

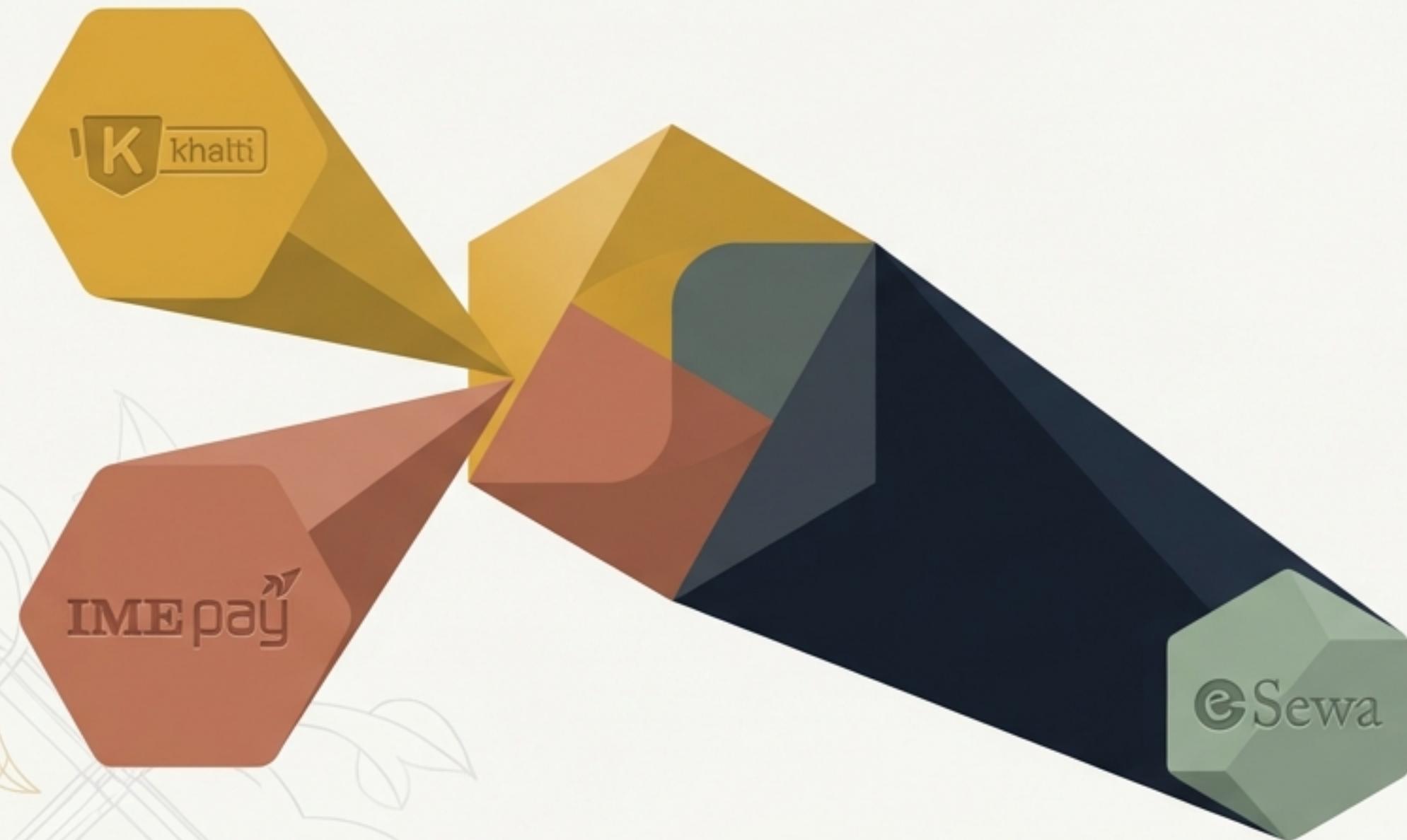
The Pioneer's Dilemma

How Nepal's leading fintech player must navigate a seismic competitive shift to define its future.



eSewa[®]

A Market on the Verge of Transformation



In Q1 2025, the Nepalese fintech landscape was shaken by a landmark announcement: the imminent merger of eSewa's two largest competitors, Khalti and IME Pay. Hailed by media as 'Nepal's first digital wallet merger,' this move is set to create a formidable rival with greater scale and a combined user base threatening eSewa's long-held dominance.

