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Study on Corporate Governance and Default Effect of Financial Lease Debt

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Abstract

This paper empirically analyzes the corporate governance effect and default of financial lease debt. The results show that: (1) Financial lease debt is conducive to reducing asset substitution, expanding debt scale, optimizing debt structure, reducing corporate debt cost, extending debt maturity and adjusting corporate investment, etc., and is conducive to solving corporate agency problems. (2) The corporate governance effects of financial lease debt with different transaction types and term structures are heterogeneous. In terms of transaction types, direct financial leasing can reduce agency costs, reduce inefficient investment, and have significant corporate governance effects. Sale-leaseback can alleviate the agency problem to some extent, but it can not restrain the inefficient investment. Other financial leases do not have corporate governance effects. In terms of term structure, short-term financial leasing has stronger corporate governance effect than long-term financial leasing. In addition, through the analysis of debt default distance (DTD), this paper finds that compared with direct financial leasing, the probability and default level of debt default are higher under the impact of COVID-19. When the company's future earnings decline or cash flow fluctuation range is 15%, the sale-leaseback debt has potential default risk.

Keywords: Financial lease debt, Agency costs, Inefficient investment, Default estimate

1. Introduction

In recent years, with the rapid growth of China's economic scale, the debt financing market has developed vigorously, and the financial leasing business has expanded rapidly. In 2020, there will be 12,000 financial leasing institutions in China, with financial leasing capital investment of about 2 trillion yuan and financial leasing transaction volume of nearly 6.8 trillion yuan, with a compound annual growth rate of about 60%. China's financial leasing market has become the first in Asia and the second in the world. Lease financing (financing activities carried out by financial leasing transactions) has become an important part of corporate debt financing in China, and is an important financing method second only to bank

credit (Shi Yanping et al., 2021).

As an informal debt financing tool, financial leasing provides a new way to alleviate the financing constraints of enterprises, especially to solve the problem of "difficult financing" and "expensive financing" of small and medium-sized enterprises. It has a positive effect on reducing the overall financing cost of enterprises, improving the debt structure, realizing equipment renewal and technological improvement, and optimizing the industrial and investment structure. However, in recent years, the financial leasing business and the debt market have become chaotic. On the one hand, some financial leasing enterprises deviate from the leasing source, ignore transaction risks, illegally carry out high-risk "channel" business in the name of leasing, and even fabricate the leased property, and engage in shadow banking financing business by selling the leased property at low value and high value. On the other hand, the financial leasing investor (lessor) is also frequently "stepping on the thunder" in the capital market due to the default of the debtor (lessee), which leads to financial difficulties. For example, dozens of leasing enterprises have been involved in debt default incidents such as Huishan Dairy, Dandong Port Group, Dalian Machine Tool and Industrial University High-tech. Based on this, the study of debt governance and default of financial leasing has important theoretical value and practical significance to properly deal with the stable development of enterprises and prevent risks. This paper takes financial lease debt (that is, debt financing realized by enterprises through financial lease transactions) as the research object, and studies the corporate governance effect of financial lease debt from the perspective of financial lease business characteristics and governance mechanism manpower, based on debt governance theory, and from the perspective of agency cost and investment efficiency. On this basis, combined with the impact of the COVID-19 epidemic, this paper estimates the debt default problem of lease financing.

The main contributions of this study are as follows: (1) It expands the research on debt governance. Most of the existing literatures on debt governance limit the scope and object of debt to bank loans, corporate bonds or commercial credit, and mainly study the unilateral impact of agency cost or investment efficiency in debt governance. This study innovatively included financial leasing into the research scope of debt, and based on the business support of lease financing - financial leasing transactions, to explore the comprehensive impact of corporate agency costs and investment efficiency in financial leasing debt governance, and expand the relevant research on debt governance. (2) It has enriched the research and findings on debt governance of financial leasing. Through a systematic analysis of the business characteristics and governance advantages of financial leasing, this study discusses and reveals the debt governance problems of financial leasing in different lease transaction forms and term structures, and analyzes the governance effects and performance from the dimensions of agency cost and investment efficiency. (3) It has enriched the relevant research on financial lease debt default. This study empirically tested and estimated the default of financial lease debt by constructing a theoretical model of debt default structure in combination with the external shock event of the novel coronavirus pneumonia epidemic.

The structure of the following paper is arranged as follows: the second part is theoretical analysis and research hypothesis, the third part is research design, the fourth part is empirical

analysis, the fifth part is expansion research on default estimation, and the sixth part is research conclusion.

