Accelerating Early-stage Inclusive Fintech Startups in Emerging Markets:
Assessing the Landscape and Catalyst Fund’s Model

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Cover Photo: Abalobi

Abalobi, a Catalyst Fund company, offers a mobile app suite and programme aimed at social justice and poverty alleviation in the small-scale fisheries chain.
Catalyst Fund is a global accelerator program that supports early-stage inclusive fintech startups in emerging markets with flexible capital, tailored venture-building services, and connections to investors. Catalyst Fund helps early-stage innovators build accessible, affordable and appropriate solutions for the low-income customer. Direct learning from the startups is captured in shareable knowledge products, such as the AAA Framework, a blueprint for designing products and services for the poor, and shared with other ecosystem actors to spur innovation, unlock capital, and attract talent to inclusive fintech. Catalyst Fund is managed by BFA and was founded in 2016 with the support of the Bill & Melinda Gates Foundation and JPMorgan Chase & Co, with Rockefeller Philanthropy Advisors as fiscal sponsor.

This report describes the landscape of global accelerator models for fintech startups and assesses what Catalyst Fund does well and what it could do better.
Catalyst Fund company Hover has developed a proprietary and patent-pending technology, which enables developers to build on mobile money even when the APIs needed for payment integration do not exist.
Why Accelerate Early-stage Inclusive Fintech Startups in Emerging Markets

515 million adults worldwide gained access to a bank account over the past 5 years

Between 2014 and 2017 some 515 million adults worldwide gained access to a bank account at a financial institution or through a mobile money provider, bringing the total number of adults who have an account to 69 percent. Access to technology has been one of the fundamental drivers behind this progress.

However, even with this progress, 1.7 billion adults around the world remain unbanked. Mobile phones may be the key to unlocking access as two out of every three adults own a mobile phone, which could be leveraged to expand access to financial services dramatically. The World Bank reports that formal banking reaches about 40 percent of the population in emerging markets, while 90 percent have mobile phones. In fact, mobile-phone connections already exceed bank accounts in some markets in Africa. Around the world, technological advancements, open platform interfaces, and the availability of more and better data from non-traditional sources are providing critical data for a new wave of financial services.

The potential for fintech solutions to expand access to and improve the quality of financial services available to poor people in emerging economies is unparalleled. New fintech solutions are emerging to deliver easier, cheaper, and faster financial services that can benefit low- and middle-income customers. At the forefront of such product innovation are nimble and innovative startups, which can harness the latest technology and deploy lean operating models to quickly develop strong, customer-centric value propositions. Yet only a few fintech startups have reached scale in emerging markets. Many promising new enterprises fail to pass the idea stage because they lack adequate financial and human resources to launch and test their products.

Starting a business is particularly challenging in emerging markets because the ecosystem for funding, skills, and other essential inputs is thin and fragmented, especially for technology businesses. Moreover, fintech businesses face a unique set of risks and challenges around new technologies as well as unclear or evolving regulations, for which the sector requires deeper technical expertise and flexible upfront capital.

To address these challenges, donors, investors, banks, mobile network operators, and other stakeholders are supporting pitch competitions, boot camps, incubators, and accelerator programs to spur fintech innovation. These interventions seek to identify promising businesses and to increase the rate at which they gain traction and scale. Most programs offer services such as capacity building and technical assistance; networks and mentoring; financial and non-financial resources (such as collaboration or office space); and access to follow-on investors. Some accelerators also seek to share lessons learned from their work to influence and spur additional innovation in the sector.
One such initiative is Catalyst Fund, a global accelerator program that supports early-stage inclusive fintech startups in emerging markets with flexible capital, tailored venture-building support services, and connections to investors. Catalyst Fund also captures and shares learnings about what makes fintech inclusive to influence the sector and contribute to improving the ecosystem for innovation in financial inclusion. Catalyst Fund is managed by BFA with the support of JPMorgan Chase & Co.

Given the diversity of programs and efforts, what many funders, accelerators, and research organizations need to know is: how can accelerator programs be most effective in accelerating early-stage entrepreneurs? Which services and elements of the program do startups find most valuable and helpful to improve their growth and performance? Stakeholders want answers to these questions to continuously improve the design of accelerator programs across industries.

We conducted desk research in May 2018 to identify over 50 organizations which offer accelerator or accelerator-like services to fintech startups in emerging markets in an effort to consider these questions. In the next section we describe the overall landscape of fintech acceleration by considering these 50 organizations. Next, we take a closer look at 11 accelerator programs\(^1\) chosen from this group of 50. These 11 work with early-stage fintech startups in emerging markets. Our goal is to describe the components of acceleration across various programs, to situate Catalyst Fund amongst its peers in the acceleration landscape, and finally, to identify Catalyst Fund’s strengths and opportunities for improvement going forward.\(^2\)

Ultimately, we found that Catalyst Fund is notable for a few key aspects of its acceleration model: its sourcing approach via a select network of investors, its partnership with a large network of impact and commercial investors focused on fintech, and its hands-on tailored venture-building support services delivered by fintech experts. These characteristics make Catalyst Fund a strong player in the acceleration space. Furthermore, the way in which Catalyst Fund shares learning and demonstrates the potential of inclusive fintech companies is an important factor driving change in the fintech sector.

\(^{1}\) We only considered programs that 1) accelerate fintech startups as a core service, cohort or dedicated track or have a substantial number of fintech companies in their overall cohorts; 2) focus on early-stage companies (pre-seed); 3) work with startups based in or focused on emerging markets or have substantial participants from emerging markets; and 4) had active programs in 2017-2018. We recognize that our research may have inadvertently left out some programs.

