

Mongolia

The Mongolian banks covered by the survey account for 90 per cent of the country's total banking assets and all are domestic (Chart 1). Uzbekistan and the West Bank and Gaza are the only other EBRD economies where only domestic banks were surveyed as part of BEPS III. Half of the surveyed banks in Mongolia expect their branch network to decline over the next five years, while the other half expect it to grow (Chart 2).¹ The latter is in line with average expectations in Central Asia. In the EBRD economies as a whole, however, just under half of banks surveyed expect their branch networks to shrink, while just over 30 per cent of banks expect them to increase.

More than two-thirds of Mongolian banks have explicit climate change, environmental and social policies and targets, outstripping their peers in Central Asia, especially on climate change. As regards lending to SMEs, more than 80 per cent of Mongolian banks surveyed undertake environmental and corporate governance impact assessments, a higher proportion than in Central Asia and the EBRD economies, on average. However, the share of banks in Mongolia that undertake climate change or social impact assessments is on par with or below the EBRD and Central Asian averages (Chart 3).

In this vein, all Mongolian banks surveyed say they provide loans for the specific purpose of improving the energy efficiency of residential housing, small and medium-sized enterprises (SMEs) and/or corporate clients. More than 80 per cent provide loans to improve the energy efficiency of commercial real estate. Across all three categories, the share of Mongolian banks is higher than the Central Asian average by at least 20 percentage points (Chart 4).

Banks in Mongolia view fintech as an opportunity across most of their business lines (Chart 5). More than 80 per cent of them saw opportunity in fintech for asset management, trade finance, leasing and corporate lending. One-third of Mongolian banks, in contrast, viewed fintech as a threat to payment services, higher than the Central Asian average, but on par with the EBRD economy average.

Chart 1 Branch presence of surveyed banks

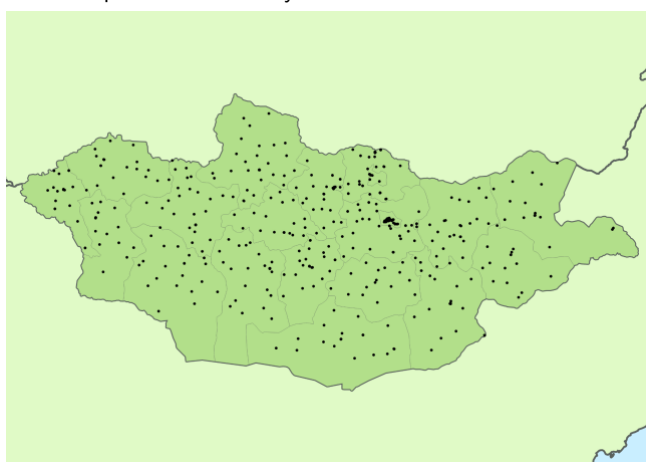


Chart 2 Branch network expectations, next five years

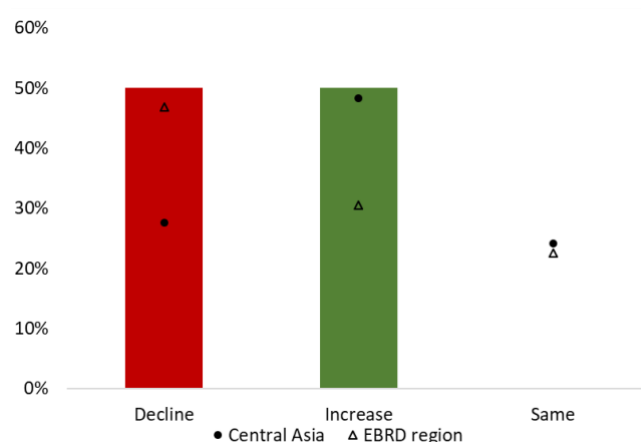


Chart 3 Impact assessment of SMEs before loan approval

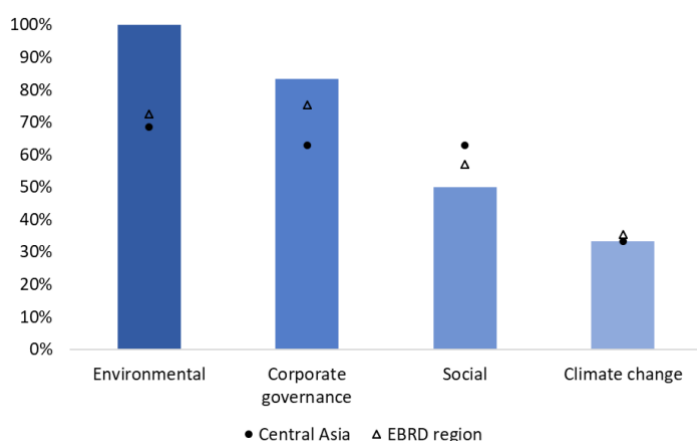
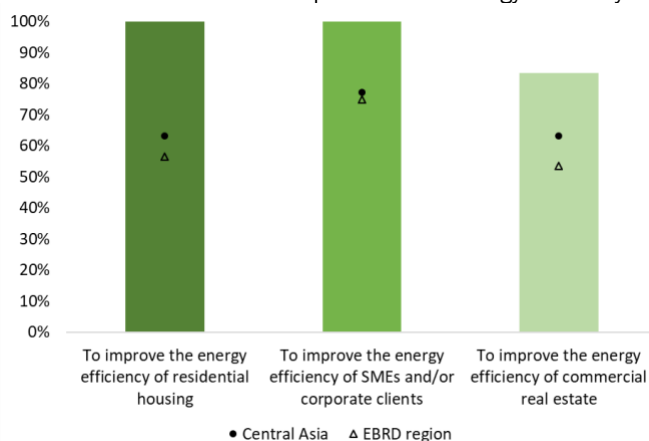