2. Theoretical Analysis and Research Hypothesis

2.1 Literature Review

At present, the main views of domestic and foreign scholars on corporate debt governance at the macro level are as follows: corporate debt has governance effects on agency problems or investment efficiency. The "debt governance hypothesis" or mechanism includes: (1) incentive-constraint mechanism. According to this mechanism, if an enterprise takes on debt or increases debt, it will indirectly increase the equity ratio of the management, so that the interests of shareholders and management become more consistent, thus alleviating the conflict of interest between the two, motivating the management to operate better, and thus reducing the agency cost of the enterprise (Jensen *et al.*, 1976). On the other hand, the obligation and pressure of debt repayment, as well as the financial distress or bankruptcy threat faced by enterprises, make debt itself a kind of guarantee guarantee, which can not only restrain the management's excessive on-job consumption and the opportunistic behavior of pursuing leisure and pleasure (Merton et al., 1974). Moreover, it will restrict the decision-making and investment behavior of shareholders and management, and drive their due diligence, responsibility and scientific decision-making. (2) Control transfer mechanism, that is, debt will lead to the transfer of corporate control. According to this hypothesis, if excessive debt leads to business failure, the control will be transferred from shareholders to creditors. The reputation of the enterprise management will be damaged, and the management will lose their right to operate, and even lose their jobs (Rajan *et al.*, 1998). In order to avoid the above situation, it is necessary to restrict the management's operation and investment behavior and control the agency problem. (3) stakeholder mechanism. According to this hypothesis, debt investors (creditors) have the motivation and necessity to take the initiative to participate in the corporate governance of debt enterprises for the purpose of creditor's rights security and equity protection (Stulz *et al.*, 1990), and actively supervise and correct the business behaviors and investment activities of enterprises, so as to reduce the agency costs of enterprises and improve the investment efficiency. All in all, the above "debt governance hypothesis" or mechanism holds that at the macro level, debt helps to reduce the agency problem of enterprises, restrain enterprises from over-investment or under-investment, reduce inefficient investment, and improve corporate value.

However, at the micro level, the specific governance effect and performance of corporate debt are controversial. Some scholars believe that bank loans and corporate bonds have positive control effects on reducing agency costs and improving investment efficiency of listed enterprises. Debt can enhance the governance effect by easing corporate financing constraints, reducing corporate agency costs or inhibiting "tunnel behavior" (Rajan *et al.*, 1992). However, some other scholars believe that debt can not only restrain enterprises' excessive investment behavior, but also induce earnings management problems. Because the relationship between corporate debt and external supervision is not clear, the regulatory or governance pressure transmitted through debt is limited (Shleifer *et al.*, 1997). In addition,

different sources of debt will lead to inconsistent governance efficiency and effectiveness. Among them, bank loan, as a typical relational debt, has the advantage of investors' concentration and exclusive information, so its governance effect is better (Diamond, 1984). However, the common withdrawal behavior of bank loans distorts the investment motivation of enterprises and affects their investment efficiency (Rajan, 1992).

To sum up, existing studies on corporate debt governance have not yet reached a consensus, and most of them are limited to traditional relational debt (such as bank loans), transactional corporate bonds and commercial credit debt, while few involve business debt represented by financial leasing. In fact, as an important debt financing tool second only to bank credit, financial leasing plays an important role and influence, and has unique advantages in financing objects, procedures, methods and economic consequences. Including debt guarantee arrangements based on the integration of "financing" and "financing", the separation of "two rights" (ownership and use rights), proprietary financing contracts (lease agreements), debt scale expansion, financing cost and maturity adjustment, and investment structure optimization, etc., can make the external supervision of debt enterprises more effective, help control the agency problem of management, and thus reduce agency costs. We will reduce inefficient investment by enterprises and improve the effect of debt governance.

In addition, compared with other debt financing, financial leasing debt has the characteristics of product structure, low financing cost and long debt maturity. From the perspective of market practice, lease financing refers to the debt financing achieved by financial leasing exchanges, showing structural and diversified characteristics, and the forms of business realization mainly include direct lease financing, sale-leaseback financing and other lease financing. At the same time, compared with bank credit or corporate bonds, the financing sources or channels of lease financing are more diversified. In addition to using their own funds, investors in lease financing often use financial leverage to build a diversified capital portfolio, or directly issue other structured financial products to expand their capital sources. The structured business model of finance leasing also has a more complex impact on and transmission of debt defaults than bank loans.

