

# The False Affordability Economy: How Instalment Credit Changes Consumer Decision-Making in America

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**Abstract:** *American consumer behavior is shaped by many different aspects. Some such aspects include modern installment credit and machine learning algorithms. The “False Affordability Economy” framework helps explain how online and digital payment methods can manipulate buyers, changing their perception of financial health. By conducting a systematic literature review and a case study, this re-search looks at how transparency in algorithms and data privacy can affect trust across the general population. The findings suggest that secretive processes are often a friction point among the people, impacting long-term trust, consumer stability and repayment consistency negatively. An initiative of stricter oversight and improved standards of design and algorithmic transparency would help in the battle against mass debt cycles. Such work would also help in bridging the gap between innovation and the preservation of one’s financial health.*

**Keywords:** Buy-Now-Pay-Later (BNPL); Algorithmic Transparency; Instalment Credit; Consumer Trust; Data Privacy.

## Introduction

Modern Western economies have changed dramatically; consumer spending has become quite detached from one's actual income. In the current economy and labor markets, financial stability seems to have grown increasingly difficult for the common man. For many workers, instalment credit instruments like "Buy Now, Pay Later" (BNPL) schemes seem to be one of the few ways left for them to afford anything. While these tools seem innocent, they create a false sense of affordability, manipulating how the consumer perceives the cost of a good. As such, modern economic growth consists of perpetual and structural indebtedness. This shift suggests that the current global economy does not sustain itself through wage growth, rather it maintains stability by redistributing wealth (Lloyd & Horsley, 2021). Consumer behavior is heavily influenced by household debt and instalment credit tools. Such tools heavily influence consumer decision-making as shown in Figure 1. By examining these trends, one intends to learn the reason behind different countries employing the same strategies and still ending up in debt. By analysing markets and multiple factors, one can see that the availability of credit creates a false sense of wealth, causing people to spend more than they actually possess. Ultimately, we see that payment paid over time is more appealing and alters the way Americans behave financially (Kus, 2015b).

The United States credit scoring system has always posed challenges to many, often being a trap of financial exclusion. To bypass such barriers, lenders utilise social media accounts, academic records and other such data to determine creditworthiness. However, such metrics can often lead to discrimination and biases against many. Instead, reclassifying this system would ensure transparency and fairness. By imposing strict rules, consumers would be protected while also maintaining credit access that would remain equitable for everyone (Hiller & Jones, 2022). With an increasing expansion of e-commerce and major changes in behavior following covid-19, payment methods like BNPL are becoming extremely popular, especially among younger consumers. By exploring this idea, we see how such payment options can heavily influence spending habits and change preferences. Examining this, one must understand the consumer psychology behind financial decision making (Cervellati et al., 2025). Traditionally, individuals have always spent based on their long-term lifetime earnings, yet in modern America, financial habits have changed. Massive rise in BNPL allows people to break large costs down over time. These technologies alter consumer psychology, making luxury an "affordability". This false belief tricks people into spending more and skipping the part where they actually lose the same amount of money in the long run (Cervellati et al., 2025).

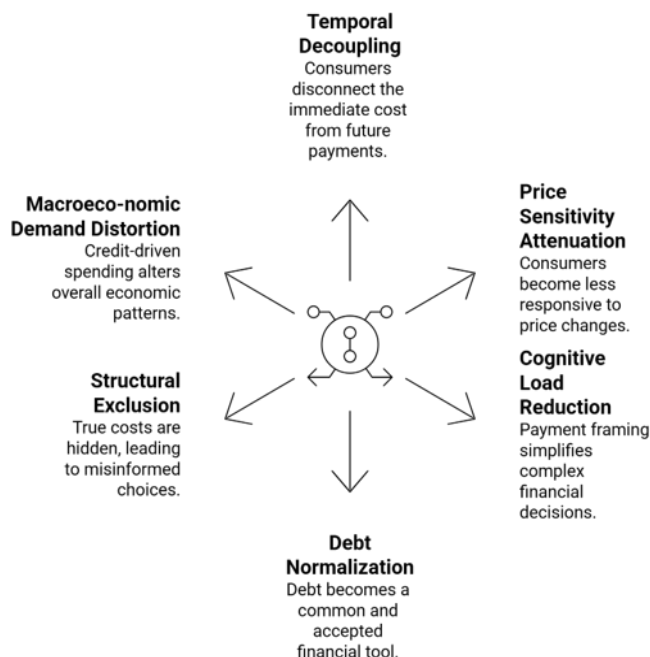


**Figure 1. Instalment Credit's Impact on Decision-Making**

Often consumers experience a sense of security. That they're not actually spending a lot. However, modern credit structures can fuel dangerous unstable spending. By utilising a product now payment later scheme, individuals are left with a debt that only grows without even realising it. Research indicates that the long-term consequences can be attributed to financial illiteracy to the convenience of digital financial services. This reliance on leverage against households distorts everything from market sectors as well as causing large scale economic vulnerability. To protect consumers, as well as everything else, policy changes including transparent information disclosure are heavily backed addressing the financial literacy of consumers promotes responsibility and well-being (Pulk & Riitsalu, 2024).