\(^{2}\) For all of the programs with the exception of Catalyst Fund, the authors relied upon information available in the public domain. For Catalyst Fund, the authors had access to supplemental information about the program.
Among the larger group of 50 organizations we identified, few organizations share Catalyst Fund’s exclusive focus on fintech in emerging markets. Many acceleration programs group fintech startups with other tech startups, thus making it hard to address the unique needs of fintech startups, especially when they are in a minority. Similarly, many programs do not focus exclusively on emerging markets. Even those that include emerging markets may not support startups that are physically present in these markets, focusing instead on startups serving these markets from their headquarters abroad.

Moreover, among those that focus on emerging market fintech, few specialize in inclusive, early-stage fintech. By inclusive we mean businesses focused on underserved segments of the population. Being inclusive is important, because startups often focus on serving more affluent customer segments in urban centers. For example, in India, most fintech firms serve well-to-do, tech-literate customers in Tier One geographies, leaving over 80 percent of the addressable low- and middle-income market untapped. The same study found that 82 percent of fintech companies focus on just the top three metro cities. Other programs are focused on later- rather than early-stage businesses. For

3 Microsave analysis for “Fintech Study to Model a Financial Inclusion Lab”, 2018.
example, Mastercard StartPath Global works with more advanced startups that have already secured seed or series A funding.

Even among those that focus on early-stage, inclusive fintech in emerging markets, few share Catalyst Fund’s hands-on model. Some programs are pitch competitions with awards, which are very distinct from acceleration programs. Even among the acceleration programs, few are designed to sustain cohorts over multiple years. We found various accelerators which were active in 2014, 2015 or 2016 but had no programs running in 2017 or 2018. For some organizations, the accelerator was either a one-off program or was perhaps found to be too costly, insufficiently effective, or lacked organizational support to continue.

Across the landscape, we found that there is only a small number of acceleration programs that can be compared to Catalyst Fund. For the remainder of this report we focus on the 11 accelerator programs that bear the greatest similarity to Catalyst Fund. Of the 11 programs we considered, only two (including Catalyst Fund) focus solely on inclusive fintech startups, while suggesting there is room for growth for these kinds of models.

**Definitions**

*Early-stage:* we refer to startups that have a proof of concept but are pre-revenue (or early revenue) and have raised a pre-seed round.

*Fintech startups:* we refer to any type of business-to-consumer or business-to-business ventures that provide tech-enabled financial services or solutions. A sub-segment of fintech startups are “inclusive” as they focus their business on the financial health of low- to moderate-income consumers. We adopt an encompassing definition of fintech solutions, which include but are not limited to companies offering credit, payments, insurance, savings, pensions, other financial products, and alternative credit scoring and data analytics companies, platform and SaaS companies, PAYGo companies, supply chain and agriculture finance companies, and more that are touching other economic sectors through fintech (energy, health, education etc.).

*Emerging markets:* we refer to fintech solutions that have development impact as they address the needs of low- and moderate-income consumers in emerging economies in Africa, Asia, and Latin America.

**Sectoral Focus**

Our sample reveals few programs focus exclusively on inclusive fintech
The Elements of Acceleration

Even among the group of 11 programs that are comparable to Catalyst Fund, the programs are quite diverse. Some are on-site, some are virtual, and others have hybrid delivery models. They have varying degrees of focus on fintech; some work only on fintech, some offer a fintech track or cohort, and others are open to any type of company but accelerate a substantial number of fintech companies. Some are focused on inclusive fintech and development outcomes, while others are agnostic and take a more commercial approach.

We found that accelerators differ across four key areas:

01 Sourcing & Selection
How the pipeline of startups is cultivated and how the program participants are selected.

02 Support
How the startups are supported through venture-building services, including capacity building; technical assistance; access to investors and mentors; access to talent; and other resources. Support can also include direct resource provision such as funds, office space, and software.

03 Synthesizing & Sharing
How lessons are captured and disseminated across the ecosystem.

04 Structure & Sustainability
Whether the accelerators are stand-alone or embedded in larger organizations, such as banks or mobile network operators, and how the acceleration programs are funded.
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<td><strong>Capacity Building</strong></td>
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<td>Coaching</td>
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<tr>
<td>Coaching</td>
<td>Fintech TA/Business TA</td>
<td>Ecosystem of mentors within the bank and external partners</td>
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<tr>
<td>Coaching</td>
<td>Fintech TA/Business TA</td>
<td>Mentors from telco partner</td>
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<td>Coaching</td>
<td>Ecosystem of mentors and partners</td>
<td>Discounted Services</td>
<td>Investor Relationships/Own Fund</td>
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<td>Coaching</td>
<td>External Provider Business TA</td>
<td>Ecosystem of mentors and partners</td>
<td>$ stipend/Office Space/Discounted Services</td>
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<td>Curriculum</td>
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<td>Coaching</td>
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<tr>
<td>Coaching</td>
<td>External Provider Business TA</td>
<td>Selected mentors/Formalized mentorship plan</td>
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A crucial factor in the effectiveness of acceleration programs is finding the right startups at the right time. That means finding startups which meet the criteria, have innovative products and businesses, and have leaders with the capacity and desire to take advice and change course, if necessary, to grow the business.

There are a few models to sourcing and selecting companies to join programs, including applications and interviews, boot camps, and competitions.

Below, we describe the ways in which these 11 accelerators approach each of these four areas, highlighting the extent to which Catalyst Fund is or is not unique among its peers.

