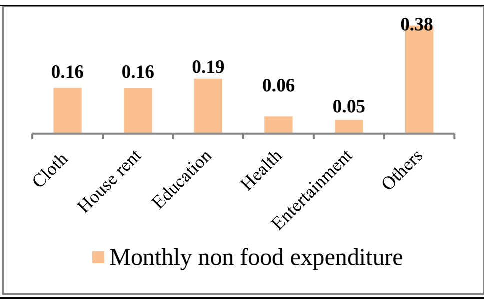


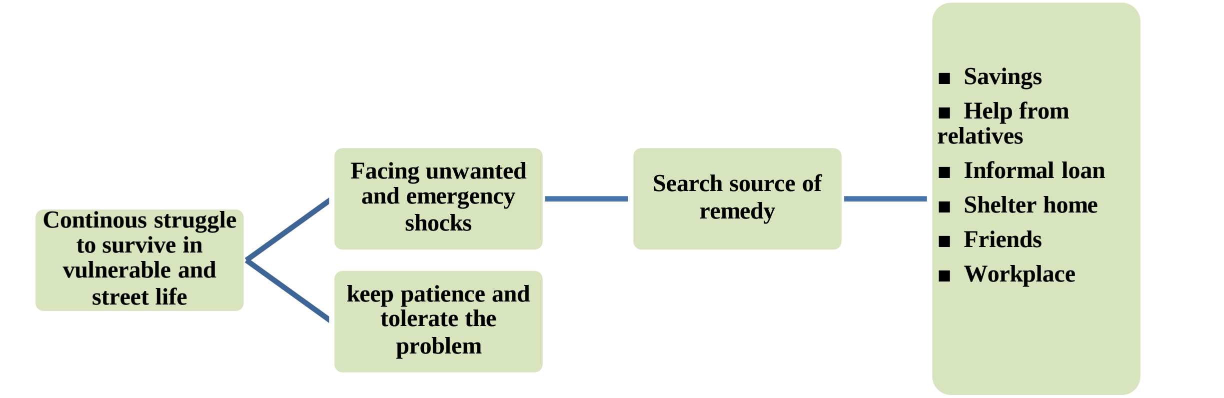
Figure 4-2:**Monthly non-food expenditure pattern**



Street children's crisis coping mechanism for survival

Vulnerable and street children face various kinds of shocks like disease of family members, accident/death of earning members, theft/robbery, police harassment, sickness and so on, which are common in street life. The field survey data show that in the last six months, 313 children faced such incidents and had to overcome emergency situations. 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 percent children indicate that sickness is the most common shock in their life.

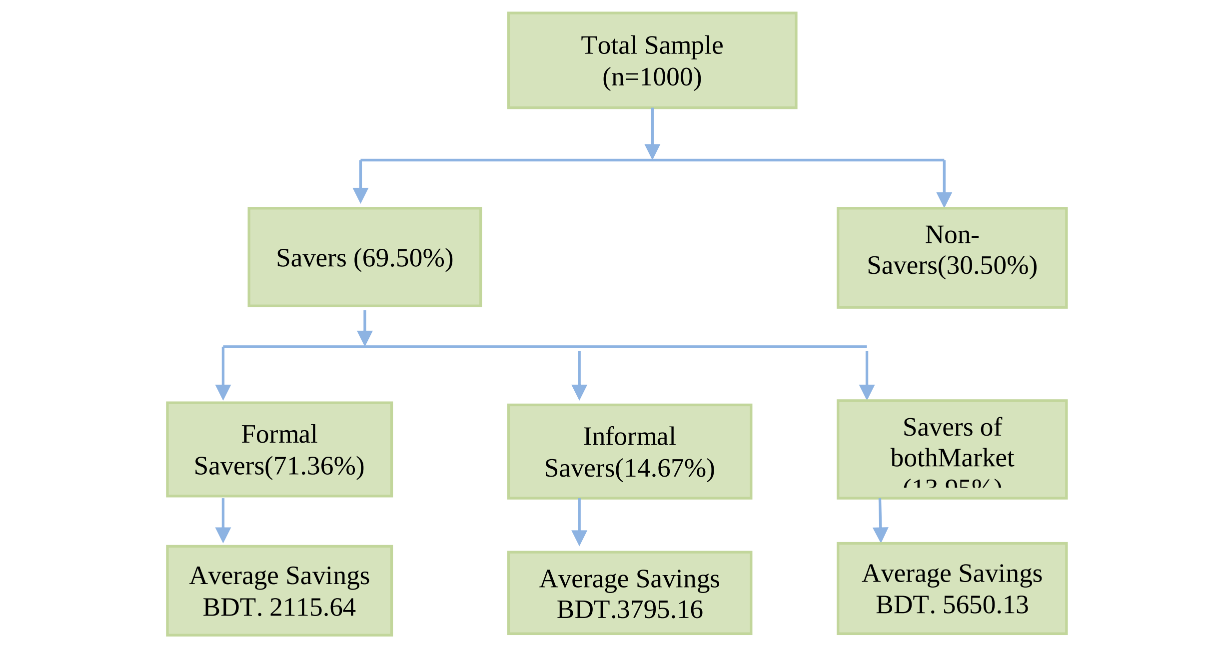
Figure 4-3:**Crisis coping mechanism adopted by street children**



4.3 Saving Behaviour and Existing Patterns of Savings

As mentioned previously, the sample of the study consists of 600 children having BDT10 bank account which makes 60 percent of the sample. However, children who do not have bank account also save. Around 70 percent of children in the sample have a saving habit either formally or informally. It is also important to note that children who do not have savings account in banks also have a tendency to save. Around 14 percent of children among the savers save informally. It is interesting to note that the children who save informally have a higher average savings (BDT. 3795) than the children save in formal institution only (BDT. 1060). 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 to withdraw the money. Therefore, children/youth might feel comfortable in saving more money in the informal institution. This notion gets further stronger when it is also observed from the analysis that the children that save both in formal and informal institutions have managed to save more (around BDT. 5600) than the children who saves formal or informal institution only and they save more in informal places than formal scheduled banks. The result shows that children who save both in formal and informal market save on an average BDT.2600 in banks and around BDT 3000 in informal institutions. It indicates that though they are saving in formal banks they have a strong tendency to save in informal institution also.

Figure 4-4:**Saving Habit among Street Children/Youth**



Source: Field Survey 2017

Who are the savers?

We have observed from previous analysis that not all children have managed to save. Moreover, amongst the children who save, not all save in formal banks. It is important to know why some children could save and others could not. Also why some children choose to save informally and others choose to save formally. Therefore, we need to analyse relevant indicators of their socioeconomic characteristics.

Gender: Our analysis shows that among the savers, boys have higher tendency to save. Around 48 percent of the savers are girls as opposed to 52 percent of boys. However, if we observe this by gender the findings might indicate different results. Our sample consists of 592 boys and 408 girls. Out of these 408 girls around 80 percent of girls have a saving habit whereas this figure is only around 60 percent for boys. Therefore, we can say that girls have higher tendency towards savings than boys. We also find that girls are more interested in formal savings than boys; 75 percent of the girl savers save in banks whereas this figure is around 68 percent in the case of boys. We also observe that children those are involved as day labourer or garbage collector have less tendency to save.

Occupation: The result shows that occupation plays an important role in developing saving habit. We have found that children involved in service sector have a higher tendency to save. Our analysis shows that around 22 percent of the savers work in the services sector against only 11 percent among the non-savers. If we observe the data for the children involved in services sector we find that around 82 percent of the children working in the services sector have a habit of saving. Similar trend is observed in the case of formal and informal savers. In our sample, services sector labourers are involved mostly in tailoring, working in electronic shops or handy craft shops or doing household works in exchange of payment. Majority of them live with parents and go to schools and work on part time basis to support their families. Obviously, they have better probability to save.

Table 4.1: 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

On the other hand, we find that children working in the transport sector have less tendency towards savings. Only around 3 percent of savers are involved in transport sector. Furthermore, we find that even if the children working in the transport sector save, they have a preference over informal sector than formal sector. Around 9 percent of the informal savers work in transport sector against 6 percent of formal savers. Also we observe that only 44 percent of children working in transport sector have a habit of saving. Children involved in floating jobs such as garbage collection have fewer tendencies to save. Around 11 percent of non-saver children are involved in garbage collection. On the other hand, only 1 percent of the savers do this sort of job. The analysis depicts the same result when we look at the statistics of the garbage collectors being able to save. It is observed from the data that around 84 percent of the garbage collectors in the sample cannot manage to save. It is not surprising because majority of the garbage collectors in our sample are floating children. They do not have education; do not have permanent place to live and many of them live without parents or guardians. They are earning their own living but to motivate them for savings they need some especial guidance which is lacking in their life.

It is important to observe the differences in saving habit by different occupation category so that we can understand the role of occupation in influencing saving habit in a more systematic manner. The analysis shows that service sector labour has a higher tendency to save. Around 80 percent of the children from this group have savings and majority of them save in a bank. Further, 75 percent of the savers of this group have formal savings and only7 percent saves informally. On the other hand, children engaged in day labour and transport sector labour has the least tendency to save. It is important to mention that in the 'day labour' category, contractual labour hired on a daily basis and the garbage collectors are included. Hence, children involved in daily labour do not have any fixed monthly income. Therefore it is difficult for them to save regularly or even be motivated towards saving. More than half of children engaged in transport sector labour do not have any savings. Although they have fixed income, still only 44 percent of these children save; moreover, children working in this sector have the highest percentage of informal savers among all occupation categories. Around 17 percent of the children working in this sector save only in informal sector. These children have less financial awareness and educational qualification than children working in other sectors. Our analysis shows that children working in transport sector have the least education (3.11 years of schooling) whereas children working in service sector are most qualified in terms of years of education (5.09 years).

Table 4.2:Occupational Differences among Savers and Non-savers

Occupation category	Savers	Formal savers	Informal savers	Non-savers
Day labour (n=65)	24.62	16.92	7.69	75.38
Industrial labour (n=162)	64.20	50.00	14.20	35.80
Business sector labour (n=341)	72.14	63.34	8.80	27.86
Service sector labour (n=313)	81.79	75.08	6.71	18.21
Transport sector labour (n=52)	44.23	26.92	17.31	55.77
Self-employed (n=46)	73.91	60.87	13.04	26.09

Source: InM Field Survey 2017

In order to have a better understanding of occupational dynamics regarding saving behaviour, we have identified few jobs where children are more prone towards saving and similarly identified some jobs where children are least interested in savings. Our analysis shows that children involved in the services such as domestic help, tailoring, teaching are more inclined towards savings. Around 94 percent of the children involved in these occupations have savings and a large majority of them have savings account in bank. Only around 2 percent of the children involved in domestic help and teaching have informal savings.

Table 4.3:Major Occupations of Savers and Non-savers

Occupation	Savers	Formal savers	Informal savers Only	Non-savers
Domestic helper	94.35	91.94	2.42	5.65
Tailoring	94.29	91.43	2.86	5.71
Teaching/tuition	93.94	93.94	0	6.06
Garbage collector	16.28	6.98	9.30	83.72
Porter	38.89	11.11	27.78	61.11
Garments worker	39.39	12.12	27.27	60.61
Worker in plastic factory	64.29	39.29	25.00	35.71

Source: Field Survey 2017

On the other hand, children involved in services such as working in garments factories, or working as porters have the least tendency to save after garbage collector. Around 60 percent of the children engaged in these occupations do not save at all. It is important to note that these occupations are also under 'service sector' category. As there are a lot of variations in the service sector occupations we find that children involved in some jobs have more tendency to save and children involved in some other jobs under the service sector have least tendency to save. As mentioned earlier, majority of children involved in garbage collection do not save. Only around 6 percent of the garbage collectors have savings account in bank.

Income: It is obvious that saving is a function of income. Our analysis shows that having stable income is an important factor for being able to save. Around 75 percent of the savers have stable income whereas this figure is only around 60 percent in the case of non-savers. In the case of formal savers and informal savers the result shows similar trends. It is obvious because the arrangement of formal savings require a certain terms and condition such as restricted withdrawal, regular deposit and so on. Moreover, certain procedures have to be followed for withdrawal. As these working children live on sustenance, it is difficult for them to wait and undergo a time consuming procedure to withdraw money during the time of emergency. Therefore, we find that informal savers constitute more children having unstable income than formal savers. Similar trend is observed in the case of savers and non-savers. It is obvious because consumption is the basic priority for these children as they live on sustenance. With unstable income it becomes difficult to meet the necessary consumption needs. Hence, we observe children with stable income have higher tendencies to save. However, having multiple earning does not seem to have any influence on savings. Only around 3 percent of the savers have multiple earning sources. We also found that one of the distinct characteristics of formal savers is that they provide financial support to their family. Around 68 percent of the formal savers do support their families financially whereas this figure is around 58 percent among the informal savers.

We also observe that while stable earning is an important factor for being able to save, 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 income of savers is around BDT 3,000 whereas the average income of non-savers in around BDT 3,600. It is important to note that 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. Our analysis shows that formal savers have the lowest average income than informal savers. 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 income.

We find similar results if we analyse it by occupation category. The result shows that children involved in the transport sector labour have highest income (BDT 4,299) after self-employed children. However, this group has one of the lowest savings which is around BDT 660. On the other hand, children working in business sector have one of the lowest incomes (BDT 3,121) even though the average savings of this group is around BDT 1,600. Another important observation is that the formal to informal savings ratio for this group ishigh(around

1.34) which means this group is keener towards formal savings. Similar pattern is observed for children involved in service sector labour; income is the lowest among all the sectors still average savings is considerably high which is around BDT 1,400. It is observed from the data that children engaged in business sector and service sector are more involved with NGOs. Hence we find higher formal to informal savings ratio in these cases as NGOs are the facilitator of the children to open bank accounts. So they can motivate them about benefits of saving habit and having a formal account in banks. On the other hand, other children working in different sectors are more inclined towards informal savings than formal savings and the formal to informal savings ratio is lower than 1.

Table 4.4:Income and Savings by Occupational Category

Occupation category	Average monthly Income	Total savings (Accumulated)	Formal savings	Informal savings	Formal to informal saving ratio
Day labour	3208.42	359.38	95.23	264.15	0.36
Industrial labour	3561.05	1307.89	559.69	748.19	0.75
Business sector labour	3121.68	1645.62	943.23	702.39	1.34
Service sector labour	2904.88	1452.42	955.01	497.40	1.92
Transport sector labour	4299.16	660.19	196.73	463.46	0.42
Self-employed	5628.00	2502.26	691.39	1810.87	0.38

Source: Field Survey 2017

Education and financial awareness: It is observed that education seems to have an impact on saving habit. The savers studied on an average for 5.34 years whereas non-savers have studied for 3.11 years. The result shows similar trend in case of formal and informal savers. The formal savers have on an average 5.62 years of education against 3.59 years for informal savers. When we go into further details we find that saving habit has a significant relationship with education. We divided years of education into four categories. We find that as we move to higher categories more savers are observed. Children up to 3 years of education have only 53 percent of savers against 76 percent of savers in the group 4-7 years and 85 percent of savers in the group of children having 8-10 years of education. Moreover, all children having more than 10 years of education have savings and around 93 percent of them have saving account in banks. We also find that the more the children are educated the higher is the probability of having a formal saving account. In the category of children having up to 3 years of education, there are only 38 percent of formal savers whereas this figure is around 15 percent in the case of informal savers. Furthermore, we find that the percentage of formal savers almost doubles and percentage of informal savers is reduced to half for children having 4 to 7 years of education. Thus educational qualification tends to have a significant relationship with saving habit along with having a strong relationship with saving account in formal banks.

Table 4.5:Differences in Educational Qualification among Savers and Non-savers

Category of years of education	Savers	Formal savers	Informal savers	Non-savers
0-3	53.19	38.03	15.16	46.81
4-7	76.33	69.03	7.30	23.67
8-10	85.90	82.05	3.85	14.10
Above 10	100.00	93.75	6.25	0

Source: InM Field Survey 2017

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, ratio of formal savings to informal savings also increases with educational qualification. We find that children with up to 3 years of education have average total savings of around BDT 1,200 and children with 4-7 and 8-10 years of education have around BDT 1,500 and BDT 1,900 respectively.

