

# From the perspective of behavioral finance: the ethical design and regulation of online consumer loan products— —a case study of Ant Huabei and WeChat micro loan

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**Abstract.** The frequency of mobile terminal consumer credit usage has significantly increased, but some users exhibit signs of over-indebtedness or failure to fully recognize hidden costs. According to behavioral finance, it particularly focuses on two psychological aspects: people's fear of losing money and their susceptibility to the first number they see. For instance, borrowing apps like Huabei and Weilidai examine how they exploit these psychological tendencies to encourage users to borrow more, while also evaluating whether such practices comply with regulations. Research reveals: Huabei claims interest-free borrowing, while Weilidai breaks down monthly repayments into smaller amounts without clearly stating the total interest, effectively enticing users to borrow more—an approach that lacks regulatory compliance and deviates from the well-intentioned goal of making borrowing more accessible. Finally, recommendations are provided for borrowers, app developers, and regulatory agencies to enhance the reliability of mobile lending. The recommendations emphasize enhancing users' financial risk awareness, improving platform compliance and ethical responsibility, and strengthening regulatory supervision to prevent irrational borrowing and ensure responsible consumer credit practices.

**Keywords:** behavioral finance, online consumer loan products, Ant Huabei, WeChat

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## 1. Introduction

### 1.1. Research background

In recent years, the integration of network technology and lending services has become increasingly close, with the emergence of lending apps like Huabei and Microloan. According to the "2025 China Consumer Credit Industry Development Report", by the end of 2024, the number of people borrowing money online in China had reached 820 million, accounting for almost 75% of the online population. It is particularly noteworthy that nearly 70% of young people aged 18 to 25 are using these services. However, problems also arise as many people borrow too much or cannot repay the money. The central bank's 2024 report mentioned that people who borrow money through these networks owe an average of over 40% of their income, and over 40% of them have borrowed money beyond what they can afford to repay.

According to the traditional finance theory based on the assumption of rational economic agents, it is believed that individuals will make optimal decisions under sufficient information conditions. People are very rational and will carefully calculate whether it is cost-effective before making decisions [1]. But the reality is that many people get tempted to borrow money when they see advertisements like "interest-free" or "just pay a little bit every month". In this context, behavioral finance provides an important analytical framework for explaining the deviation of real decision-making. It specifically studies the misconceptions that people are prone to make when making decisions, which can help people see how these lending software are designed [2].

## 1.2. Research purpose and significance

This paper aims to investigate two common behavioral biases, one called 'loss aversion' and the other called 'anchoring effect'. It needs to take a look at how those fintech companies use people's psychology to design products through their lending apps. At the same time, the paper will also discuss whether these design methods will cross the legal red line or be unethical. Finally, it plans to provide practical advice to those who borrow money from the app, the companies that make the app, and the government departments responsible for these matters.

This study supplements the application of behavioral finance at the theoretical level and provides a reference for regulatory optimization at the practical level. On the one hand, it uses the perspective of behavioral finance to explain why people often lack rationality when borrowing money for consumption, which perfectly complements what traditional finance cannot explain. On the other hand, by discussing which practices are compliant and which are ethical, it can also provide some practical ideas for how the industry can develop well.

## 2. Theoretical basis: the relationship between core behavioral deviation and consumer credit

Behavioral finance points out that individual decision-making is often influenced by cognitive biases and emotional factors. People's decisions are not always rational, but are influenced by psychological states and ways of thinking, often resulting in fixed judgment errors. When borrowing money to buy things through mobile applications, there are two psychological tendencies: fear of loss and dependence on first impressions. Loss aversion reinforces sensitivity to the loss of discounts, while anchoring effects affect cost estimation.

This is a particularly important issue that affects users' choices [3].

### 2.1. Loss aversion

Loss aversion is a particularly important idea in prospect theory, which was proposed by Kahneman and Tversky in 1979. It means that people's reactions when facing losses are much stronger than when facing gains. For example, for the same amount of money, the discomfort caused by loss is about twice to two and a half times greater than the happiness caused by gain. This mentality comes into play when people use credit cards or loans to buy things. Everyone always wants to avoid losses, even if they are not obvious. For example, in order not to lose the interest-free installment payment offer, users will consider giving up the offer as an actual loss within the psychological account framework [4].

Some people may choose to pay in installments rather than in full, although this may actually increase their total debt. They may not have noticed this much.

## 2.2. Anchoring effect

The "anchoring effect" was discovered by Tversky and Kahneman in 1974, which states that when people make decisions, they are influenced by the initial information (such as the "anchor"), resulting in less rational outcomes. When borrowing money to buy things, loan platforms often display "daily interest" and "how much money to pay back each month" [5]. These become anchor points about users. For example, initial information becomes the cognitive anchor point for user cost judgment.

