

THE ROLE OF ECONOMIC INEQUALITY IN HINDERING SDG PROGRESS: A SYSTEMATIC LITERATURE REVIEW THROUGH PSYCHOLOGICAL AND SOCIAL PERSPECTIVE LENS

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Abstract

This paper explores the various ways in which perceived economic inequality has been hindering promotion of the United Nations Sustainable Development Goals (SDGs) specifically its social and psychological consequences. This study will be different in terms of viewing economic inequality in terms of subjective views of inequality and its impacts on community engagement, institutional trust, and psychological well-being (as they are main avenues that support inclusive and sustainable development). The research synthesizes the results of more than 60 peer-reviewed articles on an international scale based on a systematic literature review methodology. The scan indicates a coherent tendency: people, who identify themselves as economically peripheral, have low chance to engage themselves in civic or community development. This detachment undermines participatory governance systems that are critical in implementing SDGs in a bottom-up manner. Moreover, economic inequity is also a major undermining factor of trust in institutions, particularly, when societies place firms on the lower end of institutions. Institutional distrust poses threats to adherence to the development policies, engenders minimal participation by the people and encourages political disappointment. The paper arrives at the conclusion that a solution to the problem of economic inequality cannot be considered only with the redistributive framework but rather with the conception of strategies that can bring back social trust, lead to inclusion, and also provide psychological empowerment to the individuals. To make the development sustainable, it has to be economically just and socially inclusive to make the SDGs practical. The results raise awareness of how integrated strategies should reflect on social, emotional, and economic realities of inequality in policymaking sustainable development.

Keywords: *SDGs, Economic Inequality, Social, Psychological, Review*

Introduction

In 2015, Sustainable Development Goals (SDGs) were adopted by the United Nations as the 2030 Agenda sustainability development goals designed to support world sustainability by fostering inclusivity, environmental sustainability, and social justice (United Nations, 2015). Although advocacy of policy and global cooperation has been high, the world does not seem set to meet a lot of these objectives, with financial imbalance becoming a major obstacle (Prandelli, Rizzoli, and Tolusso 2025). Although the SDGs are specifically related to the reduction of

inequality as Goal 10, it has very broad impacts regarding other SDGs, such as eradication of poverty, quality education, health, sustainable cities, and decent work (OECD, 2020).

The economic inequality does not only mean the differences in incomes or wealth but a wider gap in the access to opportunities, goods and political power (Leon-giraldo et al. 2025). The continuity and increase in economic inequality on the planet, as well as in individual states, has produced various social and psychological reactions, especially among the poor people. Such reaction, expressed in the form of disenfranchisement, social distrust, and lack of motivation to engage in a civic response, can straight out undermine the collective effort which will be essential towards achievement of the SDGs (Matusiewicz 2025). The determinants of the economic inequality analysis in terms of its psychological and social impact are thus crucial in drawing of formulation of measures to pursue sustainable development as inclusive and effective (Dryjanska et al. 2025).

In this paper, perceived economic inequality or the feeling of being unjustly disadvantaged is discussed and how it influences participation in the community, social trust and personal willingness to participate in development processes (Prandelli et al. 2025). Considering the macroeconomic statistics, the research points out that the process of inequality perception and internalization at the community level can play a crucial role in the properties of social fabric required in the development process (Roberto et al. 2024). Taking an interdisciplinary approach and integrating economic, psychological, and sociological theories, the paper will set out to attain a formidable depiction of the invisible yet mighty forces that inequality exerts to impede sustainable development (Arzo and Hong 2024).

The economic disparities have been increasing in the world during the recent decades, and now the top 1 percent of the population possesses almost one-half of global assets (Suhrah, Chen, and Ullah 2024). Although there has been economic growth in most of the developing countries, the wealth has in no way converted to fair social results. The World Bank (2020) report determines that more than seven hundred million individuals live in extreme poverty, whereas more millions of people are susceptible to economic shocks (Sousa 2024). These disparities have then been fueled by the COVID-19 pandemic that has hit the low-income demographics more than others, especially in the Global South (UNDP, 2021).