2.2 Financial Leasing Debt Governance Mechanism

As an exogenous debt financing tool, financial leasing debt has a common or similar mechanism with traditional bank loans and other debt forms in terms of corporate governance, such as regular payment of financing service fees and rents, which can reduce the discretionary cash flow of management, restrict self-serving behaviors such as high salary and high consumption of managers, and force enterprises to optimize decision-making to restrain agency costs. In addition, the debt management of financial leasing also has the following channels and mechanisms:

2.2.1 Special Contract Mechanism

Different from bank credit debt contracts, lease financing clearly stipulates that the debtor (lessee) should pay the financing costs (service fee and rent) on time and in full, and return the equipment assets (or priority purchase) when due, through a dedicated and rigid financial

lease agreement. And the ownership of the relevant equipment assets during the financing period (lease period) belongs to the creditor (lessor). In addition to the general debt financing relationship, there are also close and diversified business (leasing service) relationships between the investors of lease financing and debt enterprises, so there are less vicious default events under traditional debt financing (such as bank loans). By virtue of their deep participation in the business activities of debt enterprises and dynamic supervision, lease financing investors adjust their financing management strategies in time to ensure the security of lease financing. Even if there are repayment problems of lease financing debts, lease financing investors will not adopt disposal methods such as "private settlement" or passive "patience" like banks (Shleifer *et al.*, 1997), but there are more and more effective methods and ways to restrain the debtor and avoid losses. Such as early recovery of equipment assets or take the initiative to resort to law for bankruptcy liquidation of debt enterprises (Almeida *et al.*, 2004).

Therefore, from the perspective of debt contract, under the same conditions, enterprises using lease financing actually bear relatively higher debt risks, which can drive and coerce company managers to pay more attention to the operation of enterprise value and improve enterprise operation and management. In short, the special and rigid characteristics of financial leasing contracts are conducive to restricting the investment activities and decision-making behaviors of managers of debt enterprises, reducing the operational risks of enterprises, and improving investment efficiency and business performance. This shows that lease financing has the governance effect of reducing agency costs.

2.2.2 Corporate Governance Mechanism

The opportunistic behaviors of the management, such as excessive on-the-job consumption, pursuit of comfort and seeking personal gains, are common agency conflicts between shareholders, creditors and managers. Whether the agency cost can be reduced depends on the creditor's supervision intensity and effect. Traditional debt investors mainly rely on public information to track the operation of debt enterprises, and lack effective private information channels and strong motivation to supervise managers, thus affecting the solution of agency problems (David *et al.*, 2008).

Financial leasing is a kind of business and spontaneous debt, investors not only have enough willingness to understand the operation and investment activities of debt enterprises, but also can collect information of debt enterprises through more channels and lower cost, so as to achieve effective incentives and constraints. Financial leasing debt investors are not only important external stakeholders of debt enterprises, but also important partners of their core business (leasing equipment or assets), and have a relatively high degree of participation in enterprise operation and management (including the use of assets and equipment, operation and maintenance, and the use of integrated funds, etc.). They have the resources and channels to track and monitor the business dynamics of enterprises.

Under the supervision and promotion of financial leasing investors (lessors), the information of debt enterprises will be more transparent and open, which will help other creditors and stakeholders to jointly supervise enterprises, reduce the overall agency cost of enterprises and

improve corporate performance. Therefore, the introduction and increase of lease financing can enhance the overall governance effect of corporate debt, restrain managers' opportunistic behaviors such as excessive on-the-job consumption and pursuit of comfort to a certain extent, alleviate agency conflicts between managers, shareholders and creditors of the company, and contribute to the creation of corporate value.

2.2.3 Debt Expansion Mechanism

In the current market background and enterprise operation practice, exogenous debt financing is still the main financing method of Chinese enterprises, and it is also an important support for debt governance. However, traditional debt financing, such as relational debt (bank loans) and transactional debt (corporate bonds, commercial credit), will significantly increase the financial burden of enterprises and have an adjustment impact on corporate investment activities. Compared with traditional financing methods such as bank loans and corporate bonds, financial leasing achieves "financing" through "financing". The integration of "financing" and "financing" can, on the one hand, eliminate and save the cost of financial intermediary services or bond issuance and raising for enterprises, and reduce the financing cost of enterprises; On the other hand, since the calculation and payment of lease financing costs are generally balanced by equipment rent and service fees, and are not fully included in the financing financial costs of enterprises, financial leasing can expand the traditional financing space under the premise that the overall debt ratio of enterprises is certain. In short, financial leasing can not only optimize corporate debt structure and improve corporate financial performance by reducing financing costs, but also expand corporate debt space and help enterprises better exert the effect of debt governance (that is, corporate governance of debt).