"The battle for the future of Nepal's payment industry would enter a decisive new phase."

—Jagdish Khadka, CEO of eSewa

Sixteen Years of Dominance: The Kingdom eSewa Built



10 Million

Registered Users



450,000

Merchants



300,000

Agents



77 Districts

National Coverage

From a simple mobile recharge service in 2009, eSewa has become the undisputed pioneer of Nepal's cashless economy, integrating payments, e-commerce, and financial services into a single ecosystem that serves millions, particularly the 18-30 year old demographic.

The Payment Gap in a Land of Majestic Barriers

The Context

A landlocked nation with breathtaking but difficult terrain, creating significant barriers to infrastructure and financial services.

In 2025, Nepal's GDP per capita is ~\$1,460, with a significant portion of the population facing financial exclusion.

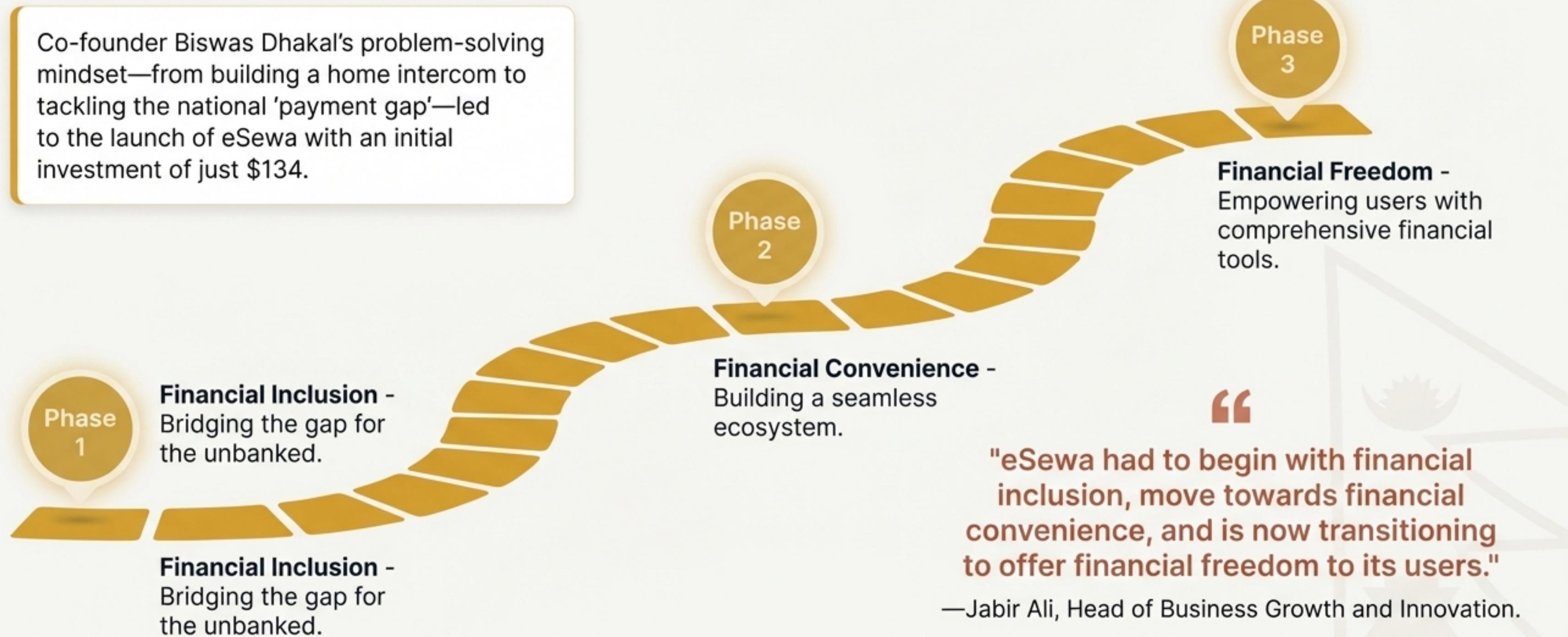
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“I recall my neighbor journeying miles just to pay an \$0.59 electricity bill, often spending up to \$7.34 and taking as long as two days.”

