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# Innovative Research on Auto Consumer Loan Business of R Financing Guarantee Company: Taking the “Lease-to-Own” Model as an Example

Hang Zhang

Sichuan University Department of Business Administration, Chengdu, 610065, China

## ABSTRACT

As China's guarantee industry transitions from rapid expansion to risk exposure, private financing guarantee companies face multiple challenges including business contraction and pressure from banks' “de-guarantee” initiatives. This study examines R Financing Guarantee Company, employing PEST, SWOT, and Porter's Five Forces analyses to evaluate its auto consumer loan business's internal/external environment and competitive landscape. It proposes a business innovation strategy centered on the “lease-to-own” model. The paper systematically outlines innovative measures across six dimensions—product, process, marketing, service, management, and revenue sources—while designing risk control mechanisms for pre-loan, during-loan, and post-loan phases. Research indicates that the “lease-to-own” model effectively enhances customer experience, diversifies revenue streams, and improves risk manageability, offering valuable insights for business transformation among peer guarantee companies.

## KEYWORDS

Financing guarantee company; Auto finance; Business innovation; Lease-to-own; Risk control

## 1. INTRODUCTION

Since China's first guarantee institution was established in 1993, the guarantee industry has played a vital role in alleviating financing difficulties for SMEs and promoting bank credit development. However, the economic downturn after 2012 led to a rise in guarantee compensation rates, pushing the industry into a restructuring phase. Banks gradually implemented “de-guarantee” strategies, causing private guarantee companies to experience a significant decline in business volume and intensified survival pressures. Against this backdrop, business innovation has become a critical path for the sustainable development of guarantee companies [1].

R Financing Guarantee Company, an early-established private guarantee institution in the Chengdu region, primarily engages in business such as auto consumer loan guarantees. In recent years, affected by both industry risks and market competition, its auto loan business volume has significantly contracted, urgently requiring innovation to rebuild competitiveness. Based on field research and data analysis [2], combined with domestic and international auto finance theories and practices, this paper proposes a business innovation plan centered on “lease-to-own” as a core strategy, aiming to provide a feasible development path for R Company and its peers.

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# 2. THEORETICAL FOUNDATIONS AND LITERATURE REVIEW

## 2.1. Defining Financing Guarantees and Auto Finance

Financing guarantees refer to the act of a guarantor providing performance assurance to creditors on behalf of debtors, with its core function being to mitigate information asymmetry and enhance credit efficiency[3]. Auto consumer loans, as a vital component of personal consumer credit, lower vehicle purchase barriers through installment payments, thereby stimulating automotive consumption. Automotive finance encompasses the entire service chain including vehicle financing, leasing, and insurance, representing the integration of the automotive and financial industries.

## 2.2. Theories Related to Business Innovation

The Expected Income Theory emphasizes that the stability of a borrower's future income forms the basis for credit decisions; the Information Asymmetry Theory highlights the crucial role of guarantee institutions in bridging the information gap between lenders and borrowers [4]; the Risk Early Warning Theory stresses the prevention of default risks through comprehensive monitoring throughout the pre-loan, during-loan, and post-loan phases; Schumpeter's innovation theory posits that the essence of innovation lies in enterprises achieving profit maximization through factor reallocation.

## 2.3. Current State of Domestic and International Research

Domestic scholars primarily explore aspects such as guarantee mechanisms, auto credit risks, and financial channels [5], highlighting the need for enhanced product innovation and risk management in auto finance. International research focuses on credit assessment, bank-guarantee cooperation, and the evolution of auto finance models, emphasizing the application of technology and data. Existing research lacks systematic designs for specific business innovations in guarantee companies [6], which this paper aims to address.

# 3. CURRENT STATUS AND ISSUES OF R COMPANY'S AUTO CONSUMER LOAN BUSINESS

## 3.1. Company Profile and Development History

Established in 2003 with registered capital of 261 million yuan, R Company specializes in auto consumer loan guarantees. By 2019, its cumulative guaranteed loans reached nearly 14 billion yuan, with auto loans accounting for over 55%. However, following the economic downturn after 2012, business volume declined significantly. By 2019, the company had only 1,164 active auto loan clients with a guaranteed balance of 320 million yuan [7].

## 3.2. Business Difficulties and Challenges

Declining market penetration resulted from cost control measures. R Company narrowed its network of cooperating car dealers and prioritized mid-to-high-end vehicle models, leading to the loss of mid-to-low-end customers. Customer diversification emerged as automaker financing and leasing channels diverted clients, diminishing the appeal of traditional guarantee models. Information asymmetry and heightened risks stemmed from an imperfect credit system, resulting in uneven customer quality and rising delinquency rates. Tightened bank cooperation manifested in frequent industry risk incidents, reduced bank trust in private guarantee companies, and elevated collaboration thresholds.

