Advice for inclusive accelerators: how to measure and manage for impact

CATALYST FUND

BHARAT INCLUSION INITIATIVE BY CIIE.CO

Financial Solutions Lab

Fintech Cadence

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Content

Acknowledgments

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These accelerators have together supported over 100 startups providing fintech solutions to underserved populations to improve their financial health. The coalition conducted research to better understand how various accelerator programs approach and manage impact. This brief is the result of research and interviews with accelerators' leaders as well as external impact management experts and startup founders.

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About Catalyst Fund

Catalyst Fund is a pre-seed VC fund and accelerator backing high-impact tech startups that seek to improve the resilience of underserved, climate-vulnerable communities. We partner with mission-driven founders that share our vision of a world where every individual has the tools and opportunities they need to thrive. For more information, please visit: www.thecatalystfund.com

Financial Solutions Lab

The Financial Solutions Lab was established in 2014 to cultivate, support, and scale innovative ideas that help improve financial health. FSL focuses on solutions addressing acute and persistent financial health challenges faced by low- to moderate-income (LMI) individuals, Black and Latinx communities, and other underserved consumers. The Financial Health Network manages the Financial Solutions Lab in collaboration with founding partner JPMorgan Chase & Co. and with support from Prudential Financial. The programs the Financial Solutions Lab offers to execute on this mission include the Accelerator, one of the few fintech accelerators focused on financial health, and the Exchange, a meeting place for interested nonprofit and fintech providers to explore collaboration and swap insights on how to build high-impact partnerships. For more information, visit https://finlab.finhealthnetwork.org/.

Financial Inclusion Lab

Housed at CIIE.CO's Bharat Inclusion Initiative, the Financial Inclusion Lab supports startups that are developing innovative, technology-enabled solutions in the areas of Financial Inclusion, Skilling and Livelihoods for the benefit of underserved communities in India. The program is designed to accelerate the development and validation of high impact solutions through field studies supported by experts, intensive workshops, customized mentoring, market connections and financial support. MSC (previously MicroSave Consulting), a global financial inclusion consulting firm, provides startups in the Lab with high-touch technical support and insights into the low- and middleincome (LMI) segments.

Fintech Cadence

Fintech Cadence is a non-profit organization dedicated to serving early-stage fintech companies from across Canada through their many programs and events. Their mission is to build fintech products that create value for Canadians by developing future fintech leaders. Their work is informed by a three-tier mandate of educating fintech talent, supporting startups, and fostering collaboration amongst Canada’s fintech ecosystem of financial institutions, VCs, incubators and accelerators, and universities.

Introduction

This note is a product of a multi-year collaboration between Catalyst Fund, Bharat Inclusion Initiative, Financial Solutions Lab, and Fintech Cadence that seeks to further the practice of accelerating inclusive fintech solutions for financial health. In addition to this brief, two previous briefs have been published through this collaboration: acceleration best practices and funding models.

Globally, impact-oriented fintech accelerator programs vary in their approaches, theses, and sectoral focuses. However, they are united in their objective to grow startups that offer products and services that benefit underserved users. As such, inclusive fintech accelerators have two parallel goals: one is to accelerate startups' growth, and the other is to build financial health benefits for startups' low-income users. While tracking their success on the first goal, startup growth, is well understood via business metrics, measuring their impact on end users is less understood.

Typically, accelerators approach impact monitoring by asking portfolio companies to collect data about users' income, expenses, and other wellbeing metrics, and then monitor their progress over time. These monitoring efforts often take the form of household surveys that are implemented regularly among large user bases to create sufficiently robust longitudinal data that they can use to assess a product's relationship with users' well-being.

Such impact measurement approaches were built for late-stage ventures that have developed products and large user bases. They were designed for authorities and policymakers who are considering how (and whether) to bring an existing product or program to scale at the national or even regional level.

However, early-stage accelerators do not serve large, late-stage ventures. The ventures in acceleration programs are just beginning their product market fit (PMF) journey, operating on a shoestring, iterating constantly, and with only a few hundred users (and sometimes even fewer). They require impact approaches for products at the ideation and product market fit stages, not monitoring tools for established products and policies.

