



# The Pioneer's Crossroads: Analyzing Digital Strategy in Nepal's Fintech Revolution

A case study of eSewa through the lens of Digital Business Strategy

Based on the case 'eSewa: From Vision to Reality' and the framework from  
'Digital Business Strategy: Toward a Next Generation of Insights' by Bharadwaj et al.



# A Market Leader Under Siege

In the first quarter of 2025, eSewa CEO Jagdish Khadka faces a defining moment. His two largest competitors, Khalti and IME Pay, announce an imminent merger. The domestic media celebrates it as a move that will "reshape Nepal's fintech landscape."

For eSewa, the pioneer of Nepal's cashless economy, the stakes have never been higher. A new, formidable rival with comparable market share is on the horizon, combined with increasing regulatory pressure and shrinking margins.

**“One thing was clear—eSewa needed to reinvent its strategy, but how? ... How can eSewa not only defend but strengthen its leadership in a market on the verge of a seismic transformation?”**

— Jagdish Khadka



# From a \$134 Startup to a National Payment Ecosystem

 10 million registered users

 450,000 merchants

 300,000 agents across all 77 districts

 Founded in 2009, 16 years of innovation

## Phase 1

### Financial Inclusion

Reaching the unbanked via an innovative agent-led model.

## Phase 2

### Financial Convenience

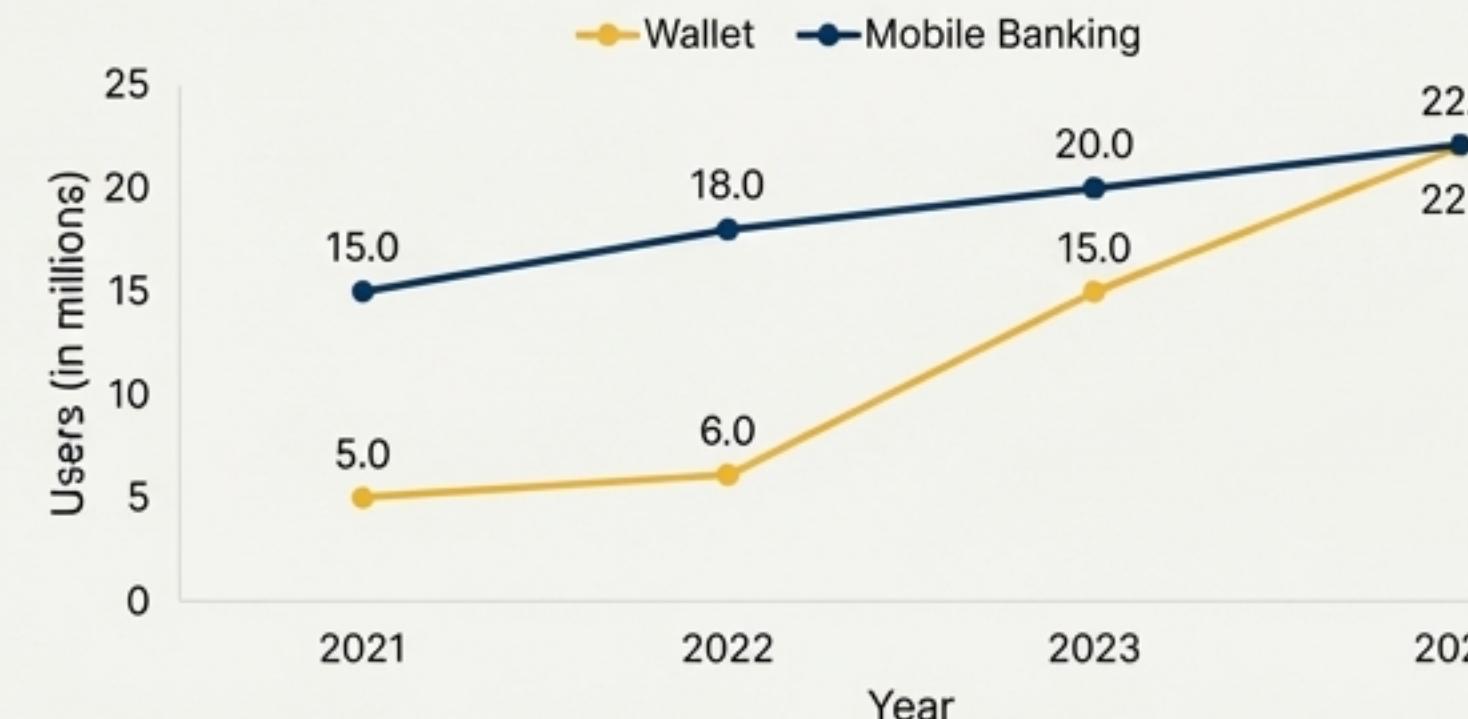
Building a one-stop app for bills, travel, and services.