2.2.4 Debt Maturity Improvement Mechanism

In the traditional debt financing model represented by bank credit and corporate bonds, there is often a mismatch between debt maturity and investment cycle, that is, the mismatch between debt and asset maturity, such as "short loan and long investment" and "short debt and long investment", which reduces the investment efficiency of enterprises and even leads to crises (Aghion *et al.*, 1992). In addition, the short maturity structure of corporate debt is too uniform, which is not conducive to the normal and continuous development of corporate investment activities. To a certain extent, it affects the smoothness of corporate operation and development, reduces the efficiency of corporate investment, and also increases the cost or loss of enterprises (such as debt maturity refinancing and interest rate risk losses) (Stulz *et al.*, 1990). Therefore, if corporate debt funds are mainly composed of bank loans or corporate bonds, with the repayment of bank loans or redemption of corporate bonds at maturity, there will be a common investment or project interruption under "short loan and long investment" and "short debt and long investment", which will lead to unexpected fluctuations in corporate business activities and thus affect the financial performance of enterprises (Deng Li *et al.*, 2007).

Different from traditional debts such as bank loans and corporate bonds, the term of financial leasing is generally long (financial leasing contracts generally cover more than 3/4 of the

entire life cycle of projects or equipment), and there is no risk such as mid-term extension or early repayment of capital and interest, which can provide medium and long-term stable funds for enterprises and guarantee normal investment or business development of enterprises. Therefore, when the total debt scale of enterprises is certain, leasing financing can optimize the maturity structure of corporate debt by extending debt maturity, enhance and realize the suitability of corporate debt and investment cycle, and ensure the normal development of corporate investment activities.

2.2.5 Traditional Debt Spillover Mechanism

Theoretical studies show that, at a certain level of debt, the adjustment and change of corporate debt ratio will cause asset substitution problems, that is, corporate management deviates from the provisions of debt contracts and arbitrarily shifts debt funds from low-risk projects to high-risk projects, resulting in high debt agency costs and damages to creditors' rights and interests (Ortiz *et al.*, 2008). Under the traditional financing methods of bank loans and corporate bonds, corporate shareholders and management often use high-risk project investment to infringe the interests of creditors, and there is a serious asset substitution phenomenon. In practice, financial leasing has always been regarded as credit debt, as a substitute and supplement for bank loans. However, compared with bank credit, financial leasing has more flexible requirements on debtors' qualifications and capabilities, shorter financing process and simple procedures, simpler and more direct financing guarantee requirements and methods, and more flexible and open debt structure and service forms. At the same time, compared with the strict deposit and loan spread control and interest rate constraint of bank credit, the external supervision of lease financing is relatively loose, resulting in the advantage of debt credit expansion (large multiplier).

Existing studies have shown that financial leasing, by substituting traditional debt financing such as bank credit, can significantly improve the negotiating power of corporate debt financing and increase the availability of low-interest rate and long-term credit financing, that is, it has spillover effects on traditional debt financing. Through lease financing, enterprises can not only replace and supplement traditional financing, but also enhance their negotiating position in the financing market, weaken the monopoly of banks on debt financing, and reduce the monopoly rent in the loan cost (Rajan et al., 1998), so as to promote banks to reduce the loan interest rate, extend the loan term, and optimize the financing conditions for enterprises. Make it easier for businesses to get credit concessions. In addition, when an enterprise's investment is fixed, leasing financing can also reduce the enterprise's demand for external equity financing, thereby indirectly increasing the equity ratio of managers, making the value and objectives of managers and shareholders consistent, and thus alleviating agency problems.

2.3 Corporate Governance Assumption of Finance Lease Debt

As an important debt financing tool second only to bank loans, financial leasing will be significantly affected by the characteristics of lease transaction business model (direct financial lease, sale and leaseback, other financial leases) and business duration (long-term financial lease and short-term financial lease) in terms of corporate governance. However, the

influence of these factors on the debt governance effect needs to be tested empiricism, and it is difficult to make a correct a priori judgment only based on the existing theories. In view of this, this paper puts forward the corresponding hypothesis and further carries out the following research and analysis.