In early 2025, household debt in America reached \$18.2 trillion, driven largely by substantial mortgage, auto, and student loan balances. Escalating financial pressure forced many to strive toward total debt elimination. Understanding how instalment credit payments work is simple: after an item has been bought, or a fixed amount has been borrowed, payments are on a strict schedule for both constant and compounded payments. Eventually, the debt is fully repaid over a fixed amount of time and the account is then closed (Johnson et al., 2026). Credit risk management has become extremely critical in the modern era. While there are many models that can help with financial predictions, their complexity often leads to a lack of transparency for many decision-makers. For these tools, the main goal is to build trust among financial institutions. Essentially, a framework for balancing innovation with oversight is required for economic stability (Chang et al., 2024).

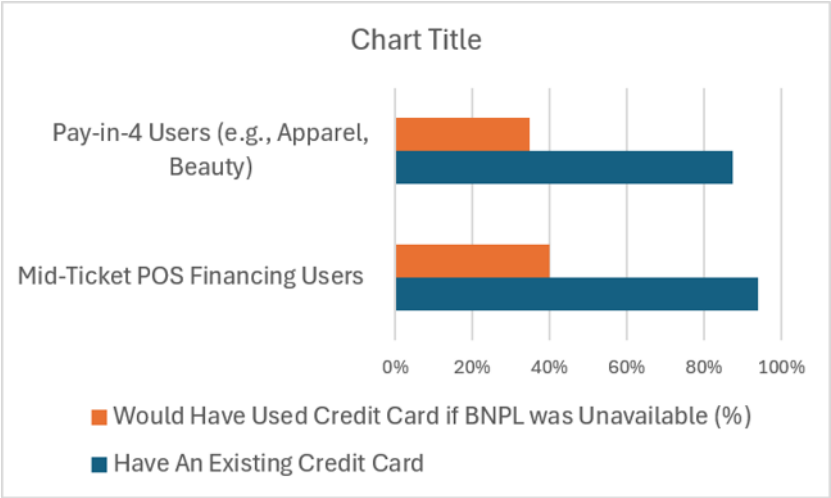


Figure 2. Effect on Consumer Decision Making

The remainder of this paper proceeds as follows: Section 2 reviews the theoretical and empirical literature on consumer credit and decision-making; Section 3 presents the conceptual framework and hypotheses; Section 4 details the methodology using PRISMA modeling and a qualitative case study; Sections 5 and 6 present results and discussion with policy implications.

Literature review

Investigation of human psychology behind spending money reveals one thing. The perceived financial burden is a lot lower when payment is broken into several smaller instalments. Such factors heavily influence the consumer debt cycle, pushing them to make expensive purchases as the payment plans seem more and more manageable. In response, proper action in the form of education or awareness must be taken to combat “false affordability” created by modern credit structures (Chien & Devaney, 2001). Credit builder loans (CBLs) impact consumer credit scores and they do not produce a uniform benefit. Using machine learning analysis, it shows that such financial tools actually harm individuals already struggling with debt. This suggests that adding more credit could have an unintended negative affect on the population. It could lead to increased delinquency, creating negative consequences for both borrowers and lenders. On the other hand, there are individuals who benefit significantly from such tools, indicating a divide due to differences in demographics. A possible solution would be to reform the screening process and adjust how lenders report to credit bureaus. Essentially, the illusion of affordability in credit markets can alter and potentially damage consumer decision-making and must be handled with extreme care. Small-dollar credit options are becoming an increasingly viable direction to go in modern times. Such tools result in rash consumer decision making in today’s economy. Traditional models suggest that such services benefit underbanked individuals, empirical findings, however, reveal outcomes going both up and down for borrowers. Such a vast difference in consumer experiences only further complicates policy making. As such, we see a focus on risks posed on financial stability due to perceived utility of these loans (Bolen et al., 2020).