## Phase 3

### Financial Freedom

Evolving into a comprehensive financial ecosystem.

eSewa User Growth (2021-2024)



# To Analyze a Digital Problem, We Need a Digital Lens

How did eSewa build its market-leading position, and which of its resources will be most critical in navigating this new competitive landscape?



The *MIS Quarterly* proposes a new model: **Digital Business Strategy**.

“Organizational strategy formulated and executed by leveraging digital resources to create differential value.”

# Deconstructing Digital Business Strategy: The Four Key Dimensions



## SCOPE

What is the portfolio of products, services, and ecosystems? Digital strategy transcends functional silos and industry boundaries.



## SCALE

How is growth achieved? Digital strategy leverages network effects, multisided platforms, and partnerships to scale rapidly.



## SPEED

How fast can the organization move? Digital strategy accelerates product launches, decision-making, and network adaptation.



## SOURCES OF VALUE

How is value created and captured? Digital strategy unlocks value from information, multisided models, and control over digital architecture.

Based on Bharadwaj et al., "Digital Business Strategy," MIS Quarterly (2013).

# eSewa's Winning SCOPE: Building an Ecosystem Beyond Payments

'Digital business strategy extends the scope beyond firm boundaries and supply chains to dynamic ecosystems that cross traditional industry boundaries.'

## eSewa in Action



**Transcending Functional Silos:** Integrated over **4,500** schools, utility providers (electricity, water), and ISPs into a single platform for bill payments.