### Sourcing & Selection

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<tr>
<th>ACCELERATOR</th>
<th>SOURCING &amp; SELECTION PROCESS</th>
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<tr>
<td>Catalyst Fund</td>
<td>Select companies with the help of its Investors Advisory Committee, which sources the pipeline and also advises on the selection process on a non-objection basis.</td>
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<tr>
<td>500 Startups</td>
<td>Open call. Selection through interviews.</td>
</tr>
<tr>
<td>DFS Labs</td>
<td>Open call as well as sourced via boot camps: one-week design sprints for fintech entrepreneurs focused on prototyping and testing.</td>
</tr>
<tr>
<td>Ecobank Fintech</td>
<td>Pitch competition</td>
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<td>Challenge</td>
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<tr>
<td>ISME ACE</td>
<td>Call to call</td>
</tr>
<tr>
<td>Mandiri Digital</td>
<td>Selected from finalists of several business competitions, hackathons and members of entrepreneurship associations.</td>
</tr>
<tr>
<td>Incubator</td>
<td>Call to call</td>
</tr>
<tr>
<td>NxtpLabs</td>
<td>Open call and sourced through their Fast Track events. Twenty finalists are invited to a three-day selection process through which 10-12 startups are selected for the program.</td>
</tr>
<tr>
<td>Startupbootcamp</td>
<td>Open call. Selection through interviews.*</td>
</tr>
<tr>
<td>Village Capital</td>
<td>Open call. In-person interviews.</td>
</tr>
<tr>
<td>Y Combinator</td>
<td>Open call. Shortlisted startups invited for in-person presentation in Mumbai.</td>
</tr>
<tr>
<td>YES FINTECH</td>
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</table>

*No further information about the selection process was publicly available.*
Catalyst Fund is the only accelerator that works with a group of investors, the Investors Advisory Committee, to source startups for its program. The members of the Committee -- which includes investors from Omidyar Network, Quona Capital, 500 Startups, Accion Venture Lab, and Gray Ghost Ventures -- have deep expertise investing in fintech firms in emerging markets.

In contrast to this model, the other 10 accelerator programs utilize open calls for applications, sometimes with the assistance of pipeline partners to solicit participants (e.g., universities, incubators, investors), or through the use of competitions and hackathons to identify businesses.

By including investors from the very beginning, Catalyst Fund ensures that the investors’ perspective and intelligence are incorporated and prioritized throughout the acceleration process. Investors may be more likely to select best-of-breed companies (since finding good startups is their full-time job) that they want to see grow through such a program. Investor-selected companies may also be more likely to receive funding post-acceleration as investors build a relationship with the companies throughout the acceleration process.

One of the potential shortcomings of this approach is that there might be missed opportunities for sourcing a broader set of interesting high-potential fintech startups that investors do not come across. Accessing such startups could be achieved through an open application approach.

Beyond sourcing applicants, accelerators employ similar approaches for selecting participants: a series of interviews with the accelerator team and sometimes mentors or alumni, either in person or over the phone. The interview stage is used to gather information about the startup's business model, the technology, the growth potential of the company, the competency of the entrepreneur (and his/her team), and his/her commitment to the acceleration process. One exception to this approach is Ecobank, which uses a pitch format to identify businesses that will be successful in raising funding down the road.

Beyond interviews, some programs such as Startupbootcamp incorporate a boot camp or a working day, which allows the accelerator team to observe the startup team in action and to test their receptivity to elements of the acceleration program. Boot camps and working days can be helpful to get to know companies before embarking on a more formal acceleration program. However, they can be expensive to host.

To select businesses from among the larger group that the Investors Advisory Committee has sourced, Catalyst Fund uses one-on-one interviews with founders and considers alignment across several criteria, including the company’s innovation potential, the strength of the team, the additionality of grant funding, and the startup’s focus on emerging markets and underserved populations. The team also considers the company’s potential to generate learnings for the sector (insights for the ecosystem). Catalyst Fund includes investors in this stage of the process to help choose companies for the program on a non-objection basis.

Catalyst Fund’s sourcing and selection model—which uses investors to find and select companies—is unique in the sector. The hypothesis driving the model is that companies are more likely to receive investment post-acceleration if they engage with a community of investors from the start. And investors are more likely to back a company if they have a relationship with the founding team from the early days.
Most acceleration models include venture-building support in the form of technical assistance, capacity building, networking, mentorship, capital, and access to resources (data, offices, software etc.). Although these elements constitute a conventional acceleration recipe, the services and support that accelerators provide to participants still vary considerably, likely in response to the diversity of challenges fintech startups face and the diversity of their teams.

Consider these profiles of entrepreneurs and companies. Each would need different kinds of support from an accelerator:

- **The Business Visionary**
  A savvy, experienced business leader in financial services might have solid business skills and financial modelling skills; however, she may lack the technical expertise on the product side needed to nail product market fit. She would need above all technical assistance that focuses on the fintech solution and product development.

- **The Techie Wizard**
  An engineer is leading a high-potential fintech startup. However, he does not have sufficient front-end design skills to build a product that customers will want to use, and has no experience pitching to investors. He might need a solid foundation in product design and user research to strengthen the value proposition, and also training on how to interact with investors.

- **The Valley Founder**
  A skilled fintech entrepreneur in the Silicon Valley has identified East Africa as the best place to launch her solution. However, she does not know the regulatory landscape, has limited understanding of the markets and their nuances, nor does she have the ecosystem partners on the ground. She would need network introductions, regulatory support, and regional expertise in the target markets to increase her chances of success.