In order to increase immediate spending among consumers, instalment credit models take advantage of digital interfaces. This manipulation often leads to younger populations increasing debt. Across the United States and Malaysia, analysis shows that “Buy Now, Pay Later” is frequently coupled with financial strain and regret (Zokaityte, 2017). While there is action to spread education like the UK’s Money Advice Service, such programs struggle with building true consumer resilience. More often than not, financial stability depends on surrounding one’s environment rather than their access to information. As an unfortunate result, digitization has inadvertently created a “false affordability” among the people and continues to put a strain on one’s financial situation as shown in figure 3. A Markov decision model categorizes accounts into various states such as delinquency or default. Over time, it also uses a transition matrix to predict shifts in borrower status. Its objective is to maximize the expected value for creditors by balancing operational costs against factors like default risk and the time value of money. Analysis helps conclude that such an optimization is extremely effective, surpassing traditional methods. For larger bank accounts, such a change is even better. As discussed, earlier BNPL is manipulating consumers into believing they have the funds to cover what they buy (Liu et al., 2018). In reality, it only causes impulsive consumptions and strains one’s financial stability. A possible solution was informational transparency and while it can influence purchasing intent, risky borrowing behavior persists due to illiteracy in newer findings of BNPL tools’ psychological impact. Experts advocate for evidence-based policy interventions and behavioral insights to protect future consumers from entering the same burden of debt. The need for responsible lending in today’s world of immediate gratification lies a threat to financial stability. Within the United States, financial literacy and household mortgage have an extremely important relationship. Using longitudinal data from the Panel Study of Income Dynamics, we can see a direct relation between one’s financial knowledge and their ability to secure and manage home loans. On top of this, knowledgeable borrowers save money by being able to secure loans with lower interest rates. Thus, informed decision making has consistently better results and serves vital in improving financial stability among consumers.

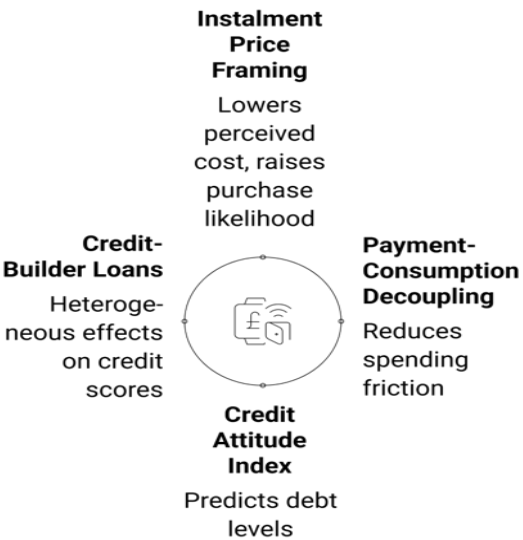


Figure 3. Cycle of False Affordability

The American credit system is complex. Featuring multiple challenges and most of all, a trap for consumers in cycles of financial exclusion. To address such barriers, lenders started using alternative data such as online activity or academic achievements to evaluate individuals (Pulk & Riitsalu, 2024). Such methods can in turn have unforeseen consequences. The use of unconventional metrics such as these are more dependent on factors such as one's demographic environment, which often cause biases. It would increase racial and origin bias rather than eliminating them. Rather, the credit infrastructure should be reclassified as modern utility, necessitating stricter oversight and accountability (Bialowolski et al., 2020). A framework that ensures equitable and transparent credit access is best for long term trust across all participants. With the advancement of both AI and machine learning, there is also an increase in the integration of it into finance. As this integration increases, a larger and larger gap starts to emerge between its integration in systems and the consumer ability to understand and utilise it to its fullest effect. Studies suggest that transparency will help not only usage, but also the ability to gauge trust among automated outputs. Case studies suggest that non-traditional data, like education or online activity, can create concerns of fairness and biases in risk assessment (Hiller & Jones, 2022). As a result, such algorithmic infrastructures have allowed fintech startups and traditional banks to bypass pricing barriers and earn a lot of money through various partnerships. Thus, understandability among consumers seems to be vital among maintaining long term trust and consumer confidence as advancement in AI and machine learning spreads to the financial world.

There are many systems such as credit builder loans, focused specifically on the improvement of credit score. With the help of analysis through randomized design and machine learning, we learn that such financial tools can actually affect people negatively. Patterns show that even small monthly payments can heavily strain a borrower's cash flow and thus increase delinquency on existing debts. In fact, people who seek these loans often intent on proving their financial standing, however, such products can diminish the predictive accuracy regarding future defaults. As a result, there could be an increase in the distorted view of affordability rather than stability (McCanless, 2023). To address such inefficiencies, lenders must make a strategic change to provide for consistency throughout the American economy. Financial trust and the psychology of lenders plays a major role regarding consumer behavior. Due to the algorithm behind credit scoring being rather unknown, there is a great gap of inequality among consumers (Burke et al., 2019) This causes repeated exclusion from financial stability and growth. On the other hand, behavioural finance also plays a major role. A large number of investors typically rely on emotional filters rather than purely rational logic. Such biases can lead to unfortunate outcomes that impact personal wealth and market stability. As such, we can connect consumer decision making to transparency among the lender-borrower relationship.