Traditional impact assessment methods do not meet the needs of early-stage startups for three reasons:

Small user bases

Early-stage startups joining accelerator programs often have fewer than one hundred users, and many of these users may be friends and family of the founding team. These early adopters are too few in number for meaningful data collection and are rarely a good representation of a future user base. Furthermore, in practice, few among these users are truly active, and even fewer have had sufficient engagement with the product to have experienced benefits. In many cases users may have used the core functionality only once or twice, or even registered but not used the service.

Lack of product-market fit

Even if and when numbers of users are substantial, early-stage startups are still in the initial stages of their product-market fit journey. They may be releasing new features, new prices, and new value propositions weekly. It is futile to assess the impact of a product in these circumstances as the product itself is still in development.

No insight for product development

Importantly, impact assessments at these early stages miss the opportunity for startups to truly engage with users to understand their needs, experiences, and challenges as part of the product development process. These approaches collect facts about household income flows and expenses, but not in sufficient detail or adequate speed to guide product features, pricing, or design. As such they do not help startups develop more beneficial products and may detract focus and resources from product development and growth.

Given the stage at which startups enter acceleration programs, they are unlikely to benefit from more traditional impact monitoring and evaluation methods and should consider a different approach to assessing and measuring impact. This note seeks to guide how accelerators supporting inclusive fintech startups and promoting financial health can approach impact management when working with these early-stage ventures. It does not provide a tool for measuring impact per se but does suggest meaningful strategies for managing impact for early-stage ventures, including an initial set of metrics to collect.

How accelerators should approach impact tracking

For early-stage startups, tracking impact on users is not a matter of metrics or intensive monitoring, but is about crafting an approach to maximizing future impact in a way that makes sense in conditions of early-stage venture and dynamic product-market fit evolution.

During their time in accelerator programs, startups are progressing along their project market fit journey in which their solutions, messages, prices, distribution channels, and other features evolve substantially in a short time. The opportunity during these acceleration phases is to help startups develop products that can provide real benefits to users at scale. As such, accelerator programs need an approach to impact that is about choosing and enabling the creation of more impactful products at each of these decision points. Therefore, we suggest that accelerator programs focus their impact efforts on three levels, as part of:

1. **Choosing promising startup solutions and use best case examples during the selection process**

2. **Accelerating impactful products via customer-centric product development**

3. **Managing startups toward a focus on end-users via reporting**

Selection: priming for impact

The first way in which accelerators should think about customer (or end user) impact is via a rigorous theory of change that connects an accelerator's mandate to the selection of portfolio companies. This step mirrors an investor's investment thesis as it articulates how the accelerator will choose startups that are best positioned to deliver the benefits that the program seeks to deliver. This theory of change, or logic model, links objectives to selection criteria to presumed benefits for end users.

In defining a theory of change, accelerator programs can be more or less rigorous, choosing solutions that are more or less proven to deliver benefits. For example, substantial research shows that women want access to savings products and that such access can drive empowerment as well as better outcomes in the household. Such findings are not isolated, but rather constitute a body of work that has been growing over time (with notable limitations, for example, among extremely poor women). The evidence forms a strong basis for a mandate that supports accelerating startups that offer savings products to low-income women as part of an agenda to further women's economic empowerment.

The Financial Health Network's Financial Solutions Lab uses such evidence-based approaches to craft its selection criteria. It selects startups based on its conviction that their services will contribute to the financial health of underserved consumers. Notably, it bases its conviction on evidence and available benchmarks so that the proposed services can reasonably be expected to deliver impact. It does this by looking to the evidence on savings, insurance, banking services, and other products to select areas it can be more confident will meet users' needs.

The Financial Health Network's framework for measuring financial health, the FinHealth Score, takes into account eight indicators of financial health:

1. Spend less than income
2. Pay bills on time
3. Have sufficient liquid savings
4. Have sufficient long term savings
5. Have manageable debt
6. Have a prime credit score
7. Have appropriate insurance
8. Plan ahead financially

Similarly, the Financial Inclusion Lab of the CIIE.CO and MSC have worked on their theory of change with a clear articulation of the customer segment that they want to reach and avoiding use cases that are already prevalent in the market, like payments in India. They select the startups based on detailed due diligence and on their conviction that startups will serve the defined underserved consumers. They further cement that understanding through discussions and reviewing legal documents to ensure ventures selected are sufficiently impact focused.

