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Chinese automotive finance: development, policies, and regulations

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***Abstract* — The rapid development of Chinese automotives, particularly in the new energy vehicle (NEV) sector, has garnered global attention. This study focuses on a niche area that has yet to be thoroughly examined: automotive finance This study adopts a qualitative policy and regulatory analysis based on national-level policy documents and industry data. First, it explores the evolution of automotive finance in China within the context of the broader automotive market. Second, it reviews key policy initiatives from Chinese authorities related to the automotive industry, automotive finance companies, and automotive consumption. Third, it analyzes recent regulations on automotive finance companies, concluding that these measures are designed to mitigate systemic risks within China's financial system while supporting the NEV sector. Automotive finance in China functions not only as a consumer credit tool but as a policy-oriented financial mechanism that links industrial upgrading, consumption expansion, and financial risk governance.**

***Index Terms* — China, automotive finance, auto finance, new energy vehicle**

I. INTRODUCTION

As the world's largest automotive market, China has faced intense competition in recent years. For instance, in the first two months of 2024 and throughout 2023, 17 domestic Chinese automakers reduced their prices by 20 per cent to 30 per cent (An, 2024). In early 2025, a new round of "price war" has started (China Economic Net, 2025). In April 2024, China's regulatory authority also removed the loan-to-value ratio limits for personal vehicles (PBC, 2025). Consequently, several automotive finance companies have introduced zero-downpayment products (Wu, 2025).

Automotive finance[1] (hereafter referred to as 'auto') encompasses a range of financial products and services that help individuals or businesses acquire vehicles. One of the primary offerings is the auto loan, a secured loan used to purchase a car or other vehicle. The vehicle acts as collateral for the loan and may be repossessed by the lender if the borrower defaults. As China's auto market has expanded and household incomes have risen, the Chinese auto finance market has also seen substantial growth.

The topic of auto finance is broadly connected to several subfields. First, it is an integral part of the automotive industry value chain, which includes manufacturing, auto parts, maintenance, second-hand vehicle sales, renting, and finance. Many studies have focused on China's automotive industry. For example, Lüthje (2021) shows that the transformation of China's automotive sector is closely linked to state-coordinated industrial strategies. Chen et al., (2024) shows that China's automotive industry policy has shifted from scale expansion to a development model centered on decarbonization, indigenous innovation, and supply chain upgrading. This transition provides the industrial policy context in which auto finance becomes an important instrument for supporting consumption, coordinating the value chain, and facilitating the green transition. Second, auto finance is related to supply chain finance, as noted by Xu et al. (2018). Several studies focus specifically on the auto industry. For instance, Filbeck et al. (2016) investigated the impact of supply chain disruptions on automotive firms, while Zhang et al. (2019) conducted a case analysis of credit risk in supply chain finance using three Chinese automotive firms as examples. However, these studies focus on the financial health of auto firms rather than auto finance itself. Third, auto finance is

[1] In China, "automotive finance" is the standard regulatory and industry term and includes consumer credit, dealer financing, and leasing. This study uses the term in this institutional sense while analytically focusing on consumer vehicle credit.

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connected to consumer credit and finance, touching on topics such as credit reporting systems (Chen and Grossklags, 2020), corruption (Agarwal et al., 2020), default prediction (Li et al., 2019; Wang, 2021; Zhang and Yu, 2023), macroeconomic influences (Su, Peculea, and Wang, 2023), and online credit products (Zhao, Peng, and Li, 2022). Recent empirical research further demonstrates that green finance policies significantly promote innovation in China's new energy vehicle (NEV)[2] industry by alleviating firms' financing constraints and strengthening industrial collaboration within clusters (Liu et al., 2025). This provides micro-level evidence for the role of financial instruments in facilitating industrial upgrading and technological transformation. Lastly, auto finance intersects with the extensive literature on law and financial regulations (Pan, 2012).

To date, there has been a lack of comprehensive studies on the Chinese auto finance market[3]. This study aims to fill that gap by examining the market from two key perspectives: the development of the Chinese auto finance and the policies driving this evolution, as well as recent regulations affecting auto finance companies. Future research could explore other relevant areas, such as supply chain finance and consumer credit.

This study adopts a qualitative institutional and policy-oriented research design. It is based on a systematic analysis of national-level industry statistics, policy documents, and regulatory measures related to China's automotive finance sector, with a particular focus on auto finance companies (AFCs). Industry data are primarily drawn from official statistical sources and sectoral reports. The policy and regulatory texts were selected according to three criteria: direct or indirect relevance to automotive finance; issuance by central government or national regulatory authorities; and substantive impact on market structure, operations, or risk management.

Rather than conducting firm-level empirical testing, the paper aims to provide an analytical interpretation of the regulatory logic and its economic implications by linking institutional changes to industrial development and financial stability considerations. This qualitative approach allows for a comprehensive examination of a sector where systematic academic research remains limited. The main limitation of the study lies in the absence of micro-level quantitative verification, which future research could address.

The structure of this paper is as follows: Section I offers an overview of the development of the Chinese auto finance market. Section II reviews the policy initiatives from Chinese authorities that have contributed to the evolution of both the auto industry and the auto finance sector. Section III provides a detailed analysis of recent regulations impacting Chinese auto finance companies. Finally, Section IV concludes the paper.

II. DEVELOPMENT OF CHINA'S AUTO FINANCE WITHIN THE AUTOMOTIVE VALUE CHAIN

The development of the Chinese auto finance market is closely linked to the growth of China's automotive industry. This section begins with a brief introduction to the Chinese auto industry, followed by a discussion of the auto finance market and its evolution alongside the industry as well as its implications.