Table 4.6:Differences in Educational Qualification by Saving Amount

Category of years of education	Total savings	Formal savings	Informal savings	Formal to informal savings ratio
0-3	1243.05	557.00	686.04	0.81
4-7	1517.91	790.82	727.09	1.09
8-10	1961.69	1413.45	548.24	2.58
Above 10	678.75	360	318.75	1.13

Source: InM Field Survey 2017

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 percent 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 about benefits of savings as the formal savers do. It is found that around 47 percent of the informal savers do not have proper knowledge about benefits of savings.

For deeper analysis, we have generated literacy score based on 18questions. The methodology of constructing the literacy score is given Box 1.

Box 1: Measuring Financial Literacy

In total there are 18 questions through which respondents are judged whether s/he has good command over financial literacy. The study intends to assess financial literacy by scoring the respondents' understanding in four different indicators which are:

i) Knowledge about financial institutions/products in Bangladesh
ii) Knowledge about the use of financial products
iii) Knowledge about financial awareness
iv) Knowledge about financial calculation discount rate and inflation

Knowledge about financial institutions

There are five questions under this indicator. The questions under this indicator will judge the performance of the respondents regarding their knowledge about financial institutions/products. We have asked the children about sources of loan, savings, knowledge about financial institutions such as bank and MFI, knowledge about financial service such as ATM card. Each question has different passing criteria. For example, one question is asked whether the respondent knows about possible sources of getting loan. If s/he can tell at least two accurate possible sources then the answer will be considered as correct. In that case the respondent will get 1 out of 1 otherwise gets 0.

Knowledge about use of financial products

There are four questions under this indictor. This indicator will judge whether the respondents have sound knowledge on the use of financial products. We have asked the children about the documents needed for opening a bank account, the use of deposit book and cheque book, the use of mobile banking under this indicator. Here also each question has different passing criteria. For example, if the respondents can correctly tell about 2 documents needed to open an account then the answer will be considered correct. Similarly if the respondents mention the use of deposit book and cheque book correctly then s/he gets 1 otherwise 0.

Knowledge about financial awareness

This indicator will reflect whether the children are aware of financial transaction and benefits of savings. We judge their financial awareness by asking them whether the ATM password can be shared with anyone or what are the benefits of savings in the formal institutions and so on.

Knowledge about mathematics, inflation and interest rate

As knowledge about basic mathematics and inflation reflects financial literacy we have included few basic math under this indicator which in turn will reflect the how well the respondent has knowledge on interest rate, discount rate, inflation and basic mathematics. If the respondent can answer correctly s/he gets 1 or otherwise 0.

Generating Literacy Score

The correct answers under each indicator are added up. For each correct answer respondent gets 1 and for each wrong answer the s/he gets 0. The total number is divided by the total number of questionnaire under each indicator. So there will be four different scores for four indicators. We then add up the scores and divided it with four as the total number of indicators is four. Lastly, we convert it in the scale of 100.

In the table below all the questions under all the indicators are discussed with specific passing criteria.

	Questions	Passing Criteria
1	Do you know where to get loan from?	If the respondent answer is yes and s/he can mention at least 2 source
2	Do you know where to save?	If the respondent answer is yes and s/he can mention at least 2 source

3	Do you know what a bank is? What are the functions of a bank?	If the respondent answer is yes and s/he can mention at least 2 functions of bank
4	Do you know which documents need to be submitted to open an account at the bank?	If the respondent can mention at least 2 document required for opening a bank account
5	Do you know the facilities that you will get if you have saving account with bank?	If the respondent's answer can mention at least 2 benefits of having saving account
6	Do you know what an MFI is? What are the functions of it?	If the respondent answer is yes and s/he can mention at least 2 functions of MFI
7	Can transactions be made through mobile? If one wants to make transaction through mobile to whom s/he needs to go?	If the respondent's answer is yes and can mention at least one agent's name
8	Do you think that there is benefit in savings? If yes, what are these?	If the respondent can mention at least 2 benefits of savings
9	Do you know what an ATM card is? If yes, what are the functions of it?	If the respondent's answer is yes and can mention at least 1 use of ATM card
10	Can you provide anyone else your pin number of ATM card?	If the respondent's answer is No
11	Do you know what a deposit book is? What are the functions of it?	If the respondent's answer is yes and mention the correct use
12	Do you know what a cheque book is? What are the functions of it?	If the respondent's answer is yes and mention the correct use
13	You have 5 apples. Your friend gave you 3 more. Now you have given 2 apples to your brother, 2 to your sister, 1 to your father and 1 to your mother. How many apples do you have now?	If the answer is 2
14	You have 18 chocolates. You decided to distribute these equally between you and your two friends. How many chocolates each person will receive?	If the answer is 6
15	You have deposited 200 tk. at bank. If bank pays 10% interest, how much will you receive after one year?	If the answer is 220
16	You have lent someone 10,000 tk. this year. That person will return your money in the exact same amount after two years. If price of commodities increase after two years, will you be benefitted?	If the answer is No
17	Price of a shirt at present is 200 tk. You came to know from your friend that tomorrow there will be rebate in this shop. Will you benefit if you buy the shirt tomorrow?	If the answer is Yes
18	If there is a 25% discount on the shirt of 17, what will be its price tomorrow?	If the answer is 150

The result shows that financial literacy has a strong influence on saving habit. Obviously savers have good awareness about savings institutions. They are also well aware of what banks and MFIs are and what the procedures for opening a bank account are. Around 72 percent of the savers correctly mention the documents needed for opening a bank account whereas the figure is only 47 percent in the case of non-savers. The difference is more prominent in the case of knowledge about MFIs. On the other hand, around 74 percent of formal savers know the functions of banks relative to only 55 percent of informal savers. Similar pattern is observed in the case of interest rate calculation, discount rate and knowledge on inflation. Regarding literacy score, we find that all groups have relatively better knowledge in the indicators on mathematics compared with other three indicators. Knowledge on financial awareness is the lowest among all indicators and this is true for all groups. For the savers, the average score on financial awareness is 43 out of 100 against only 28 in the case of non-savers. It is also important to note that formal savers have also very low financial awareness score. On an average, this group's score is 45 whereas the informal savers' average score is 30. When we observe total literacy score, we find that formal savers have highest (around 68) and non-savers have the lowest average of 41 out of 100. Hence financial literacy has a strong influence on formal savings and saving habit.

Table 4.7: Differences among Savers and Non-savers on Indicators of Financial Literacy

		Savers	Formal savers	Informal savers	Non-savers
Percentage of the Children having Knowledge on Different Indicators					
1	Knowledge about loan source	85.18	87.29	72.16	60.66
2	Knowledge about where to save	84.60	85.12	81.44	57.05
3	Knowledge about bank	72.09	74.75	55.67	47.87
4	Knowledge about MFI	47.19	47.99	42.27	28.52
5	Knowledge about ATM card	31.65	33.78	18.56	13.11
6	Knowledge about paper work for opening bank account	90.79	97.16	51.55	36.39
7	Knowledge about mobile banking	90.94	92.64	80.41	85.57
8	Knowledge about deposit book	90.65	98.66	41.24	29.51
9	Knowledge about cheque book	87.34	92.31	56.70	45.25
10	Knowledge about benefits of savings in banks	55.25	58.53	35.05	22.95
11	Knowledge about benefits of savings	63.60	66.22	47.42	45.90
12	Knowledge about ATM password	12.09	12.71	8.25	4.92
13	Knowledge about addition/subtraction	88.06	89.13	81.44	84.92
14	Knowledge about division	63.31	65.22	51.55	54.10
15	Knowledge about interest calculation	58.99	59.87	53.61	40.33
16	Knowledge about inflation	77.27	77.26	77.32	70.16
17	Knowledge about discount rate	77.41	77.42	77.32	77.70
18	Knowledge about general calculation	41.87	43.31	32.99	31.15
Generating literacy score					
1	Financial product and institution	64.14	65.78	54.02	41.44
2	Use of financial product	89.92	95.19	57.47	49.18
3	Financial awareness	43.64	45.81	30.24	24.59
4	Mathematics	67.81	68.70	62.37	59.72
	Literacy Score	66.38	68.87	51.02	43.73

Source: InM Field Survey 2017

Financial inclusion status of children's family: Family characteristics of children are another distinct feature of savers. It is found that if the child's family is involved in savings the child gets more inclined towards savings. Around 16 percent of the savers report that their family have formal saving account either in banks or MFIs whereas this figure is only around 9 percent 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. If family have formal savings account it is natural that they will be more aware of the benefits of having a saving account in bank. Our data show that around 17 percent of the formal savers' family have saving accounts in banks. It is observed that family members having formal loan does not seem to have an impact on saving habit of children. However, in the case of characterising formal and informal savers it does seem to have an impact. It is because in our sample many of the children's families have taken loan from MFIs where saving is mandatory. Hence, the children are more aware of formal savings. It is found that around 17 percent of formal savers' family have taken formal loan whereas this figure is only 11 percent for the children saving informally. We have also observed that families having mobile accounts are a distinct characteristic of savers. Around 9 percent of the savers' family do transactions using own mobile account against only 3 percent of the non-savers' family. 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 family 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.

Utilisation of savings: Now that we know the characteristics of savers it is important to analyse what they do with their savings. It is important to note that not all the savers have withdrawn their savings and utilised it. Especially it is more applicable for formal savers where withdrawing system is complex and it requires approval from NGO officials through a signature on cheque. Hence only 16 percent of the formal savers in our sample have withdrawn savings from banks whereas the figure is 73 percent for the informal savers. Therefore, the result only shows the utilisation of savings for those children who have withdrawn their savings. We have also asked the respondents about the future plan of utilising their savings. This question is responded by all children that have savings either formal or informal. So we have two sets of analysis here; one indicating how they have utilised their current savings which is only responded by the children who could withdraw their savings, another indicating how they plan to utilise their saving in future.

Table 4.8: Utilisation of the Savings (in Percentage)

	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

Table 4.9: Future Plan for Savings

	Have formal savings only (n=496)	Have both formal and informal savings (n=102)	Have informal savings only (n=97)
Investment in agriculture and livestock	1.8	1.00	1.01
Investment in transport business	1.00	1.00	1.01
Investment in shop	9.67	14.00	28.28
Investment in cloth business/tailoring	8.26	10.00	2.02
Investment in machineries	2.82	1.00	-
Furniture related business/wood business	2.62	1.00	2.02
Other business	4.00	7.00	8.08
Higher education	44.96	51.00	19.19
Consumption	3.83	4.00	5.05
House repair/building/furniture	9.08	4.00	15.15
Treatment	2.82	1.00	2.02
Marriage cost	1.61	-	4.04
Others	7.53	5	12.12

Source: Field Survey 2017

4.4 Borrowing Behaviour and Existing Borrowing Pattern

It is observed from the analysis that children do not have access to formal loan. It is obvious as the law of Bangladesh does not permit them to avail loans from formal market. Moreover, as they are minors informal lenders are also not very interested to provide them with loan. Only around 3 percent of the children have taken loan from informal lenders. It is important to note that around 16 percent of the children have taken informal loan ever in their life. It is observed that children prefer to borrow from their friends rather than informal lenders or other sources of informal borrowing. Around 70 percent of the children who have taken informal loans report that they usually take loan from their friends. They also prefer to take loan from relatives and neighbours. It is found that around 12 percent of the informal borrowers have borrowed from relatives/neighbours. Some of them also borrow in the sense they purchase from shops on credit. It is observed that around 5

Table 4.10:Sources of Informal Borrowing

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

percent of the informal borrowers do purchase on credit. It is also found that NGO officials not only assist the children in opening formal saving account, they also sometimes lend the children money informally. It is found that around 1.2 percent of the children have borrowed money from NGO officials informally.

We have observed from the analysis that most of the children prefer to borrow from friends. Now what can be the possible reasons for it? We have asked the children engaged in informal borrowing from friends why they choose to borrow from friends during their need. Around 55 percent 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. Another 30 percent report that they usually get whenever amount they want from their friends as loans. It is important to note that the sample of this study consists of vulnerable children of Bangladesh who cannot manage themselves financially when they suffer from any shock. For them it is very important that whenever they need the money during shock they get it easily without any time lag. This is the most desired feature of a loan product for them. It is also found that around 9 percent of children borrow from friends because they do not have to pay interest on loan.

Table 4.11:Reasons for Preferring Friends as Lenders

Reason	Percentage of Children
No/Low interest rate	8.48
Fast loan	30.51
Necessary loan	1.69
Don't know others	20.34
Unknown system	2.54
Known lender	35.59
Others	0.85

Source: InM Field Survey 2017

The above discussion suggests that children do not have any scope for formal borrowing as the law of Bangladesh does not permit such loan. Therefore, the only option left for them is to borrow from informal sources. However, as they are minors informal lenders are also not very interested to provide them with loan. It is found that children are more interested to borrow from their friends as they are the ones who can help them with money during need and they can get the loan easily during the time of urgency.

Who are the borrowers? : We have observed from the previous analysis that not all children are involved in informal borrowing. Only 16 percent of children in the sample have taken informal loans. It is important to discuss who borrows from informal sources? What are their characteristics? It is found that male children are more inclined towards borrowing. Our analysis shows that around 80 percent of the borrowers are males whereas this figure is only 55 percent in the case of non-borrowers. We have also found that children engaged in business sector labour tend to borrow more from informal sources. Our data show that the children engaged in garbage collection tend to borrow more. The data show that around 8 percent of the borrowers are garbage collectors whereas this figure is only 3 percent in the case of non-borrowers. We have also observed that having multiple occupations plays an important role in being a borrower. Around 13 percent of children engaged in borrowing are involved in multiple occupations. On the other hand, among the non-borrowers this figure is only about 2 percent.

Table 4.12: Characteristics of Borrowers

	Borrower (n=166)	Non-Borrower (n=834)
Male children	79.52	55.16
Garbage collection as main occupation	8.43	3.48
Involved in multiple occupations	13.25	2.28
Involved in formal savings	41.57	51.20
Average monthly expenditure (in BDT)	3,271.72	2,681.99

Source: Field Survey 2017

This might be surprising as one would expect that being engaged in multiple occupations indicates more income and thus children having multiple occupations do not need to borrow. However, this might not be true for the target group of our study. As majority of the children in our sample work as labour, in this case having multiple occupations may refer to unstable income; which means at one period of time the children may have enough income to meet their sustenance but there can be other periods when they might not have any stable job and hence engage in multiple occupations to meet the consumption needs and might have to borrow as well. However, our analysis shows that children having formal savings tend to borrow less. It is because as there is limitation in withdrawing money in formal saving arrangement, children cannot spend the money whenever they want. They need another account holder's signature to withdraw the money. Hence they need valid reasons to withdraw the money. As a consequence they have better chance to utilise their saving. Hence they are less dependent on borrowing in the case of emergency. They can utilise their saving during the time. Our analysis shows that around 50 percent of the non-borrower have formal savings whereas this figure is around 40 percent in the case of borrowers. It seems that expenditure is an important factor in influencing their borrowing behaviour. It is obvious that children spending less will borrow less and vice versa. The result shows that the borrower group has average expenditure of BDT. 3,200. On the other hand, children that do not borrow spend on an average BDT 2,600 on their daily needs.

The above discussion indicates to the fact the borrowing behaviour of children are characterised by certain features. Most of the borrowers are males, they are engaged in floating or unstable jobs such as garbage collection, they tend to spend more and have less interest in formal savings.

Why Do the Children Borrow? So far we have observed the characteristics of borrowers and what is the pattern of their borrowing. However, it is also important to know for what purpose they usually borrow and what is their average loan size and do they actually repay the loan they have taken?