# 4. BUSINESS INNOVATION ENVIRONMENT ANALYSIS

## 4.1. PEST Analysis

Politically, the state encourages innovation in auto consumer credit, with policies gradually easing mortgage registration and financial access requirements.

Economically, the automotive industry accounts for 8% of GDP, with financial penetration rates steadily rising and significant market potential.

Socially, post-80s and post-90s generations dominate car purchases, exhibiting forward-thinking consumption attitudes and high acceptance of flexible financial products. Technologically, big data and credit reporting systems enhance risk control efficiency and drive online service development.

## 4.2. Porter's Five Forces Analysis

Supplier bargaining power: Banks dominate pricing, leaving guarantee companies with weak negotiating power [9]. Buyer bargaining power: Diverse customer choices expand negotiation scope. Potential entrants pose significant threats, including new players like auto finance companies and internet platforms. Substitute threats arise from products like financial leasing and credit card installment plans diverting market share. Intra-industry competition is intense due to severe product homogeneity.

## 4.3. SWOT Analysis

Strengths include organizational flexibility, extensive experience, and strong resource integration capabilities. Weaknesses manifest as small scale, limited financing channels, and geographic constraints. Opportunities encompass policy support, consumption upgrades, and technology-driven innovation. Threats stem from intensified competition with state-owned guarantee companies and emerging financial institutions. Overall, R Company should adopt an SO strategy, leveraging its strengths to seize market opportunities and drive business innovation [10].

# 5. DESIGN OF “LEASE-TO-OWN” BUSINESS INNOVATION SCHEME

Innovation Objectives and Principles: Guided by enhancing customer experience, reducing bank risk, and expanding company revenue, establish a “bank-guarantor-customer” tripartite win-win model.

Product Innovation: Lease-to-Own Model: Customers apply for loans through R Company, with vehicles initially registered under the company's name. Customers pay monthly rentals and may choose to transfer ownership or return the vehicle at lease expiration. Key features include: Target market repositioning to cover credit-impaired customers, corporate vehicle users, and low-down-payment groups overlooked by traditional banks. Differentiated payment mechanisms set down payment ratios based on credit ratings, supporting flexible repayment options. Multi-channel customer acquisition combines offline exhibitions, referrals from existing customers, and online marketing to expand channels [11].

Process Innovation: Streamlined loan procedures require customers to complete only four steps: vehicle selection, application, contract signing, and vehicle pickup. R Company handles subsequent transfers and mortgages, significantly improving efficiency.

Marketing Innovation: Collaborative marketing partnerships with car dealers, insurance providers, and maintenance agencies form a closed-loop ecosystem. Customization highlights include “one vehicle, one plan” and privacy protection.

Service innovation: Concierge services provide full-cycle agency for insurance, annual inspections, and traffic violation handling. Specialized teams enhance staff capabilities in auto finance and after-sales service. Round-the-clock response establishes a post-loan continuous service mechanism.

Management innovation: Dedicated departments centrally manage vehicles and customers, standardize processes, and integrate partner resources to prevent internal competition.

Revenue Stream Innovation: Beyond guarantee fees, generates aftermarket income from insurance commissions, maintenance service fees, and annual inspection processing fees. Projections indicate a 47.5% increase in per-transaction revenue.

Risk Control Safeguards: Pre-loan measures include credit checks, big data profiling, on-site verification, and GPS installation. During-loan measures cover repayment reminders, loan monitoring, and vehicle surveillance. Post-loan measures involve rapid repossession, legal collection, and asset disposal.

## 6. CONCLUSION

This paper systematically analyzes the developmental challenges and innovation needs of R Financing Guarantee Company's auto consumer loan business, proposing a comprehensive innovation solution centered on “lease-to-own.” This model offers advantages in customer experience, bank risk control, and corporate profitability, aligning particularly well with the current trends of marketization, personalization, and technological advancement in the auto finance sector [12]. However, it still faces challenges such as customer acceptance, regulatory gaps, and bank credit restrictions. Future efforts should focus on refining product design through practical implementation, strengthening communication with regulatory bodies, and promoting legislative improvements. Additionally, digital transformation and ecosystem collaboration will be key directions for enhancing competitiveness. “Lease-to-own” not only serves as an effective breakthrough strategy for R Company but also provides a replicable innovation paradigm for peer guarantee companies, contributing to the healthy development of the entire auto finance industry.

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