Users feel that repayment pressure is not high based on "low daily interest rates" and "small monthly payments", but they ignore important information such as "one-year interest rates" and "total interest", and ultimately underestimate the true cost of borrowing money.

## 3. The bidirectional manifestation of three core behavioral deviations in consumer credit

The design of fintech consumer loan products actually involves two aspects: capturing the psychological mistakes that users are prone to make and guiding their choices. These two aspects are interdependent. From the perspectives of user behavior and platform design, let's take a look at how loss aversion and anchoring effects are manifested (as shown in Table 1).

**Table 1.** The performance of loss aversion and anchoring effects in both users and platforms

Types of behavioral deviations	User behavior performance	Platform design logic
loss aversion	1. Abandoning full payment for "interest free" and "immediate reduction"; 2. Even if no funds are needed, installment payments are still chosen due to the imminent expiration of the discount; 3. Reject 'paid installment' but accept 'seemingly free' installments.	1. Packaging installment products with "interest free" and "first order immediate reduction"; 2. Set up a 'discount countdown' to strengthen 'loss anxiety'; 3. Hidden hidden costs such as 'early repayment still requires payment of handling fees'.
Anchoring Effect	1. Based on the daily interest rate of 0.05%, it is judged that the interest rate is low; 2. Due to the belief that "monthly repayment of 417 yuan" is "less pressure"; 3. Neglecting core information such as "total interest" and "annualized interest rate".	1. Prioritize displaying "daily interest rate" and "monthly payment", and downplay "annualized interest rate"; 2. Splitting the repayment amount to reduce users' perception of 'total liabilities'; 3. Hide key cost information with "small font annotation".

## 4. Case study: utilization of behavioral bias by platforms to optimize product design

### 4.1. Case 1: Huabei - "loss aversion driven" interest free discourse"

Huabei is a service developed by Ant Group to borrow money to buy things. By the end of 2024, the number of people using this service will have exceeded 500 million, and it is particularly important that more than

70% of them are young people aged 18 to 25. Its main feature, the "interest-free installment" function, is designed to capture people's fear of losing out [6].

#### *4.1.1. Design details*

When buying things on Taobao, Tmall, and other places, Huabei often pops up a window or on the payment page, first showing people good things like "6 installments without interest" or "5 yuan less for the first purchase". However, regulations such as "paying all transaction fees in advance" or "including installment payments as the total amount owed" are not very good, and their related terms are placed in a secondary position on the page.

It's not easy to notice at once. For example, when someone buys something priced at 5,000 yuan, the payment page has automatically selected the option of "interest-free in 6 installments" for people, strengthening their instant decision-making tendency through time-limited prompts. For example, there is a message next to it that says, "You can enjoy discounts now, if you don't choose, you may miss the opportunity to get a discount".

#### *4.1.2. Deviation utilization logic*

Users, due to their psychological fear of losing existing benefits, may consider giving up interest-free loans as a loss of five yuan in discounts. So many people choose installment payments. Even if they have the ability to pay the full amount in one go, in order to avoid this imagined loss, people will still borrow money to consume. An organization has made a survey report called "*2024 Internet Consumer Credit User Behavior Report*". It is pointed out that more than one-third of people who use Huabei say they choose installment payments because they don't want to waste the interest-free offer. Moreover, among these people, 20% later delayed repaying the money until it was overdue because they didn't remember the repayment time.

#### *4.1.3. Actual impact*

In 2023, the Jiangsu Banking and Insurance Regulatory Bureau announced a "Huabei induced consumption" incident. A 22-year-old college student saw "interest-free installment discounts every month" and spent six months using Huabei installment to buy things he didn't really need, such as phones and computers. I owe over 20000 yuan in total for this purchase. Finally, due to the inability to repay the money, there was an issue with my personal credit record.

## 4.2. Case 2: micro loan - "anchoring effect" guided "monthly installment split

Microloan is a small loan service provided by WeBank. By the end of 2024, the total amount of money it has lent out has exceeded 3 trillion yuan. Its main design is to first display the monthly repayment amount, which is actually a standard usage of the "anchoring effect".

#### *4.2.1. Design details*

When someone enters how much money they want to borrow at the micro loan lending platform. The screen will first display information such as "Daily interest of 0.05%" and "Monthly repayment of XX yuan". For example, if someone borrows 10,000 yuan and repay it in 12 months, the page will be highlighted in bold font or prominent colors [7].

The monthly interest rate is 853 yuan. However, the information about "annualized interest rate of 18%" and "total interest rate of 1,236 yuan" is only highlighted in very small words at the bottom of the page.