A. Auto industry

The development of China's auto industry has been significantly driven by its industrial policies. The first major policy aimed at the auto sector was introduced in 1994, marking the beginning of state encouragement for private car ownership (State Council, 1994). This was followed by a second auto industry policy in 2004, which emphasized the cultivation of a market centered on private vehicle purchases (NDRC, 2004). In response to the 2009 Global Financial Crisis (State Council, 2009), China updated its policy, launching a series of stimulus plans that helped the country become the world's largest auto manufacturer by 2009, accounting for 22.3 per cent of global production (OICA, 2009). By 2024, this share had risen to 33.8 per cent (OICA,

[2] In China, NEVs refer to automobiles that use advanced power systems and are fully or primarily powered by new energy sources. They mainly include pure electric vehicles, plug-in hybrid vehicles, and fuel cell vehicles (see in Chinese)

[3] For instance, searches on Google Scholar using combinations like "China" + "car finance" (see here), "China" + "automotive finance" (see here), or "China" + "auto finance" (see here) yield no significant results.

2024). In 2012, China introduced its first NEV industrial policy, covering the period from 2012 to 2020 (State Council, 2012), further accelerating the growth of the sector. Table 1 below outlines the development of China's auto industry since 2011 (see Appendix 1 for data sources).

Table 1: Vehicle Sales in China

Year	Total Vehicle (000)	Sales (USD Billion)	Passenger Vehicles (000)	NEVs (000)	% of NEV among Total Vehicles
2011	18,505	322.6	14,472	8	0.0
2012	19,306	377.2	15,495	13	0.1
2013	21,984	469.7	17,929	18	0.1
2014	23,492	542.2	19,701	75	0.3
2015	24,598	573.3	21,146	331	1.3
2016	28,028	607.1	24,377	507	1.8
2017	28,879	624.6	24,718	777	2.7
2018	28,081	587.5	23,710	1,256	4.5
2019	25,769	570.0	21,444	1,206	4.7
2020	25,311	571.2	20,178	1,367	5.4
2021	26,275	678.9	21,482	3,521	13.4
2022	26,864	680.1	23,563	6,887	25.6
2023	30,094	686.6	26,063	9,495	31.6
2024	31,436	691.0	27,563	12,866	40.9

Table 1 illustrates the remarkable growth of the Chinese auto market over the past decade. Notably, the surge in NEVs began in 2021. By 2024, approximately 41 percent of all vehicles sold in China were classified as NEVs.

B. Auto finance

Chinese auto finance originated in the 1990s with auto loans initiated by commercial banks. The landscape shifted significantly in August 2004 with the establishment of China's first auto finance company, SAIC-GMAC. Since then, the market has evolved into a competitive and specialized sector.

Estimates suggest that the size of the Chinese auto finance market reached approximately RMB 2.6 trillion (equivalent to USD 380 billion) in 2022[4]. While this figure may seem substantial, it accounts for only about 1.2% of the total stock of loans issued by Chinese financial institutions[5], indicating that the auto finance market plays a relatively minor role in the overall financial system. The auto finance penetration rate—defined as the percentage of cars purchased using financial tools relative to total car sales—has increased to around 50% in 2023[6]. Within this market, auto loans are the dominant financial product, while auto rentals

[4] According to Roland Berger, the market size in 2019 was RMB 1.7 trillion (see https://www.rolandberger.com/publications/publication_pdf/Auto-Finance-Report.pdf). The compounded annual growth during 2008-2019 was 24 percent. Another consulting firm estimated the market size in 2021 was RMB 2.4 trillion (see https://www.chinabaogao.com/baogao/202305/635497.html in Chinese). A third estimate in 2022 was around RMB 2.6 trillion (see https://m.chyxx.com/pdf/83/98/978398.pdf in Chinese).

[5] The outstanding balance of total loans is RMB 212.43 trillion by 2022 (source: People's Bank of China).

[6] According to Roland Berger, this fraction was 35 percent in 2019 and estimated to be 38 per cent in 2022 (see https://www.rolandberger.com/publications/publication_pdf/Auto-Finance-Report.pdf in Chinese). A most recent report from Roland Berger estimated that this fraction has increased to 56 per cent in 2023 (see https://www.baogaoting.com/info/617983 in Chinese). Another estimate was that this fraction was around 50 per cent during 2020-2023 (see https://www.21jingji.com/article/20240411/herald/7760049e37ab19ec019f8cb7f7f92ddd.html in Chinese).

remain marginal[7]. Additionally, passenger vehicles make up the majority of sales, with commercial vehicles being less significant[8]. New vehicles are also predominant, while the market for second-hand vehicles is relatively small[9].

The primary players in the Chinese auto finance market include commercial banks, auto finance companies (AFCs), and vehicle leasing companies. Various sources estimate that commercial banks and AFCs hold nearly equal importance and collectively dominate the market[10]. As of July 2025, there are 25 AFCs, along with one additional AFC currently in the bankruptcy process (see Appendix 2 for details). These companies are typically associated with auto manufacturers. This study focuses on AFCs, defined as non-banking financial institutions specializing in automotive financial services and established with the approval of the National Financial Regulatory Administration (Ministry of Justice, 2023). Their main business activities include retail loans, as well as wholesale loans to dealers[11]. By 2023[12], the total assets of AFCs amounted to approximately RMB 1 trillion (China Banking Association, 2024), which constitutes a minor fraction of the overall Chinese financial system[13]. Furthermore, their performance is highly correlated with the volume of auto sales they support (Fitch Rating, 2022).

The co-evolution of the automotive industry and automotive finance indicates that auto finance has become an integral component of the automotive value chain rather than a purely auxiliary financial service. Its rapid expansion, reflected in the rising penetration rate and the growing role of AFCs, suggests that financial arrangements are increasingly embedded in the processes of distribution and consumption.