Other programs may sacrifice requirements around existing evidence of benefit to favor innovation in their selection criteria. In these instances, they choose product areas in which there is less evidence of direct benefits, but where potential is promising. Since evidence is slow to generate and lags behind innovation, this approach can allow accelerators to take risks on unproven innovations that could have large impact at scale if proven. In these instances, where evidence is not yet available or is more contested, accelerator programs may want to commit to more extensive outcome measurement, or to integrate more impact oriented work as part of due diligence or acceleration.

For example, the Catalyst Fund hopes to support innovative, unproven models that can serve as proofpoints for markets around the world. In these instances, there is often scant evidence around the solutions, so the team relies on evidence of adjacent products, a close evaluation of the product specifications, and leverages user research to understand impact. For example, hospicash insurance policies are yet to be studied in great depth or with great rigor. However, evidence for traditional insurance policies is strong and evidence that healthcare costs are a pain point for low-income users is also strong, so the team concluded that hospicash, though less proven, was a good solution to support. The team also took a product lens to assess its potential for benefit leveraging its AAA Framework:

Catalyst Fund AAA Framework

Affordable

Inclusive tech products that are affordable reduce costs for low-income and underserved users

Accessible

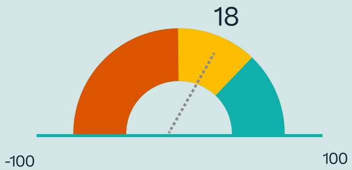
Inclusive tech products that are accessible leverage channels and devices that can better reach excluded segments

Appropriate

Inclusive tech products that are appropriate improve the user experience for low-income and underserved users

In this case, the team considered the price points, user journey, and type of coverage to assess its potential for benefit. Finally, the Catalyst Fund commissions research with users to assess solutions by partnering with 60 Decibels to conduct impact studies of portfolio companies. These studies take place once startups have reached product-market fit and have sufficient numbers of users to make such research efforts viable.

Screenshots from sample 60 Decibels reports:



47% (Promoters)
29% (Detractors)

The Net Promoter Score (NPS) is used in the world over to gauge customer loyalty. NPS is measured by asking customers to rate their likelihood to recommend a product or service to friends or family on a scale of 0 to 10.

Please see Appendix for details on how the NPS is calculated.

Standard Outcome Metrics

Who is reached?
88%
Live below the poverty line of $3.20
Top 20%

Impact
54%
Quality of life 'very much improved'
Top 40%

Contributions
71%
Reported "no" to having a good alternative
Bottom 20%

Net Promoter Score
18
On a -100 to 100 scale
Bottom 20%

Gender
26%
Female respondents
Bottom 20%

Inclusivity Ratio
10
Degree of reaching low-income farmers
Top 20%

When data on impact may be thin for some innovative solutions, accelerator programs can also employ intensive due diligence mechanisms to select impactful models. Programs can learn from impact investors that help prospective startups conduct data analysis and fieldwork to provide impact data. For example, some programs use scoring methodologies that combine reach, depth of impact, availability of alternatives, and other factors to be able to compare deals. Another due diligence method used by impact investors is to assess the commitment of the startup founder. Lived experience, proximity to the community served, and other personal characteristics can give programs confidence that founders are committed to providing benefits. Such due diligence processes can help accelerations programs have more confidence that portfolio companies will have benefits for users.

For acceleration programs, selection via a rigorous theory of change as well as due diligence is a powerful moment in which to ensure that startups, and in turn overall programs, deliver benefits to users. By choosing products and services that programs are confident will deliver impact, accelerator programs can already ensure users will experience benefits.

Recommendations

- Set up realistic but ambitious impact goals
- Build a logic model or theory of change for how portfolio companies and the investment process will deliver on goals
- Periodically refine impact thesis, investment strategy and portfolio level impact goals
- Investigate claims to impact during the due diligence process with startups

Selection resources for accelerators:

- The Impact Due Diligence Guide
- How to Build a Theory of Change
- Community Builder’s Approach to Theory of Change
- Measuring the "impact" in Impact Investing

Acceleration: building products for impact

To build and ensure impact, the most powerful tool that acceleration programs have is the process of acceleration itself. Through the acceleration process, programs have the opportunity to help founders and their teams develop products that deliver meaningful benefits to actual and intended users.

