

The Man Behind Nepal's PayPal

Biswas Dhakal was always a tinkerer. Drawn to electronics from an early age, Dhakal refined gadgets to suit his needs, including a centrally controlled music system throughout his modest three-story home in Janakpur, a town in Nepal's southeastern plains. His lawyer father, Binod Kumar Sharma, had an office at the ground floor, but the kitchen was at the third floor. If a visitor arrived, Sharma had to shout at the top of his voice for his wife to bring down the tea. So Dhakal built an intercom.

But where did the money for the electronics come from? It wasn't possible to save from a few pennies the teenager received as pocket money. "Every time my parents sent me for household shopping, I took a cut," he recalls. "They knew about it but didn't complain." While Dhakal's improvisation made the family's life easier, his father worried that the youngster would end up becoming a low-paid radio mechanic. Instead, the 37-year-old took his love of tech — and ability to skim a fee — to found a digital-payments company now worth \$40 million. Dhakal's e-Sewa offers digital wallets in which around 600,000 users make mobile payments on everything from utility bills to plane tickets.

"E-sewa is a hybrid of M-Pesa [Kenya's mobile money service] and PayPal," Dhakal says as he settles into a chair in his ninth-floor office in an upscale Kathmandu neighborhood. Dhakal, who sports a closely trimmed beard and equally short hair, exudes an air of quiet confidence. It's not hard to see why. After struggling for years to persuade customers to use digital transactions and regulators to allow them, e-Sewa's biggest question now is how to scale. "I didn't have any doubt about its prospects, but people were not digitally literate," he says.

Two developments helped e-Sewa grow. First, instead of expecting users to download their app, e-Sewa (*sewa* means *service* in Nepali) decided to reach out to customers face-to-face at mom-and-pop stores, pharmacies, internet kiosks, mobile repair shops and stationery stores. Second, internet penetration grew from 2 percent a decade ago to 65 percent — with the vast majority of Nepal's 29 million people now embracing mobile. "A Facebook user can easily use our app. So, in that sense, Facebook helped us tackle the barrier of digital illiteracy," Dhakal says.

Nepal's central bank issued a license to e-Sewa last year. Now the company processes \$3.5 million in transactions each day across all 77 of Nepal's districts. While there are other digital payments apps such as Khalti (which means *pocket* in Nepali) and iPay, the nine-year-old e-Sewa remains the leader in the sector — drawing investors like Kantipur Media Group, Nepal's largest newspaper publisher.

But things were not always rosy. In 2002, Dhakal's visa application to study engineering at Colorado State University was rejected. Depressed, Dhakal grabbed a kitchen knife and etched fate lines on his palm, falsely believing the masochistic exercise would change his fate. Instead he stayed close to home, earning a software engineering degree at Nepal College of Information Technology, becoming a Microsoft-certified systems engineer and working at an NGO.

By the mid-2000s he was selling website domain names, but he had to ask his U.S.-based uncle to act as a conduit to pay clients because he didn't have a credit card. The "payment gap"

inspired Dhakal to launch his company, stretching his resources to afford the \$134 in fees to set it up. Growing up with Dhakal, Manish Jha saw the traits that would later make a successful entrepreneur — in particular flexibility and desire for self-improvement. “He was really a jolly and humble person,” says Jha, founder of a Kathmandu research firm. “He brought a lot of energy to our group, and he is still the same.” He’s also confident: Jha says his boss once offered to buy a fledgling company of Dhakal’s more than a decade ago — and Dhakal turned him down. E-Sewa’s big break came in 2007, when the CEO of Laxmi Bank invested 2.5 million rupees (about \$24,000).

Dhakal’s timing was impeccable. About 15 years ago, Nepal’s central bank ordered commercial banks to adopt digital finance, which helped spur services like e-Sewa. When banks launched text message alert services, customers were skeptical at first. “But for a geographically diverse country like Nepal, where we have communities living in remote areas, this is the best solution,” says information technology expert Suresh Karna.

Still, Karna says, digital banking and security infrastructure are lacking, and the government should do more to encourage digital payments. Nepal abolished the monarchy in favor of a republic in 2008, but reform has been uneven. The business environment is unpredictable and the informal economy — transactions outside of the government’s tax or regulatory view — still thrives. Jha likens it to “playing with a tennis ball at a tennis court, but suddenly being hit with a cricket ball. ... It’s very hard to predict the future and calculate risks.”

In that sense, e-Sewa’s continued rise is far from assured. Dhakal worries that Nepal’s grinding bureaucracy — he recalls how hundreds of job seekers recently queued up outside a Kathmandu office one recent afternoon to submit forms for a migrant worker visa in South Korea — could hold back his sector. “We can revolutionize digital payments in Nepal, but [the] government must establish such a service in its delivery system,” he says.

And Dhakal will be there, ready to tweak as needed.

Published: Jun. 04, 2018

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