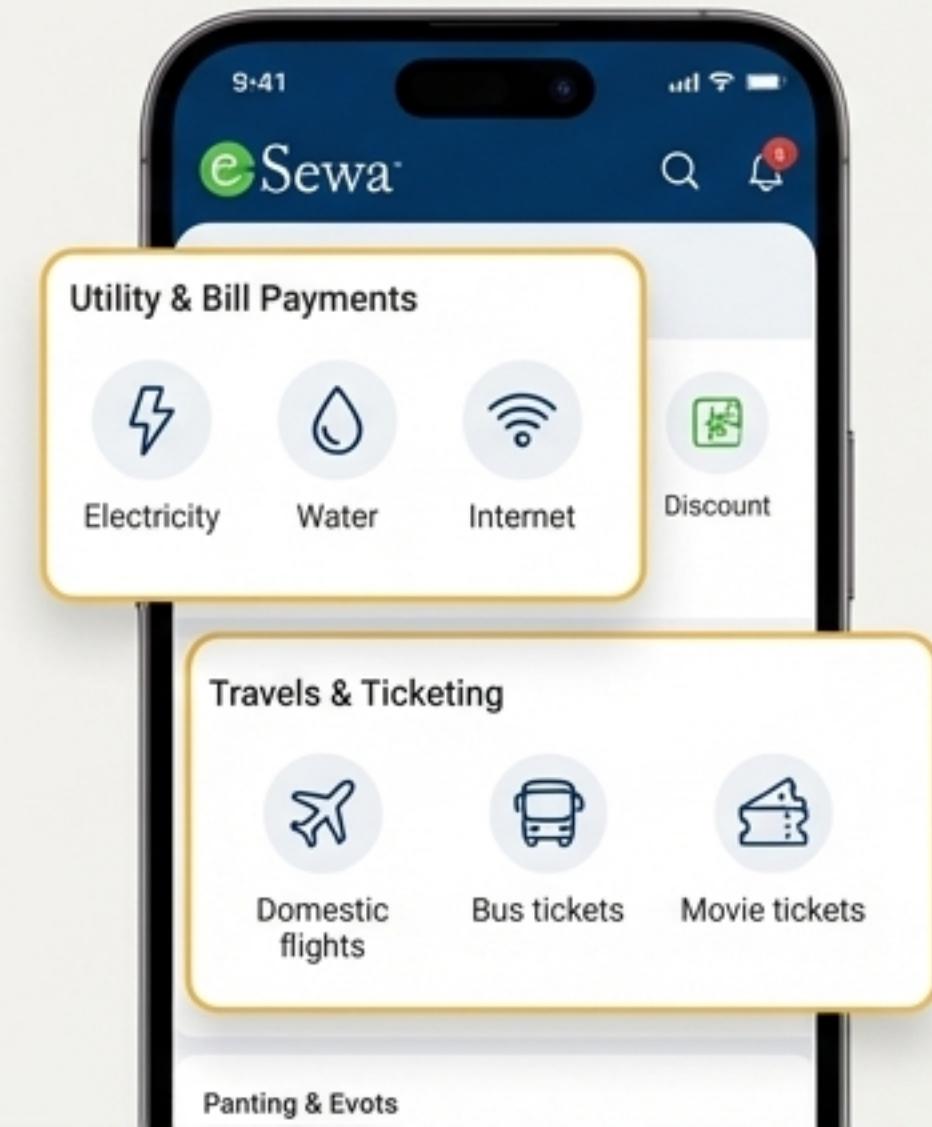


**Crossing Industry Boundaries:** Partnered with the travel sector (**1,500+** hotels, airlines, bus operators) and entertainment (movie ticketing), creating a one-stop-shop for users.



**Extending the Ecosystem to the "Last Mile":** Built a physical network of **300,000 agents** (pharmacies, mom-and-pop stores) to make digital services accessible even to those without smartphones or bank accounts.