- **The Undercover Inventor**
  A high-potential fintech startup in Indonesia has a solid business model and fintech solution. However, it lacks connections to the global investment community and struggles to raise funds. The founder needs connections to investors to find the capital the business needs to grow and to build a brand and reputation that is immediately recognized.
In terms of what kinds of support they offer, few accelerators are transparent about what they do, how they do it, or who delivers these services (perhaps in order to protect their “secret sauce”). While this secrecy is rational, it might not be clear to the entrepreneur at the time of application what will be delivered, and via what method. As more acceleration offerings enter the market, it will become important for the different programs to clearly articulate their models to entrepreneurs, so that they can make informed decisions about which programs best suit their needs.

Fintech entrepreneurs may be focused on looking for specific elements in an accelerator, given the specific challenges they are facing at the moment. Beyond lack of capital and shortage of talent in emerging markets, fintech entrepreneurs tend to be concerned about four key challenges:

01 Appropriate Technology and Data

Fintech startups in emerging markets have a hard time finding the right tech talent to develop their solutions, and tech talent from hubs such as Silicon Valley is too expensive for a startup. Startups also need to figure out the right technology for their customer base to ensure adoption and usage of the product. Furthermore, when entrepreneurs are not tech experts themselves, they may struggle to identify the right type of system needed at the backend and to assess their costs.

Many fintech startups rely on alternative data sources, particularly companies offering alternative credit scoring models or other AI-based approaches. Access to quality data in large quantities is essential for these startups and can be difficult to procure and organize.

02 Building Trust

Fintech companies can struggle to build trust with their users, who might not be digitally savvy and may be distrustful of financial institutions. Fintech entrepreneurs need to understand their customers’ needs and behaviors to develop value propositions that increase trust. Often this means adopting “tech and touch” approaches -- laid out in Catalyst Fund’s “Proven Strategies for Making Fintech Inclusive,” whereby clients engage with a mix of digital and human interactions at different points in the customer journey.

03 Forming Partnerships

Fintech entrepreneurs often need to work with partners such as banks or mobile network operators to distribute their products. To do so, they need to integrate their systems with those of payment providers, which can be complex. Developing such partnerships can take a very long time, and there are still few incentives for incumbent organizations to grant access to their data or customer bases to startups.

04 Navigating Regulatory Barriers

Regulation in the fintech industry can be particularly stringent given the nature of credit, insurance, and savings products. These regulations are critical to protecting consumers, but they also create obstacles to innovation by imposing barriers such as licenses, documentation, and reporting standards. Startups often struggle to work with regulators to get approvals or licenses before they can launch or scale their businesses, which can be costly and slow.
To help startups tackle these challenges, acceleration programs offer support in several key areas: technical assistance, capacity building, networks, access to capital and resources, and access to investors.

**Technical Assistance**

Technical assistance (sometimes referred to as advisory or consultancy services) is critical to ensuring that a startup’s product and business model are poised for growth and investment. Most accelerator programs offer support in the form of low-touch advice, including pitch deck reviews, fundraising support, market research, and growth strategy development, often from well-known providers such as the big four advisory firms.

To support inclusive fintech startups, Catalyst Fund goes beyond generalized advice to provide in-depth, hands-on support on research for customer insights, segmentation, persona development, product prototyping and product roadmaps, UX/UI testing, value proposition design, and regulatory advice. By deploying a team of dedicated consultants with specific experience in inclusive fintech, Catalyst Fund ensures that technical assistance is tailored and relevant.

Catalyst Fund also offers customized support around technology, such as support for integrating machine learning; running data analytics; building dashboards to track business metrics; sketching product architectures and databases; and selecting and customizing software. Much of this knowledge has been leveraged to create toolkits to advise entrepreneurs outside of the program, including toolkits on how to build digital financial services across the customer journey, how to manage startup risks, getting ready to deploy AI, and how to reach product market fit. These toolkits are a public good for entrepreneurs wanting to build inclusive fintech solutions around the world.

Three other accelerators also provide more specific technical assistance: DFS Labs and Mandiri Digital Incubator offer specific technical assistance on product market fit support, and ISME ACE reviews and certifies technology stacks with respect to security, scalability, and efficiency.

**Catalyst Fund offers specialized technical assistance delivered by BFA consultants with deep experience in fintech solutions, financial inclusion, and emerging markets. Advice from BFA consultants leverages their fintech knowledge and their experience working with low-income customers in emerging economies to help startups build the ventures suitable for their product and market.**

**Capacity Building**

Some accelerator programs focus on skills building by providing training, workshops, and mentoring. This kind of capacity building curriculum usually focuses on developing business management skills in a classroom context and is helpful for entrepreneurs who
are first-time founders and may lack a solid foundation of business and management experience. For example, engineers in the fintech space who lack management experience find it particularly useful to learn about finance, marketing, operations, and human resources/talent development.

Catalyst Fund’s team provides coaching and fundraising support on these issues but does not go as far as other accelerators. For example, 500 Startups works with over 1,000 founders to provide entrepreneurs with mentors who match their needs and personalities. Mandiri Digital Incubator leverages its relationship with Telkom Indigo to source mentors. Other programs, such as Ecobank and YES FINTECH, leverage relationships and staff within their respective organizations to build connections to help startups problem-solve, test products, roll out pilots, and gain access to distribution channels and clients. In these cases, there is a risk that startups become overly connected to a single bank, which may not be the best partner. Although many programs have some way of keeping alumni in the network, only one program -- Startupbootcamp -- specifically mentions post-acceleration engagement and services for alumni, including retreats and continued investor introductions.