—Rupesh Neupane, Head of Business Development, eSewa



A Three-Phase Journey Forged from a Founder's Vision



Phase 1: Inclusion Through a Human Network

In an era of low internet penetration (2% in 2009) and smartphone scarcity, eSewa's masterstroke was its agent-led model. This network of cyber cafes, pharmacies, and mom-and-pop stores became the human interface for digital finance.

How It Worked



Customer gives cash to an agent.

Agent uses their eSewa account to pay bills or transfer funds.

Customers required no bank account, smartphone, or even digital literacy.

At its peak, **~85% of transactions** were generated from agents, making digital services accessible to every Nepali.

"Our agent network is what makes eSewa truly inclusive. We're not just for tech-savvy users in Kathmandu; we're for every Nepali, no matter where they live."

—Jagdish Khadka, CEO

Catalysts of Growth: Regulation and a Global Pandemic

Key Events

2017: The NRB License



Nepal Rastra Bank (NRB) formalizes the industry. eSewa becomes one of the first licensed Payment Service Providers (PSPs), a move that built massive customer trust and credibility.

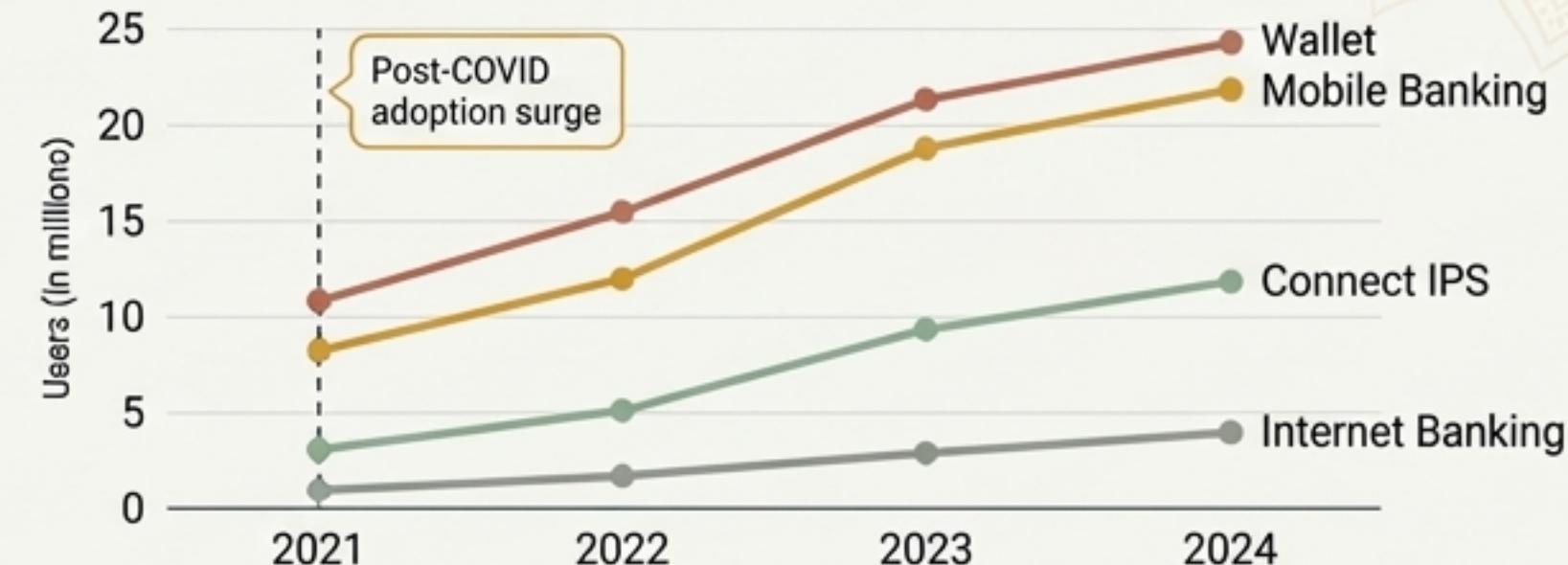
2020: COVID-19



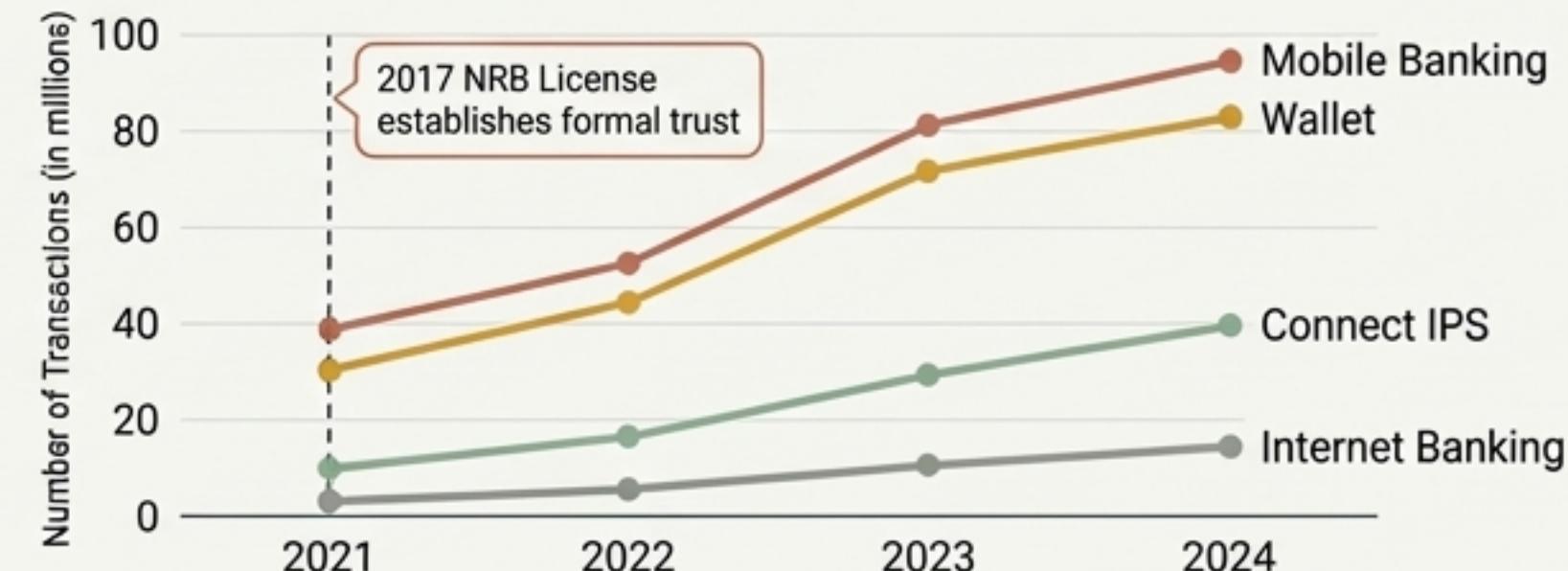
The pandemic reshapes consumer behavior, accelerating the shift to cashless transactions out of necessity. eSewa hits over 3 million users.

The Data

Growth in Users of Digital Payment Channels (2021-2024)



Growth in Number of Transactions (2021-2024)



Phases 2 & 3: Building an Ecosystem for Convenience and Freedom

Building the Core (Convenience)

eSewa created a one-stop app by integrating with over 50 banks and key service providers.