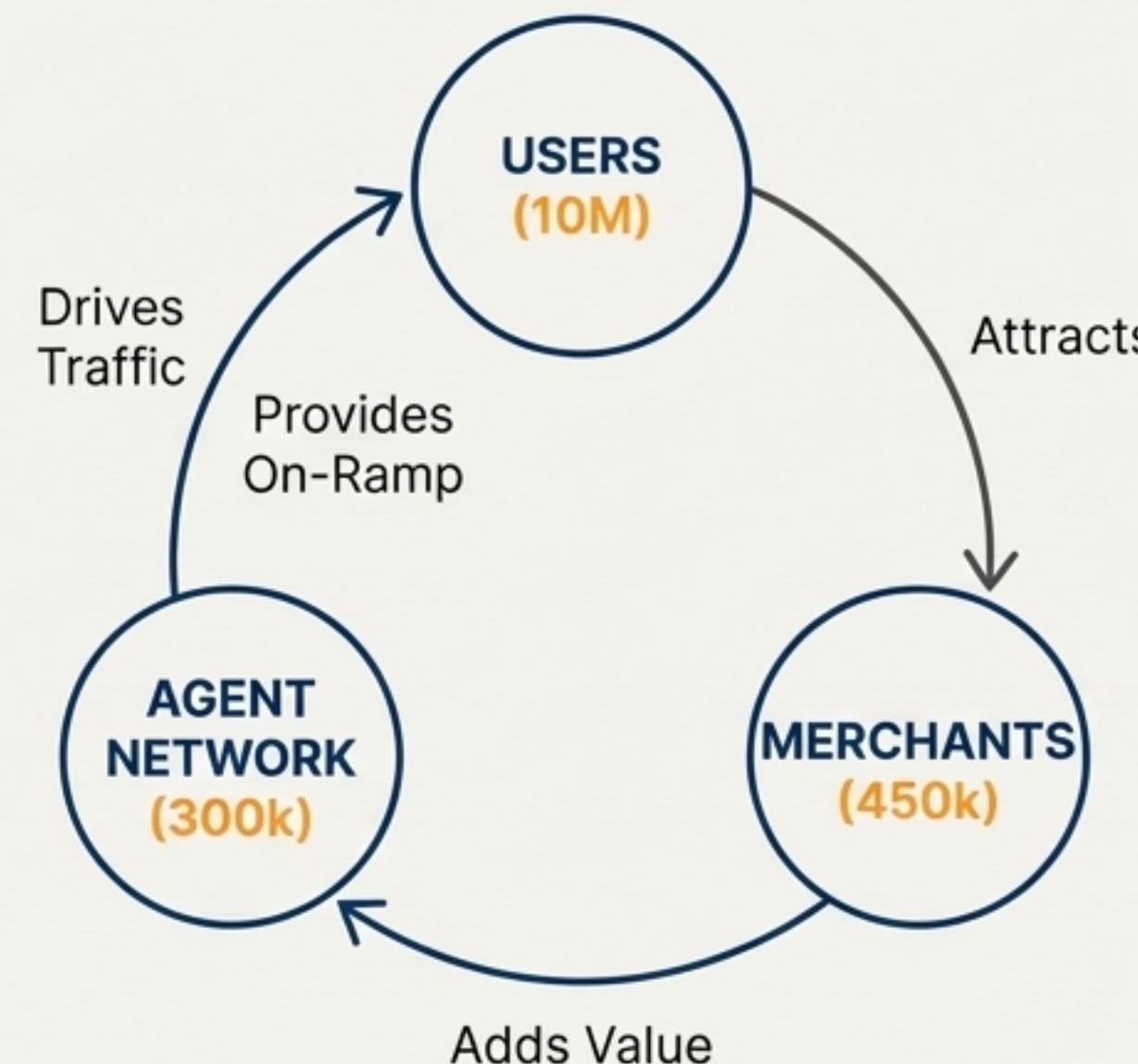
## Visual Evidence



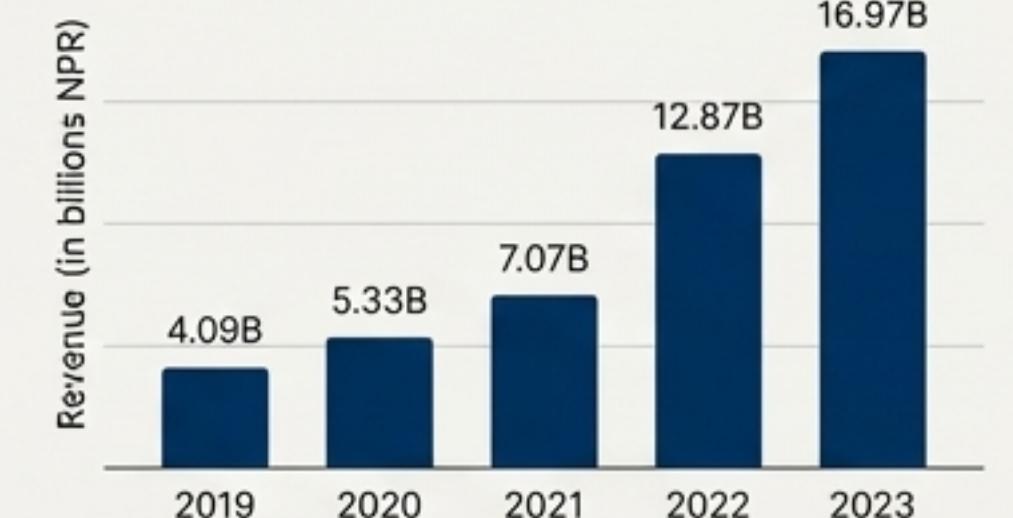
# eSewa's Unmatched SCALE: The Power of Network Effects

"Network effects within multisided platforms create rapid scale potential...the value of a good or a service increases as more consumers use them."

eSewa created a virtuous cycle as a multisided platform



eSewa Revenue Growth (2019-2023)



# eSewa's Strategic SPEED: Adapting Faster than the Market

'The organizational ability to recognize and respond to the fast-paced nature of innovation...is fundamental to a firm's competitive success and survival under digital business conditions.'



## Speed of Product Evolution

Rapidly evolved from simple SMS banking (2007) and mobile recharge (2009) to a full-featured app (2010), agent network (2012), and comprehensive financial ecosystem (post-2020).