Catalyst Fund capitalizes on the pool of investors included in the selection process to continue building support for participants throughout the program. Members of the Investors Advisory Committee engage with and offer mentorship to the startups throughout the program. The relationship with investors is quite freeform and does not require either the mentor or the entrepreneur to meet specific milestones.

Catalyst Fund also brings entrepreneurs together at key industry events, both regional and global, to meet with other entrepreneurs, funders, and sector experts. These events include SOCAP in San Francisco, the annual CEO Summit, and the Fintech Forum. Beyond these key relationships and events, Catalyst Fund does not offer significant network exposure.

Networks

Each of the programs offers access to networks through structured mentoring programs, meetings with successful entrepreneurs, engagement with other ecosystem players, and introductions to potential customers, partners, and service providers (such as professional services firms offering pro-bono services).

Some programs have deep and expansive networks to match participants with helpful partners. For example, 500 Startups works with over 1,000 founders to provide entrepreneurs with mentors who match their needs and personalities. Mandiri Digital Incubator leverages its relationship with Telkom Indigo to source mentors.

Other programs, such as Ecobank and YES FINTECH, leverage relationships and staff within their respective organizations to build connections to help startups problem-solve, test products, roll out pilots, and gain access to distribution channels and clients. In these cases, there is a risk that startups become overly connected to a single bank, which may not be the best partner. Although many programs have some way of keeping alumni in the network, only one program -- Startupbootcamp -- specifically mentions post-acceleration engagement and services for alumni, including retreats and continued investor introductions.

Catalyst Fund’s model relies on mentoring from the investors. While this is a valuable model, Catalyst Fund might benefit from a broader pool of mentors of industry experts as well as more structured mentoring plans and alumni engagement services.
While some accelerators do not provide any promise of upfront cash (e.g., NxtpLabs), others provide upwards of US$200,000 in grants or investment. Some also offer non-financial benefits such as office space or access to software and technology. Ecobank Fintech Challenge offers prize money.

One can assume that Catalyst Fund’s model (as well as DFS Labs’ model) aligns with entrepreneur preferences as it provides up to US$100,000 in flexible grant capital rather than equity funding. This setup ensures that entrepreneurs retain full freedom and flexibility to pursue capital that best suits their objectives and time horizons. Unlike some of its peers, Catalyst Fund does not offer any non-financial assets.

Catalyst Fund’s grants are a good way to provide much-needed capital to startups in the early days of venture building, with flexible terms and no strings attached.

### Access to Capital and Other Non-financial Resources

<table>
<thead>
<tr>
<th>ACCELERATOR</th>
<th>NON-FINANCIAL</th>
<th>FINANCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalyst Fund</td>
<td>N/A</td>
<td>Up to US$100,000 in grant funding (not an equity stake)</td>
</tr>
<tr>
<td>500 Startups</td>
<td>Office space</td>
<td>US$150,000 in exchange for 6 percent equity stake</td>
</tr>
<tr>
<td>DFS Labs</td>
<td>N/A</td>
<td>Up to US$100,000 in grant funding (not an equity stake)</td>
</tr>
<tr>
<td>Ecobank Fintech Challenge</td>
<td>N/A</td>
<td>Prizes to top winners of US$10,000, US$7,000 or US$5,000</td>
</tr>
<tr>
<td>ISME ACE</td>
<td>Cloud Credits + IS Audit + Media Tie-ups + Marketing Support</td>
<td>US$100,000 to US$200,000 in funding for 8 percent equity stake</td>
</tr>
<tr>
<td>Mandiri Digital Incubator</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>NxtpLabs</td>
<td>Discounted software and technology services</td>
<td>Possible investment directly from NxtpLabs post-acceleration</td>
</tr>
<tr>
<td>Startupbootcamp</td>
<td>Office space / Partner deals from technology providers</td>
<td>€15,000 living expenses for 6 percent equity stake</td>
</tr>
<tr>
<td>Village Capital</td>
<td>N/A</td>
<td>Two peer-selected entrepreneurs receive funding post-acceleration</td>
</tr>
<tr>
<td>Y Combinator</td>
<td>Office space</td>
<td>US$120,000 in investment for 7 percent equity stake</td>
</tr>
<tr>
<td>YES FINTECH</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Access to Investors

Getting access to investors motivates startups to participate in acceleration programs. The Global Accelerator Learning Initiative (GALI) surveyed 142 accelerators and found that 65 percent offer “access to investors” as a service after acceleration, either as one-to-one matchmaking (e.g., setting up individual meetings) or through investor events. Investor events usually take the form of demo days or pitch nights, which are exclusive events where a select group of investors is invited to hear startups pitch (and in some cases members of the media are invited).

There are typically two schools of thought when it comes to accessing investors. One is to showcase a company to as many pre-qualified investors as possible and hope some are interested. This is what happens during a demo day or pitch night, which tends to favor the most charismatic and personable entrepreneurs. The other approach is for the accelerator to provide matchmaking, in which both parties agree to the introduction. This approach is more personalized and may give less charismatic founders a better chance to secure funding.

In addition to the Investors Advisory Committee, Catalyst Fund invites a broader group of investors to join the Investors Circle. Members of the Investors Circle get to watch the progress of the companies throughout the acceleration process and are then matched and introduced to those that meet their investment criteria. This approach helps startups to access investors more easily and may increase their opportunities to receive follow-on funding after the program.

In some cases, accelerators such as NxtpLabs, Mandiri Digital Incubator and Village Capital have their own funds to invest or are linked directly to an investment fund. This model allows the accelerator to use its own funds to invest in the most promising businesses. Accelerators have a great vantage point from which to assess the most promising businesses, and having funds to invest directly allows them to be more financially sustainable. Income earned from investments is used to provide funding to new companies and attract other investors to follow-on rounds.