By providing both retail credit for consumers and wholesale financing for dealers, auto finance reduces transaction frictions and stabilizes demand across different stages of the value chain. In this sense, the performance of AFCs being highly correlated with vehicle sales is not merely a market outcome but reflects their structural function in supporting the circulation of automotive products.

At the macro level, the relatively small share of auto finance in the overall financial system, combined with its strong linkage to real economic activity, indicates that the sector operates as a form of targeted financial intermediation. This positioning allows it to simultaneously serve industrial expansion, consumption growth, and supply chain coordination, which explains why it later becomes a key focus of both industrial policy and financial regulation.

III. POLICY FRAMEWORK FOR MARKET EXPANSION AND ENCOURAGING CONSUMPTION

The size of Chinese auto finance reached RMB 1 trillion around 2016. This section reviews the policies implemented by Chinese authorities since 2015, which can be generally classified into three types:

[7] According to the report from Roland Berger, which estimated that auto finance penetration rate for passenger cars was 56 per cent in 2023 (see https://www.baogaoting.com/info/617983 in Chinese), the fraction of auto loans was 46 per cent while rental was 10 per cent.

[8] One consulting firm estimated that commercial vehicles only accounted for slightly over 10 per cent in 2023 (see https://m.21jingji.com/mall/pdfshow/?goodsID=227&modelID=322 in Chinese).

[9] According to data from Chinese Banking Association, second-hand vehicle loans only accounted for less than 10 per cent in 2023 (see https://finance.china.com.cn/money/bank/20240620/6131291.shtml in Chinese).

[10] For example, according to Roland Berger (https://www.baogaoting.com/info/617983 in Chinese), commercial banks accounts for 46 percent while AFCs accounts for 39 per cent in 2023. Another consulting firm estimated that they account for 55 per cent and 30 per cent separately in 2022 (see https://m.chyxx.com/pdf/83/98/978398.pdf in Chinese). A third consulting firm estimated that they account for 42 per cent and 41 per cent separately in 2022 (see hhttps://www.chinabaogao.com/baogao/202305/635497.html in Chinese). A report produced by S&P Global Rating in 2020 estimated that they account for 30 per cent and over 50 per cent (see https://www.spgchinaratings.cn/research/pdf/20201022_commentary_auto-finance_22oct2020_cn.pdf).

[11] Source: Chinese AFC Annual Report in 2023 released by Chinese Banking Association (see https://finance.china.com.cn/money/bank/20240620/6131291.shtml in Chinese)

[12] As of 18 July 2025, no aggregated data for 2024 are available. However, based on limited information, total assets may have declined in 2024 compared to the previous year (see http://www.xinhuanet.com/money/20250527/3e57d58ad5154df3a403607d68c8b164/c.html in Chinese).

[13] As of 2023, the total assets of Chinese banks are over RMB 400 trillion (see https://www.cbirc.gov.cn/cn/view/pages/ItemList.html?itemPId=953&itemId=956&itemUrl=tongjishuju/zongzichan.html&itemName=%E9%93%B6%E8%A1%8C%E4%B8%9A%E9%87%91%E8%9E%8D%E6%9C%BA%E6%9E%84%E6%80%BB%E8%B5%84%E4%BA%A7%E6%83%85%E5%86%B5%E5%9B%BE in Chinese).

encouraging the development of the auto market, promoting and regulating the growth of AFCs, and supporting auto consumption, green consumption, and consumer rights protection.

IV. DEVELOPING AUTO MARKET

In April 2017, Chinese authorities unveiled their mid- and long-term development plan for the auto industry (MIIT, 2017), outlining a series of target indicators for 2020 and 2025.

Following the earlier NEV industrial policies discussed in Section 1, China issued a second policy document in November 2020, outlining plans for the period from 2021 to 2025 (State Council, 2020a). While recognizing China's position as a major player in the global NEV market, the document aims to establish China as a strong auto power. It emphasizes the need for a balance between market forces and government regulation, allowing the market to lead in resource allocation and enterprise development, while the government focuses on strategic oversight and regulation. The document states that 'the sales volume of NEVs will account for approximately 20% of total new car sales by 2025,' a target that had already reached 50% by July 2024 (People's Daily, 2024). It also outlines the complete transition of public sector vehicles, including buses, government service vehicles, and other public transportation, to NEVs. Additionally, the policy highlights the importance of Chinese NEV companies expanding globally, enhancing their competitiveness, and fostering comprehensive international cooperation while leveraging financial resources to create a global consumer credit framework.

In October 2023, China's Ministry of Commerce, along with nine other departments, released the 'Guiding Opinions on Promoting High-Quality Development of the Automotive Aftermarket,' (Ministry of Commerce, 2023) outlining overall goals and tasks for the sector. The focus is on steadily growing the automotive aftermarket, optimizing market structure, and enhancing standardization to better meet diverse consumer needs. The opinions detail seven policy measures: improving parts circulation, upgrading repair services, promoting automotive events, developing classic car industries, supporting recreational vehicle tourism, enriching automotive culture, and optimizing automotive financial services.