As a response, the SDGs were created not merely to be a collection of goals but rather a global compact that has to be undertaken by the masses (Wang and Xu 2023). Nevertheless, the active participation of citizens, local governments, civil society organizations, and even the private sector is important to make even meaningful steps. (Afrin and Shammi 2023) Such interaction is jeopardised in the societies where there is a feeling of injustice and inequalities. The psychological research has demonstrated that status anxiety, learned helplessness, and lack of trust in institutions are a common consequence of living in a certain socio-economic position that is perceived as inferior by an individual (Awal et al. 2023). These mental conditions work towards reduced civic involvement, which is vital in the community-based success of the SDGs (Dickinson, Leman, and Easterbrook 2023).

Moreover, inequality can also be perceived to weaken social cohesion that is a feeling of ownership and trust in other people of the community, and a sense of responsibility within the community (Dickinson et al. 2023). Wilkinson and Pickett (2010) have stated that a number of social ills has been linked closely with high levels of inequality such as violence, low achievements in school, and mental disorders. These problems form a feedback loop between themselves and the structural impediments of attaining the SDGs (Lasisi et al. 2023).

The relationship between inequality and development has appealed to many economic studies; nonetheless, the knowledge gap is deep in terms of how the perceptions of inequality filter human conduct, especially the conduct, which promotes or retards sustainable development (Mosca et al. 2023). The majority of policy sets pay attention to redistributive policies and economic reforms, but they do not take into account the psychological aspects of inequalities comprehensively (Sánchez-rodríguez et al. 2023). This negligence threatens efficient results of good programs and ends up hindering progress on the SDGs (Halkos and Aslanidis 2023).

This study hypothesizes that economic inequality transcends beyond being a structural problem, it is also a psychological and a social roadblock to the development (Jaspal 2022). To be more exact, the paper examines the effect of the perceived economic inequality on the motivation to engage in a community effort, undermining trust in the social institutions, and decreasing collective action, which are three central pillars in the attainment of the SDGs (Tibber et al. 2022). It is through such inter-relations that the research seeks to advise the policy work that is not only economically viable but also psychologically encompassing (Bukowski 2022).

The paper has theoretical and practical contributions. In theory, it broadens the discussion of sustainable development, introducing the psychological and social perspective into the economy inequality analysis (Wienk et al. 2022). It opposes the economic monolithic with which development theory is sometimes imbued, and it emphasizes the importance of personal initiative and localized processes with regard to global sustainability objectives (Boffi, Rainisio, and Inghilleri 2022).

Realistically, the results may be used in policy-making and community responses. As an example, in case perceptions of inequity are identified to hurt trust in institutions, then it is possible that development agencies and governments must consider working on the establishment of legitimacy and transparency in the implementation of programs (Bari et al. 2022). Similarly, enhancing the psychological empowerment and community resilience could be used to re-engage those citizens that have become alienated with the development agenda. In this respect, inequality is partly not a matter of redistribution but also reconstruction of social and psychological infrastructure needed to enable the very idea of inclusion (Mcwhirter and Mcwhahermann 2021).

Besides, the research is particularly topical amid the rising global polarization, populism, and the lack of confidence in democratic institutions, which are strongly tied to marginalization and social exclusion on the economic level (He et al. 2021). Psychologically informed perspective of inequality can assist in reducing all these wider socio-political risks and promote the SDGs in more equitable and participation way (Chaleta et al. 2021).