Table 4.13:Loan Status of the Borrowers		
Average Loan Size (in BDT.)	Average Loan Outstanding (in BDT.)	Repayment Rate
944.28	290	80.82%

Source: Field Survey 2017

The result shows that the average amount of borrowing is around BDT 944. However, the analysis shows this amount is slightly lower than the amount demanded. The average loan demand of the children is around BDT 1,076. So, it can be said that they also face the problem of credit constraint to some extent. Another important observation is that though it seems only around 80 percent of the borrowers could repay their loan fully, the average loan outstanding is considerably low (BDT. 290) compared to the average loan size. It might seem that repayment rate among the borrowers are not satisfactory however, one should keep in mind that the outstanding is very small. Also it is important to note that considering their socio-economic condition and job stability sometimes it gets difficult for them to repay on time. However, by observing the size of loan outstanding it is expected that eventually they will repay. It is also important to understand how do they utilise the loans? It is observed that around 52 percent of the borrower children use the loan for consumption purposes. It is of no surprise because these children are vulnerable. They have to manage on their own. To maintain their sustenance they need to borrow sometimes. Hence most of the borrowers utilise the loan for consumption purposes. Another 17 percent 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 percent of the borrower children take loan for meeting the expenses of drugs or smoking. This finding points out to the fact that if the children are not guided properly with money, this can become harmful for them. Therefore increasing financial awareness and social awareness among these children are important if they are to be brought under financial inclusion process. However, some children use the loan during medical emergencies. It is also observed that around 4 percent of the children loaned for treatment purposes. Basically the children borrow to meet the daily consumption need as they live on substance. Other than that some children make productive use of loan by spending it for education. Also some children use it during medical emergencies. On the other hand, some only borrow to meet the addiction of drugs or smoking.

Table 4.14: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

4.5 Summary of Findings

- Street children are involved in different occupations (e.g. *tokai*, tailoring, garment workers, household/enterprise helpers etc.).
- The average monthly income is Tk. 3,304 and monthly average expenditure is Tk. 2,780 and 80 percent of total expenditure is on food.

- In crisis times, the vulnerable street children try to find different mitigation measures e.g. use of savings, help from relatives, informal loans, support from shelter homes, friends and help from workplace.

- The sampled children have a tendency to save money in formal or informal ways and around 70 percent of children have a habit of saving.

- Around 14 percent of children among the savers save informally. Children who save informally have a higher average savings (Tk.3,795) than the children who save in formal institutions only (Tk. 1,060). One explanation of such behaviour is that saving in formal institutions are inflexible as withdrawal is not easy.

- Having stable income is an important factor for being able to save. Around 75 percent of the savers have stable income whereas this is only 60 percent in the case of non-savers.

- Around 68 percent of the formal savers do support their families financially whereas this figure is around 58 percent among the informal savers.

- Education seems to have an impact on saving habit. The savers have average schooling of 5.3 years whereas non-savers have schooling of 3.1 years.

- Formal savers are more aware of the benefits of savings than informal savers. Around 66 percent of the formal savers are well aware of the benefits of savings whereas 47 percent of the informal savers do not have proper knowledge about benefits of savings.
- Family characteristics of children are another distinct feature of savers. If a child's family is involved in savings, the child is inclined towards savings. Around 16 percent of the savers report that their families have formal saving accounts either in banks or MFIs whereas this figure is only 9 percent in the case of non-savers.
- Around 70 percent of the children who have taken informal loans report that they usually take loan from their friends. They also prefer to take loan from relatives and neighbours.
- Most of the borrowers are males, they are engaged in floating or unstable jobs such as garbage collection, they tend to spend more and have less interest in formal savings.

Box 2: A Little Support Can Make A Difference

Twelve-year old Jewel presently works in a bakery. Jewel's family has three members. Before Jewel had two more elder brothers. They were working in a factory and Jewel was studying. The family used to run with the two brothers' income. But three years ago Jewel's brothers got married and separated from the family as they want to raise their own family. That is why they didn't want to finance the family anymore. So Jewel's father was forced to do something for the family and he started to work as a day labourer. But what he was earning was very meagre for marinating the family and meet Jewel's education expenses.

It was 2013; Jewel was in 4th grade then. Jewel had to quit his study and took a job in the bakery for Tk. 2,000 monthly payment. There no other way except this for Jewel to support his father. Jewel says, "This Tk. 2,000 is a great help for my family and from then on I am out of study and schooling." Now Jewel's father is 70. He can barely do any productive work now. They even don't have any arable land. As property they have only a tin-shed house on a small piece of land and some ducks and hens. Except these they have nothing. So the whole family depends on only Jewel's income at present. Meanwhile, in 2014 Jewel met with an officer of the NGO named UDDIPON. The officer came to know about the hitches Jewel was going through. At that time Jewel was earning Tk. 3,000 permonth. He told Jewel about the 10-Taka bank account. At the same time, Jewel was informed by the officer about the benefit of depositing money in the bank and the account opening process.

At first Jewel was not that enthusiastic about it but he decided to open an account. Finally in 2014 he opened a bank account through UDDIPON in NCC Bank and deposited Tk. 100 for the first time. He was given a passbook too.

Now he deposits Tk. 500 every month. He has understood the benefit of depositing money and has developed a saving behaviour in himself. Jewel says, "I feel good that day every month when I go to the bank to deposit money in my account. I myself go there every time. I wanted a check book from the Bank but I as told that since I was not 18 I couldn't use a check book. I don't have any savings anywhere. I feel myself more self-sufficient having some savings in a Bank than before."

Now Jewel is planning to open up a grocery store with his money. Jewel also believes that if the Bank gives him some loan he can set up a bigger grocery store from which he can save more in future. Using increased savings, Jewel dreams of building a house for his parents and make them happy. He wants to remove all the afflictions and sufferings of his parents.In this regard jewel says, "UDDIPON helped me a lot to see myself in this position and to dream for a good future. If UDDIPON didn't help me open a Bank account I couldn't have this savings today."

Source: Case Study from Comilla

Chapter 5
Demand for Financial Services of Vulnerable Working and Street Children

5.1 Introduction

While majority of the people living in the developing world lack of access to proper financial services, meeting the sustainable development goal remains a challenge for any developing country especially where incident of child labour is so evident. It has been seen that, working children also have demand for financial services just like adults in spite of poor financial condition. 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. Available evidence shows that street and working youth/children are among one of the most deprived and disadvantaged segments in Bangladesh society. The vulnerable street and working youth/children mostly come from families with financial hardship, often plagued by poverty and indebtedness. Overall, the vulnerable street children/youth 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. The objective of this chapter will be to analyse the demand of different financial product targeted to vulnerable working and street children. In this chapter we intend to discuss the need of different financial product and the desired features of some major financial products.

5.2 Analysing Demand for Different Type of Financial Services

What are the financial services that vulnerable working and street children usually demand for? The analysis of previous chapter shows that children do not have access to formal loan. It is obvious as the law of Bangladesh does not permit them to avail loans from formal market. Moreover, as they are minors informal lenders are also not very interested to provide them with loan. Only around 3 percent of the children have taken loan from informal lenders. It is important to note that around 16 percent of the children have taken informal loan ever in their life. It is observed that children prefer to borrow from their friends rather than informal lenders or other sources of informal borrowing. Getting loan from friend is comparatively easy; do not need any paper works and there is no hassle of loan applications and loans are processed quite quickly.

The analysis of previous chapter showed that around 60 percent of the children have formal bank account. Those who have such bank account primarily opened it to save money there. They found that saving in bank is safe. However, children who do not have bank account also save. Around 70 percent of children in the sample have a saving habit either formally or informally. It is also important to note that children who do not have savings account in banks also have a tendency to save. Around 14 percent of children among the savers save informally. Primary reason for having informal saving is flexibility; deposits can be made and withdrawn at any time. Also these vulnerable children are not aware of formal banking system. Though the sample of this study consists of 600 children having formal banking account it is found that around 38 percent of the accounts are inactive. Initially they opened the account with the motivation of NGO officials but later due to lack to supervision of NGO officials felt demotivated to continue it. In the later sections of this chapter we will discuss about the demand of loan and savings in detail manner.

We also find some children are using mobile account either through agent or through themselves. It is important to note that according to Bangladesh law only adults are entitled to open mobile account which requires one to be 18 years old. However, we find that around 2.7 percent children own a mobile account. The average ages of these children are around 17. We also found that around 12 percent children in the sample transact through mobile with the help of agent. They primarily use this mobile bank account to receive or send money from/to others/family members. These are especially true for the children living away from their parents in a different city and have to support their family financially. In spite of growing surge of opening mobile bank account, still a number of children do not open mobile bank account primarily for two reasons: (i) They are not entitled to have a mobile account before 18 years old(ii) They have very few knowledge about mobile banking.

As mentioned earlier, the objective of this chapter is to assess the demand for different financial product for the vulnerable street and working children. In this chapter first we are going to discuss the demand of financial products for vulnerable working and street children which is credit and savings. Later the discussion will be followed by desired features of the financial products mentioned by the children.

5.3 Analysing Demand for Credit

As mentioned previously children do not have access to formal loan as they are not entitled to apply for loan before they reach adulthood. However, that does not mean they do not have demand for loan. While we asked in the survey questionnaire whether the children will take loan if they need it, around 90 percent of the children reported that they are interested to take loan. They were also asked about the utilisation of the loan meaning for what purpose they would like to take the loan. Around 45 percent of the children mentioned that they intend to do business in future if they get loan. This is obvious because children in our sample are vulnerable and working class. They do not have much education to do desk job or white collar job. Therefore they are inclined towards business. We have also asked them what sort of business they are interest in and what is their demand for fund for that specific business. We have categorised some of the businesses they mentioned and also analysed the fund requirement for that business.

Table 5.1:Purpose of Taking Loan in Future

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

Table 5.2: 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/Ready Made Garment/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 Business	26.47	147347

Source: Field Survey 2017

As observed from the table investing in shop is on high demand as around 42 percent of the children in the sample wants loan for opening own shop and the children reported that their fund requirement for establishing a shop is on an average BDT. 93000. Investment in tailoring or cloth business requires around BDT. 266000 loan on an average. 18 percent of the children want loan to set up their own cloth business or do tailoring with the loan service. Some of the children also want loan for vegetable and fruit business. Others want to establish automobile or mechanic workshop. The average demand for loan is around BDT.133000. The analysis indicates that children are more interested in getting microenterprise loan in future and the demand for loan is also small compared to the usual microenterprise loan size. Policies can be made to make a special loan arrangement for them.

5.3.1. Institutional Preference for Loan

As discussed previously children do not have access to formal loan as they are minor. Moreover, only 3 percent of the children have taken informal loan in the survey year. As the sample purposively consists of 60 percent of formal savers we did not find strong preference for informal loan especially among the children who already have formal saving account. We asked the respondents who are interested in taking loan in future whether they prefer informal loan over formal loan. Only around 16 percent of the children reported they will prefer informal loan if they have to take loan in future. Now the question is why the children have a preference of taking loan from informal market over formal market? Our analysis shows that it is due to the relationship with the lender that children primarily want to take loan from informal market. Around 42 percent of children reported that they are interested in informal credit because it is convenient to borrow from a known lender and the repayment policy is flexible for them. Another important feature of informal loan is no collateral is needed to take a loan. It is important to note that the sample of this study consists of vulnerable street and working children of Bangladesh who cannot manage themselves financially when they suffer from any shock. For them it is very important that whenever they need the money during shock they get it easily without any time lag. This is the most desired feature of a loan product for them. This notion is further validated when we found that around 31 percent of children reported that they will take informal loan in the time of need because the loan disbursement process is faster than formal loan. Also it can be derived from the analysis that children do not have many sources to borrow. As they are minors entry to the formal market is restricted and moreover lenders in the informal markets also do not have confidence on their repayment capability as they are minors. This finding is further rationalised when we find around 20 percent of the children want to take informal loan as they do not know any other borrower.

Table 5.3: 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

So far we have observed why the children opt for informal loan. Now the question do they have preference for formal loan? If yes, then why do they prefer over one formal institution than other? Our analysis shows that children prefer to take loan from bank than MFI for business purpose. While we asked them whether they will go to MFI if they need loan around 71 percent of the children answered ‘NO’. Our analysis suggests that MFIs are mainly unpopular among children due to high interest rate and lack for knowledge about MFI. Around 40 percent of children reported that they do not prefer to take loan from MFI because the interest rate is high for loan. Around 32 percent children reported that as they do not know much about MFI hence they are reluctant to take loan from here. This notion is further validated when we find around 9 percent of the children reported that they will feel insecure taking loan from MFI. Interestingly it is found that around 12 percent of children prefer not to take MFI loans because they feel MFI will not let them enter or they feel hesitate to go there. On the other hand, when we asked the children would you like to take loan from bank for business purpose in future around 64 percent of children answered ‘Yes’. The result may seem surprising as the general preference of the marginalised people of Bangladesh is MFI due to easy availability of loan and less hassle in loan documentation process. However, in this case the scenario is bit different. It is important to note that 60 percent of the sample have or had bank account for savings. Therefore, they will obviously have a natural inclination towards bank. However, around 36 percent reported that they do not want loan from bank.Our analysis shows children prefer not to take loan from bank for completely different reasons. It is mainly due to collateral that children are not interested in taking loan from bank. The data shows that about 44 percent of children that do not prefer bank loan because it requires large collateral to get the loan. As these children are already vulnerable and live on sustenance it is difficult for them to arrange such collateral and start business. Another important observation from the analysis is that though 60 percent of the samples have bank account it seems that they do not have much idea about how the bank operates. Hence they will not feel comfortable to take loan from bank for business purpose. The result shows that around 20 percent of the children reported that they do not know much about the operations of bank. Another important reason for not being interested in bank is that loan application process is very lengthy and huge documentation is needed for the application. As the sample of this study consists of vulnerable working children who do not have much education it is difficult for them to go through this huge documentation process. Around 10 percent of the children reported that they are not interested in bank loan due to this documentation process.

Table 5.4: Reason for not being Interested in Taking Loan from Bank/MFI for Business

Reason	Bank	MFI
Feel hesitate to enter into institution	2.44	10.08
Institution will not let me enter into their premises	12.20	2.33
Huge document is 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

5.4 Analysing Preference for Savings

As mentioned in chapter 4, the study sample covers 600 children having BDT10 bank account which makes 60 percent of the total sample. However, children who do not have bank account also save. Around 70 percent of children in the sample have a saving habit, formally or informally, which means around 30 percent of children do not save at all. In this context, one important question is why some children are reluctant to save at all.

Table 5.5: Reasons for Not Savings

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 percent of children have inadequate income for savings. In Chapter 4, 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. These results further show that the average income of savers is around BDT 3,000 whereas the average income of non-savers in around BDT 3,600. It is important to note that 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. This assertion is further validated when we find that around 10 percent of the children do not save because they cannot control their spending habit and 3 percent of children do not feel the need for savings. Another important observation is that some children do want to save but they do not have a secure place to keep their money.

Why do Children Prefer Informal Savings?

From the previous chapter, it is observed that around 14 percent of children among the savers save informally. It is interesting to note that the children who save informally have a higher average savings (BDT. 3,795) than the children who save in formal institutions (BDT. 1,060). One reason for this is that formal saving is inflexible for them due to complicated withdrawal procedures. More than 65 percent 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 5.6: Reason for Informal Savings	
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 to note that the sample consists of vulnerable working and street children who cannot manage themselves financially when they suffer from any shock. For them, it is important that whenever they need the money they can get it easily without any delay. This seems to be the most desired feature of a saving product for them. Therefore, flexibility is the main reason for the children for getting involved in informal savings. Another important finding is that around 14 percent 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.

Only around 8 percent of the 'control' children is found to be not interested in formal savings. The primary reason for this is lack of knowledge about banks. Around 45 percent of children report that they have no idea either about banks or about their operations. As such, they do not feel comfortable going to banks. Further, there is a psychological barrier for the children to enter into the banks as they perceive that banks are only for the rich people. Around 38 percent 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 percent children think that bank officials will misbehave with them if they enter into the banks.