However, the challenges of raising and managing a fund for an accelerator should not be underestimated. Raising and managing a fund requires a different skill set than that needed to deliver an effective acceleration program. Finally, some perceive running a fund to be a distraction and worry about pressure on the relationship between the startup and the accelerator.

Catalyst Fund’s Investors Advisory Committee and Circle of Investors provide accelerated startups with a pre-curated list of investors interested in their businesses. Catalyst Fund ensures that both parties opt in to the introduction. This approach helps startups access investors more easily and may increase opportunities of follow-on funding.
Not all accelerators include lesson-sharing and ecosystem-building as part of their mission. When they do, it is hard work to distill lessons and to package them in a way that is relevant across markets and products.

Relative to its peers, Catalyst Fund is strong in its efforts to synthesize and share lessons learned across the ecosystem through blog posts, reports, webinars, events, and toolkits. Catalyst Fund has a clear mandate to share insights on fintech solutions for low-income customers in emerging markets, and on the process of unlocking more capital for inclusive fintech.

Village Capital is also active in the ecosystem through published commissioned reports, as an active participant and promoter of GALI, and through a blog, where it shares thoughts, learnings and insights gained from its work. YES FINTECH shares lessons as well, primarily through online resources and use cases and stories from entrepreneurs. To do this, it has partnered with Medici Insights, a global platform for fintech news.

Sharing learning is an important element that is often overlooked by acceleration programs, and especially by commercially backed accelerators. There is a need to create stronger innovation ecosystems across the globe. Many accelerators would benefit from more cross-sharing and learning to reap the benefits of innovation from and for local markets.

Photo: Harvesting
Harvesting, a Catalyst Fund company, processes massive amount of global data sets, such as weather, satellite, agronomic data, and applies machine learning algorithms to help reduce risks for crop insurance and lending companies.

Catalyst Fund’s mission is broader than just the acceleration program. It aims to educate the ecosystem and grow the knowledge base by sharing insights from its direct work with early-stage entrepreneurs, in order to attract more capital, talent, and spur innovation for inclusive fintech in emerging markets.
The acceleration process can be hosted by different entities and have different structures: for-profit, non-profit, embedded within organizations, or hosted. There is a diversity of business models for fintech acceleration programs as well as a diversity of funding models.

**Accelerator Business Models**

- **2 accelerators linked to banks**
- **1 accelerator linked to a university**
- **2 accelerators linked to venture capital firms**
- **1 accelerator linked to sponsorship from corporates, service providers & other interested stakeholders**
- **2 accelerators that are VCs themselves**
- **3 accelerators that are donor-supported accelerators**
- **0 linked to mobile network operators**
Every year, Catalyst Fund convenes its companies and networks of investors and partners at SOCAP to foster peer-to-peer learning, share lessons learned about inclusive fintech, and cultivate connections in the innovation ecosystem. We do this to attract capital, talent, and actors to offer more accessible, affordable, and appropriate products and services for low-income customers in emerging markets.
This variety of structures drives diversity in financial structures as well. Two of the 11 accelerators we considered are funded through equity investments, one is based at a university, one is connected to a venture fund that has a relationship with a mobile network operator, and two are connected to a bank. The rest depend on grant funding and sponsors such as the Bill & Melinda Gates Foundation, IFC, and other private companies.

This breakdown mirrors the broader accelerator community beyond fintech. A 2016 GALI accelerator survey, which included accelerators across the globe whether they were impact-focused or not, found that approximately 50 percent of programs were supported by corporate funding, 40 percent by philanthropic funds, 37 percent by government, and 24 percent were investor-backed. These four channels were the most common single funding types. For the majority, revenues generated from fees, consulting services, or equity returns made up less than 50 percent of funding (ranging between 4 percent and 17 percent).

There are also varying approaches when it comes to charging startups for acceleration support. Four of the 11 programs included in this study charge a substantial fee to participants, while the others, including Catalyst Fund, are free. Some accelerators not featured in this report charge a small upfront payment, while others charge success-based fees, which can include a share of the accelerated company’s future value or investment revenue as it meets certain milestones.

It is important for accelerators and their funders to evaluate the “value for money” and operational efficiency of the programs. The Catalyst Fund team uses investment raised by its participants as a proxy for evaluating value for money. They consider the financial return on total investment (ROTI) to determine the net increase in funding per startup for every dollar spent in running the program. As of June 2018, Catalyst Fund had a ROTI of US$13.05. In other words, for every US$1 put into supporting Catalyst Fund, a startup has raised US$13.05 on average. This calculation, alongside measures of growth in the number of customers served and improved financial health indicators, helps to justify further investments in inclusive fintech acceleration programs.

Catalyst Fund is supported by philanthropic capital, which is extremely valuable to help companies at the very early stage when capital is scarce. However, it should examine a sustainability model that diversifies its funding sources while maintaining its independence and inclusive fintech mission.

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4 Compared to the GALI average of US$2.93. The GALI survey does not include the other accelerators listed in this report and so we cannot compare Catalyst Fund’s ROTI with them. For more information about ROTI, Entrepreneurship & Acceleration: Questions from the Field Return on Investment for Accelerators. Apr 2018.

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Conclusion

We embarked upon this research to take stock of the acceleration program landscape; to understand the support for early-stage fintech startups in emerging markets, to learn what the different programs were doing, and to make a rapid assessment of the strengths of Catalyst Fund and the opportunities for improvement. In doing so we learned:

The number of acceleration programs focused primarily on inclusive fintech in emerging markets is relatively small. There is an opportunity for more programs to focus on enabling fintech solutions targeting low-income populations, given its potential for impact across markets.