A. *Regulating AFCs*

A sequence of regulatory initiatives between 2016 and 2022 progressively expanded the funding channels of AFCs while strengthening risk control and corporate governance requirements. In particular, in March 2016, the China Banking Regulatory Commission[14] and the People's Bank of China (PBC, China's central bank) issued a guideline[15] encouraging AFCs to offer more innovative products and expand their financial channels. This included issuing financial bonds, borrowing from the interbank lending market, and issuing asset-backed securities. In September 2020, China's State Council (the country's cabinet) issued a document (State Council, 2020b) supporting cross-border financing for AFCs and simplifying procedures for issuing financial bonds and asset-backed securities in several free trade zones across China. In response to the economic shock from the COVID-19 pandemic, the Chinese Banking and Insurance Regulatory Commission lowered the regulatory requirements for AFC provisions in October 2020 and supported AFCs in issuing Tier 2 capital bonds in the interbank market[16]. In December 2022, the Chinese Banking and Insurance Regulatory Commission issued a notice (CBIRC, 2022a) that further regulated the operations of AFCs. This included prohibiting the issuance of personal auto loans to non-car buyers, enhancing the review process for the legality, rationality, and authenticity of loans, and strengthening the management of car dealerships in areas such as outsourcing,

[14] This organization was restructured into the China Banking and Insurance Regulatory Commission from April 2018 to March 2023, and has since been known as the National Financial Regulatory Administration from March 2023 to the present (as of September2024).

[15] See http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3041026/index.html (in Chinese). This link was valid as of July 2025.

[16] See https://www.cbirc.gov.cn/cn/view/pages/governmentDetail.html?&docId=953653&itemId=876&generaltype=1 (in Chinese). This link was valid as of July 2025.

admission criteria, conduct, and personnel. The notice also emphasized the importance of maintaining fair market competition and protecting consumer rights.

The reduction of the reserve requirement ratio represents a shift toward using auto finance as a counter-cyclical consumption-supporting instrument. In particular, effective 15 May 2025, the reserve requirement ratio for AFCs was reduced from 5 percent to 0 percent (Xinhua News, 2025). This move lowers their financial costs and strengthens their capacity to support automobile consumption.

B. *Encouraging auto consumption*

In February 2015, the China Banking Regulatory Commission issued a notice encouraging AFCs to enhance their support for rural financial services (CBRC, 2015). This initiative arises from the persistent imbalance in development between rural and urban areas in China. The widening rural-urban divide poses significant challenges to China's modernization efforts. In response, the Chinese government has implemented various policies to address this issue, often adopting differential approaches specifically tailored to rural regions.

A continuous policy effort to promote NEV consumption has been accompanied by increasingly targeted financial support measures. In particular, in March 2016, Chinese regulatory authorities began encouraging green consumption, particularly concerning NEVs[17] (see Table 1 for the development of Chinese NEVs). In November 2017, they adjusted auto loan policies by increasing the loan-to-value ratio for second-hand vehicles and establishing higher loan ratios for NEVs[18]. In August 2019, China's State Council issued recommendations (State Council, 2019) to promote consumption, which included relaxing car purchase restrictions, supporting NEV purchases, promoting the circulation of second-hand cars, and encouraging financial institutions to innovate consumer credit products that support green purchases. In response to the economic shock caused by the COVID-19 pandemic, Chinese authorities implemented several measures (NDRC, 2020) in May 2020 to stimulate auto consumption. These measures included extending subsidies for NEV purchases until the end of 2022 and optimizing auto financing options. In July 2022, amidst the economic challenges posed by China's dynamic COVID-zero policy, 17 ministries jointly issued a notice (Ministry of Commerce, 2020) encouraging auto consumption. This notice focused on supporting NEV purchases, promoting a robust second-hand auto market, incentivizing consumers to replace older vehicles with newer models, improving operational and maintenance conditions for vehicles, and diversifying financial products and services available to consumers and businesses. In September 2022, the Chinese Banking and Insurance Regulatory Commission issued a further notice encouraging AFCs to support NEVs[19]. At the Central Financial Work Conference—China's highest-level meeting regarding the financial services sector, held every five years—in October 2023, green finance was identified as one of the five key tasks necessary to build a strong financial sector (Xinhua News, 2023). Financial support for NEVs is a central component of China's green finance initiatives.

In light of the struggling post-COVID Chinese economy (Wakabayashi and Fu, 2024), Chinese authorities have launched several policy initiatives to stimulate auto consumption. For instance, in July 2023, they issued a notice[20] aimed at promoting auto consumption, focusing on optimizing vehicle purchase policies, encouraging vehicle replacements, boosting the second-hand car market, and developing infrastructure for NEVs. However, this notice was somewhat general in nature. In September 2023, China's National Financial

[17] See http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3041026/index.html (in Chinese). This link was valid as of July 2025.

[18] See https://www.moj.gov.cn/pub/sfbgw/flfggz/flfggzbmgz/201711/t20171120_146063.html (in Chinese) for 2017 version of auto loan regulations and https://www.gov.cn/gongbao/content/2005/content_64208.htm (in Chinese) for 2004 version.

[19] See https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1075375&itemId=4224 (in Chinese). This link was valid as of July 2025.

[20] See http://www.mofcom.gov.cn/article/zwgk/gkgztz/202307/20230703423098.shtml (in Chinese). This link was valid as of July 2025.

Regulatory Administration issued a more targeted notice[21] to encourage financial support for expanding consumption. This included measures such as optimizing loan policies by relaxing credit requirements, lowering down payments, extending loan terms, simplifying and digitalizing the loan application process, and offering a range of financial products. By April 2024, specific measures related to auto loans were introduced[22], allowing financial institutions to determine the issuance ratio of personal auto loans (covering both fuel vehicles and NEVs), with a maximum ratio of up to 100%. Additionally, the measures encouraged financial institutions to consider waiving prepayment penalties for customers who trade in old cars for new ones. This initiative is part of a broader policy to promote the trade-in of consumer goods[23].