Household loans are greatly influenced by consumer psychology and economic factors. A closer look at data from 2003 to 2017 shows a relationship between buyer optimism and the failure to repay mortgages, auto loans, and credit card debt. It is inferred that while such feelings can reduce immediate defaults, such expectations may lead to risky over borrowing and eventually, financial instability among buyers. Other critical indicators of the ability to maintain

one's obligations include unemployment rate and even income levels. Excessive confidence thus, may cause economic problems that encourage debt expansion.

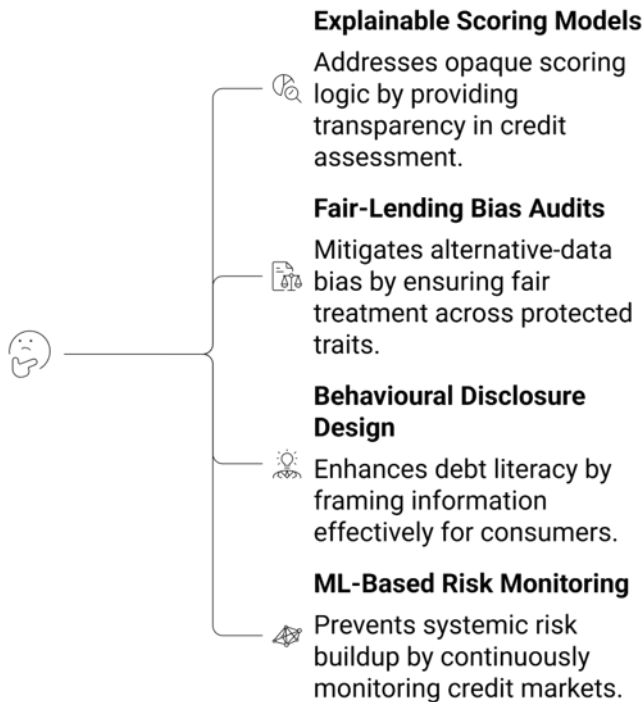


**Figure 4. Addressing AI/ML gaps in Instalment Credit**

In today's world, consumers have access to multiple payment methods (Wadud et al., 2019). Traditional cash and check payments have been replaced by digital payment methods. Classical economics theory suggests that consumer demands remain consistent regardless of payment methods. However, a closer look at data sources indicates that payment methods in fact significantly impact consumer behavior. Credit-based systems show patterns indicating higher spending and a higher chance of impulsive purchases compared to cash. It is thus shown that the ease of credit can manipulate rational financial constraints, creating "false affordability" that alters how individuals evaluate purchasing power. Ultimately, we see how evolving and newer payment tools can fundamentally change the decision making of the American consumer and create an increasing population trapped in the belief of false affordability.

After conducting an extensive review of the existing literature, we have identified the key research gaps and developed the following research questions and hypotheses. These have been formulated to align closely with the identified gaps and provide a clear direction for the study.

### **Research Questions**

- How is long term consumer trust affected by lack of algorithmic transparency concerning instalment credit systems?

- What legal, ethical, and data privacy gaps exist in current ML-based credit algorithms, and how do they affect long-term consumer financial well-being?

### **Hypotheses**

H1: Algorithmic transparency in instalment credit systems is directly related to long term consumer trust. Lower perceived transparency results in lower consumer trust across various demographics.

H2: Legal and ethical gaps concerning ML-driven credit algorithms massively lower the adoption of instalment credit systems among consumers

### **Research Methodology**

This study uses a systemic literature review as its main research method. It is a way of structurally and transparently collecting, evaluating, and combining the findings of multiple previous articles to answer a specific research question. Following a fixed set of rules allows for a proper structure to attack the research question that is free from personal bias. As this research evaluates and looks deep into a broad and fast-changing topic how instalment credit systems such as Buy Now, Pay Later (BNPL) affect consumer decision-making a systemic review is well suited.

#### **A. Justification for the PRISMA 2020 Framework**

To ensure absolute transparency and rigor, this study followed the Preferred Reporting Items for Systematic reviews and Meta-Analyses (PRISMA) 2020 framework. The PRISMA 2020 statement is a guideline reflecting advances in methods to identify, select, appraise, and synthesize studies. With a 27-item checklist that addresses: introduction, methods, results, discussion sections of a systematic review, and a flow diagram, it properly covers all bases regarding comprehension. The framework was chosen as this is the most widely accepted international standard for reporting systematic reviews. Allowing for transparency, showing both readers and reviewers how the final set of studies was chosen. It is important to note that PRISMA is a reporting guideline that specifies what to report, not a method dictating how to conduct the review itself. Therefore, the analytical decisions within the study were made by the researcher and documented according to PRISMA's structure.