What sets programs apart is the mix of services and methods used to accelerate companies, which can include capacity building and hands-on technical assistance as well as access to valuable resources, partners, networks, and investors. However, determining the appropriate and most cost-effective mix and methods that deliver value for the entrepreneur is a challenge. The jury is still out to determine the perfect “secret sauce” that yields the best results and value for money for fintech entrepreneurs.

There is little public information available about the details of fintech acceleration programs that can help startups and funders navigate and choose the offerings better. Programs should be more explicit about what they are offering, under what conditions, and for whom their acceleration services are best suited.

Considering Catalyst Fund in this context, we concluded:

A key strength of Catalyst Fund is its close relationship with investors. Relying on a select network of fintech investors to source startups and connecting entrepreneurs with a broader circle of investors throughout the program improves a startup's chance of finding follow-on investment.

Catalyst Fund's tailored and hands-on technical assistance delivered by fintech and emerging market experts is unique and helps ventures focus on the proof points they need to be on a solid path to growth. Furthermore, Catalyst Fund's commitment to impact ensures that companies build strong value propositions that are accessible, affordable and appropriate for underserved customers in emerging markets.
Catalyst Fund’s willingness to share its tools and learning from the portfolio companies benefits the sector and highlights gaps and opportunities to spur innovation for financial inclusion.

There are opportunities to improve Catalyst Fund’s mentoring program by leveraging industry experts as well as by engaging more effectively with alumni startups to build local networks in their respective markets.

It is important that Catalyst Fund considers new models aimed at achieving sustainability while maintaining its independence and focus on inclusive fintech.

Overall, accelerator programs should be more forthcoming in sharing results and lessons learned with others, as well as sharing best practices and tools for entrepreneurs. This openness can nurture a stronger global support ecosystem for startup innovators and attract more philanthropic and investment capital to the inclusive fintech sector.
### Annex 1: Overview of Accelerator Programs

<table>
<thead>
<tr>
<th>ACCELERATOR</th>
<th>PROGRAM DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Catalyst Fund</strong></td>
<td>A virtual and on-site six-month program offering tailored advisory services and funding of up to US$100,000 to early-stage inclusive fintech startups in emerging markets. Investors source and mentor the startups. In addition, Catalyst Fund shares lessons with the sector to build up the knowledge base. Catalyst Fund is run by BFA, a global consulting firm specializing in using finance to create solutions for low-income people.</td>
</tr>
<tr>
<td><strong>500 Startups</strong></td>
<td>An onsite four-month program for early-stage entrepreneurs across a variety of sectors and geographies (run in San Francisco and Mexico City). They offer a fintech track with mentorship, events, and office hours specifically focused on the sector. They invest US$150,000 in exchange for 6 percent equity and charge a US$37,500 fee for participation in the program.</td>
</tr>
<tr>
<td><strong>DFS Labs</strong></td>
<td>A virtual six-month accelerator program for early-stage fintech startups in emerging markets. They provide fintech and business support with a focus on fundraising, investor due diligence and investor readiness. They provide funding of up to US$100,000. DFS is housed in Caribou Digital, a company that focuses on inclusive digital economies.</td>
</tr>
<tr>
<td><strong>Ecobank Fintech Challenge</strong></td>
<td>A year-long mentoring and partnership program with Ecobank. It starts as a challenge, with 20 finalists inducted as fellows and three winners receiving US$10,000, US$7000 or US$5000 respectively, based on their placing. The fellows then receive mentoring from the bank and their partners, and have the opportunity to launch products through Ecobank or act as a service provider.</td>
</tr>
<tr>
<td><strong>ISME ACE</strong></td>
<td>A four-month onsite accelerator in Mumbai, India serving fintech startups at all stages (with the possibility of virtual participation for those not based in India). The program provides access to ecosystem partners and mentors as well as support from KPMG India. The program culminates in a demo day. They offer US$100,000-US$200,000 in funding in exchange for 8 percent equity and charge a US$33,000 program fee. This accelerator is embedded in the Indian School of Management &amp; Entrepreneurship (ISME).</td>
</tr>
<tr>
<td><strong>Mandiri Digital Business Incubator Program</strong></td>
<td>The Mandiri Digital Business Incubator Program is a six-month program created by Mandiri Capital Indonesia (MCI), the corporate venture capital firm operated by Bank Mandiri (Indonesia) with partners Telkom Indigo and business development consultant ActionCoach. Participants (40 companies) get mentoring and coaching, take part in community events, and get prepared to raise funds after six months.</td>
</tr>
<tr>
<td>ACCELERATOR</td>
<td>PROGRAM DESCRIPTION</td>
</tr>
<tr>
<td>-------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>NxtpLabs</td>
<td>A virtual three-month mentoring and coaching program for fintech firms in Argentina, Chile, Colombia, Mexico, and Peru with a focus on improving and scaling business models and regional expansion. Entrepreneurs compete for a space in regional fintech summits and are showcased at an annual conference. NxtpLabs is also an early-stage investment fund and runs an AgTech accelerator.</td>
</tr>
<tr>
<td>Startupbootcamp</td>
<td>An onsite three-month focused acceleration program that runs fintech cohorts in emerging markets (e.g. Mumbai, Mexico City). The program support focuses on mentoring and connections. It culminates with a demo day and provides ongoing support to alumni, including bringing them together for retreats. The program provides a living stipend for participants and takes 6 percent equity.</td>
</tr>
<tr>
<td>Village Capital</td>
<td>A hybrid (onsite and virtual) three-month accelerator with three in-person workshops focused around a curriculum, diagnostic tools, mentoring, and preparing businesses for investment. Village Capital runs sector- and geography-focused accelerator programs, including fintech. At the end of each program the entrepreneurs assess each other, with the two highest-ranked ventures receiving seed capital from VilCap Investments and co-investors.</td>
</tr>
<tr>
<td>Y Combinator</td>
<td>An onsite three-month program in Silicon Valley run twice a year for a large number of startups across sectors and geographies. Each company accesses coaching and mentoring. The program culminates in a demo day. Companies must be or become a US company and receive US$120,000 in investment for a 7 percent equity stake. Y Combinator accepts a large number of fintech startups from across the globe.</td>
</tr>
<tr>
<td>YES FINTECH</td>
<td>A four-month hybrid (onsite and virtual accelerator) platform for YES Bank and fintech startups to co-create solutions for the bank’s customers and 20 global markets. YES FINTECH provides testing and learning with the YES bank environment. There is also a three-week onsite engagement (in Mumbai) with global mentors. The program concludes with a demo day, and connection to two VC partners is offered. The program partner is PwC India and the learning partner is Medici (formerly Let’s Talk Payments). Although based in India, the accelerator accepts companies from anywhere in the world.</td>
</tr>
</tbody>
</table>
The following is an analysis of the 11 companies in the set based on program duration, program delivery method, global or regional focus, and whether they are solely focused on fintech. What these charts reveal is the diversity in terms of the program characteristics, demonstrating that there is no one agreed-upon approach for acceleration.