The main aim of the proposed study will be to examine the complexity of the relationship between perceived economic disparity and its role on the community in the participation of sustainable development activities (Cook and Davíðsd 2021). It tries to draw attention to the role of inequality in shaping social trust especially that of the institutions aimed at providing Sustainable Development Goals (SDGs) and the impact of trust or its absence has on participation and claiming of the people on the ground (Chen and Jeronen 2021). As well, this study tries to evaluate psychological consequences of economic inequality, such as a sense of rejection, despair, and lack of self-efficacy, which, in many cases, becomes a reflection of a decrease in civil engagement motivation (Chen and Jeronen 2021).

The study aims to offer an overall picture of the role of economic inequality and not only on structural or macroeconomic levels but also on the social and psychological situations that are

needed to achieve sustainable growth by using a mixed-methods study design which combines both quantitative survey and qualitative interviews in different socioeconomic groups.

Economic inequality constitutes a variegated jeopardy to the SDG achievement not just due to the restrictions in access to material resources but also to the power to dilute the psychological and social bases of constant development. Work towards achieving the 2030 agenda does require using non-traditional measures of economic progress and concentrating on the experiences of the people who live to experience inequality in society. It is the gap that this study can fill because it revolves around the role of perceived differences in economic status in shaping trust, motivation, and participation, which ultimately precondition whether sustainable development will retain a universal character or will remain a mirage.

Literature Review

The far-reaching impact of economic inequality on different areas of society has been explored in a substantive amount of literature, yet the particular influence of the latter on the advancements of Sustainable Development Goals (SDGs) according to a psychological and social lens remains understudied (Gupta and Vegelin 2016). It is a critical review of ongoing studies that exist regarding core variables of the given study: perceived economic inequality, community participation, social trust, and such psychological effects as hopelessness and decreased self-efficacy, in the conditions of sustainable development.

The subjective economic inequality, unlike objective measures i.e., income distribution or wealth measures, is the subjective judgment an individual attains to exist being economically disfavored relative to other people in the social setting (Wahlbeck et al. 2017). This is influenced by the personal experiences, the media portraying, the societal behavior of cultures and making comparisons related to different social reference groups (Marbin et al. 2017). It has also become evident in the research that perceived inequality can be much more direct and immediate than the statistical disparity in income or wealth (Tweedie and Hazelton 2018). Whereas objective inequality measures structural factors, perceived inequality measures the psychological and emotional reaction people make to the structural factors (Anon 2018). This difference is very important, because it contributes to understanding why, in even relatively moderate societies, the sense of unfairness and alienation may be prevalent even when levels of income inequality may be relatively low (Hough 2018).

According to (Kumar 2019), a greater perceived inequality in societies seems to reduce the overall well-being and the strength of social cohesion irrespective of the overall performance levels of such societies and the GDP. In their work, they lay stress on the fact that it is not the material deprivation that has to be implemented but the way people perceive and internalize their economic status in comparison with other people (Niekerk 2020). Such subjective sense causes quite frequently relative deprivation which is the psychological state, when individuals are dissatisfied not due to the absolute poverty, but due to a feeling that everyone is doing much better (Cook and Davíðsd 2021).

Relative deprivation has demonstrated the occurrence of higher resentment, reduced prosocial tendencies as well as growing distrust in societies (Taghvaei and Arani 2020). Such consequences are not restricted to psychological sphere; they affect trends of participation in the civic life, political activity, and collaboration in more local community projects, however, all of these are the key to making the Sustainable Development Goals (SDGs) happen (He et al. 2021).

The value of perception gains extra weight in the conditions of the SDGs that are based on the principles of inclusion, equity, and shared efforts (Carmen et al. 2021). These goals should be implemented widely entailing cooperation among the citizens, institutions and governments (Chaleta et al. 2021). However, anti-social development ideologies would arise among individuals when they can sense or feel that the economic system is not just or created to favor the privileged members of society (Mcwhirter and Mcwha-hermann 2021). This is a detriment to social trust and cohesion that the SDG approach presupposes as a precondition of development. In addition, introduction of development programs in contexts where perceived inequality is prevalent, can receive grumbles or passive resistance especially when communities feel barred out when decisions are made or when the interventions are deemed to be biased towards a group of elites (Chen and Jeronen 2021).