This methodology was designed to answer the following research question: How is long-term consumer trust affected by the lack of algorithmic transparency in instalment credit systems?

#### **B. Information Sources and Search Strategy**

A comprehensive search conducted across four highly ranked databases selected for their coverage of business, technology, and consumer-behaviour research: Scopus, Web of Science, IEEE Xplore, and Google Scholar peer-reviewed articles, conference papers, and reputable institutional reports published between 2018 and 2025, a period chosen because BNPL and algorithmic credit systems grew rapidly throughout these years. Using Boolean operators to combine the study's core concepts, a structured search string was built. Combinations for search terms included ("Buy Now Pay Later" OR "BNPL" OR "instalment credit") AND ("algorithmic transparency" OR "machine learning credit") AND ("consumer trust" OR "consumer decision-making") AND ("United States").

C. Eligibility Criteria

To keep the selection objective, clear inclusion and exclusion criteria were established. Inclusion criteria were studies focusing instalment credit systems like BNPL; studies on algorithmic transparency, consumer trust, or consumer decision-making; studies in areas relevant to or in the United States; and peer-reviewed sources published between 2015 and 2025 in English. Exclusion criteria were studies unrelated to consumer credit; studies not addressing the consumer decision-making process and the trust and transparency that goes with it; non-US areas without transferable finding; and non-scholarly sources such as blogs or advertisements.

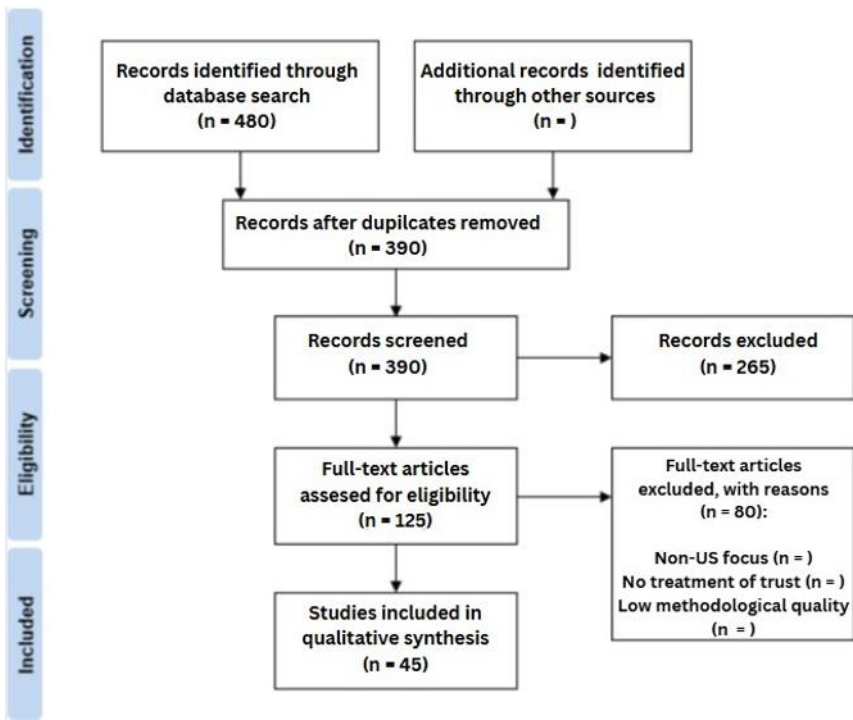


Figure 5. Prisma Selection Process

PRISMA Selection Phases

- In the identification phase, all records from the four databases were retrieved and duplicates were removed
- In the screening phase, titles and abstracts were looked at against the eligibility criteria and irrelevant records were removed
- In the eligibility phase, each report was fully read in detail and studies not meeting the eligibility criteria were removed with reasons recorded
- Remaining studies were included in the review allowing for reduced selection bias as screening decision was done through pre-defined criteria

RQ2: What legal, ethical, and data privacy gaps exist in current ML-based credit algorithms, and how do they affect long-term consumer financial well-being?

Case Selection and Rationale

Machine learning based credit algorithms hold many legal and ethical gaps. This case study will help understand and analyse modern practices. Using real world examples including JPMorgan Chase's Contract Intelligence (COiN) platform and Revolut's machine-learning fraud detection system to show how automation decision making has touched upon present financial services (Lee & Floridi, 2022).

### **Institutional Context**

Credit evaluation in American finance has greatly evolved. Traced back to the introduction of FICO in 1989, a template for algorithmic and rule based creditworthiness was established by institutions (Congressional Research Service, cited in sustainability analysis). It has since been replaced with machine learning models, being only further pushed by the COVID-19 pandemic (Islam et al., in the same analysis). Such a situation only prompts a massive economic expansion of AI in banking, projected to be a multi-hundred-billion-dollar industry in the future.