## Speed of Market Response

Capitalized on the COVID-19 pandemic's push to digital. As QR payments tripled in one year (2022-2023), eSewa was positioned to capture this growth, hitting 3 million users in 2020.

## Speed of Regulatory Adaptation

Became one of the first companies to secure a PSP license from the central bank (NRB) in 2017, a move that built critical trust and credibility.

# eSewa's SOURCES OF VALUE: Capturing Profit in a Crowded Market

"Value creation and capture in digital settings often involve complex and dynamic coordination...and control of the digital industry architecture."

## eSewa in Action

### Value from a Coordinated Network

Captured a commission on each transaction flowing through its ecosystem of users, merchants, and agents.

### Control of Digital Architecture

As the first licensed PSP, eSewa established the initial standards. In 2019, it strategically split off its payment network as Fonepay, a PSO, giving it influence over the underlying infrastructure.

### The Result: Sustainable Profitability

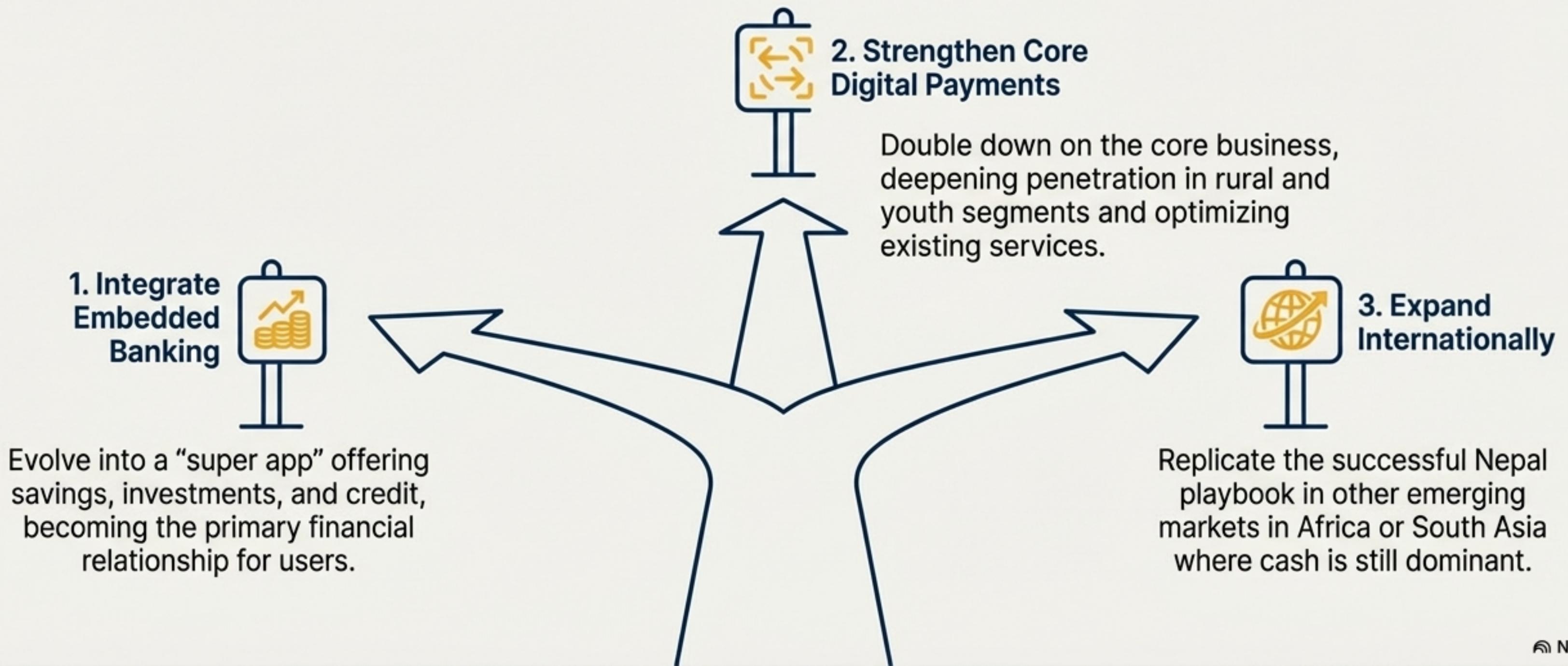
This strategy led to sustained profitable growth, a stark contrast in a market where most competitors struggle. As CSO Rabi Shakya noted, "only eSewa and IME Pay have achieved profitability."