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**Program Duration**

- 3 months
- 4 months
- 6 months
- 12 months

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**Program Location**

- On-site
- Virtual
- Hybrid

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**Geographical Focus**

- Global
- Geography Specific

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**Impact Focus**

- Innovation
- Impact
- Mixed

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*Geography refers to whether the companies are sourced globally or whether there is a call for companies focused in a specific geographical region.*
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**Sourcing & Selection Methodology**

- Open Call/ Interview
- Boot Camp Style
- Competitions
- Investor Selection

**Financial Resource Provision**

- Equity
- Potential Financing Post-Acceleration
- Grants
- Living Stipend
- No Financial Offer
- Prize Money

**Access to Investors**

- Investor Relationships & Demo Day
- Investor Relationships & Own Fund
- Investor Relationships & Curated Relationships
- Investor Relationships Only
### Analysis of the Startups within Each Accelerator Program

<table>
<thead>
<tr>
<th>Accelerator</th>
<th>Focus area</th>
<th>Geographical focus</th>
<th>Average company size</th>
<th>Average company funding raised in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalyst Fund</td>
<td>Impact</td>
<td>Global reach, but only emerging markets</td>
<td>Mostly early stage with 1-10 employees</td>
<td>US$1,100,000</td>
</tr>
<tr>
<td>DFS Labs</td>
<td>Impact</td>
<td>SSA and APAC</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>US$200,000 to US$500,000</td>
</tr>
<tr>
<td>Village Capital</td>
<td>Impact</td>
<td>Global reach with about 50 percent focus on USA</td>
<td>Seed and early stage with 11-50 employees</td>
<td>US$50,000 to US$10,000,000</td>
</tr>
<tr>
<td>Startupboot-camp FinTech Mumbai</td>
<td>Innovation</td>
<td>India/APAC</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>Unknown</td>
</tr>
<tr>
<td>500 Startups</td>
<td>Innovation</td>
<td>Global reach with over 60 percent focus on developed markets</td>
<td>Seed and early stage with 11-50 employees</td>
<td>US$50,000 to US$100,000,000</td>
</tr>
<tr>
<td>Y Combinator</td>
<td>Innovation</td>
<td>Global reach with about 50 percent focus on USA</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>US$30,000 to US$10,000,000</td>
</tr>
<tr>
<td>Yes Fintech</td>
<td>Innovation</td>
<td>Primarily APAC</td>
<td>Mostly seed stage with 11-50 employees</td>
<td>US$350,000 to US$16,000,000</td>
</tr>
<tr>
<td>ISME</td>
<td>Innovation</td>
<td>India/APAC</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>US$300,000 to US$2,000,000</td>
</tr>
<tr>
<td>Nxtplab.s</td>
<td>Mixed</td>
<td>Primarily LatAm</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>US$100,000 to US$14,000,000</td>
</tr>
<tr>
<td>Ecobank Fintech Challenge</td>
<td>Mixed</td>
<td>SSA</td>
<td>Mostly seed stage with 1-10 employees</td>
<td>US$70,000 to US$2,500,000</td>
</tr>
<tr>
<td>Mandiri Digital Incubator</td>
<td>Mixed</td>
<td>Indonesia/APAC</td>
<td>Information unavailable</td>
<td>US$50,000 to US$6,500,000</td>
</tr>
</tbody>
</table>
About BFA

BFA is a global consulting firm specializing in using finance to create solutions for low-income people. Our approach is to seek out, create and implement financial solutions to help people manage challenges, and seize opportunities. We partner with cutting-edge organizations that touch the lives of low-income consumers such as financial institutions, fintech companies, and information providers. In creating solutions, we integrate our deep expertise in customer insights, business strategy, new technology, and growth-enabling policy and regulation. Founded in 2006, BFA’s clients include financial institutions, technology companies, donors, investors and policymakers. BFA has offices in Boston, Medellin, Nairobi, New Delhi, and New York.

For more information, please visit: www.bfaglobal.com.

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