Mechanism: how the algorithm operationalizes instalment credit decisions

Machine Learning and artificial intelligence are now deeply immersed in consumer lending throughout America. Serving as both risk assessment tools and behavioral nudges, they prioritize high user engagement over the borrower's long-term financial health (applications of ML in credit assessment). The use of predictive modeling can help lenders influence decision-making at the point of sale (Emerald digital lending chapter). Such systems that verify creditworthiness can also encourage potentially harmful debt. Modern fintech infrastructure can distort consumer perception, which would maximize company profits at the expense of the consumer.

Legal, ethical, and data-privacy gaps identified

Three critical regulatory and ethical gaps emerge from the case. First, a legal gap: cross-jurisdictional inconsistency, where GDPR-style data protection obligations, RBI-style prudential guidelines, and ISO governance standards are not uniformly binding on fintech-originated instalment products, leaving algorithmic underwriting in a partially unregulated space (ethical AI governance framework). Second, an ethical gap: normative analyses of algorithmic decision-making in consumer credit markets show that greater data availability, while improving contracting efficiency in aggregate, simultaneously raises risks of inaccuracy, bias, discrimination, and strategic "gaming" of scoring systems, with the fairness burden falling disproportionately on data-poor or thin-file consumers (Lee &

Floridi, 2022). Third, a data-privacy gap: the interpretability and privacy-preservation challenges inherent to ML models in big-data environments including opacity in how behavioral and transactional data inform instalment eligibility limit consumers' ability to contest or even understand adverse credit decisions (ML and big data survey).

### Implications for consumer financial well-being

The “False Affordability Economy” is a phenomenon where algorithms encourage excessive borrowing rather than focusing on consumer financial welfare. Such automation can bypass regulatory safeguards, creating differences between consumer’s perceived creditworthiness and actual ability to pay. Governance frameworks of today are not enough to address these predictive models accurately (Lee & Floridi, 2022; governance framework). The ethical implementation of AI within the financial sector is great. Rapid automation poses serious security and transparency risks. Aligning technological advancements with global regulatory standards like GDPR and ISO is best for the future. A mixed-methods approach involving surveys and performance metrics is used in the study, balancing data-driven insights with accountability. A dire need for standardized moral guidelines are required for the government of financial technology.

Artificial intelligence and machine learning have made great impacts in the financial world. They have been utilised by banking institutions as well as fintech companies, refining many processes throughout the business. Such tools are used to maximize efficiency and improve consumer experience. Such processes are huge evolutionary moves, fundamentally reshaping the interaction between the financial industry and society. An example including JPMorgan Chase shows that an automated platform can be used to analyse complex legal documents, which saves thousands of hours previously spent on manual labour. Firms like Revolut implement such algorithms to monitor transactions, prevent fraud, and overlook such processes. They minimize human error and protect consumers from scams. Such tools can be of great help in the financial world, having great safety and operational implementations. The global AI market within the financial industry is expected to reach \$315.50 billion by the early 2030s (Manta et al., 2026).

This surge is due to a massive shift toward the digitalization and modernization of banking systems. As time progresses, so do the integration of advanced technologies of AI and ML to stay competitive within respective fields. Such decisions create more than just a better user experience, they create influence for the consumers, thus changing the decision making process. Advanced algorithms enable financial systems to process data and make autonomous decisions, which lead to higher operational efficiency. Detecting fraud, and the implementation of automation scoring for credit approvals to name a few. Along with this, there are virtual assistants helping consumers along their interactions. Over the decades, newer and newer technologies have been implemented to help streamline processes in the financial industry. The early 1980s set the foundation for modern credit scoring, risk assessment and fraud detection. The introduction of FICO in 1989 marked a turning point in the standardization of credit risk assessment around the world. The COVID-19 pandemic was a significant catalyst accelerating advanced tools implementation in the financial world (Manta et al., 2026). The adoption of AI and ML in key areas facilitates the transition to integrated digital ecosystems oriented towards the concept of Society 5.0.

Theoretical Underpinning

Innovation Diffusion Theory tracks how new ideas and technologies spread across various social systems. Early theorizing from the beginning of the 20th century was gradually displaced by post hoc empirical research that described and explained diffusion processes. By the 1950s, diffusion researchers had begun to apply the collective knowledge learned about naturalistic diffusion in tests of process interventions to affect the spread of innovations. Here, I review diffusion theory and focus on seven concepts: intervention attributes, intervention clusters, demonstration projects, societal sectors, reinforcing contextual conditions, opinion leadership, and intervention adaptation with potential for accelerating the spread of evidence-based practices, programs, and policies in the field of social work.