#### *4.2.2. Deviation utilization logic*

I have to pay 853 yuan every month, which will make people pay special attention. Users feel that the monthly interest rate is still low and there is not much pressure, so they did not notice that the 18% annualized interest rate is actually much higher than the installment interest rate of bank credit cards (usually between 12% and

15%). Weizhong Bank conducted a survey in 2024, and over 40% of the surveyed sample only focused on the monthly payment amount. When borrowing money, they only looked at how much they needed to repay each month and did not pay attention to the total interest payment.

#### 4.2.3. *Actual impact*

The feeling of repayment pressure among micro loan users is different from their actual expenses: about a quarter of people believe that the monthly repayment pressure is not significant, but when they actually repay, nearly 20% of people can only borrow new money to repay old debts due to the high total interest.

## 5. Reflection on compliance and ethical responsibility

The product design approach of fintech in consumer loans not only enhances financial accessibility but also expands risk exposure, but also brings obvious risks of violating regulations and ethical debates.

### 5.1. Compliance risk points

There is a lack of transparency in information disclosure: according to bank regulations, loan companies should clearly inform borrowers of the annualized interest rate. However, Huabei and Microloan products often prominently display the daily interest rate or monthly repayment amount, while hiding or writing down the annualized interest rate very small. This approach does not fully explain important information and violates the requirements of the management department [8].

Speaking of the situation where people borrow too much money: In the 2023 regulations on protecting financial consumers issued by the People's Bank of China, it is specifically mentioned that consumers cannot be encouraged to spend money beyond their ability. But Huabei always uses the phrase "interest-free" to attract people, while Microloan breaks down the monthly repayment amount to show it as very small. These practices actually take advantage of people's tendency to make impulsive decisions. Its design logic embodies behavioral manipulation design features, involving discussions on product ethical legitimacy, and allowing users to borrow money that they may not have needed to borrow in the first place.

### 5.2. Ethical responsibility dispute

The balance between user benefits and company profitability is not good: the platform excessively exploits people's psychological weaknesses and fails to protect users' wallets in order to pursue "loan volume" and "user usage frequency" [9]. For example, Huabei has opened up loan installment repayment quotas for college students, but has not checked whether students have the ability to repay the money, which goes against its original intention of helping ordinary people [6].

The gap between different people has widened: young people and those with little money are less able to see risks and are more easily influenced by certain ideas, while the attractive design of platforms will make the money problem more serious for this group of people - as the central bank's figure shows in 2024, people aged 18 to 25 cannot repay the money they borrowed online, which is much more than others, about 1.8 times higher [2].

## 6. Multi-subject suggestion

### 6.1. For users: enhancing risk identification capability

Regarding overcoming anchor points, before borrowing money, actively calculate the annualized interest rate (multiplying daily interest by 365 days), and then compare it with the interest rate of bank credit to rationally judge the borrowing cost.

Avoid the trap of loss aversion: only use consumer loans for emergency capital turnover, refuse unnecessary interest-free installment payments, and prevent impulsive borrowing due to promotional activities.

### 6.2. Regarding the platform: fulfilling compliance and ethical responsibilities

Compliance optimization: As required, display the annualized interest rate and total interest to be repaid in a prominent place on the borrowing page, and remove the automatic installment payment design, which may cause people to accidentally borrow more money.

Ethical improvement: Especially for young people and those with low incomes, a step should be added to evaluate whether they can afford to repay the money, to prevent borrowing too much money and not being able to repay it. In addition, it is necessary to remind everyone to spend money rationally [10].

### 6.3. For regulatory authorities: strengthening behavior supervision

Unified display standards for interest expenses: All consumer credit products must display annualized interest rates in large font and prominent colors, and priority display of daily interest rates is prohibited.

Detailed control of different groups: Set credit limit limits and consumption scenario restrictions for special groups such as college students and minors to prevent excessive borrowing [10, 11].

## 7. Conclusion

The promotional methods of "interest-free installment" and "splitting monthly payments very small" carried out by fintech companies are actually taking advantage of people's psychological characteristics of "fear of losing money" and "being easily influenced by the first price". Although the relevant strategies have significantly increased the market penetration rate of the product, there are still many problems and unreasonable aspects hidden inside. For example, they often fail to convey information clearly or lure people into borrowing too much money. This not only makes life difficult for borrowers but also fails to comply with regulatory requirements.

So, in order for fintech consumer credit to develop well, it must consider both "making money for the company" and "protecting users" at the same time. Platforms should not just focus on making more money without caring about the lives of users, but should follow the rules and design products based on what users truly need.

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