Expanding the Vision (Freedom)

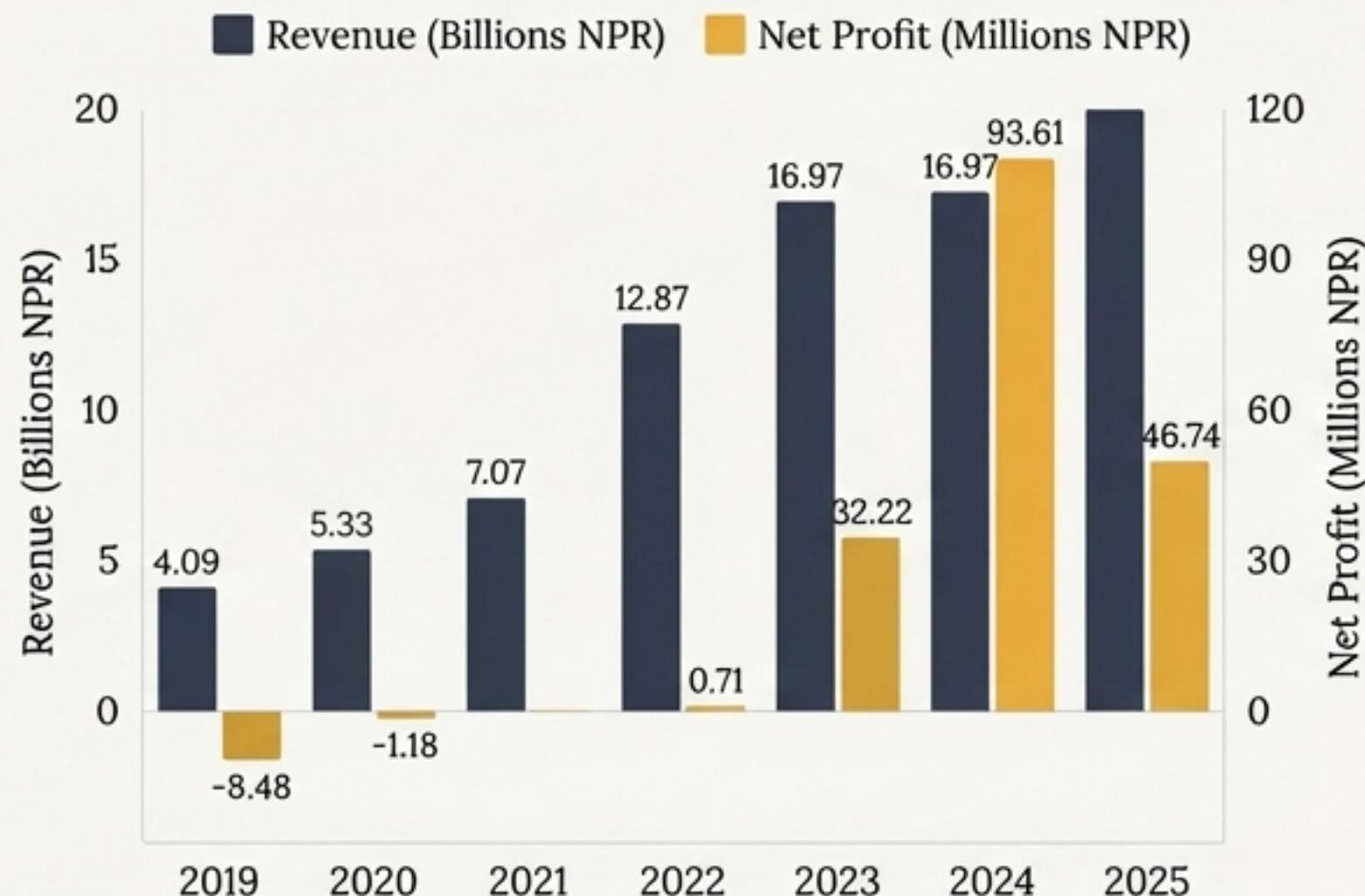
Post-COVID, eSewa evolved beyond payments to offer:

- Digital Micro-lending
- Insurance
- Wealth Management

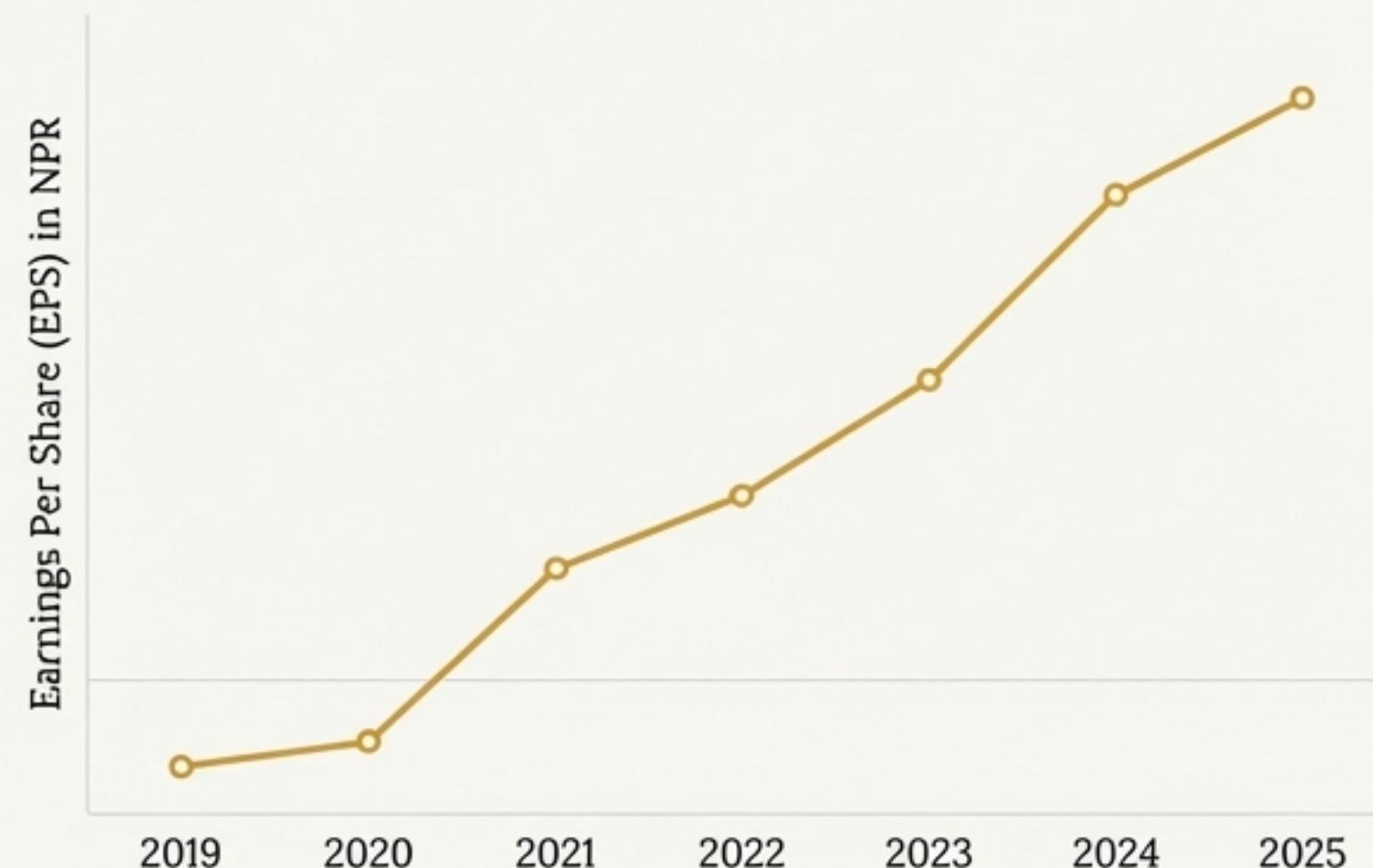
Strategic Move: Partnered with PhonePe to enable UPI payments for Indian tourists, tapping into a key visitor demographic.