Table 5.7: Reasons for Non-Interest in Opening Bank Account	
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

5.5. Preferred Features of Saving Products

So far we have observed why some children prefer either formal or informal savings and why some children do not prefer to save at all. As the primary objective of this study is to design a financial product mainly a saving product for vulnerable working and street children, we need to identify what the children want in a saving product and what desired services need to be incorporated in the product if we want the children to be motivated for savings. Both the programme and control children were asked about what can be done to design a saving product for them. The result varies depending on which group the children belong to. For example, children who do not have savings at all will save in formal bank if the bank officials assist them with the documentation procedure and fill up the form for them. Around 30 percent of the children not having bank account suggest this.

Table 5.8: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

Findings in chapter 4 show that these children are least educated and least aware of formal financial matters. 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 percent 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 percent of the informal savers save money at home which is the safest place they can think of. Majority of the children (51 percent, as seen in Chapter 3) in the sample live in tin-shed houses which are mainly slums where security is a vital problem. Considering this, it is obvious that informal savers would want security of their money as the most important feature of formal saving product.Another interesting service that this group demand is that there should be an arrangement for saving collection. The informal savers do not want to go to the bank rather they want bank officials to collect savings from them as they are working children. 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 percent 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 percent 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. It also supports the previous findings where we have observed that there is high demand for microenterprise loan as around 45 percent of children want to do business if they receive loan from banks. Also around 5.5 percent of the children suggest that loan conditions should be flexible depending upon the amount of saving. The more the saving is, the flexible the loan condition should be. As mentioned in chapter 4, around 47 percent of the formal savers utilise their savings in education. It is obvious that they would want some benefit regarding covering their educational expenses if they want to continue with the existing saving product. Hence, around 32 percent of formal savers want to receive scholarships for education purpose as an incentive to open savings account. Another important feature they want to see in a saving product is that they should be able to deposit and withdraw money without the involvement of NGO officials.

Table 5.9: Programme Children's Suggestion for Improving Existing Saving Product	
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

For ensuring flexible withdrawal system, around 6 percent of formal savers want to withdraw money without any written application. It is observed that around 33 percent 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. Around 50 percent of the programme children suggest that for small saving withdrawal, NGO official's permission should not be required. Around 23 percent of programme children believe that they do not need any elder person or NGO official to operate their account.

Table 5.10: Simpler Process of Saving Withdrawal	
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

5.6 Summary of Findings

It is observed that saving and credit products are the most desired services for this group. Around 70 percent of children of the sample have a habit of savings in either formal or informal market. However, an important issue is: does having access mean all their demand for financial services are met? Are they satisfied with the services they are being offered? Which delivery mechanism they prefer to avail for receiving financial services? What about the demand of those groups who are not involved in savings either willingly or unwillingly? The analysis of these and related issues suggests that the financial products targeted for vulnerable working and street children should have one very important feature which is flexibility and convenience. This is applicable to both savings and credit. Children prefer informal loans because borrowing is less time consuming and hassle free. No procedural complexity is involved to avail the loan. 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 the children prefer a design of saving products where the bank officials can assist them with the documentation procedure and fill up the forms. On the other hand, children having informal savings mention that if the safety of the money is ensured they will start saving in banks. They also prefer to have defined arrangements for saving collection from them. The informal savers do not want to go to the banks rather they want bank officials to collect savings from them. They also want to have regular access to information on savings such as amount of savings, time and rates of profit to be deposited in their accounts, whether any service charge is deducted or not and others.

Chapter 6

Financial Products for Working and Street Children: Supply Side Perspectives

It is widely recognised that minimum basic financial services for working and street children include a secure place to deposit money and thus to accumulate savings (Hirschland 2009; Nagarajan 2005). However, some of these children may need more than the minimum basic financial services and seek access to credit, fixed deposits, insurance, and transfers (Lubwama and Rekogama 2011). For instance, working children whose family members or other relatives live in a separate place may benefit from money transfer services. Protection of individuals' rights to participate is also critical to ensuring financial inclusion (Agarwal 2007). Generally, the common features of financial products that aim to benefit street and working children should include but not limited to non-discriminatory access to the products, legal and regulatory frameworks enabling the children to have maximum use of the products, net positive financial return for the children, withdrawals without any penalty, few or no formalities for initial deposit opening, transparent and straightforward communication about the product, and financial education. The common measure of financial inclusion of street and working children examines to what extent they can reach various banking and non-banking products and services. However, other dimensions that are usually taken into consideration in the assessment of financial products and services for street and working children include 'appropriateness, accessibility and ease of use, affordability, financial attractiveness, flexibility, security, and reliability' (Sarma 2008; Sherraden 2013). Taking into account these dimensions of financial inclusion, this chapter outlines the features of existing financial products for street and working children in Bangladesh, barriers faced by the financial institutions in reaching out to them, design and delivery channel for the products, and policy and regulatory issues constraining the supply side of the financial inclusion process.

6.1 Features of Existing Financial Products and Services

Availability of financial products for the working and street children is inadequate given the size of the group in Bangladesh. Few initiatives led by NGOs and Bangladesh Bank have been facilitating the process of financial inclusion of working and street children. Bangladesh Bank's initiative to provide banking services for the working street children by allowing them to open savings accounts with participating banks for as little as Tk. 10 gave momentum to the country's financial inclusion process. To open a bank account, a street working child, however, has to engage with an NGO, approved by Bangladesh Bank. Under the existing provision, a responsible person from the NGO collects necessary information along with a photograph of the child and operates the account on behalf of the child with the prior permission from the account holder. The child can deposit cash during normal business hours as needed. The account operators from NGOs will be released from their responsibilities when the accountholder children reach 18 years of age, which allows them to have sole responsibility for maintaining their own bank accounts. No service charge or fees are deducted from these accounts. The highest rate of regular interest is paid twice a year based on the daily balance.

However, there are some constraints in the process. Generally, street children save very nominal amount – from Tk.10 to Tk. 50 per month, on an average. It might not be viable for the banks to go for all the paper works for this small amount of money. On the other hand, NGOs usually do not get any fund for facilitating the children's savings in the banks. Therefore, once the account is opened there is no usual follow up from the side of the NGOs as they have to facilitate the saving programme along with their regular work. Thus the NGOs face financial constraints in operating the programme, and the banks face operational constraints in running the savings programme for street and working children. Bangladesh Bank, however, considers that alternative arrangement can be made through agent banking or limited banking as this requires less time and effort in facilitating the process offinancial inclusion of working street children by providing them with the service of formal savings. In addition, allocation of a portion of corporate social responsibility fund by the banks to NGO-MFIs can be useful for the process of financial inclusion enabling the NGO-MFIs to viably operate the savings account for street and working children.

6.2 Constraints in Reaching Target Children/Youth by Financial Institutions

Findings from the consultation with various NGOs suggest that when Bangladesh Bank initiated saving facilities in scheduled banks for vulnerable working and street children, the NGOs were very motivated and started to assist the children in maintaining the savings account with the assigned banks. However, it was considered that the programme lacked appropriate implementation strategy resulting in various supply side constraints. For instance, majority of NGOs faced difficulty to operate the programme without dedicated staff as there was no incentive for the staff to be involved in the activities under the programme. For majority of NGOs facilitating savings account for children/youth, the saving programme was initially tagged with a programme funded by the Save the Children (an NGO). Later on, when that programme phased out, the NGO staff lost their interest within a short period of time as they would not be paid for monitoring and facilitating the savings account for children. If they were to continue this work, they would have to do it voluntarily with their own responsibility. Under this circumstance, children were asked to continue their accounts with the help of their parents. Consequently, majority of the accounts became inactive in absence of legal guardians for the street and working children.

Efforts by the NGOs to reach out to the street and working children with the facility of formal savings are further constrained by the lack of interest of their governing bodies in this type of programmes. The NGOs are usually required to seek permission from the governing body before adopting such programmes. The governing bodies, on the other hand, are often found to be unwilling to allow the NGOs to take on such programme of actions considering that it is troublesome to take the responsibility of improving financial behaviour of the street children.

The representatives of the NGOs at the consultations further argue that maintaining the programme from head offices is difficult at the implementation level. It is also noted that accountholder children feel insecure and lose interest in banking transactions if the assigned NGO staff is transferred or replaced. Withdrawing money from the account also appears to be a big problem for the accountholders as they are not given cheque books on the grounds of being minors. However, if there arises any urgency, they may use voucher slips to withdraw the money. Thus there remain the possibilities of wasteful use of money if the children are given easy access to their account. Given the current condition of financial inclusion of street and working children in Bangladesh, the role of institutions providing financial services can be explained with the help of the model depicted in Figure 6.1. Financial institutions in Bangladesh, constrained by various factors in providing services for the street and working children, are likely to fall into the 'Baseline Approach' stage in terms of their support to this group of children. It is needless to say that a 'Fully Integrated' approach to delivering financial services is essential for effective financial inclusion of these children.

Figure 6-1: **Model of Financial Institutions' Approaches to Support Children and Youth**

Very superficial	Superficial	Baseline approach	Integrated	Fully integrated
The financial institutions' social investment programme states that they invest in children and youth. The financial institutions promote educational savings accounts for children that are entirely directed to their parents, and in fact have no substantive educational dimension. The website/CSR report states that bank employees have personally donated enough money for a local school garden to be set up.	The financial institutions have developed products for children and youth without actually discussing, understanding or addressing their needs. The financial institutions promote and sign up new children and youth customers but do not change their engagement process	The financial institutions have signed up to various legal and regulatory frameworks and partner with other private sector organisations or NGOs. The financial institutions specifically refer to the needs of children within their product development process.	The financial institutions have spent time learning about children and youth. They are delivering children and youth specific products and programmes which encourage financial inclusion. The banks are actively working with children and youth, schools and parents on effective financial inclusion, education and awareness.	The child and youth segments are keys to the financial institutions' brand. They offers child and youth friendly bank accounts, and train their personnel on how to engage with children and youth at all touch points. Schools are trained to run 'school banks' as part of a larger national school bank programme. As part of their larger child and youth focused strategy, the financial institutions collaborate through expertise and funding with NGOs and government on rollout of high quality financial education programmes.

Source: Child and Youth Finance International (CYFI) and MasterCard Incorporated International (2014)

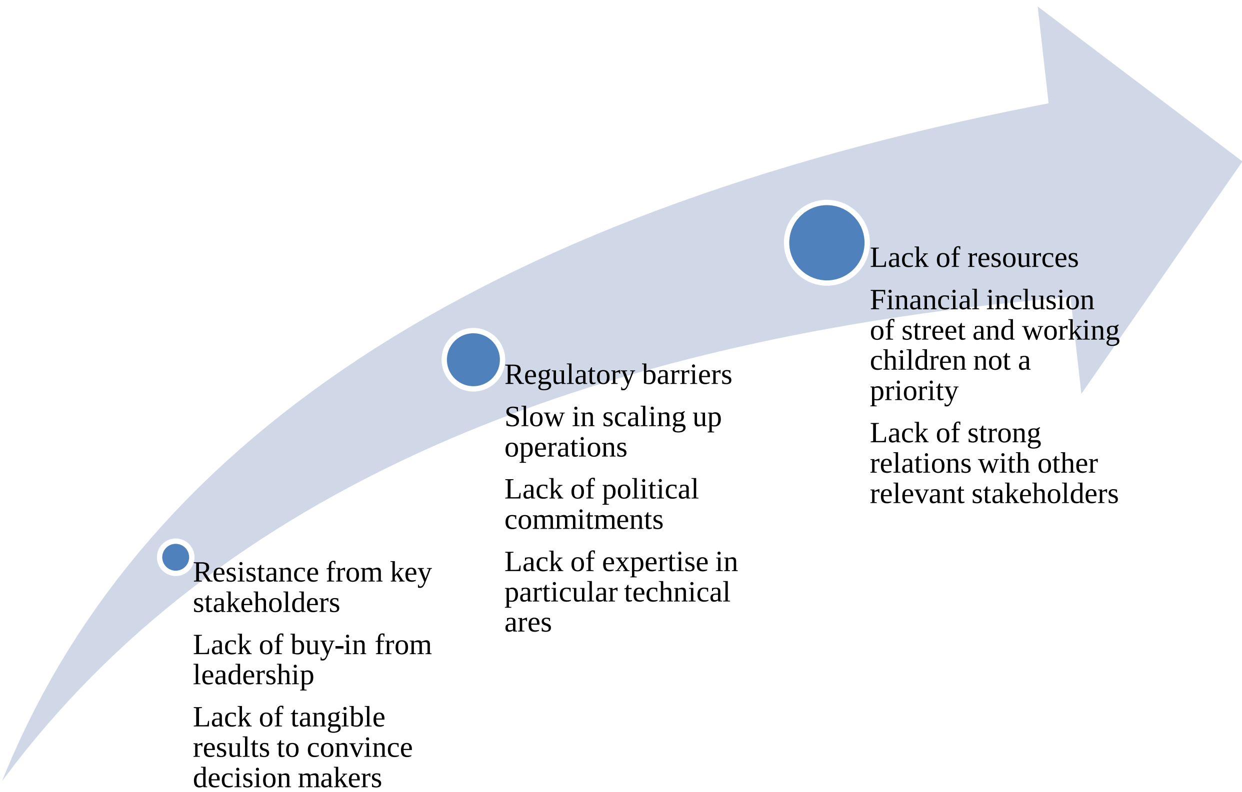
6.3 Policy and Regulatory Constraints

Despite considerable attempts to foster financial inclusion of street and working children, various challenges exist in the process particularly from supply side perspectives. Reaching out to the large majority of these children who are still outside the process of financial inclusion is one of the biggest challenges. For instance, policy measures have yet to address the exclusion of the working children living in suburban and rural areas from receiving formal financial services. Additional effort is, therefore, required to include diverse groups of street and working children in the process. However, a central barrier to this process of inclusion is cost, which, as discussed above, can be managed through such low-cost financial services as mobile or agent banking. Another limitation of the current policy measures is that they could not facilitate linking non-formal savings group to formal financial institutions. A policy promoting financial literacy and awareness among these groups of children can help them receive formal financial services.

It is important to note that although financial education is commonly associated with financial inclusion, the two areas currently remain fairly separate. Relevant polices and strategies are still found to focus on these two individually. However, to enable the children and youth to be effective users of formal financial products and services, complementary financial education in addition to social and livelihood awareness proves to be critical. Provision of such facilities for this group of children can be ensured through collaborative effort from the government, banks and non-bank financial institutions, and NGOs.

The provision of formal financial services for underserved population including working children and youth necessitates thoughtful planning, strategy, engagement, time and evaluation (Lubwama and Rekogama 2011). Supply of financial products for such groups of population often lacks sustainability hindering the process of financial inclusion, although there exist prospects for development of new market, cross-selling and revenue generation, improved customer loyalty, and invigorated brand through serving unbanked children and youth(Hirschl and 2009; McKee 2010).In addition, various contextual factors such as banking policies, political conflict and violence, and financial fragility can contribute to complicated and restrictive process of children's financial inclusion. The major supply side issues constraining financial inclusion of the street and working children in Bangladesh can be outlined in terms of Figure 6.2.

Figure 6-2: **Policy and Regulatory Issues Limiting Street Children's Financial Inclusion in Bangladesh**



Source: Child and Youth Finance International (CYFI) (2016)

6.4 Product Design Issues

It is suggested that two types of products – demand deposit products and youth savings products – may best serve the street and working children's demand for financial services. Working children who are responsible for their own or their family's livelihood may want to take a demand deposit product that allows them to deposit and withdraw money at any time. Given the irregular income pattern of street and working children, this product fits their need for irregular deposits while allowing for withdrawals in the case of consumption needs or emergencies. The youth savings product, on the other hand, can benefit the street and working children with irregular income by providing discipline in the form of illiquidity, which enables them to save larger sums. In general, the following issues should be taken into account in designing financial products for the street and working children:

- Street and working children primarily require a banking service in the form of demand deposit account that allows them to access their savings at any time. After this demand is met, this group of children seem to be interested in saving money through a traditional savings product for family or future investment in their own microenterprises (Serrokh 2006).

- Children in conflict situations or economies with financial fragilitymay want a savings product that provides the benefit of short-term savings, which can help them engage in small yet quick income generating activities (Nagarjan 2005).