2.3.1 Governance Assumptions Based on the Types of Finance Lease Transactions

(1) Direct lease financing is debt financing based on leasing of equipment or assets. Compared with traditional bank loan debt, it has the following characteristics in debt governance: First, direct financial leasing takes assets or equipment as the intermediary, and achieves "financing" through "financing". The use of debt funds is limited to production and business activities or supplementary working capital, so as to help debt enterprises improve production technology or update equipment in time, which can effectively avoid and reduce the asset substitution risk of debt enterprises and alleviate the agency problem of insufficient investment by management. Second, the protection of investors' rights and interests in direct financial leasing is more stable, which is obviously better than bank loans and other secured claims. During the period of direct finance lease, the ownership of equipment or assets is separated from the right to use, and the debtor only enjoys the right to use the equipment, and the ownership is always owned by the investor. Therefore, even if the debtor defaults, the investor can offset the loss by recovering the equipment assets, thereby reducing and mitigating the agency costs and financial distress risk common under traditional credit debt (Myers *et al.*, 1984). Third, direct financial leasing has the function of industrial adjustment and improvement of investment efficiency. Existing studies have proved that direct financial leasing can not only effectively alleviate the liquidity of enterprises, especially solve the problem of "financing difficulties" and "expensive financing" of small and medium-sized enterprises, but also play a positive role in promoting enterprises' destocking and resolving overcapacity. In addition, direct lease financing has the effect of a countercyclical industrial "stabilizer", which can adjust the social industrial structure, improve the product research and development of enterprises, optimize the investment structure of enterprises, etc., so as to reduce the business risk of enterprises, enhance the investment efficiency, and improve the market image of enterprises

(2) Sale and leaseback financing, essentially bank-like loans, is also seen as shadow banking financing. It has the following characteristics in debt governance: First, sale-and-leaseback financing relies on relatively complete special financing contracts (lease agreements) and perfect performance protection arrangements, while implementing the same or similar debt due diligence, risk control procedures and rules as bank credit, so as to form a comprehensive understanding and judgment of debt enterprises and management agency issues, and thus restrain or reduce debt agency costs. For example, in the drafting of a sale-and-leaseback agreement, investors who are in an informational position and lead the conclusion of the contract often make use of the public or secret information they already have about the debtor, especially the on-the-job consumption habits and management expense trends of the enterprise management, by establishing or adding restrictive clauses (or other protection arrangements). The agency problems such as excessive on-the-job consumption, pursuit of pleasure and abuse of cash by the management of debt enterprises should be restrained in a

targeted manner. Second, the use of sale-and-leaseback financing is more flexible, and debt funds may be used to supplement operating working capital, or they may be invested in high-risk projects, which increases agency costs and may cause inefficient investment problems such as over-investment. In practice, the assets of sale and leaseback transactions are often some old, abandoned, eliminated or special equipment with limited production capacity, and the funds raised by debt enterprises are not used for the main business of the enterprise, but for high-risk investment or speculative activities, resulting in the lease funds being squeezed out. Therefore, in market regulation, sale and leaseback is generally classified as a class bank loan service, and the same tax rate is applied to supervision.

(3) Other lease financing, that is, investors through entrusted loans and other bank credit channels to debt enterprises "channel" financing. In contrast to direct lease financing (or sale and leaseback financing), other lease financing is essentially structured shadow bank debt financing. In such financing activities, lease transactions or agreements are only an external form, and their inherent debt attributes, characteristics (including interest rates or service fees), performance procedures and guarantees are similar to private high-interest loans Therefore, other lease financing is a high-risk capital borrowing from the "source" of financial leasing.

In summary, this paper puts forward the following research hypotheses. Hypothesis H1: Direct lease financing can restrain the agency cost of enterprises and reduce the problem of inefficient investment of enterprises. Hypothesis H2: Sale and leaseback can control the agency cost of the enterprise, but can not restrain the inefficient investment problem of the enterprise. Hypothesis H3: Other lease financing can neither control the agency cost of the enterprise nor restrain the inefficient investment of the enterprise.