To start, accelerator programs can help founders develop a vision, mission, and policies that are centered on user well-being. Programs can help founders think more profoundly and emphatically about their users. This can take place via mission statements, field visits, focus groups, co-design sessions that engage end users, and other exposure to users and their challenges.

Foundational field research, personas work, and other insights-gathering methods about users can help product teams understand underserved users and the problems they face, and incorporate those insights into product design. For example, the Financial Inclusion Lab brings the founders to a boot camp to help them better understand the basics of users and their needs. This also helps the founders to get clarity in terms of possible challenges that they may face in developing solutions.

Second, programs can integrate customer centricity into their product functions. Running lean experiments, building prototypes, collecting feedback, testing and iterating via targeted campaigns, conducting surveys about users' needs, and observing users in action are a few ways in which startups can center product development on users and their voices. For example, the Catalyst Fund team routinely deploys field research teams to help startups better understand users' problems and needs. These research sprints are conceived as inputs into the product development process, not as efforts to monitor a product's impact. As such, they focus on users' problems, experiences, and preferences, rather than changes in household or business incomes. Similarly, the Financial Solutions Lab engages a partner specializing in behavioral design to guide startups in user-centric product design and testing.

In India, the Financial Inclusion Lab works with the founders to validate their solutions with market research to provide insight to guide iterations. It also looks at the data generated to run various data analysis tools to find a better product-market fit.

User centricity resources

Quick guide to nano projects	Catalyst Fund PMF Toolkit: Experimentation and testing	CGAP's Customer-Centricity guide

Third, programs can help ensure that founders have adequate visibility into what is happening with users via data. Integrating data into applications, dashboards, and other processes that include impact proxies like deposit rates or claims approved, and disaggregating usage by gender, race, ethnicity, or other demographics, can help founders keep an eye on impact and what may be going well or badly among the user base. These data points can both keep founders focused on users and also help them gather useful insights for reporting to funders and investors.

The Financial Inclusion Lab has extended this analysis to even look at startups' distribution channels as they may determine what numbers of low-and-moderate income customers can interact through them. Fourth, programs can help startups develop strong customer service levels and engagement mechanisms. Creating processes for receiving and resolving complaints, for example, can help startups provide better services and keep users at the center. In addition, programs can ensure that startups have adequate data and consumer protections in place to protect users.

Recommendations

- Use customer-centric methods throughout the product development process
- Listen to customers via continuous feedback and promote feedback loops
- Help startups develop policies and processes that keep customers at the center

Managing: reporting for impact

The third level at which accelerators can consider customer impact is the management policies and practices that are embedded into accelerator engagement with alumni companies. A managerial focus on customer impact can be embedded into reporting processes by creating rules that will promote greater impact. GIIN notes a similar dynamic with regards to impact investing that also applies to acceleration:

> "Impact investing comes with a specific intention and necessitates that investments be managed towards that intention. This includes having feedback loops in place and communicating performance information to support others in the investment chain to manage towards impact."

Incorporating reporting requirements on usage, demographics, inclusion, or other impact proxies can help provide indications of impact and help startups maintain focus on that impact. For example, if reporting to accelerator programs requires that usage data be disaggregated by gender, both the startup and the accelerator can get a sense of whether products are working for women or not. The data can both be used to improve products and also to hold ventures accountable. However, one limitation to keep in mind is legal restrictions limiting ventures' ability to collect and report certain personal information about their end users. This can be particularly problematic when trying to disaggregate impact across race, ableness, or other demographic categories that are protected by law.

Helping startups begin to report on accepted metrics like IRIS, a widely accepted system for monitoring impact supported by the GIIN, can also help them to fundraise from impact investors in later days.

Among the XL Labs partners, the accelerators each request data from portfolio companies regularly (annually or semiannually). However, each program struggles to extract data and expressed concerns about the quality of that data. The Financial Solutions Lab tries to support startups by creating individual support plans that set forth expectations for financial health impact measurement and reporting, along with product and business priorities and a plan for stakeholder engagement throughout the accelerator program. After each accelerator cohort program ends, the Financial Solutions Lab maintains contact with each participating startup and continues to collect impact metrics from them at regular intervals. The Financial Inclusion Lab in India also creates a comprehensive plan and gets agreement from their cohort of startups to collect and share the impact metrics at regular intervals both while they are part of the cohort or extended support and beyond that.