In May 2021, Beijing regulatory authorities issued a notice aimed at strengthening consumer rights protection in auto finance (Beijing Municipality, 2021). In July 2022, the Chinese Banking and Insurance Regulatory Commission released a notice (CBIRC, 2022b) calling for the resolution and rectification of issues related to consumer complaints within the auto finance sector. This initiative emphasized reinforcing the primary responsibility of financial institutions, enhancing consumer education and risk awareness, combating illegal intermediaries and black-market activities, and implementing localized regulatory responsibilities.

The above policy measures should not be viewed as a set of isolated interventions. Taken together, they constitute a coherent policy framework in which auto finance functions as a key instrument for stimulating consumption, facilitating industrial upgrading, and supporting the green transition. Rather than merely expanding credit for vehicle purchases, these policies embed financial services within the broader restructuring of China's automotive value chain.

V. REGULATORY TRANSFORMATION AND INSTITUTIONAL IMPLICATIONS FOR AFCS

As discussed in part 1.2, there are three main types of players in the Chinese auto finance market: commercial banks, AFCs, and financing leasing companies. This section focuses on AFCs (see Appendix 3 for a brief discussion on regulations concerning commercial banks and leasing companies).

Chinese AFCs are regulated under the '*Supervisory Rating Measures for Auto Finance Companies*'[24] and the '*Administrative Measures for Auto Finance Companies*.' In terms of the former, the supervisory rating of AFCs is a key determinant for regulatory classification and oversight of their business activities. Higher-rated AFCs gain access to broader business opportunities, contingent upon regulatory approval. Regarding the latter, the latest version (hereafter referred to as *The Measure: 2023*) (Department of Justice, 2023) was enacted in August 2023, replacing the previous version enacted in 2008 (hereafter referred to as *The Measure: 2008*) (CBRC, 2008). These two versions differ significantly in length, containing 7,479 and 3,832 words, respectively. This section will focus on the differences in contents, including the establishment of institutions, business operations, corporate governance, and risk management, along with their implications.

A. Establishment of Institutions

There are differences in the requirements for the establishment of institutions. Below, Table 2 highlights the distinctions in criteria.

[21] See https://www.cbirc.gov.cn/branch/jiangsu/view/pages/common/ItemDetail.html?docId=1129968&itemId=1236 (in Chinese). This link was valid as of July 2025.

[22] See http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5316656/index.html (in Chinese). This link was valid as of July 2025.

[23] In April, 2024, China's Ministry of Commerce and 13 other departments jointly issued the *Action Plan for Promoting the Trade-In of Consumer Goods* (see http://www.mofcom.gov.cn/article/syxwfb/202404/20240403502465.shtml in Chinese). In August 2024, China's Ministry of Commerce and six other departments jointly issued the notice on *Further Advancing the Trade-In of Used Vehicles* (see https://www.gov.cn/zhengce/zhengceku/202408/content_6968810.htm in Chinese). In January 2025, this policy was further enhanced (see https://www.gov.cn/zhengce/zhengceku/202501/content_6999564.htm in Chinese).

[24] See http://www.bj315.org/flfg/202402/t20240220_42234.shtml (in Chinese). This link was valid as of July 2025.

Table 2: Comparison of Establishing Criteria

Indicators	The Measure: 2023	The Measure: 2008
Investor Requirements	Investors must be non-bank corporate legal entities; main investors should have substantial automotive production or non-bank corporate legal entities	Investors could be any corporate legal entities; main investors involved in automotive production or sales or non-bank corporate legal entities
Financial Thresholds for Non-Financial Institution Investors	Higher revenue requirement (RMB[25] 50 billion) and detailed net asset requirements	Lower total assets and revenue requirements (RMB 8 billion and RMB 5 billion respectively)
Registered Capital	Minimum of RMB 1 billion	Minimum of RMB 0.5 billion
Operational Requirements	Details on Information Technology (IT) infrastructure	No mention of IT infrastructure

In summary, the new regulations impose stricter and more detailed requirements on investors, establish higher financial thresholds, and place greater emphasis on IT infrastructure and risk management. In contrast, the previous regulations had lower financial requirements and less stringent governance and operational stipulations. Notably, in terms of IT requirements, the emphasis on technologizing finance is recognized as one of the five key tasks essential for building a strong financial sector (Xinhua News, 2023).

There are differences in the regulations governing shareholders. For example, in the new version, non-financial institutions must limit equity investments in auto finance companies: up to 50% of net assets generally, and 40% for controlling shareholders. This stipulation limits non-financial institutions' investments in AFCs to safeguard against over-leveraging, ensuring financial stability and reducing risks for both investors and the auto finance sector. Also, new regulations require major shareholders to retain equity for five years and restrict pledging; old regulations mandated three years of non-transfer. The change reflects a regulatory intention to strengthen corporate governance and prevent sudden changes in ownership that could disrupt the stability and operational integrity of the company. The stricter conditions may also aim to enhance long-term commitment from major shareholders.

Additionally, *The Measure: 2023* stipulates that, with the approval of the National Financial Regulatory Administration, AFCs may establish overseas subsidiaries. This provision is set against the backdrop of the rapid growth and expanding exports of China's NEV industry. For instance, Chinese automaker BYD produced over 3 million NEVs in 2023, surpassing Tesla for the second year in a row. Additionally, China exported more than 4 million vehicles in 2023, becoming the world's largest auto exporter, with 1.2 million of those being EVs. This marked a significant increase from the previous year, with overall car exports up nearly 65 per cent and NEV exports up 80 per cent compared to 2022. In response, the U.S. Biden administration raised tariffs on Chinese NEVs from 25 per cent to 100 per cent in May 2024. Similarly, the EU has also announced new tariffs on Chinese NEVs. As a result, Chinese NEV manufacturers may shift their focus to other markets[26].