- Despite the consideration that fixed deposit schemes may not be appropriate products for the street and working children, child labourers with a rather regular income seem to require a fixed deposit product (Miranda 2001).

6.4.1 Suggested Design of Integrated Financial Product

While designing any financial product for children two key factors are important: simplicity and accessibility. The child should be able to easily understand the mechanics of the account. Complicated rules around interest rates, deposit thresholds, and time requirements make it challenging to grasp the basics. Accessibility is also a critical factor. Children should be able to open and use these accounts by themselves regardless of any socioeconomic-demographic and/or environmental factors or disabilities. Keeping these two factors in view, we have suggested an integrated financial product for children where savings and loan products are crucial. We consider this as an integrated one because in this design saving and loan will complement each other. Having a saving account will give the child the initial access to financial market. Once the child gains some financial capability and awareness through saving account, s/he can access the loan product if s/he meets the requirement which means to access the loan product having a formal saving account is a pre-requisite. Below we discuss some basic features of the suggested saving and loan product.

6.4.1.1. Saving Product

Our analysis shows that the average age of the saver group is 14 and around 80 percent female in the sample have savings. Also about 72 percent of the savers have stable income. These findings provide the base of selecting the target group for the saving product. If the product is initially targeted to the age group starting from 12 and the stable earners, then more children will be encouraged to save. Though we find that girls are more interested to save than boys, the product should target both boys and girls. However, some special incentive can be arranged to motivate girls to save more as they are more vulnerable than boys.

During the field survey, many child savers have expressed their preference for depositing in Tk. 10 account as there is no service charge or fee. Depositing the money while opening the account also gives them a sense of ownership of the account as they are depositing their own money. Hence this feature can be used as a pre-requisite for opening a saving account. Also identification documents of the children are an issue which we need to be settled. It is indeed a challenge considering the socioeconomic conditions of vulnerable working and street children. Our data show that 77 percent of the children live with either one of their parents or both. We suggest that parent's national identification card can be used for opening the account. If parents or guardians are not available, employer's identification card can be used for the purpose as the product is mainly targeted for working children. Our analysis from previous chapters indicates that children want to handle their account independently. Keeping this in mind, features such as account ownership of children in their name is very important. Also they may be allowed to operate their account independently for small amounts and for less frequent withdrawals.

Integrated Product Design at a Glance

Product feature	Saving product	Loan product
Target group	• Age : 12-17 years old • Occupation: Working children with both stable and unstable income/ children with parents having stable income • Gender: Both girls and boys, however, girls will be given special focus.	• Age : 15-17 years old • Occupation: experienced micro-entrepreneurs with at least 2 years of experience. • Gender: Girls and boys
Pre-requirements	• Parent's/guardian's identification document • Tk.10 deposit	• Saving account in the bank for at least for 3 years. • Regular monthly saving • Documentation of employment
Account ownership	Account should be in the name of child	Loan can be issued in the name of child
Operations	• Child can operate independently for small transactions. No need for parent/guardian's approval.	• Child will have the full responsibility of the loan utilisation and repayment.

	• For large withdrawals or for withdrawals more than once in a month,this should be informed to parents/guardians.	
Minimum deposit	• BDT. 10 can be the minimum deposit. • If the deposit is very low for more than 6 months child and guardian will be communicated.	N/A
Transaction and account maintenance fee	No fee	No fee
Frequency of deposits and withdrawals	• No fixed requirement for deposit. • Restriction can be imposed if balance decrease below a certain level.	N/A
Utilisation of savings/saving product	• Education saving scheme should be encouraged • Saving scheme for the potential micro-entrepreneurs can be introduced.	N/A
Maximum loan size	N/A	Initially, the loan size should not exceed the total balance of saving.
Utilisation of loan/loan product	N/A	• Special loan product can be arranged for establishing grocery shop/tailoring shops. • Loan can be given for business purposes only. The utilisation of loan should be strictly monitored.
Repayment method	N/A	• Weekly repayment method might not be applicable for entrepreneur children. • The repayment of loan can be tagged with the time of revenue generation. In the case of grocery and tailoring loan, for example, monthly repayment policy can be applicable.
Interest rate	Interest rate can be tagged with the profit generated from loan product.	Interest rate can be tagged with the profit generated from micro enterprises. In this case the income statement of the businesses should be monitored properly.
Financial awareness	• Financial education should be introduced for this group with help from NGOs. • Knowledge about financial institutions, financial products, financial system, and interest rate calculation should be added in the financial education curriculum. • Financial education materials should vary based on the age group of children.	
Contract of terms and conditions	The contract paper of loan and saving should be of minimal size and it should be written in easy and child friendly communication language.	

There is a need for supervising and monitoring the accounts. Hence, we suggest communication with the child's parent or guardian or the child when the balance of the account remains unchanged at Tk.10 for six months or more. Though small deposits are to be expected; there should not be any strict regulation on deposit amount. Transaction fees and account maintenance fees are barriers to usage that are not appropriate for children's accounts. Therefore, no transaction fees and account maintenance fees should be charged on saving account for children. Many formal savers want to utilise the savings by investing it in education. This suggests that there is a need for special saving product for developing human capital. 'Educational Saving Scheme' can be launched for children to facilitate their needs. Informal savers have a need for micro-saving product which they can be used to establish micro-enterprises in future when they become adults. Hence we suggest providing some incentive for savings for the potential micro-entrepreneurs. Regarding interest rate on the saved amount, initially the rate can be flexible as operational sustainability is a big challenge for this product. However, it should be sufficiently high to provide incentives to the child.

6.4.1.2. Loan Product

We are aware of the fact that offering loan product to this vulnerable group can be risky. However, it is important to note that these children earn their living from very early stage of their life. Many of them are running small businesses like tea stalls or selling flowers or snacks. Those children who are already involved in business can be offered loan to develop their enterprising skill. Our data show that the demand for loan is basically from young adults who are from the age group above 15. Considering this factor, we suggest that to be eligible for loan, one has to be at least 15 years old and have some practical experience in the field of desired business. For example, if a child wants to apply for loan for investing in a grocery shop or tailoring shop, it is not necessary that the applicant has to have his or her own shop but s/he has to have sufficient experience in working in a grocery shop or working in a tailoring shop as a tailor. It is important to note that according to the law, children are not eligible for loan until they reach 18. Hence, there is a regulatory barrier in the design of loan product on which Bangladesh Bank may have to intervene. To mitigate the risk of default, the loan can be given only to those children that already have a savings account for at least 3 years and have considerable amount of savings. In addition, initially the loan amount should not be more than the amount of total saving balance. Later on, depending on loan repayment and performance and business profitability loan size can be increased. Regarding interest rate of the loan, we suggest it to be flexible just like saving product. Also monthly repayment method can be introduced for loan instalment.

6.4.1.3 Financial Literacy as an Integral Part of Product Design

Financial awareness and financial literacy are considered to be two crucial factors in the process of financial inclusion and hence it is also a crucial factor in developing a product for working and street children. Currently, there are more than 3,500 children savings accounts, but regular transactions take place in only a few of them. Our analysis shows that around 45 percent of children having formal saving account do not know about the benefits of savings in banks. Hence there is a lack of motivation to continue with savings actively. With improved financial literacy and awareness as illustrated in Figure 6.3, children will tend to achieve financial capability and avail banking services actively resulting in an accelerated pace of financial inclusion of street and working children.

Figure 6-3: **Financial Literacy for Increased Financial Capability**

Financial Literacy for Improved Financial Inclusion of the Street and Working Childiren	Being knowledgeable, educated and informed on the issues of managing money and assets, banking, investments, credit, insurance and taxes;
	Understanding the basic concepts underlying the management of money and assets (e.g., the time value of money in investments and the pooling of risks in insurance); and
	Using that knowledge and understanding to plan, implement and evaluate financial decisions.

Source: Hogarth (2006)

However, both banks and NGO-MFIs must come forward with improved coordination mechanism in order to facilitate the process of creating financial awareness in an effective manner. For the NGOs, it is important that there exists an incentive structure for the dedicated staff responsible for carrying out the activities related to financial awareness of the children. In addition, regular follow-up to the banking activities of the accountholders by either the NGOs or the banks is required to ensure effective use of financial knowledge.

We have designed financial education strategy for different segment of children based on their age. For the children below 12 years, we propose to provide them knowledge on benefits of savings, value of money, how to carefully spend, how to save, and basic calculation and so on. It is important to note that they are not the target group for the financial product we propose. The idea of educating them about financial dealings is to make them ready for daily financial transactions and make them aware of the value of money. For the children aged between 12-14 years, we believe it is important to provide them knowledge about existing financial institutions, banking operations, and benefit of having account in bank and how to plan for savings. We believe this knowledge will motivate them to get engaged in financial activities. For the children aged above 15, we propose to provide knowledge on different financial instruments and products, knowledge about how to operate ATM machine, how to operate mobile account is important so that they can apply this knowledge practically and be financially empowered.

Table 6.1: Financial Education Strategy

Target Group	Contents of Financial Education
Up to 11 Years	• Knowledge about value for money, knowledge about adverse consequences of careless expenditure, benefits of savings • Knowledge about basic calculation such as addition, subtraction, multiplication and division.
12-14 years	• Knowledge about existing financial institutions in the country. • Knowledge about operational differences of financial institutions and target group of these institutions. • Knowledge about benefits of formal account and saving plan • Knowledge about inflation, consequences of price and so on.
15+ years	• Knowledge about different financial products and instruments. • Knowledge about ATM Machine, mobile banking, deposit book, cheque book, procedure of opening an account. • Knowledge about interest rate and calculation procedure, different loan repayment mechanism and so on.

6.5 Suggested Delivery Mechanisms

The existing delivery channel for providing financial services for the street and working children is weak and requires careful attention from the actors involved in the process of financial inclusion in the country. There can be several delivery mechanisms for providing financial services to working and street children. These mechanisms are not mutually exclusive rather these can supplement each other. The suggested delivery channels are given below:

Option-1: Mobile Banking for Vulnerable Working and Street Children

Considering the fact that children might feel hesitated to visit bank and some children do not want to involve the NGO officials in their banking procedure mobile banking might be a better option for them to save or transfer money. Mobile banking has become very popular since the past few years. The reason for this is mainly due to proximity and flexibility. This is especially true for this vulnerable group. In the previous analysis we found that around 40 percent of the children not having bank account are interested to open formal account if deposit and withdrawal procedure do not cost much time as they cannot afford to take leave from work to go to bank. This indicates mobile banking maybe preferred by them as managing time to do financial transaction is not the issue here. If they have an account they can have transaction anytime. In addition, considering the loopholes in the existing delivery mechanism where there is lack of coordination between bank and NGOs, probably this is the best possible option.

Option-2: Agent Banking as an Alternative Delivery Channel

Another possible way to make the formal saving programme effective as an attractive financial product for the street and working children is to give them easy access to banks and non-bank financial institutions. It is important to note that except in Dhaka city, there are not adequate numbers of bank branches located within the reach of low income groups or people living in remote areas. Children have to leave their workplace and travel a long way to go to a bank if they want to deposit money by themselves. As a result, they feel discouraged to have transactions with the banks since travelling a long distance to receive banking services wastes their working hours. Agent banking can, however, be a solution to this problem. Well-reputed NGO-MFIs can act as agents of banks to serve the low income street and working children as NGO-MFIs are more accessible to them than banks. It can also be another alternative low cost delivery mechanism especially for the children living in remote areas. It can offers limited banking and financial services such as savings and money transfer to the vulnerable working and street children by engaging representative/NGOs who has good communication skills with children under a valid agency agreement. S/he will conduct banking transactions on behalf of a bank. It can be an alternative for those children who do not have enough knowledge about mobile technology and its operation.

Option-3: Joint Collaboration of Commercial Bank and NGOs

Our analysis suggests that there is no one particular institution that can take the responsibility alone. The analysis indicates that 70 percent of the children are not interested to save in NGO-MFIs rather they are more interested to save in banks. As mentioned earlier, NGOs have a crucial role to play while delivering a financial product to working and street children. However, they are also reluctant to serve this group due to lack of financial incentive. As mentioned earlier, a part of CSR fund from financial institutions may be allocated for effective involvement of NGOs in streamlining the street children banking programme. We suggest that banks should offer their service to working and street children with supervision support of NGOs/NGO-MFIs as banks have higher ability to mobilise financial resources. Our analysis also shows that banks have not been able to actively supervise and monitor the existing accounts. Despite such limited role, given the advantages of banks, the best possible way for banks to offer financial product to children is through NGOs/NGO-MFIs. This will minimise their costs as well.

It might be feasible to have an integrated delivery mechanism where banks will offer their products to children and NGOs/NGO-MFIs will have a vital role in providing financial awareness to the children and motivate the children to actively participate in the financial system. They will also have a supervisory role to play when it comes to irregular deposit of money in savings account or whether the children are eligible for loan. They are expected to communicate with the child and child's parent/guardian in the case of irregular deposit or any 'mis-utilisation' of loan or savings. They will also play a vital role in facilitating to open an account. For example if the child is unable to provide any identification document for opening account, NGO officials can motivate his/her guardian and provide their NID card (National Identity Card).The NGOs will have financial incentives to do these tasks if they receive CSR funds from banks. On the other hand, bank will also have incentives to serve the vulnerable working and street children because they will get loyal clients in future at comparatively low costs as they do not have to worry about supervision and monitoring. So we suggest three different institution to work in an integrated manner to deliver financial services to the children: (i) banks will offer saving and loan product; (ii) NGOs/NGO-MFIs will provide financial education to children and will act as 'agents' of banks as banks will act on their approval regarding whether the child meets the pre-requisites of having saving account or receiving loan; and (iii) for safeguarding NGOs/NGO-MFIs incentives, Bangladesh Bank will ensure that banks utilise a part of CSR funds for the purpose.

6.5.1. Regulatory Role of Bangladesh Bank in Smoothing the Delivery Channels

As mentioned in previous section, Bangladesh Bank may play a vital role in facilitating the allocation of such funds by the scheduled banks. In developing efficient delivery channels for providing financial services for the street and working children, the following issues may be taken into consideration by Bangladesh Bank.

- Increasing financial education among the street and working children is crucial while providing financial services to them. Bangladesh Bank can make separate financial education strategy for this group and it can urge the financial institutionsto serve this large population who, having greater potential to grow as important financial players compared with low-income adults, can become loyal, lifetime-value clients for them.
- It can also set some incentives to banks so that financial institutions may take the advantage of engaging and cross-selling products to the parents or relatives of accountholder working children, thereby marketing their brands and increasing profit.
- Bangladesh Bank can instruct the commercial banks to fulfiltheir corporate social responsibility (CSR) by providing a part of it to NGOs to facilitate the account management procedure. Such contribution to society by the financial institutions is likely to benefit them with improved client loyalty and the potential for cross-selling.
- Most importantly, for facilitating the mobile banking services to the working and street children group, Bangladesh Bank can relax the rule of having NID for the children below 18 or make arrangement for alternative identification document so that they are encouraged for formal savings without taking the hassle of going to the bank.
- As NGOs/NGO-MFIs are one of the delivery channels, MRA has an important role to play. MRA can set rules for NGO-MFIs so that they continue to motivate and facilitate the children in opening savings account in scheduled banks.

6.6 Summary of Findings

This chapter presents the current contexts of financial inclusion of street and working children in Bangladesh from supply side perspectives. The analysis of the features of existing financial products and children's accessibility to them suggests that an effective mechanism for delivering formal financial services to this target group has yet to be developed. It is, however, important to note that considerable effort has been made by financial institutions particularly banks led by the central bank to reach out to this group of underserved children and include them in the process of financial inclusion. The NGOs have been playing critical role in facilitating this initiative of banks by helping the street and working children operate tailor-made bank accounts. Notwithstanding this progress, effective use of formal financial products by these children has remained a matter of concern since the involvement of the NGOs as facilitator in the process of financial inclusion has not been viable. The NGOs have become involved in the process mostly voluntarily and lack incentives to provide services in the long run without funds to meet their operating costs. The use of CSR funds from banks and other organisations for financing the involvement of NGOs in the children's financial inclusion may facilitate the process in a sustainable manner. Low-cost service delivery channels such as mobile or agent banking are also viable options to promote effective use of formal financial products by street and working children. Finally, the provision of financial education in addition to social and livelihood awareness for this group of children is critical to fostering the process of their financial inclusion.