Where to start: suggested metrics from XL Lab

Among the XL Labs partners, the accelerators collect the following metrics from portfolio companies. These metrics, though not a conclusive impact measurement approach, serve as a starting point for collecting a shared set of impact metrics that could eventually become benchmarks for the industry. As the industry grows, it is increasingly important that actors share a set of indicators that can be used to monitor the sector's impact as a whole. Such monitoring allows programs to be more clear-eyed about their strategies and for donors to make better-informed decisions about their investments.

In addition, although impact measurement is not a pragmatic approach for early-stage startups, collecting data along these metrics (or similar ones) serves as a starting point for more robust monitoring and evaluation once startups mature. Collecting data from users is a laborious process that depends on trusting relationships between the team and its users. Starting to collect some of these data points from the outset positions startups to collect more detailed information as they mature.

Metrics used by XL Labs

- Number of active users, and the percentage that are women
- Number of diverse users (as allowed within legal frameworks)
- Number of low-and-moderate income (LMI) users
- Number of users that are remote/rural
- Number of users that meet any other exclusion criteria: refugees, feature phone users, low credit score, thin file or first-time users of formal financial services, data collected by portfolio companies
- Activity and churn rates, disaggregated by relevant demographic criteria

These metrics, though not exhaustive, serve as a starting point for more intensive monitoring and evaluation practices. As startups mature into later-stage ventures, the limitations around the size of the user base and PMF are alleviated so startups can begin to think about implementing more traditional monitoring and evaluation approaches. Over time, this shortlist of metrics can be expanded to include more details about users as well as their usage of solutions. For example, data around user incomes can eventually constitute longitudinal data that can be used to assess the impact of the startup solution when combined with more detailed demographic and usage data.

Suggested financial health metrics

- # of individuals who open an account for the first time
- # of individual accessing appropriate credit
- # of individuals who save for three consecutive months
- # of individuals who achieved a financial goal
- # of individuals with improved financial health scores
- # of individuals who achieve positive cash flow for three consecutive months
- # of individuals with increased or adequate emergency savings
- Average increase of emergency savings
- # of individuals who reduce their non-mortgage debt
- Average credit score improvement
- # of individuals who increase wealth or long-term savings
- Average increase in wealth or long-term savings
- # of individuals with improved financial protection

Impact Management Resources

GIIN's IRIS+ features a large database of metrics to consider

CERISE offers a framework for measurement

The Universal Standards for Social Performance Management - Implementation Guide

Recommendations

Embed key metrics into operations and management

Choose metrics that are standardized and able to be validated

Be aware of the management burden created for startups and try to mitigate as possible, perhaps by supporting with reporting requirements and resources

Be cautious with attribution

What comes next for impact tracking for accelerators?

Impact assessment approaches must be designed to be relevant to the stage of startups. In the early stages, startups may be better served by implementing user-centric approaches than by assessing their direct impact on end users. The XL Labs suggest focusing on integrating an impact focus at selection, acceleration, and management to ensure that programs keep benefits to users at their center of focus. Through robust theories of change, they can estimate the ultimate impact startups can have on their end customers. Then, when startups have reached a meaningful number of users and have achieved product-market fit, accelerators can integrate more robust outcome monitoring practices.

Once startups are further along in their product-market fit journey, with a greater number of users and a stable product, there are a variety of impact assessment methodologies that other stakeholders can leverage. The JPMC Impact Assessment in Practice note, for example, outlines an approach to impact assessment, from setting goals with startups, to conducting due diligence, to defining investment terms. Pacific Community Ventures' The Impact Due Diligence Guide provides guidance on three levels of impact management: narratives of expected impact (theory of change), a due diligence questionnaire, and a quantitative due diligence tool. GIIN's IRIS+ similarly proposes a comprehensive list of metrics that ventures can track. The Impact Management Project (IMAP) has developed several approaches and survey tools to track impact. Harvard Business School outlines thow later-stage ventures and investors can assess impact and can serve as a roadmap for startups post acceleration.

The task of managing and measuring impact is difficult for early-stage startups and the complexity of their operations. However, we believe the ideas shared in this note create a useful foundation and can serve as a stepping stone toward measuring and monitoring financial health in the long term.

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