



HES

Digitizing lending operations for Mongolia's largest conglomerate

Tavan Bogd Group success story

We joined forces to transform Tavan Bogd Finance's lending infrastructure with an automated and scalable loan management system.

Founded in	Markets	Team size	Type	Website
2021	Mongolia	200+	Consumer lending	tavanbogdfinance.com

"The LMS provided flexible repayment options, automated restructuring features, and branch-level management, enhancing operational efficiency and risk mitigation."



Urnukhjargal Badam

Branch Manager at Tavan Bogd Group

Challenge

Key obstacles in scaling financial services in a growing market

Tavan Bogd Finance, a subsidiary of Tavan Bogd Group, sought to implement a scalable fintech platform to cater to the evolving financial needs of its customers. The company aimed to streamline its loan origination and management processes to offer faster and more flexible financial services, including consumer and commercial lending. The platform also needed to integrate a loyalty points system, an e-wallet feature, and various lending products to enhance customer engagement and operational efficiency.

The main challenges included the need for automation of loan decisions, improving service speed and quality, expanding their target customer base, and reducing operational costs. Additionally, Tavan Bogd Finance required a seamless transition from their existing non-banking loan software, with minimal disruption and complete data migration.

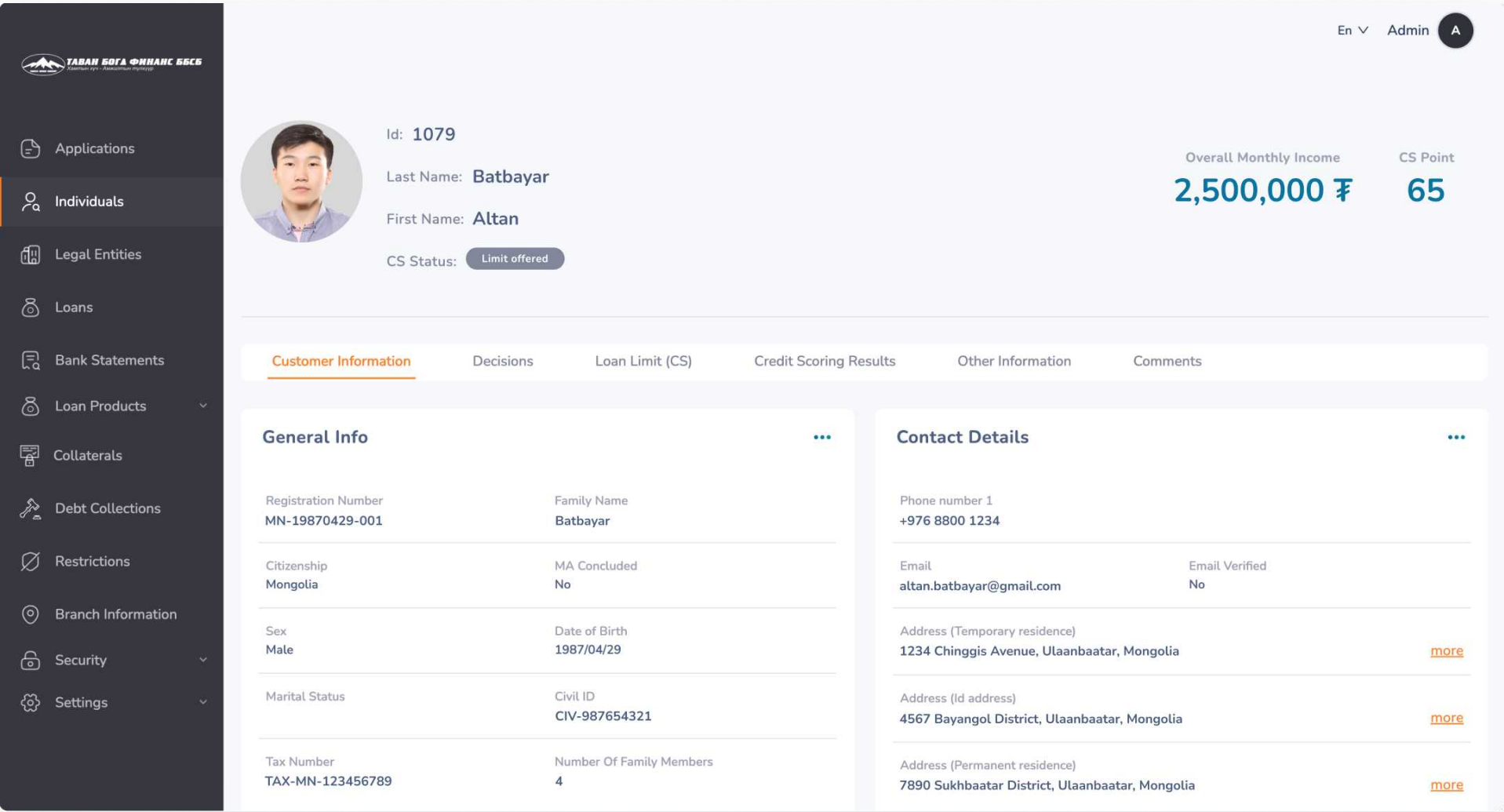
Approach

Customer verification flow

The project is currently in its development stage, with the platform being customized to include localized features such as integrations with regional payment systems and alternative data sources. Advanced AI-driven risk models are being developed to analyze non-traditional data and assess creditworthiness responsibly, ensuring inclusive and sustainable financing.

Robust fraud detection capabilities are also being implemented to handle the anticipated higher fraud risks in the region. Despite tight deadlines, the project is on track for deployment by December to align with the planting season.