Chapter 7
Developing Financial Products and Services: Concluding Remarks

Of late, the issue of financial inclusion of street and working children has received considerable attention at the global level. Strong advocacy by national and international civil society organisations, NGOs and intergovernmental bodies such as the United Nations and the World Bank has put forth the idea as an important development agenda particularly for a country like Bangladesh. Action towards raising widespread awareness of the importance of including the underserved children and youth in national financial inclusion strategies, adding financial education to school curricula, and advancing tailor-made financial products for this group of children have thus gained critical momentum in recent times. Experiences of financial inclusion of street and working children suggest that developing innovative and low-cost delivery channels for providing banking services can increase account uptake and usage. Impact of financial education in addition to social and livelihood awareness on street children's financial inclusion has been positive and significant. However, there still remains a number of challenges particularly in the form of policy and regulatory constraints to devising an effective plan of action for providing financial services for these children. Against the backdrop of the United Nations 2030 Sustainable Development Goals (SDGs), it is widely believed that failure in empowering the children and youth with financial inclusiveness and education can result in the loss of dynamism and entrepreneurial spirit of this large group of people, aggravating the situation of poverty, inequality and unemployment. Promotion of effective interventions through concrete policy and regulatory measures, which helps design appropriate financial products and services for children and youth, is therefore critical to financial inclusion of this sizeable population.

In the previous chapters, we have analysed the socioeconomic characteristics of street and working children/youth and the financial products and services, designed and accessed, for the specific group of the population, locally and globally. A broad understanding and assessment of the existing programmes has been widely discussed. The current state of financial inclusion of the street and working children/youth has been assessed and a descriptive analytical strategy has been employed to examine the characteristics of the users of financial products and services. Both the demand and supply side issues have been discussed in details. In the preceding chapters, we have also discussed the current features of financial products and services and the potential constraints in delivering financial services and hindering the expansion of the net of financial inclusion. Based on the literature, findings from the current supply, expert opinions, and local/international experiences, this chapter aims to give an overview of the findings and suggested design of financial products and services for the street and working children/youth. Finally, it will draw some policy recommendations and way forward based on the research findings.

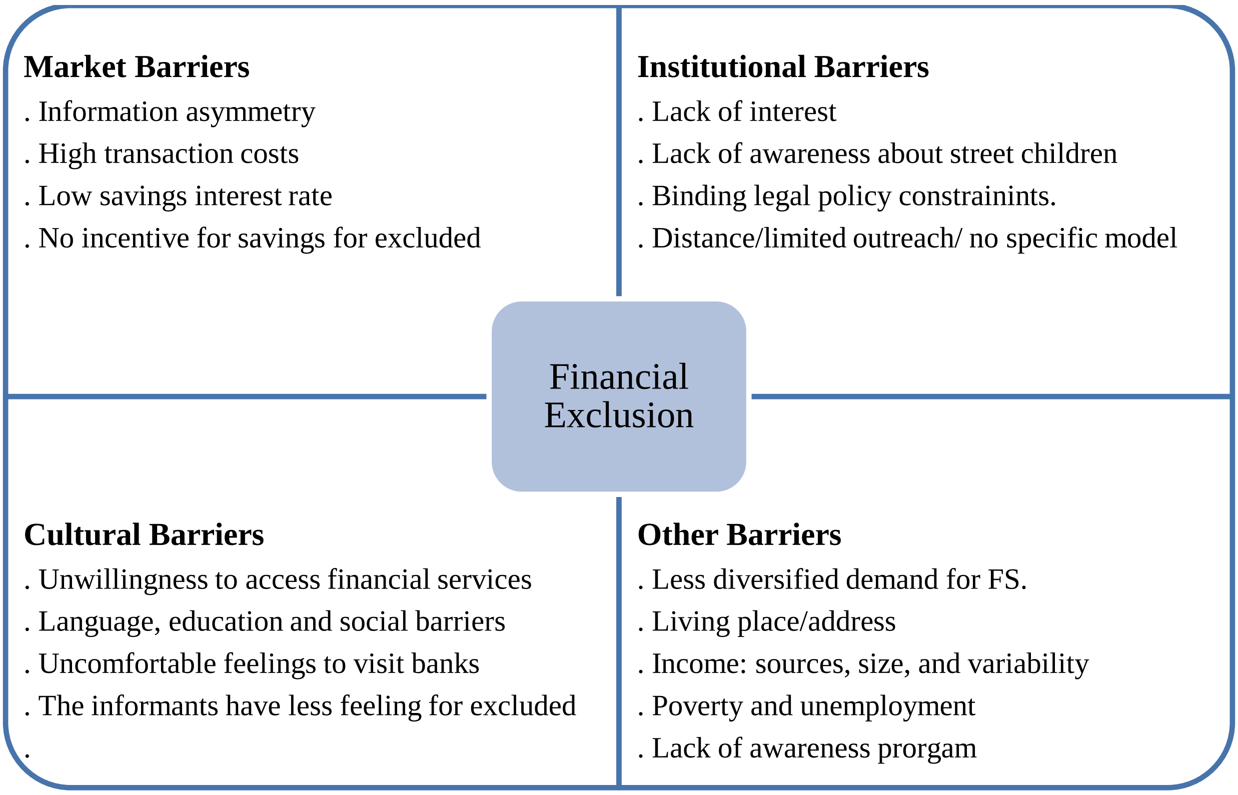
7.1 Summary of Major Findings

The basic characteristics of the sample street children are:

a) Average age is approximately 14 years.
b) The service recipient children are more educated compared with their counterfactual group.
c) Average earning age is 11.4 years and most of them are engaged in business sector as labourers but programme participant children are largely involved in the service sector (32 percent) while the non-participants children are engaged as transport helpers, industrial workers, and as *tokai* (garbage collector).
d) Majority of the street children (77 percent) live with their parents.
e) Around 69 percent of street children earn on average Tk. 3,304 per month and they have average monthly expenditure of Tk. 2,780 of which 80 percent is spent on food. Around 75 percent of earning children acknowledge their stable flow of income.
f) Girls have more preference for formal savings than boys. Most of the savers (73 percent) save in informal institutions. The formal savings are utilised for educational purpose (50 percent) while majority of informal savings are spent on consumption baskets.
g) The average financial literacy score for the formal saver is around 68 (on a scale of 100) while that for informal savers, it is 41.
h) The street children are hardly borrowers. Only around 3 percent of the children have taken loan from informal lenders and around 16 percent of the children have taken informal loan ever in their life. They mostly borrow from their friends not from any organisations or institutions, formal or informal. The borrowed money is spent mostly for consumption purposes and only 17 percent report that they spend borrowed money on education.

The causes of financial exclusion include market barriers, institutional barriers, cultural barriers and other barriers. The causes by categories are presented in Figure 7.1.

Figure 7-1: Overview of Causes of Financial Exclusion



Source: Developed by authors

It is the reality that even for the eligible adult persons, the market barriers are in some cases the major constraints in some areas. 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.

7.2 Desirable Design Features of Financial Products and Services

Generally, a desirable financial product or service for street and working children has to focus on accumulation of asset, financial management and skill development. Keeping in view the children's rights, the financial service providers need to design products along with an effective delivery channel that increases children's access to formal financial services and build their financial capability. 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. As put forth by the World Bank (2014, p. 68), 'recent studies show that product design features can affect both the extent and the impact of use by individual of financial services.' Efforts have been made by various actors to develop some common features of an appropriate financial product for street and working children. The development of child and youth friendly banking principles based on the perspectives of their rights has been endorsed by most of the actors of financial inclusion. For instance, taking account of the United Nations Convention on the Rights of the Child, the Child and Youth Finance International in consultation with a wide range of stakeholders including public and private financial sectors as well as the social and academic activists has developed a number of child and youth friendly banking principles (Table 7.1). These principles focusing on availability, accessibility, control, costs, and education, are expected to facilitate national and international benchmarks for safe and reliable banking products and services for the children and youth. Formal financial institutions may also be guided and encouraged by these principles to contribute to financial empowerment and protection of this group of people.

Table 7.1: Guiding Principles in Designing Financial Products for Children and Youth

Guiding principle	Explanation
Availability and accessibility for children and youth	They are widely available and accessible to children and youth despite their economic, social, cultural, or religious situation, gender, age, or ability
Maximum control to children and youth	They provide the maximum possible control to children and youth within the boundaries of local jurisdiction and ensure financial ownership
Positive financial incentive for children and youth	To build confidence as children and youth enter the financial system, positive financial incentives (e.g. no overdraft and relatively higher interest rates) are important
Reaching unbanked children and youth	The financial institution proactively reaches out to unbanked children and youth as part of a larger financial inclusion agenda, within the boundaries of local jurisdiction
Employing child and youth friendly communication strategies	The communication and marketing materials around the product are child and youth centred, connecting to their needs, interests and level of comprehension, complemented by the ability of all staff within a financial institution to interact in a child friendly manner
A component of Economic Citizenship Education	In combination with the product, children and youth are offered a component of Economic Citizenship Education, with elements of financial, life skills, and livelihoods education
Monitoring of child and youth satisfaction	The financial institution monitors the extent to which the product and relating services satisfy the needs and interests of children and youth
Internal control	The financial institution has internal controls in place on all these Principles

Source: Child and Youth Finance International (CYFI) and MasterCard Incorporated International (2014)

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. As a part of a basic bank account product, the children require access, control, incentives, security, relevant knowledge and awareness. Financial institutions may consider the following issues while developing products or services for working children and youth.

- Taking account of the factors such as restriction as regards legal age, parents or guardians, financial institutions should assess the extent of children's access to opening and operating a bank account. 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. For instance, strategies for communication or service provision may differ based on geographic, cultural, or religious characteristics of children. Children living in suburban or rural areas may require a different service delivery channel than those living in urban areas.

- The accountholder children and youth should be given maximum control over their accounts through simple, transparent and straightforward communication system.

- Provision of education, support and resources for the street and working children should be ensured by the financial institutions enabling them to deal with physical and virtual insecurity, fraud and identity theft, and loss of personal data.

- To financially empower the street and working children through engaging them in banking activities in a sustainable manner, positive financial incentives in addition to a combination of financial education with social and livelihood skills provided by the financial institutions are critical.

It is by now clear that designing an appropriate financial product for street and working children entails giving attention to a number of factors including children's needs, financial institutions' commitment, policy and regulatory provisions, research and advocacy, and stakeholders' participation. A need-based product development process that allows for children's participation and empowerment in addition to other factors mentioned above may take account of the following issues (Table 7.2).

Table 7.2: Process of Financial Product Development for Children and Youth

Stage	Activities
Development of the product idea	• Engaging the preliminary stakeholder group; • Incorporating children and youth alongside internal representatives from departments such as corporate social responsibility, legal, risk, finance, business development and any child and youth focused department; • Conducting initial research into children and youth in the relevant market; • Understanding the legal context, the market size and potential demand, the demographics, active children and youth organisations, and the competitive landscape; • Assessing the needs and wants of children and youth, understanding their perception of finance, financial institutions, money, spending habits, technology, social media etc.
Product design	• Engaging both internal and external stakeholders and partnership groups; • Assessing institutional capacity, resource availability, transferrable skills to support the children and youth; • Creating roadmap for the products, paying attention to how it will develop and meet the needs of the targeted group.
Product pre-development	• Assessing potential risks from children and youth specific rules and regulations; • Determining pricing methods that encourage financial inclusion and access among the street and working children.
Product development	• Incorporating findings of market research and building to the agreed upon specifications; • Arranging staff training programme to ensure consistent experience for the children; • Testing and reviewing product, delivery channels, and service providing experience by receiving feedback and gaining learning from the customers.

Source: Adapted from Child and Youth Finance International (CYFI) and MasterCard Incorporated International (2014)

In a nutshell, a financial product design for the disadvantaged group like the street children should contain some desirable characteristics: (a) zero or minimal level of access cost, like the minimum amount to open an account; (b) the services should be accessed at minimum transaction costs so that the benefits accrued from the received services is maximised; (c) the 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; (d) incentive driven financial transaction: incentive should be given for smooth and regular transaction making financial inclusion meaningful; (e) attachment of short-coverage of insurance services along with the received financial services, (f) maintain zero or minimum operation costs, and (g) instant and anytime withdrawn facility to cope with emergencies.

7.3 Formal Delivery Mechanism

In terms of delivering appropriate financial services for street and working children, the role of NGO-MFIs is critical in addition to that of the financial institutions. Findings from the consultations indicate that the NGOs are unlikely to bear the responsibility of managing children's accounts unless these are brought under any regular programme of action. On the other hand, 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.

It is an imperative that the provision of financial products and services for children and youth must be facilitated by the concerted efforts of all key stakeholders – policymakers, relevant government departments and agencies, civil society organisations, NGOs and financial institutions. With effective policy and regulatory measures in place, to develop an effective formal mechanism for providing the street and working children with financial services in Bangladesh, the financial institutions and other relevant service providing organisations may, however, take into account the following:

- Leveraging low-cost yet innovative means of service provision through using internet and mobile technology to ensure inclusion of more underserved children lacking easy access to technology;

- Emphasising social responsibility of the financial institutions in the form of partnerships with various organisations providing services for children and youth, while operating business models with fair terms and pricing;

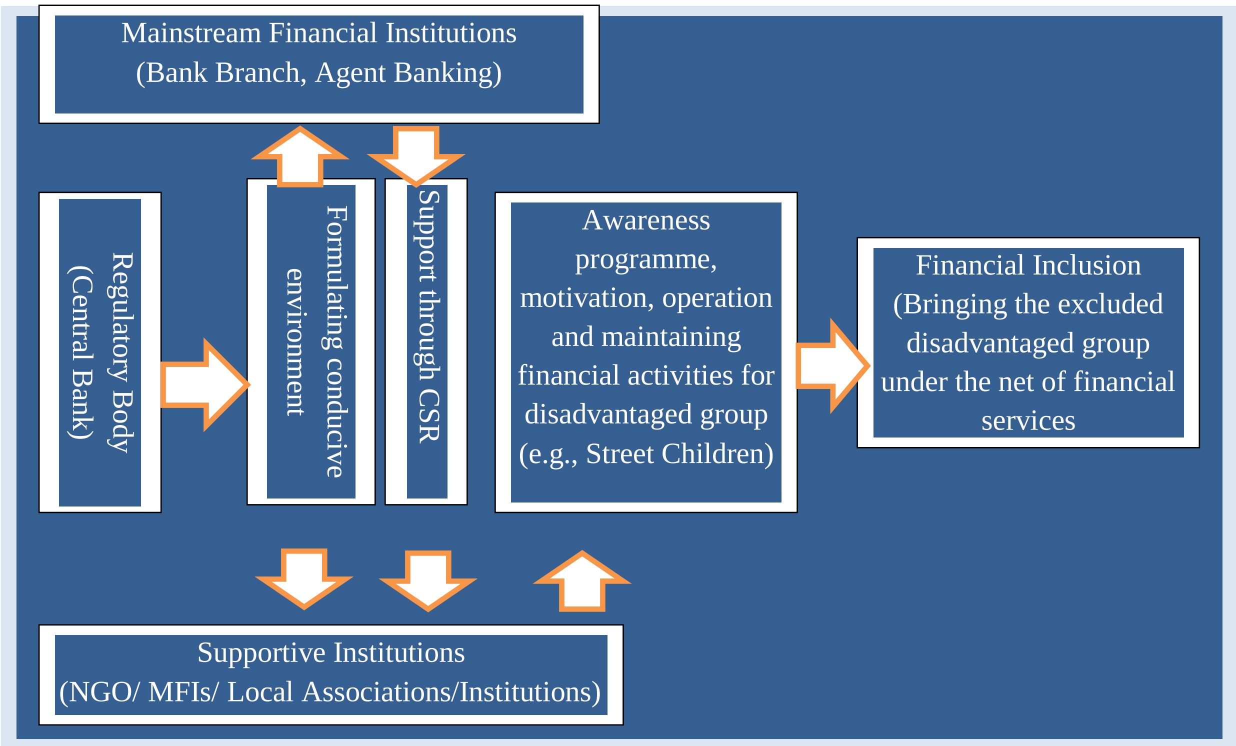
- Linking tailor-made financial products with such organisations in a transparent manner for better uptake and use of the products by the children and youth;

- Developing marketing initiatives that take account of children's faster maturing and resultant changes in needs of financial services.