Thematic Findings

Theme 1 Transparency and Consumer Trust

- The most consistent finding was that greater algorithmic transparency is associated with higher consumer trust
- A pattern emerged where if consumers could understand why a credit decision was made, they felt more confident and secure using the service
- Conversely, if a process was hidden to them, they expressed suspicion and distrust in the service

Theme 2 The "Black Box" Problem

- Studies often describe ML credit systems as “black boxes” whose reasoning is invisible to users
- This ambiguity was linked to mistrust in the long-term as consumers could not judge whether decisions were fair to them

Theme 3 Demographic Differences in Trust

- Among many studies, the effect of transparency varied across demographic group
- Usually, the younger and more digitally experienced consumers were more comfortable with automated systems
- Older generations, on the other hand, found it difficult to trust without transparency due to their lack of digital experience
- This supports H1 stating lower transparency lowers trust and the effect of it differs across demographic groups

Table 1. Theoretical Underpinning and the key findings

| Sr No | RQ1 | Key Findings | Theoretical Underpinning — Innovation Diffusion Theory (IDT) |
|-------|-----|--------------|--------------------------------------------------------------|
|-------|-----|--------------|--------------------------------------------------------------|

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|---|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | How do legal, ethical, and data privacy gaps affect the consumer financial well-being? | <p>The case study identifies three converging gaps:</p> <p>(i) a legal gap — Proper ISO governance is not binding on fintech-originated instalment products (governance framework).</p> <p>(ii) an ethical gap — high rates of bias, discrimination, and "gaming" risks that fault thin-file consumers disproportionately (Lee &amp; Floridi, 2022).</p> <p>(iii) a data-privacy gap — inability to interpret consumer interfaces restrict consumer understanding and thus, decision making concerning credit (ML/big data survey). Together, these produce a "false affordability" effect: consumer certifications are focused on approval rather than long term repayment sustainability</p> | <p>Rogers' (2003) Innovation Diffusion Theory frames this as a diffusion-regulation asymmetry: Regulators and ethical laws find difficulty in adapting to ML-based underwriting in the financial system. Simultaneously, the inability of consumer viewing algorithms only decreases trust. Easy entry instead of proper risk comprehension is on the rise. Biases against data poor consumers due to screening processes based on speed, causing them to deal with many problems. Five major diffusion attributes: relative advantage, compatibility, complexity, trialability, observability, constitutes the theoretical grounding for the paper's central "false affordability" construct.</p> |
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Results and Discussions

- Across the four databases, the search identified a total of 480 records, of which 90 were removed due to being duplicates
- Then 390 records were screened by title and abstract, of which 260 were excluded as irrelevant
- The remaining 125 reports were then assessed for eligibility, of which 80 were excluded due to reasons including non-US focus, no treatment of trust or transparency and low methodological quality
- The final set yielded a set of 45 studies included in the thematic syntheses, as shown in Fig 5.

### **Overview of Included Studies**

- The studies spanned consumer behaviour, financial technology, and business analytics
- It used a mix of survey research, experimental studies, and conceptual analyses
- They examined how features of modern instalment credit affect consumer thinking processes and trust

### **Theme 4 Perceived Affordability and Behaviour**

- In the literature, an indication of instalment credit creating a sense of “false affordability” also emerged
- In this, splitting payments usually make payments feel cheaper, which in turn encourages higher spending
- While this relates more to spending behaviour than trust, it reinforces why transparency matters
- Consumers who do not understand this concept properly usually fall into cycles of financial problems

### **Discussion in Relation to the Research Question**

Taken altogether, the findings give a clear answer to the research question: the lack of algorithmic transparency in instalment credit systems negatively affects consumer trust. Across included studies, transparency was viewed as trust, resulting in its absence being viewed as scepticism, discomfort, and mistrustan effect consistent across demographic groups. The evidence therefore supports Hypothesis H1. This result is significant as trust is a principal in the success of financial technologies. If consumers do not know the “why”, their confidence may waver even if the underlying algorithm is accurate. The findings, therefore, suggest that companies offering BNPL and similar services should prioritise clear, understandable explanations of their decision-making systems, as they will reinforce trust among consumers. The systematic review conducted using the PRISMA 2020 framework, synthesised evidence from the final set of included studies and found strong and consistent support for the hypothesis that algorithmic transparency is positively associated with long-term consumer trust. The next chapter presents the conclusions, limitations, and recommendations arising from these findings.

RQ2: What legal, ethical, and data privacy gaps exist in current ML-based credit algorithms, and how do they affect long-term consumer financial well-being?