2.3.2 Governance Assumption Based on the Term Structure of Finance Lease

Existing studies have found that corporate governance effects of debt with different maturities are different. Compared with traditional debt such as bank credit, the term structure of finance lease has a more direct and sensitive impact on corporate governance. On the whole, long-term financial lease (debt term more than one year or one business cycle) is difficult to form effective constraints on the asset substitution behavior of debt enterprises due to complicated procedures for debt contract conclusion, long fund raising procedures, high financing costs, strict project approval and audit, and low sensitivity of debt pricing to asset risk changes of debt enterprises. The inhibition of agency problem is poor. In addition, long debt maturities can provide opportunities for the management of debt-owed enterprises to adjust the use of funds, leading to inefficient investment events. Compared with long-term debt, short-term debt is more helpful in alleviating agency problems and controlling investment efficiency. Due to the pressure of maturity repayment and refinancing of debt enterprises, self-serving behaviors such as on-the-job consumption of management can be constrained, additional management expenses of enterprises can be reduced, and management can be driven to focus on corporate value operation and reduce inefficient investment. At the same time, in short-term financial leasing and subsequent refinancing, investors and debtors continue to have frequent and in-depth contact, so that they can fully grasp the operation and

management information of debt enterprises, and timely modify the debt financing cooperation relationship based on this information (Ortiz and Penas, 2008), thus helping to alleviate the conflict of interest between creditors, shareholders and management. Reduce agency costs and improve company performance.

Based on this, this paper puts forward hypothesis H4: Compared with long-term lease financing, short-term lease financing can better control the agency cost of enterprises and restrain the inefficient investment of enterprises.

3. Research Conclusions and Suggestions

This study comes to the following conclusions:

First, financial leasing debt has a spillover effect on bank credit, which is conducive to reducing asset substitution and expanding corporate debt scale. At the same time, it can optimize the debt structure, reduce the debt cost, extend the debt maturity and adjust the enterprise investment, so as to help control the enterprise agency cost and improve the investment efficiency.

Second, the debt governance effects of different types and term structures of financial leases are heterogeneous. The debt governance effect of direct lease financing is the most significant. Sale-leaseback financing can only alleviate agency problems to a certain extent, but can not restrain inefficient investment. Other lease financing has no governance effect. In addition, the governance effect of short-term lease financing is better than that of long-term lease financing.

Third, under the impact of the novel coronavirus pneumonia epidemic, the probability of default of financial lease debt is quite different. Compared with direct lease financing, the default probability and default level of sale-leaseback financing debt are more significant. The stress test is conducted under the assumption that the expected earnings decline or the cash flow fluctuation is 15%, and the results show that there is a potential default risk of sale-leaseback debt.

This study enriches the relevant research on debt governance and economic consequences, and reveals the governance mechanism and heterogeneity of financial leasing on agency cost and investment efficiency. Based on this, this paper puts forward the following policy recommendations:

First, we will continue to promote the steady and standardized development of financial leasing. Financial leasing has become an important part of debt financing in China, and also an important source of funds to support the sustainable development of enterprises. Therefore, we should continue to promote the steady and standardized development of the financial leasing industry. Therefore, on the one hand, it is necessary to comprehensively understand the nature and significance of financial leasing, fully develop the financial leasing market on the premise of controllable overall risk, business compliance and reasonable cost, and encourage and promote enterprises to carry out lease financing. In particular, it is necessary to optimize the debt financing structure by increasing the proportion of direct lease financing,

so as to improve the investment efficiency of enterprises and enhance their market competitiveness. On the other hand, further promote the development of the financial leasing market, improve the construction of the financial leasing market system, improve the convenience of financial leasing, and create conditions for enterprises to improve the debt structure, reduce debt costs, and enhance the effect of debt governance. Second, we will guide lease financing to return to its roots and better serve the real economy. At present, the sale and leaseback business and other channel leasing business, which dominate China's leasing market, have deviated from the source of leasing business, some leasing companies ignore the compliance of leasing transactions and the role of risk mitigation, and even carry out high-risk "channel" financing activities in the name of leasing. These "leasing" businesses that deviate from the source disturb the financial leasing market and affect the debt governance effect of financial leasing. In view of this, financial leasing companies should continue to guide them to base on the main business, adhere to the main responsibility, take the initiative to meet the development needs of enterprises, improve the quality and efficiency of service enterprises, abandon high-risk "quasi-credit" financing, highlight the integration of "financial" and "financing", and realize the difference and complement with traditional bank credit. At the same time, it is also necessary to optimize the business model and structure of lease financing, strengthen the management of leased assets, attach importance to the risk mitigation effect of leased objects, and constantly increase the proportion of direct lease financing.

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