The Rare Feat: 3+ Years of Profitability in a Cash-Burn Industry

Strong and Sustained Growth



Increasing Shareholder Value



“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.” –Subash Sharma, Co-founder.

The New Battlefield: A Market Crowded with Contenders

By 2025, the market eSewa pioneered is now home to 25 licensed digital wallets. While many are small players, two major contenders have emerged with distinct strategies, eroding eSewa's market share and challenging its leadership.



Strategy:

Pure-play digital, youth-centric.

Strengths:

- Sleek, modern UI/UX.
- Strong brand awareness among millennials.
- Exclusive partnerships for events and concerts.

Backing:

Backed by WorldLink, Nepal's largest ISP.



Strategy:

Focus on financial inclusion and remittances.

Strengths:

- Leverages parent IME Group's massive physical remittance agent network.
- Strong foothold in rural areas and with families of migrant workers.

Key Insight:

IME Pay captured the digital remittance market, an area eSewa only recently began pursuing.

The Alliance: A Competitor Stronger Than the Sum of its Parts

In February 2025, enabled by new NRB regulations, Khalti and IME Pay announced a merger to create a new entity, "IME Khalti".



This new entity directly challenges eSewa's scale and market coverage, creating a true peer competitor for the first time in the company's history.

The Crossroads: Three Paths to Define eSewa's Next Chapter



Option 1: Integrate Embedded Banking & Become the ‘Super App’

The Vision

Evolve beyond payments to become the primary financial institution for millions of Nepalese. Offer services like just-in-time credit for SMEs and automated savings/investment tools for users.

PROS	CONS
<ul style="list-style-type: none">• Potential for long-term market dominance.• Creates powerful user lock-in.• Opens massive new revenue streams.	<ul style="list-style-type: none">• High capital investment required.• Significant regulatory and compliance risks.• Requires specialized talent and new operational capabilities.

Consultant's Analysis



10x

Annual profits per user in embedded banking are ten times higher than in core payments.

2-3%

However, expect only a 2-3% conversion rate from the existing customer base in the initial years.



Option 2: Strengthen the Core & Deepen Domestic Penetration

The Vision

Double down on what eSewa does best. Focus on winning the youth segment from Khalti and expanding further into untapped rural markets, cementing leadership in the core payments space.

PROS	CONS
<ul style="list-style-type: none">• Solidifies leadership in a growing market.• Lower operational risk and capital outlay.• Reduces complexity and eases regulatory compliance.	<ul style="list-style-type: none">• Risk of stagnation as the market diversifies.• Potentially declining long-term profitability and margins.• Vulnerable to disruption from more innovative players.

Consultant's Analysis

10%



Strengthening core payment services could grow eSewa's existing customer base by 10%.

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Given that core payment services enjoy a wider reach... [this] is a **better bet to focus on at the moment.**

Option 3: Expand Internationally & Replicate the Playbook

The Vision

Take the successful Nepal model to other emerging markets in South Asia or Africa where cash is still king. Diversify revenue and reduce dependency on the increasingly competitive Nepalese market.

PROS	CONS
<ul style="list-style-type: none">• Taps into massive new growth markets.• First-mover advantage in similar economies.• Diversifies risk away from Nepal.	<ul style="list-style-type: none">• Extremely high risk and market-entry challenges.• Requires new partnerships, localization, and legal approvals.• Long, uncertain runway to profitability.

The Final Deliberation

CEO Jagdish Khadka weighed the arguments. Integrating banking services offered long-term dominance but was complex. Strengthening the core was stable but potentially limiting. International expansion offered diversification but was fraught with challenges.

“Time is of the essence. Whatever decision I make, it must be bold, decisive, and executed flawlessly.”