### **Policy Framework**

There are three main contributions this paper makes. It advances the idea of the False Affordability Economy by bridging behavioural finance, consumer psychology, and institutional economics. Second, it gives expert analysis on the effect of instalment credit on consumer decision making. Third, it explores the effectiveness of current systems and addresses the oversights and the complications caused by modern credit product design.

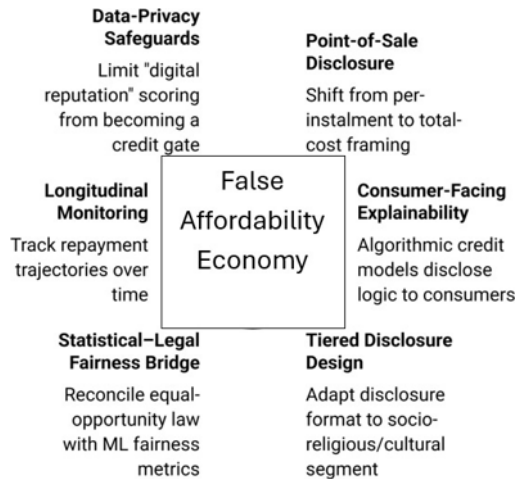


**Figure 6. False Affordability Economy: A Policy Framework**

Where prior work treats transparency and trust as a linear pipeline, our findings suggest a feedback loop: low transparency depresses trust, which in turn increases consumers' reliance on heuristic affordability cues (e.g., instalment size rather than total cost) the mechanism we term the False Affordability Economy. This reframes the policy question from "how much should be disclosed" to "at what decision point does disclosure change behaviour." Policy implications follow directly: (i) point-of-sale disclosure standards should mandate total-cost-of-credit framing rather than per-installment framing; (ii) algorithmic credit models above a materiality threshold should carry a consumer-facing explainability requirement, not merely a regulator-facing audit trail; (iii) socio-religious and cultural moderators indicate that a single national disclosure template is unlikely to be equally effective across all consumer segments, arguing for tiered or adaptive disclosure design. The review is cross-sectional, limiting causal claims about the direction of the transparency–trust relationship over time. The case study is confined to a single product, constraining generalisability to the broader BNPL market. The theoretical treatment of regulation is not paired with primary empirical testing of enforcement outcomes. The analysis of psychological cost is limited to perceived price discrimination and does not fully model other affect-based drivers. Findings involving religious moderators may not transfer cleanly to secular Western contexts. This research introduces the False Affordability Economy to analyze how modern installment credit platforms separate immediate buying power from overall financial health. By utilizing specialized case studies and systematic reviews, the text explores how opaque algorithms diminish consumer trust, specifically among diverse socio-demographic groups. While these digital interfaces do not necessarily prevent people from using credit, they significantly alter how individuals approach debt repayment. To address these issues, the author proposes regulatory frameworks focused on transparency, ethical data use, and improved consumer protections. Ultimately, the study highlights the urgent need for policy mandates that can keep pace with rapidly evolving financial technologies. The study advances the "False Affordability Economy" framework to explain how ML-mediated instalment credit interfaces decouple short-term purchasing ease from long-term financial wellbeing. Drawing on a PRISMA-guided synthesis and a supporting case study, the findings confirm that algorithmic opacity depresses consumer trust unevenly across socio-demographic

and socio-religious groups, and that data-privacy and legal-ethical ambiguity reshape repayment behaviour rather than adoption itself. The proposed policy framework spanning disclosure design, explainability mandates, and fairness-metric reconciliation offers regulators and credit providers a concrete starting point for narrowing the gap between innovation and consumer protection. Future longitudinal and

cross-provider research is needed to test whether these dynamics hold as instalment credit products, and the regulatory environment surrounding them, continue to evolve.

## Conclusion

The “False Affordability Economy” framework explains how ML-mediated instalment credit increases purchasing ease and financial well being. Using a PRISMA guided analyses and a supporting case study, the findings show that hiding algorithmic processes decreases consumer trust across various demographics, data privacy and legal and ethical ambiguity reshape repayment behaviour rather than adoption itself. The proposed policies and framework concerning disclosure design, explainability mandates, and fairness-metric reconciliation allows regulators and credit providers a proper starting point for increased consumer protection. To test whether such dynamics hold as instalment credit products, longitudinal and cross-provider research is highly advisable as the regulatory environment surrounding such products evolve. The synthesis supports H1: algorithmic transparency and consumer trust are closely linked, and different parameters change the strength of this relationship. Among individuals with higher institutional or religious backgrounds, such a relation is generally weaker. However, among consumers who have credit denial or fee in which information was withheld from them, such a relation becomes amplified. Supporting H2, concern for data privacy and ethical views function as moderators rather than direct predictors. Such factors only shift how consumers repay, favouring lower payments over full.

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