7.4 Suggested Financial Inclusion Model for Street and Working Children/Youth

The literature suggests that globally various types of models have been practiced for providing financial services to the disadvantaged groups of people. Unifying and suggesting a single model for all is challenging and probably not necessary. Based on the present analysis, the suggested model for street and working children/youth incorporates four types institutions: (i) service providers e.g. NGO-MFIs/local organisations or agent banking network of formal banking system; (ii) formal banks as financial service promoters through financial support to the service providers; (iii) central bank as the facilitator and for removal of policy barriers; and (iv) service recipients. The basic model is illustrated in Figure 7.2.

Figure 7-2: Model for Financial Inclusion of Street and Working Children



Source: Developed by Authors

The model presupposes close interactions among the four types of institutions for smooth functioning and broadening financial inclusion for the excluded especially for the street and working children.

7.5 Policy Recommendations and Regulatory Adjustments

The Bangladesh Bank has already initiated the process of bringing the disadvantaged groups under the net of financial services covering even the most disadvantaged group – street and working children. In addition, based on the present analysis, the following policy and regulatory measures may be considered for expeditious financial inclusion of street children/youth:

- Bangladesh Bank should monitor and take strategies to motivate and ensure the financial inclusion of the street and working children through changing and relaxing the legal barriers.

- 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.

- Multi-stakeholder platforms consisting of the government, public, private and academic sectors can be promoted with a view to reflecting the voices of street and working children.

- Focusing on the unique needs of this group of children, national financial inclusion strategies should provide that financial inclusion of street and working children combines access to financial services, and financial, social and livelihood awareness.

- Effectiveness of financial inclusion policies and strategies must be monitored and evaluated on a regular basis through comparing current status with the policy objectives or key performance indicators.

- Leveraging local, national, regional and global advocacy events, actions towards financial inclusion of working children and youth can be strengthened by engaging key stakeholders, sharing resources and advancing innovative approaches to service provision.

- All attempts will be in vein if the incumbent group of people do not respond to the stimulus. The incumbent service recipient should respond to the stimulus of financial inclusion strategy by the service providers.

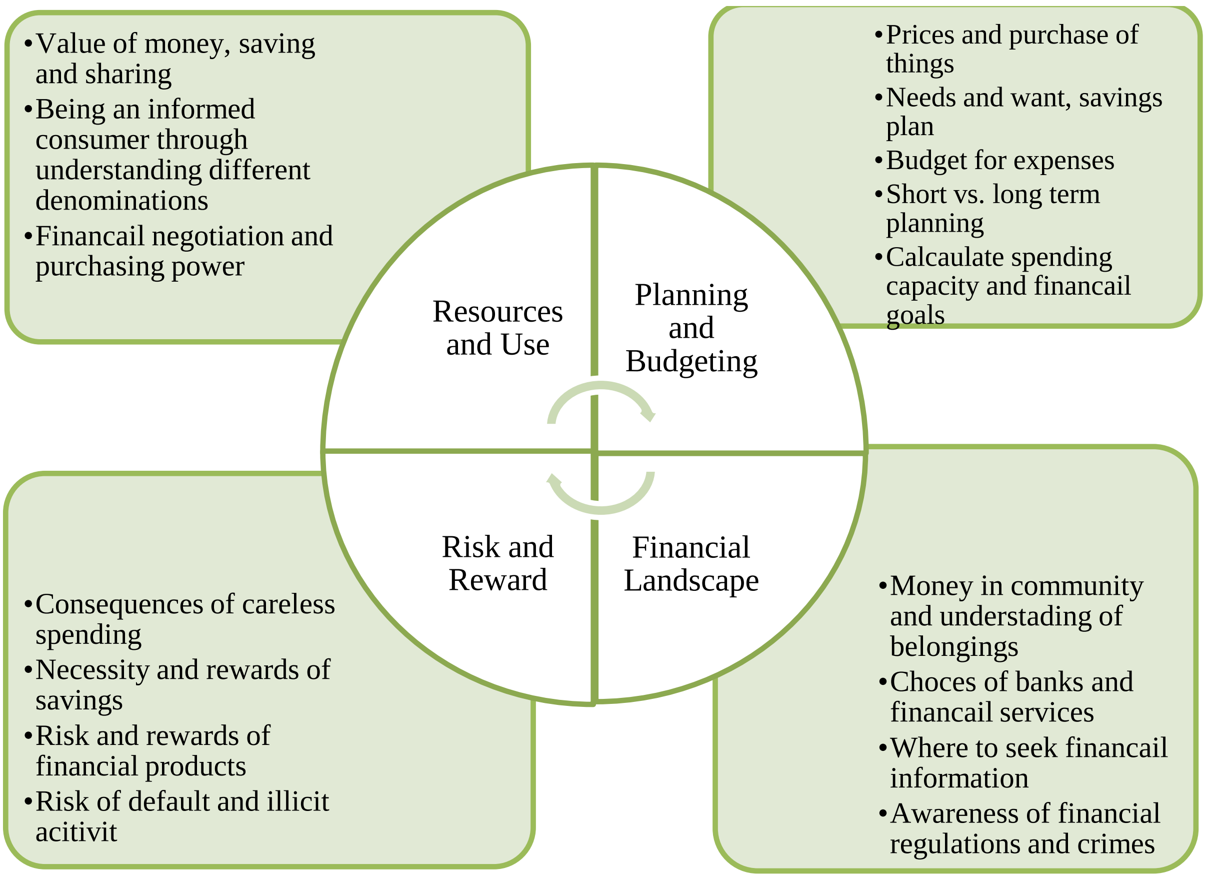
7.6 Strategy for Financial Empowerment and Education

Increasing financial literacy is the key to broaden the net of financial services through building awareness among the potential service recipients. Therefore, providing effective financial education will empower the disadvantaged groups. The strategy should cover children in education as well as children who are not in education. The street children who are studying can get education through formal education system while pure working children should get financial education through various workshops or programmes focusing on:

- Educating children about savings.
- Motivating children to save through campaign or through incentives.

In general, strategies for children and youth's financial empowerment and 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. An illustration of the components of a strategy for children and youth's financial empowerment and education is provided in Figure 7.3.

Figure 7-3: Components of Financial Education for Children and Youth



Source: Adapted from Child and Youth Finance International (CYFI) (2016).

7.7 Way Forward and Conclusions

The present study shows 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. 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. For success, savings products should be designed and implemented in such a manner that they can be served within the financial system. Therefore, a meaningful expansion of financial inclusion net requires several actions:

- Increasing financial literacy through educating the children in schools or through various targeted financial education programmes.

- 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.
- 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.
- 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.
- Organising workshops or programmes for the excluded groups for motivation is a useful option.
- The potential service recipients should be made receptive to the initiatives for financial inclusion.

In a nutshell, the study shows that the street and working children have preferences for savings products. They save in formal and informal savings sources. They use their savings for productive purposes. The formal savers have better financial literacy and better jobs than the informal savers. But the financial activity of the children is hindered by a set of factors – belonging to both supply and demand sides – and hence, initiatives by various institutions can bring a remarkable changes making the society more equitable in terms of access to financial services.

In particular, involvement of key supply side stakeholders such as Bangladesh Bank, ministries of finance and consumer protection agencies is critical to the actions towards financial inclusion of street and working children. To enable this group of children to have consistent access to formal financial products and services, these stakeholders can play an important role by coordinating relevant initiatives and implementing necessary changes. Along the line of SDGs that promote full and productive employment and decent work for all together with sustained, inclusive and stable economic growth, policymakers are required to streamline the capacity of domestic financial institutions to facilitate improved access to banking and financial services for the working children and youth. In the process of financial inclusion of these groups, focus areas should be appropriate product development, efficient delivery channels, consumer protection through straightforward and transparent communication system, and greater uptake and regular use of financial products and services. Policy and regulatory measures aiming to foster financial inclusion of children and youth should further be able to integrate the concepts of entrepreneurial competence, financial capability, social and livelihood strategy into the process of financial inclusion. In addition, the actors involved in the children's financial inclusion should properly assess the unique and fast maturing needs of these groups and take account of their rights in formulating and implementing financial inclusion initiatives.

In terms of children and youth's engagement in policy dialogues, product development and programme evaluation, it is emphasised that promotion of an appropriate platform, which may include, *inter alia*, government, public and private sector financial institutions, civil society organisations, NGOs, enabling the targeted group to communicate their ideas and opinions, requires highest priority. It is, however, important to note that the majority of children and youth still do not have access to financial services, let alone their involvement in policy or product development process. Considering the positive impact of financial empowerment of children and youth on both micro and macro levels of society and the economy, the policymakers, practitioners, and service providers must come forward with a concerted effort to provide this new generation with financial services as well as financial, social and livelihood awareness. Particular attention should be given to development of efficient service delivery channels, identification and removal of policy and regulatory barriers, and advancement of an effective communication system for consistent financial activities. Finally, development and implementation of comprehensive frameworks for the protection of children and youth as consumers are critical to their financial inclusion and require strong collaboration between the stakeholders such as financial institutions and the Bangladesh Bank.

Annex -1

Table 3.1: Summary of Socioeconomic Characteristics of Street Children

Characteristics	Percentage/Year
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

Table 3.2: Percentage Distribution of Street Children by Age and Sex

Age group (Years)	Boys	Girls	Total
9 to <12	90 (0.15)	73 (0.18)	163 (0.16)
12 to <15	230 (0.39)	197 (0.48)	427 (0.43)
15 to <18	246 (0.42)	127 (0.31)	373 (0.37)
18 to 19	26 (0.04)	11 (0.03)	37 (0.04)
Total	592 (100)	408 (100)	1000 (100)

Source: Field Survey 2017
*Percentages shows in parenthesis

Table 3.3: Educational Qualification of Street Children by Participation Status

Educational qualification	Participants (%)	Non-participants (%)	Total (%)
Only sign	0.83	7.5	3.5
Illiterate	0.5	6.75	3
Below primary (1-4)	32.67	55.75	41.9
Primary (5)	16.17	12	14.5
Six-Eight (6-8)	34.83	13.75	26.4
Nine	7	3	5.4
SSC	5.5	1	3.7
Above SSC	2.5	0.25	1.6

Source: Field Survey 2017

Table 3.4: Reasons for Dropout from School

Reasons for not attending schools currently (N=350)	Percentage
No one is educated in family	0.07
Academic result was not good	0.06
Family need turns to work	0.49
Didn't enjoy studying	0.13
Illness	0.01
Educational cost is too high	0.20
No benefit having education	0.01
As s/he lost	0.02
Others	0.02

Source: Field Survey 2017

Table 3.5: Perception about Importance of Education

Perceptions about importance of education	%
No importance	11.5
Very little	38
Huge	50.5

Source: Field Survey 2017

Table 3.6: Reasons for Starting the First Job

Reason of starting job	Frequency	Percent
Due to poverty	648	0.65
Step mother torture	3	0.00
None was to look after	14	0.01
Orphan	3	0.00
Parents left	2	0.00
For study	110	0.11
For earning	195	0.20
Others	25	0.03

Source: Field Survey 2017

Table 3.7: Percentage Distribution of Street Children by Type of Current Work

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

Source: Field Survey 2017

Table 3.8: Working Hours of Street Children

Working hours	Participants	Non-participants	Total
Average working hours in a day	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

Table 3.9: Percentage distribution of street children according to who put them to work in their first job

Who Put to Work	Percent
Parents	11.2
Mother	21.2
Father	5.5
Brother	3.6
Sister	2.4
Neighbour	17.9
Relatives	9.7
Friends	23.5
Teacher	2.7
Others	2.3

Source: Field Survey 2017

Table 3.10: Characteristics of Residence

Characteristics	Participants	Non-participants	Total
Characteristics of sleeping place			
Pacca/semi-pacca	33.16	21.00	28.30
Tin shed	51.00	61.00	55.00
House made of mud, straw, and sticks	10.33	4.50	8.00
House made of polyethin	0	1.50	0.60
Under the open sky	0	8.00	3.20
Slum	0	.50	0.20
Others	5.50	3.50	4.70
Who accompany during sleeping?			
Parents	59.50	51.75	56.40
Mother	21.33	15.00	18.80
Father	1.83	2.00	1.90
Grand parents	2.00	3.00	2.40
With other relative	1.17	4.00	2.30
NGO Shelter home	9.67	6.75	8.50
No permanent place	0	2.50	1.00
Friends	3.00	10.25	5.90
Others	1.50	4.75	2.80

Source: Field Survey 2017

Table 3.11: Living Condition 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

Table 3.12: Summary of Socioeconomic Characteristics of Street Children and Youth

Characteristics	Children (Up to 14 years)	Youth (15^+)
Gender distribution (% of girls)	45.76	33.66
Mean age (years)	12.30	16.24
Average age of starting the first job (years)	10.39	12.85
Average working day in a week (days)	6.20	5.91
Children eat three full meals in a day (%)	76.78	86.06
Occupation		
Service sector labour as main occupation (Percentage)	31.53	20.24
Business sector labour as main occupation (Percentage)	33.39	35.12
Transport sector labour as main occupation (Percentage)	5.08	5.37
Garbage collection as main occupation (Percentage)	5.08	3.17
Income		
Children having multiple earning (Percentage)	3.05	5.6
Children having stable earning (Percentage)	67.29	70.49
Monthly income (in BDT.)	2790.31	4043.61
Children supporting families (Percentage)	68.47	65.61
Financial inclusion status of children's family		
Children's/Youth family have formal saving account ((Percentage)	12.03	17.56
Children's/Youth family have taken formal loan (Percentage)	15.08	31.46
Children's/Youth family have mobile account (Percentage)	7.12	8.29
Children's/Youth family does mobile transactions (Percentage)	19.49	20.24
Children's/Youth knowledge about basic math	33.33	44.30