Chart 4 Prevalence of loans to improve clients' energy efficiency



¹ Bars in Chart 2, 3, 4 and 8 refer to the percentage share of banks in Mongolia.

Mongolian banks lag the Central Asian and EBRD averages when it comes to the uptake and use of most digital technologies (Chart 6). The exception is that two-thirds of Mongolian banks report using biometric authentication for customer identification, some 15 percentage points above the Central Asian average. However, when it comes to launching services that use alternative credit-scoring data sources and algorithms or machine learning to improve credit decision-making, Mongolian banks lag their Central Asian peers.

Although Mongolian banks are slower to adopt these fintech technologies, there is a shift towards digital banking. Notably, more than 80 per cent of local banks report accepting online loan applications from SMEs. A similar share say they face strong competition from non-bank financing companies in the SME lending segment and non-bank online lenders in the retail segment (Chart 7).

The survey reveals that banks in Mongolia are more concerned than their Central Asian peers about information technology (IT) security and regulatory uncertainty in the fintech space (Chart 8). In addition, more than 80 per cent of Mongolian banks face difficulties in identifying and establishing links with fintech companies, 60 percentage points above the EBRD regional average.

Approximately two-thirds of banks surveyed in Mongolia lend to innovative industries, such as IT, chemicals and pharmaceuticals. In line with the Central Asian average, banks cite a lack of creditworthy customers as the most frequent constraint on lending to these industries.

Chart 5 How fintech will affect banks' business lines

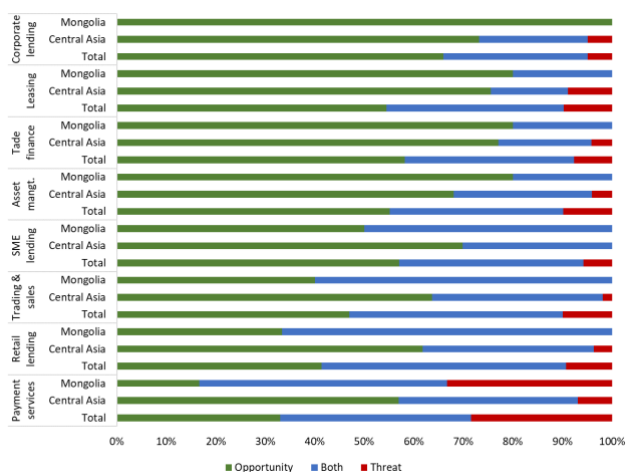
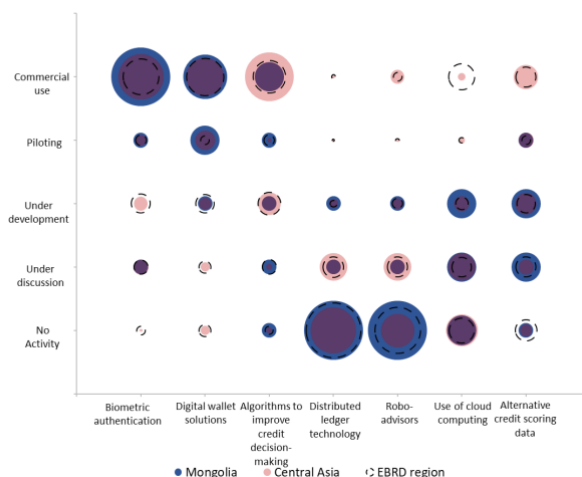


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Banks face strong competition from online lenders

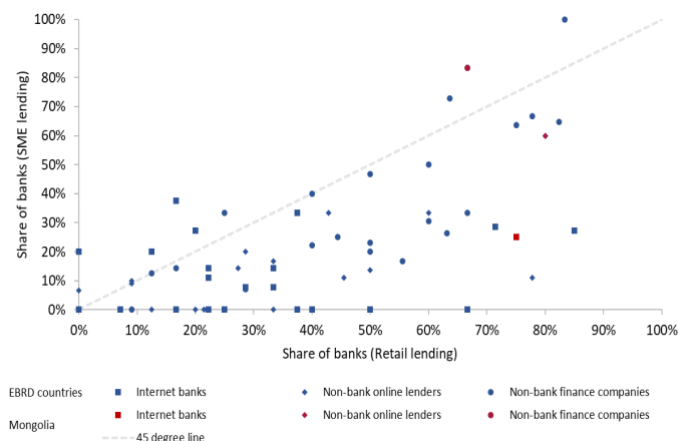


Chart 8 Concerns related to digital technologies