## The Proof of Profitability



# The Crossroads: Three Paths to Secure the Future

Faced with the Khalti/IME Pay merger and a rapidly maturing market, eSewa's leadership must choose a path to defend and grow its leadership.



# Option 1 Analysis: Integrating Embedded Banking

Become the indispensable 'super app' for all financial needs.

## SCOPE

A dramatic expansion from payments to a full suite of banking services.

## SCALE

Scales the **value per user**, not just the number of users. Potential for deep, long-term customer relationships.

## SPEED

Potentially slow. High regulatory hurdles, need for specialized talent, and complex operational build-out will challenge agility.

## SOURCES OF VALUE

Unlocks new, high-margin revenue streams. Consultant insight: "**annual profits per user in embedded banking are ten times higher.**"

## Key Trade-Off

↑ **Upside:** Long-term market dominance and significantly higher profitability.

↓ **Downside:** High capital expenditure, significant execution risk, and regulatory complexity. Consultant warns of slow initial adoption (~2-3% conversion).

# Option 2 Analysis: Strengthening Core Digital Payments

Win the current battle by deepening market penetration and optimizing existing services.

## SCOPE

Maintains a clear focus on the existing, well-understood payments and services business.

## SCALE

Focuses on scaling the user base. Consultant insight: potential to “grow eSewa’s existing customer base by 10.”

## SPEED

High. Allows for operational agility, faster execution, and easier compliance within their proven business model.

## SOURCES OF VALUE

Relies on existing transaction-based revenue, which faces margin pressure from intense competition.

## Key Trade-Off

↑ **Upside:** Lower risk, less capital intensive, and solidifies leadership in the core market.

↓ **Downside:** Risk of stagnation and declining profitability. In a rapidly evolving industry, “sometimes, the greater risk is failing to take one.”

# Option 3 Analysis: Expanding Internationally

Replicate the successful Nepal playbook on a global stage.

## SCOPE

A massive expansion of geographic scope into new, unfamiliar markets.

## SCALE

Aims to build new network effects from scratch in new countries.

## SPEED

The slowest path. Requires extensive time for market research, local partnerships, legal approvals, and localization before reaching profitability.

## SOURCES OF VALUE

Creates new, diversified revenue streams, reducing dependency on the highly competitive Nepali market.

## Key Trade-Off



**Upside:** Huge potential for long-term growth and risk diversification.



**Downside:** Highest level of risk and uncertainty. Requires significant investment with a very "long runway before profitability."

# A Framework for the Final Decision

Strategic Option	Primary Dimension	Key Opportunity	Primary Risk
<b>1. Embedded Banking</b>	New Sources of Value	10x higher profit per user; long-term dominance	High investment, regulatory hurdles, slow adoption
<b>2. Strengthen Core</b>	Scale & Speed	10% user base growth; solidifies current leadership	Stagnation, declining margins, intense competition
<b>3. Go International</b>	New Scope & Scale	Diversification, first-mover advantage in new markets	Highest uncertainty, long path to profitability

**Consultant's Takeaway:** “Fragmentation and distinctiveness don’t go hand-in-hand. Focus is non-negotiable. Tapping local opportunities will solidify eSewa’s foundation, setting it up for greater success in the future.”

# Digital Strategy is Business Strategy

The choice facing eSewa is not merely about which new product to launch or which new market to enter. The 4S framework reveals that this is a fundamental decision about the company's future **Scope, Scale, Speed, and Sources of Value.**

The path chosen will define the very nature of eSewa for the next decade.

“Patience was key to eSewa’s success. Some banks started this initiative and even closed it within a few years. We **posted our first break-even** six years after starting our journey. This **patience** was the **competitive differentiation** for us to succeed in Nepal.”

— Subash Sharma, eSewa Co-founder