Source: Field Survey 2017

Table 3.13: Income Quintile

Income quintile (in Taka)	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

Table 3.14: Features of CSAs in Selected Countries

Country	Main Features
Canada	• Govt. established CSAs to support savings for children's education through special accounts that are registered with the Government of Canada and earmarked for post-secondary education. • These accounts are opened through financial institutions and feature lifetime tax-deferred private contribution limits of CAD 50,000. Through the Canada Education Savings Grant (CESG), the government annually matches 20 percent of the first CAD 2,500 of private contributions into the accounts of children under age 18. Children in low-income families receive an extra 10 or 20 percent, depending on their income level, of the first CAD 500 of private contributions. • The lifetime limit for CESGs is CAD 7,200. In addition, the government deposits Canada Learning Bonds (CLBs) worth CAD 500 into the RESPs of children in low-income families, along with an extra CAD 100 annually until age 15. The lifetime limit for CLBs is CAD 2,000.
United States	• At birth, children would receive a USD500 government deposit in a lifetime savings account. • After-tax private contributions would be permitted up to USD2,000 a year and would be matched by the government up to USD500 a year, depending on income level. • Withdrawals would not be permitted until age 18. Between ages 18 and 25, account balances could be used only for higher education. • Besides government efforts there are also some institutional initiatives to develop CSAs. The Centre for Social Development piloted a CSA programme in 12 states and communities across the United States and Puerto Rico and included 1,171 participants. All the accounts received an initial deposit of up to USD1,000. Match dollars were available to encourage private contributions. Many programmes also used benchmark incentive dollars for staying in the programme or attending financial education classes.
United Kingdom	• Parents will open account in the child's name in any bank of UK. The account will be tax free under the age of 18. • Anyone can deposit money but the total deposit cannot exceed £4,000 per tax year. • The child takes over the account at age 16 and can withdraw the money at age 18 and after 18 it will automatically become an adult account. • The money in the account comes from private contributions only: there is no government seed deposit, supplemental grant.
Netherlands	• Various banks in Netherlands offer child friendly products as a part of their services. An example of this is the 'Rabo Jongeren Rekening,' at Rabobank, which targets children and youth aged 12 to 18 years old. This serves as a tool allowing children and youth to manage money, make payments and save. This account has other tools that are linked to it such as a mobile app which provides them with instant access to their accounts without being physically present at a bank. This account is typically managed with parental consent; however, as the child grows older their ability to manage their account autonomously increases steadily. These types of accounts are provided by most banking institutions in Netherlands and aim to provide children and youth with access to financial services that increase their financial responsibility. • Parents of children under 12 can open an account on their child's behalf. The parent has complete control over the bank account. A child can open and operate a bank account from 12 years onwards; however, the account can only be opened with permission of parents. Although the child can operate the bank account independently, the parents decide on the scope and features of the banking product (e.g. access to mobile and/or Internet banking). Parents can choose to be notified by the bank when the child makes a transaction by card.
Singapore	• Government introduced the 'Baby Bonus' programme where parents receive a cash gift of up to Singapore dollar 6,000 each for their first and second children and Singapore dollar 8,000 each for their third and fourth children. Parents who open a child development account (CDA) receive a dollar-for-dollar government match for their contributions: up to Singapore dollar 6,000 each for their first and second

	children, Singapore dollar 12,000 each for their third and fourth children, and Singapore dollar 18,000 each for their fifth and subsequent children. • After the age of 12, the government closes the CDAs and transfers unused balances to children's post-secondary education (PSEA). • Another government programme named 'Edusave Scheme' was introduced in 1993 to help parents pay for enrichment programmes and school-related fees. At age 7, each student automatically gets an Edusave account into which the government makes annual contributions. Since 2009, these contributions have been Singapore $200 for primary school students and Singapore $240 for secondary school students. The government also provides students with a top-up grant periodically. At age 16, the government closes these accounts and transfers unused balances to children's PSEAs.
India	• Several banks have taken steps to include children and youth under financial services. State Bank of India has two financial products for two groups; one for below 10 years of age and another is above that age. Both the accounts do not have any minimum balance requirement. The savings account for above 10 years old can be operated by the account holder without any legal consent of guardian or parents. • Kotak Bank offers a saving account to children under 18 years which gives 6 percent annual interest. They also issue debit card to children above 10 years with parent or guardian's approval. With debit card, they can withdraw up to Rs.5,000 monthly. • Other banks such as ICICI Bank, Axis Bank, IDBI Bank offer a saving product to children with a minimum balance requirement of Rs.2,000-2,500.
Pakistan	• Several banks have taken steps to include children and youth under financial services. Habib Bank of Pakistan gives provision to children under 18 years to open a bank account with Rs.1. Moreover, no service charge has to be paid and no minimum balance is required to maintain the account. • MCB has a savings product for children under 18 years tagged with education scheme. Meezan Bank has Kids Club Account for the kids under 12 years with a minimum deposit of Rs.500 and provides *halal* profit monthly. Aksari Bank gives the opportunity to children under 18 years to open an account with Rs.100. Upon opening bank account, it offers free education insurance worth Rs.5,000 per month for 5 years on a savings account.
Fiji	• The major financial products for children available in Fiji under the age of 18 are the Bank South Pacific's (BSP) Kids Savings Account and the ANZ Bank's Junior Access Account. All child savings accounts require consent from the child's parent or legal guardian. In some child banking products, the banks try to in still savings behaviour by implementing a lock-in period. As an example, the BSP Kiddie Savings Account has a lock-in period from February to November, when children will not be able to withdraw any amount, unless the parent or legal guardian provides consent.
Brazil	• There is no law or specific policy for including children and youth under financial service. However, the father, mother, or legal advisor can represent children under the age of 16 in the case of opening an account. Individuals over 16 years of age and less than 18 years of age, who are not dependent on parents, can also be represented by their father, mother, or legal tutor. After 18, the account will be considered as an adult account.
Colombia	• In Colombia, the legal age currently stands at 18 years. Nevertheless, the law recognises that young adults under age (between 14 and 18 years old) should be allowed some autonomy, including administering a savings account on their own; individuals under 14 can have access too, but in the company of an adult.
Guatemala	• In Guatemala, minors can have savings accounts, but they are managed along with their parents' accounts until they turn 18, at which point they have the legal capacity to manage accounts on their own. • Besides this children can open account with the National Mortgage Credit, under the National Department of Savings for Children.

Jamaica	• The Bank of Nova Scotia Limited in Jamaica has a product for children under the age of 18, in the form of a savings account that requires permission of the legal guardian to make transactions, and also offers special training for those employees dealing with children under the age of 18.
Palestine	• Arab Bank of Palestine has created a new product for children under 18 called 'Jeel Al Arabi'. The aim of this product is to encourage saving behaviour and financial awareness among children and youth.
Uganda	• Some banks in Uganda have financial products that are specifically focused on children and youth clients. These banks include: Finance Trust, Equity Bank, Post Bank Uganda and Centenary Bank. These banks have accounts and services that are tailored to the needs of children and youth, and have various requirements such as minimum balance, passport size photos and identification that must be fulfilled in order to be utilised by young people in the country.

Annex 2

Focus Group Discussion (FGD) in Chittagong

Most of the street children who participated in the FGD in Chittagong are school going children. In addition, they are also engaged in income earning activities. They are engaged in informal occupation like day labourer, maid, helper/driver, shopkeeper etc. Most of them wish to continue their studies provided they get adequate financial support to maintain their living. Also the participant children are members of 'Child Club' run by a local NGO, Uddipan.

Focus group discussion was held in Chittagong on 29 December 2016 with the members of child club run by a local NGO, Uddipan.

Majority of them have opened a saving account in bank in 2014 when Bangladesh Bank first introduced bank accounts for vulnerable working and street children in Bangladesh.

Procedure Followed to Open an Account

The children got aware about the banking facilities from the 'Child Club'. The NGO officials of 'Uddipan' motivated them to open the bank account. They were inspired because the NGO officials informed them that they would be able to open the account in a hassle free manner with just a deposit amount of Tk. 10 and later on can continue the savings by depositing any amount they want. Also some were motivated by their parents to have bank accounts. However, the children were also informed that they would not be able to withdraw money before they turn 18 years unless there was any major emergency.

The procedure of opening bank accounts was not difficult for the children as they were assisted by the NGO officials. They provided the photocopy of their birth certificate, two copies of their photograph and certificate from the local chairman. The other procedures were completed by the NGO authority. Moreover, they did not even fill up the form or present at the bank. On behalf of them, concerned NGO officials filled up their forms and maintained other formalities. They also started to deposit in the account without visiting the bank through the assigned NGO official. Most of children think that the saving procedure is easy for them but not effective. They claim that if they are taken to the bank premises and get acquainted with banking procedures then it would be more beneficial for them.

Experience of Savings in Bank

The children continued to deposit in the bank account for 2-3 months after they opened the account in 2014. Though they wished to deposit money but they could not do so as the NGO staff assigned for the programme left the job or got transfer to a different district. This was the main reason for quitting depositing in the accounts soon after opening the accounts. Another reason to discontinue savings is that some of the children did not have enough income to save after maintaining their sustenance. Moreover, there was no one to motivate them. Some children also mention that they had gone to the bank directly to deposit their savings as they were not getting any assistance from the NGO, but the bank official refused to take the deposit without the co-account holder from the NGO.

From the discussion it is clear that the concerned NGO tagged this programme with another programme named 'Child Club' which was funded by the Save the Children, an international NGO. But when the fund was unavailable, then the NGO employee assigned with 'Child Club' as well as 'Bank Accounts for the Working and Street Children' was no more available. The project was designed without dedicated field staffs and salary provisions for them. One participant in the FGD added that lack of regular follow up by the NGO staff also make their transactions irregular.

Recommendations for Developing Appropriate Financial Products

The children shared some ideas for developing financial product for vulnerable working children. Firstly, a dedicated staff should be assigned to assist them in the banking process. Then it will be easier for them to continue the saving habit. Regular follow up is needed to keep the children motivated and make regular deposits. The children also feel that if they are familiar with the banking procedures and bank staff, then they can easily handle their accounts by themselves. For the purpose, collaborative efforts are needed between the children and bank officials including the involved NGOs. Similarly, if banks can make arrangements to periodically collect their savings deposit, it will facilitate the process. It is also suggested that easy withdrawal facilities from the accounts would help build trust among themselves regarding the authenticity of the banks.

Case Study of Russel Hossain: From a drug supplier to a school teacher--success story of a street boy

Russel Hossain, 24 (not his real name) presently works as a school teacher in an NGO school along with studying for his BSc. degree. When he looks back, this journey appears to be a dream to him.

After the separation of his parents when he was five, his father left him in an orphanage. Being the victim of violence in the orphanage, he fled after a year and came to Dhaka alone working as a litter collector. At the age of 10, he caught the eye of a local drug dealer who used to pay Russel to supply drugs for him. As a litter collector, his earnings were not enough to afford three meals a day. So he started working for the drug dealer by delivering drugs to the customers wrapping it in rubbish sacks. Even at the little age, he understood that this job is risky and he might go to jail if he is caught by the police. He always wanted to get rid of this job although he was earning a good amount. Moreover, he used to get tortured and beaten up by the drug dealers and customers. Seeing the children of his age going to school, he always wanted to go to school and study.

One day, he came across a street school of an NGO in the area he used to supply drugs. He started going there regularly and did very well in the yearly examination. As he was a good student, school teachers liked him very much and took him to the child shelter home under that NGO. The NGO contacted a newspaper shop and got him a job as a hawker at a monthly salary of Tk. 250. As he had a good managerial skill and all children in the shelter home liked him a lot, he got appointment as a child expert in the NGO at the age of 16. He was in charge of overall supervision of the children living in the shelter home besides his study. After his graduation from higher secondary school, he started working as a teacher in the same NGO earning Tk. 8,000 a month.

In 2014, when Bangladesh Bank issued a circular enabling the banks to provide working and street children with access to a ten taka bank account with support from NGOs, he opened a bank account with the Pubali Bank Limited. Though he was an adult at that time, he never thought of opening an account by himself as his income was too low to save because he always thought banks will never receive his small amount of savings. The NGO where he worked as a teacher informed him that this ten taka account is not only for children but also for the small income groups. Russel opened a saving account and every month he used to save Tk. 5,000 in the account.

This saving habit changed his life. Now Russel is a 1st year management student in the National University. He bears all his education expense, exam fees, and admission fees on his own with his savings. He has a dream to join Bangladesh Civil Service after his graduation. Recently, he got a salary increment in the NGO School. His monthly salary is now Tk. 11,500 and he has Tk. 30,000 as savings in his bank account. Russel wishes to serve this school throughout his life. He remembers the way the NGO and the school job has transformed a drug supplier street boy ten years back and motivated to earn and save. He wants to transform the lives of many such children who are deprived and live a life with no hope for the future.

Case Study of Fahim's journey towards success: Savings as the catalyst

Fahim grew up in a typical Bangladesh village and went to a local Madrasah (religion based educational institute) at his early age. His father was a worker in a plastic factory in Dhaka. In 2004, at the age of five he was forced to come to Dhaka along with his father for earning extra money for the family. He started to work in the plastic factory along with his father but could not cope with the work. If he was irregular in his workplace, his father used to torture him physically. While not being able to endure his father's oppression, he left his father and started staying in the street.

He used to move around and joined a band of waste pickers of the street and maintained his livelihood by selling those items. In the process, he started smoking and taking local drugs mixing up with the band of waste pickers. Somehow, he was trapped by drug traders and engaged in drug dealing as they tempted him to become involved with the business in return for a handsome amount of money. One day he was arrested by the police with some packets of drugs. The police took him to the jail and beat him mercilessly for information. His family met him at police station and considering his age police released him.

After his release, Fahim came in contact with *an NGO* and got admitted in their school in 2005 and gave up previous misdeeds. As he did very well in his studies, the NGO took him to the child shelter home under the NGO. He continued his study and got admitted in class five at *Lalbagh Government Primary School* along with working in the plastic factory.

In 2009, he opened an informal bank account in Child Development Bank operated by the *NGO*. Later it was transferred to Pubali Bank Limited after Bangladesh Bank issued a circular enabling the banks to provide working and street children a ten taka bank account in 2014. At that time he participated in various programmes in television and earned around Tk. 5,000 (about USD 63) for each programme. From the earnings, he spent for his educational expenses and saved the remaining amount in bank account. Besides he got training on refrigerator repairing from an NGO, joined in a refrigerator repairing workshop and earned Tk. 1,000 (USD 13) per month. After passing class eight, he left the job and went back to his family. At that time he had Tk. 15,000 (USD 190) in his bank account.

Being first, in admission test among 800 students he got admitted in class nine (vocational branch) in *UCEP School*. He registered himself for Secondary School Certificate (SSC) examination with his savings. Now Fahim meets his personal and family expenses with his previous savings. He is no more a burden for his family and his savings play a vital role in paving his way to success. Later on, he passed SSC securing GPA 5 and got admitted in *Dhaka Polytechnic Institute* being 13th in the admission test. Fahim says, 'Savings through the bank account gives me new hopes in my life. After involving in financial services through operating savings and credit programme, I have got a space to breathe and hope to accomplish my dream of becoming an engineer'.

Constraints faced by implementing NGOs

The participants informed that when Bangladesh Bank initiated saving facilities in scheduled banks for vulnerable working and street children, the NGOs were very motivated and they started to assist the children in maintaining the savings account with the assigned banks. However, majority of NGOs lacked dedicated staffs to run the programme as no staff were paid for the activities of this programme. For majority of NGOs facilitating savings account for children/youth, the saving programme was initially tagged with a programme funded by the Save the Children.

A consultation meeting with the NGOs was held on 29 January 2017 at PKSF *Bhaban*, Dhaka.

Later on, when that programme phased out, the NGO staffs lost their interest within a short time as they would not be paid for monitoring and facilitating the savings account for children from the NGOs. If they have to continue this work, they will have to do it philanthropically with their own responsibility.

Under this circumstance, children were asked to continue their accounts with help of their parents. As a result, majority of the accounts became inactive. The NGO representatives point out that this programme lack appropriate implementing structure.

Under current structure, permission of the governing body is required for operating such a programme. On the other hand, the governing body is not very keen to permit such a programme as they feel it is troublesome to take the responsibility of children regarding their financial issues. The representatives of the NGOs also feel that maintaining the programme from head office is difficult at the implementation level. It is also noted that children feel insecure and lose interest in banking transactions if the assigned staff is transferred or changed. Withdrawing money from the account seems also a big problem for the account holders as the children are not given cheque books as they are minors. However, if there is some urgency then they may use voucher slips to withdraw the money. There is also the issue of likely wasteful expense of money if the children are given easy access to their account. Finally, it is also important for all parties including the banks and NGOs to accept the responsibilities seriously with required cooperation and coordination.

Meeting with programme initiators

The research team had an interactive discussion with Dr. Atiur Rahman, the initiator of the programme and former Governor, Bangladesh Bank on 5th February 2017. The discussions covered wide issues on operational procedures and problems and way out regarding financial inclusion for vulnerable street and working children in Bangladesh.

Meeting with the initiator of the programme was held on 5th February 2017 at University of Dhaka.

As street children accounts are minor accounts, NGOs are involved in the process. But NGOs do not get any fund for facilitating the saving accounts on behalf of the children. As the NGOs have to do the job at their own responsibility without any return, there is hardly any follow up action from the NGOs once the account is opened. There is a need to bring necessary changes in the present model to ensure ownership of NGOs in the programme. For example, if a part of CSR (Corporate Social Responsibility) fund is allocated for operationalising the street children banking programme, it may bring better outcomes. In this regard, BB may play a vital role through taking effective policies. The mobile financial services may also be used to expand the process of bringing the street children under banking services. Further, giving more importance on intensive financial inclusion programmes for vulnerable groups will ensure designing of effective operational models.

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