The developed loan application process is highly efficient and automated. Customers share their personal information with the mobile app, initiating a verification process. This process includes multiple automated checks, such as income verification and credit history review, ensuring a swift and accurate evaluation without manual intervention.



Within two minutes, the system automatically calculates and provides loan limits based on the applicant’s personal information. The decision-making process is fully automated, ensuring no manual intervention from back-office users is required. Once calculated, these limits are valid for 24 hours, after which they expire and must be recalculated. If the customer is approved, they are presented with eligible loan products tailored to their financial profile. Should the customer fail any criteria (such as age or blacklist status), they receive an immediate push notification.

For Tavan Bogd Finance employees, the entire verification process, including ranges, values, and scores, is accessible within the borrower’s profile, providing complete transparency and control over loan decisions.

Loan origination and management process

In developing the Loan Management System (LMS) for Tavan Bogd Finance, we addressed the diverse needs of Installment Loans (LeaseOn), BNPL (Buy Now, Pay Later), Pledged Loans and Trusted Pledged Loans. Each loan type required unique handling, which we streamlined through a tailored approach.

For Installment Loans (LeaseOn), borrowers started with a detailed loan application. After the system calculated the loan terms, the borrower could add co-borrowers (references) for additional support. Contract signing was made convenient, offering two methods: OTP confirmation or a signature uploaded via image. This ensured a fast and seamless experience for both the borrower and the institution.

With BNPL loans, the system integrated directly with the merchant portal, automatically pulling invoice data to verify the loan amount and status. This seamless connection reduced the need for manual input, speeding up the process and increasing accuracy.

Pledged Loans, being more complex, required multiple layers of manual intervention. A processing fee was introduced upfront, and the loans underwent a series of thorough review stages to ensure compliance and mitigate risk. These stages included reviews by CIAT, LAAT, the Credit Committee, the Relationship Manager, the Branch Manager, and the Accountant. This comprehensive, multi-step review process allowed for careful handling of more sensitive loan products, ensuring that every aspect of the loan was scrutinized before approval.

To ensure secure and efficient operations, we implemented clear user permissions. These role-based permissions controlled access to sensitive information, preventing unauthorized actions and ensuring that only qualified personnel could handle key loan management tasks.

Additionally, we introduced branch management functionality, which allowed the company to organize different user departments based on their region, with each region assigned to a specific branch. Loan applications were automatically assigned to branches according to regional and other parameters, which streamlined operations. The system also provided the ability to filter loans and applications by branch, a crucial feature for a large company like Tavan Bogd Finance. This segregation of duties, combined with branch-specific management, enhanced both security and operational efficiency.

The system automated the calculation of repayment schedules based on the loan type and the borrower's preferences. Both annuity and differentiated repayment options were supported:

- Annuity repayment allowed for equal payments throughout the loan term, simplifying financial planning for borrowers.
- Differentiated repayment involved higher initial payments, with decreasing amounts over time, providing borrowers with the flexibility to reduce their loan balance faster.

Additionally, the system allowed for various payment frequencies—monthly, biweekly, quarterly, or end-of-term. A special calculation logic was developed to accommodate quarterly payments, accounting for the varying number of months in each quarter, which was a critical requirement from Tavan Bogd Finance.

To support effective risk management, we introduced features like the provision rate and on-balance/off-balance parameters, which were regularly reviewed by accountants. This enabled a better understanding of potential risks, as loans in delinquency would trigger a provision rate that increased with the number of overdue days. The system automatically adjusted the loan's status based on the length of the delinquency period.

We also implemented 11 different restructuring options, allowing Tavan Bogd Finance to offer flexible repayment solutions to their large-scale clients. These restructuring features provided an additional level of support for high-value customers, ensuring their needs could be met without disrupting the overall loan management process.

For BNPL loans, while they typically have 0% interest, we accounted for the risk of delayed payments. If a BNPL loan was overdue by more than 93 days, it was reclassified and managed as an installment loan, with appropriate late fees and interest calculations applied, ensuring effective risk mitigation.

The LMS also supported the ability to handle past-date repayments and payment cancellations, automatically recalculating affected repayment schedules and amounts. This flexibility ensured that the company could manage its loan portfolio with precision, even when adjustments were needed after the fact.

Additionally, we developed a system to manage transactions from multiple channels, including bank statements. This system automatically sorts and allocates these transactions while simultaneously detecting and eliminating duplicates. Such a mechanism added a layer of reliability, making transaction management smoother and more efficient for Tavan Bogd Finance.

\$63M+

loan portfolio

268,000+

customers served

2 min

loan limits calculation

Result

Creation of advanced systems for streamlined loan management

Our collaboration with Tavan Bogd Finance, a subsidiary of Mongolia's largest and most diversified conglomerate, Tavan Bogd Group, led to the successful creation and implementation of entirely new systems: a Loan Origination System (LOS) and a Loan Management System (LMS). These systems were built from scratch, presenting a significant challenge but ultimately transforming the way the company handled loan processing and management.

A key aspect of this project was the simultaneous development of both the mobile application (handled by Tavan Bogd Finance's team) and the back-office system. Beyond delivering our solution, we actively consulted with their development team, sharing best practices, offering guidance, and ensuring alignment between both teams. This collaborative approach helped keep both projects on track and demonstrated our ability to successfully manage the coordination of multiple teams, a capability Tavan Bogd Finance had specifically inquired about during the early stages of the project. This experience further highlights our strength not only in development but also in facilitating effective teamwork across various stakeholders.

Thank you for your attention!

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