A. *Business and Operation*

Below, Table 3 illustrates the comparison regarding sources of capital and business scope.

[25] RMB is Chinese currency, and its exchange rate against USD (per unit of USD) can be found here https://www.macrotrends.net/2575/us-dollar-yuan-exchange-rate-historical-chart

[26] For example, Europe (https://www.wsj.com/business/autos/with-america-off-limits-china-ev-makers-aim-to-conquer-rest-of-world-d80a606e), Southeast Asia (see https://www.reuters.com/business/autos-transportation/chinese-ev-makers-plans-make-cars-europe-2024-05-07/), Brazil (See https://www.bloomberg.com/news/articles/2024-05-16/chinese-ev-makers-byd-great-wall-join-19-billion-investment-race-in-brazil?embedded-checkout=true) and Mexico (See https://asia.nikkei.com/Business/Automobiles/China-EV-makers-rush-cars-to-Mexico-and-Brazil-amid-tariff-concerns).

Table 3: Comparison of Sources of Capital and Business Scope

Indicators	The Measure: 2023	The Measure: 2008
Currency Scope	Includes both local (RMB) and foreign currency businesses	Limited to RMB (Chinese Yuan) business
Deposit Types	Allows both fixed deposits and demand deposits	Specifically allows fixed deposits of three months or more
Entities Permitted to Deposit	Includes shareholders, their parent companies, and their subsidiaries	Includes domestic shareholders and wholly-owned subsidiaries of foreign shareholders in China
Additional Business Activities	Introduces new business activities such as asset securitization and hedging, subject to application to the financial supervision administration	Does not mention these additional business activities

Overall, these changes enable AFCs to broaden its capital sources, enhance operational flexibility, and potentially increase competitiveness in the market.

Regarding business scope, *The Measure: 2023* stipulates that, for loan businesses, loan activities can be expanded to include vehicle procurement, after-sales service providers, and vehicle accessories with clear definitions. For financial leasing business, it has been expanded to include vehicle procurement and vehicle accessories. Sale-and-leaseback is implicitly allowed. The removal of the clause 'if approved, AFC can engage in equity investment activities related to the automotive finance industry' from the old regulations indicates that such activities are now prohibited. Approval is not needed for 10 basic business activities; only 4 specific activities require approval. In contrast, according to *The Measure: 2008*, loan business is limited to vehicle procurement loans, excluding after-sales service providers and vehicle accessories. For financial leasing business, it is limited to vehicle procurement. Also, sale-and-leaseback transactions are prohibited. All business activities required regulatory approval. In summary, these regulatory changes allow AFCs to expand their loan offerings, thereby increasing revenue potential. The implicit permission for sale-and-leaseback transactions adds flexibility. The specified application process to the financial supervision administration could streamline approvals. Overall, these changes enhance AFCs' market opportunities and competitiveness, while simultaneously encouraging them to focus on supporting the real economy rather than engaging in equity investments, aligning with the requirements set forth by the Chinese Central Financial Work Conference (Xinhua News, 2023).

Regarding operation, While *The Measure: 2008* only required AFCs to follow the *Measures for the Administration of Auto Loans*, *The Measure: 2023* introduces stricter compliance and enhanced financial management. Key rules include basing loans and financing leasing on real trade backgrounds, legal ownership and registration of leased items, prohibition on direct deposit deductions, prudent debt issuance, and adherence to foreign exchange regulations. Implications include increased operational costs, improved risk management, enhanced market stability, and greater transparency for customers.

B. Corporate governance and internal control

Under the new regulations of The Measure: 2023, there is a comprehensive set of guidelines concerning corporate governance and internal control. Specifically, Chapter 4 mandates AFCs to establish robust corporate governance structures, including enhanced equity management, specialized board committees, and consumer protection mechanisms. It requires rigorous internal controls, comprehensive annual disclosures, and adherence to national financial and accounting standards, aiming for operational stability and governance effectiveness. The implications for AFCs are substantial. They now face stringent requirements to establish comprehensive corporate governance frameworks, internal controls, and

disclosure practices. This shift demands significant operational adjustments to comply with new standards, enhancing accountability, risk management, and transparency to align with modern regulatory expectations.

C. *Risk management and supervision*

The 2023 regulations for Chinese AFCs significantly expand on the 2008 rules by introducing comprehensive risk management requirements. These include specific measures for liquidity, credit, operational, and fraud risks. Additionally, they mandate stricter compliance, information security, and reputation risk management. The 2023 regulations emphasize the importance of establishing detailed internal systems, conducting regular stress tests, and maintaining higher capital adequacy standards. While these changes will lead to increased operational costs and compliance efforts for AFCs, they ultimately promote a more stable and transparent auto finance market.

D. *Regulatory logic and economic implications*

First, the new regulations align with China's broader efforts to tighten financial oversight and prevent systemic risks, supporting the country's goals of financial stability and sustainable economic growth. During the Central Financial Work Conference held in October 2023, China introduced six key principles in financial regulation. In particular, the approach of 'comprehensive strengthening of institutional regulation' focuses on enhancing the supervision of financial institutions themselves. 'Behavioral regulation' aims to oversee and guide the conduct of financial institutions and their employees. 'Functional regulation' concentrates on the specific financial activities or services provided, regardless of the type of institution offering them. 'Penetrative regulation' involves a thorough examination of financial activities and transactions. 'Continuous regulation' emphasizes ongoing supervision rather than periodic or reactive oversight. Lastly, the principle of 'elimination of regulatory gaps and blind spots' aims to ensure that all aspects of the financial system are adequately covered by regulations, preventing any areas from being overlooked. The broader context for these changes is the ongoing transition of the Chinese economy following decades of rapid growth. As a result, the systemic risk within the Chinese financial system has increased (Bris, 2024). These new regulatory measures reduce systemic financial risk by limiting excessive leverage, strengthening corporate governance, and ensuring that financial activities are based on real trade backgrounds.

Second, the new regulations also aim to support the development of the Chinese auto industry, with a particular focus on the NEV sector. Despite being relatively small within China's economy, the NEV industry saw significant growth in 2023, with ultra-clear glass, charging piles (vital for NEV charging, so also part of NEV industry), and NEVs leading at 58.6 per cent, 36.9 per cent, and 30.3 per cent growth[27], respectively. As a result, the Chinese NEV industry emerges as one of the top-performing sectors in the context of sluggish post-COVID Chinese economy (Krugman, 2024). By broadening the funding sources of AFCs and expanding consumer credit availability, the regulatory framework increases the affordability of NEVs and supports their rapid market penetration.

VI. CONCLUDING REMARKS

The rapid development of the Chinese auto industry, particularly its NEV sector, has attracted worldwide attention. This study focuses on the auto finance field and explores various facets, including its development, the policies underpinning it, and recent regulations and their implications. While there is a lack of comprehensive studies on this topic in academic literature, this review aims to contribute some knowledge and insights for investors, practitioners, policymakers, financial regulation and law specialists, and academia.

Specifically, the development of auto finance is closely tied to the growth of the Chinese auto industry, which has been the largest in the world since 2009. The NEV sector, in particular, began to experience

[27] See data released by China's National Bureau of Statics https://www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html (in Chinese)

significant growth starting in 2021. As a result, the auto finance market has also experienced rapid growth, although it remains relatively marginal compared to the overall Chinese financial system. Additionally, China has implemented a series of policies that have significantly advanced the development of auto finance. These policies include promoting the growth of the auto market, supporting, and regulating the establishment of AFCs, encouraging both auto and green consumption, and safeguarding consumer rights. Furthermore, China has recently enacted new regulations on AFCs aimed at preventing systemic risk within the financial system while also supporting the development of the auto industry, especially the NEV sector.

Taken together, these developments indicate that auto finance in China functions not merely as a consumption-supporting instrument but as a policy-oriented financial mechanism embedded in the automotive value chain. The regulatory framework simultaneously expands credit accessibility for vehicle purchases and contains systemic risk through prudential and governance requirements, thereby linking industrial upgrading, NEV diffusion, and financial stability. In this sense, AFCs operate as a form of targeted financial intermediation that contributes to demand stabilisation and the coordination of distribution and consumption.

This study offers a foundational examination of China's auto finance sector through the lenses of industry dynamics, policy, and regulation. Using AFCs as a focal point, future research[28] should explore deeper issues such as the relations between regulation and incumbent advantages, the reactive nature of regulation, and the sequencing of policy versus industry practice. More empirical evidence is needed to assess the impact of past and current policies and regulations. Further studies could also broaden the scope by incorporating perspectives like supply chain finance and consumer credit—for instance, the role of AFCs in supporting Chinese NEV exports presents a particularly compelling avenue for investigation. The bankruptcy of Hawtai Motor Finance serves as a case study for analyzing the market dynamics, competitive landscape, and operational challenges of China's auto finance sector.

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APPENDIX 1: DATA SOURCES

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- Sales data are from National Bureau of Statistics
- Exchange Rate data are from https://www.macrotrends.net/2575/us-dollar-yuan-exchange-rate-historical-chart
- For data from 2011 to 2023, the access date is 7 June 2024. For 2024 data, the access date is 18 July 2025

APPENDIX 2: LIST OF AUTO FINANCE COMPANIES

Chinese Name	Company Name	Introduction	Website
北京现代汽车金融公司	Beijing Hyundai Auto Finance	Provides financial services for Hyundai vehicle in Beijing.	https://www.bhaf.com.cn/

大众汽车金融公司	Volkswagen Financial Services	Financial services division of Volkswagen Group, offering financing, leasing, and insurance.	https://www.vwfs.com.cn/
东风汽车金融公司	Dongfeng Auto Finance Company	Providing financial services for Dongfeng brands vehicles.	http://59.174.184.240/
东风日产汽车金融公司	Dongfeng Nissan Auto Finance Company	Offers financial solutions for Dongfeng Nissan consumers.	https://www.df-nissanfc.com/
丰田汽车金融公司	Toyota Motor Finance (China) Co., Ltd	Financial arm of Toyota, providing financing solutions for Toyota vehicles.	https://www.toyota-finance.com.cn/toyota
福特汽车金融公司	Ford Auto Finance Company	Subsidiary of Ford, offering car loans and leasing options.	https://www.ford.com.cn/fafc/
华晨东亚汽车金融公司	BBAFC Auto Finance	Founded by Huachen Automotive and East Asia Bank, providing auto finance services.	https://www.brilliance-bea.com/
瑞福德汽车金融公司	Fortune Auto Finance	a joint venture established by Anhui Jianghuai Automobile and Santander Consumer Finance	http://www.fortuneautofinance.cn/
上海东正汽车金融公司	Shanghai Dongzheng Automotive Finance	Subsidiary of SAIC Group, providing financial services for SAIC brands.	https://www.dongzhengafc.com/en/
上汽通用汽车金融公司	SAIC-GMAC	Joint venture between SAIC Group and GM, providing financial support for GM customers in China.	https://saicgmac.com/
沃尔沃汽车金融公司	Volvo Auto Finance Company	Financial division of Volvo Cars, offering financial services for Volvo vehicles.	https://www.volvocars.com.cn/zh-cn/l/financing-offers-new/
奇瑞徽银汽车金融公司	Chery Huiyin Motor Finance Service	Joint venture between Chery and Huishang Bank, providing financial services for Chery vehicles.	https://www.cheryfs.cn/
宝马汽车金融公司	BMW Automotive Finance	Financial services subsidiary of BMW Group, offering financial solutions for BMW customers.	https://www.bmw.com.cn/zh/topics/owners/bmw-financial-services/About-BMW-Financial-Service.html
梅赛德斯-奔驰汽车金融公司	Mercedes-Benz Finance	Financial services division of Mercedes-Benz, providing tailored financial products.	https://www.mercedes-benz-finance.com.cn/
广汽汇理汽车金融公司	GAC-SOFINCO Automobile Finance	Joint venture between GAC Group and Crédit Agricole, offering financial services for GAC vehicles.	NA
三一汽车金融公司	Sany Capital	Subsidiary of Sany, providing financial solutions for engineering machinery and vehicles.	https://www.sanycapital.com/#/
一汽汽车金融公司	FAW Auto Finance Company	Financial services division of China FAW Group, offering financial support for FAW vehicles.	https://af.faf.com.cn/
重汽汽车金融公司	Sinotruk Auto Finance	Subsidiary of China National Heavy Duty Truck Group, providing financial services for trucks.	https://qcjr.sinotruk.com/

比亚迪汽车金融公司	BYD Auto Finance Company	Financial services arm of BYD Auto, providing solutions for BYD vehicles.	https://www.bydauto.com.cn/pc/finance/
斯泰兰蒂斯汽车金融公司	Stellantis Automotive Finance	Financial services subsidiary of Stellantis	https://www.stellantisafc.com.cn/
吉致汽车金融公司	Genius Auto Finance	Financial services arm of Geely, providing financial solutions for Geely vehicles.	https://www.geniusafc.com/
华泰汽车金融公司	Hawtai Motor Finance Company	Financial services division of Hawtai Automobile, offering a range of auto finance services (in the process of bankruptcy)	http://www.hawtaif.com/
天津长城滨银汽车金融公司	Tianjin Great Wall Binyin Automotive Finance	Joint venture providing financial services for Great Wall Motors customers.	https://www.gwmfc.com/
裕隆汽车金融公司	Yulon Moto Finance	Financial services subsidiary of Taiwan's Yulon Group, offering financial support.	https://www.yulon-finance.com.cn/
长安汽车金融公司	Changan Auto Finance Company	Financial services arm of Changan Automobile, providing comprehensive financial services.	https://www.caafc.cn/

APPENDIX 3: REGULATIONS ON NON-AFCS

In China, commercial banks are regulated under several key frameworks, including the *Commercial Banks Law*[29], the *Banking Supervision Law*[30], and the *Macroprudential Assessment* (PBC, 2022) (MPA). Notably, in January 2022, China's central bank published a guideline on MPA implementation, which defines relevant concepts, explains the main components of the macroprudential policy framework, and outlines the necessary support, assurance, and policy coordination requirements. Additionally, Chinese banks are subject to the *Measures for the Protection of Consumer Rights and Interests of Banking and Insurance Institutions*[31], enacted in March 2023. In terms of auto finance, Chinese commercial banks must also comply with the *Measures for the Administration of Auto Loans* (PBC, 2017), which was recently updated in April 2024, as discussed in the introduction and in part 2.3.

In China, vehicle leasing can be conducted by either financing lease companies or financial lease companies. The former are regulated by local financial regulatory authorities, while the latter are overseen by national financial regulators. There are notable differences in their business activities and industry roles, although a further discussion of these differences may be beyond the scope of this paper. They are governed by the *Interim Measures for the Supervision and Administration of Financing Lease Companies* (CBIRC, 2020), enacted in May 2020, and the *Administrative Measures for Financial Lease Companies* (NFRA, 2024*)*, enacted in September 2024 separately.

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[29] See https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=879929&itemId=927&generaltype=0 (in Chinese). This link was valid as of July 2025.

[30] See https://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=879932&itemId=927&generaltype=0 (in Chinese). This link was valid as of July 2025.

[31] See https://www.cbirc.gov.cn/cn/view/pages/rulesDetail.html?docId=1087524 (in Chinese). This link was valid as of July 2025.

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Financiranje avtomobilskega sektorja na kitajskem: razvoj, politike in predpisi

Izvleček — Hitri razvoj kitajskega avtomobilskega sektorja, zlasti na področju vozil na nove vire energije (NEV), je pritegnil svetovno pozornost. Ta študija se osredotoča na področje, ki še ni bilo temeljito proučeno, in sicer financiranje avtomobilskega sektorja. Študija temelji na kvalitativni analizi politik in predpisov, ki se osredotoča na nacionalne strateške dokumente in podatke iz panoge. Najprej raziskuje razvoj avtomobilskega financiranja na Kitajskem v kontekstu širšega avtomobilskega trga. Drugič, pregleduje ključne politične pobude kitajskih organov v zvezi z avtomobilsko industrijo, družbami za avtomobilsko financiranje in avtomobilsko potrošnjo. Tretjič, analizira nedavne predpise o družbah za avtomobilsko financiranje in ugotavlja, da so ti ukrepi zasnovani za zmanjšanje sistemskih tveganj v kitajskem finančnem sistemu, hkrati pa podpirajo sektor NEV. Avtomobilsko financiranje na Kitajskem deluje ne le kot orodje za potrošniške kredite, ampak tudi kot politično usmerjen finančni mehanizem, ki povezuje posodobitev industrije, širitev potrošnje in upravljanje finančnih tveganj.

Ključne besede — Kitajska, avtomobilsko financiranje, avtomobilski krediti, vozila na novo energijo