The feeling of disparity is also likely to increase identity camps, such as class, race, or ethnicity thus leading to the social disintegration. Grievances problems by people and groups may even get out of hand in these settings thus promoting polarization and the lack of ability to engage in an inclusive dialog and coordination (Wienk et al. 2022). Such a trend is outright dangerous to the spirit of the 2030 Agenda that has the concept of leaving no one behind in its foundation (Bukowski 2022). Therefore, inequality should not be addressed only through redistributive economic measures, but also through psychological and perceptual aspects, which are intended to define the attitude of people to their location in society (Bari et al. 2022). As perceived inequality may create passive bystanders and set the stage towards inequality by producing such effects as discouragement, lack of trust, and community involvement, they can be addressed by policymakers and development practitioners to ensure the communities are more involved, trusting, and motivated, forming the key components of sustainable and inclusive development (Jaspal 2022).

This evidence has really been put under the spotlight in the literature by the pivotal role of community participation in fueling success of Sustainable Development Goals (SDGs), particularly SDGs which are concerned with poverty reduction (SDG 1), quality education (SDG 4), gender equality (SDG 5), and sustainable cities and communities (SDG 11) (Tibber et al. 2022). Community participation involves direct involvement of people in the local determination, planning, implementation and evaluation of development projects (Boffi et al. 2022). It is commonly accepted as a foundation of sustainable development, because it does not only strengthen the women and the people in this way, but also makes sure that the intervention of development is based on the actual needs and priorities of the people they are supposed to care about (UNDP, 2016). The sense of ownership experienced in the communities through meaningful participation assists in the process of making development more sustainable and gives the probability of long-term success (Mosca et al. 2023).

But when the situation is characterized with economic inequality, community involvement tends to be distorted or destroyed (Halkos and Aslanidis 2023). Economic inequality produces educational, time, information and social capital disadvantages all of which are critical to successful civic participation. (Dickinson et al. 2023) states that social capital, which comprises of networks, norms, and trust through which collective actions are made possible, are eroded as a result of huge income differentials in a society. He said that by the effect of inequality, we have broken ties within the communities, poor cooperation in neighborhoods, and a reduced engagement in both voluntary and civic life (Sánchez-rodríguez et al. 2023).

These implications have a direct effect on the participation dynamics required in promoting SDG-oriented programs. The higher the income inequality, the more the situation marginalizes low-income citizens to places that cannot involve making decisions that can affect their lives in the daily practice (Afrin and Shammi 2023).

According to (Lasisi et al. 2023), in highly economically unequal societies, people of low-income groups tend to have negative perceptions of participation in the society; whether it is not available, not effective, or not receptive. Such perceptions diminish the readiness and the capacity of the needy to participate in development ventures (Awal et al. 2023). In addition, lack of plurality in the planning and implementation stage results in establishment of top-down architectures of development that seem effective but have often failed to correlate the work to the realism on the ground (Wang and Xu 2023). These models have the propensity to fail to take into consideration contextually appropriate issues and marginalized populations; thus making the SDG related interventions less effective and inclusive (Arzo and Hong 2024).

It also encourages alienation and distrust of the poor who will find it much more difficult to organize their communities towards common development agendas (Roberto et al. 2024). Whenever individuals fail to identify themselves in the processes of development, or believe that the development initiatives serve the interests of the elites, their willingness to participate is reduced (Arzo and Hong 2024). This is a vicious cycle where inequality breeds disengagement which further culminates in the making of policies that are even more disengaging (Cook and Davíðsd 2021). It is necessary to deliberately interfere in this cycle through a setup of inclusive governance, which ensures that every community member (irrespective of socioeconomic background) gets an equal chance to express his or her views and offer solutions (He et al. 2021).

The findings in the literature emphasize that a decrease in economic inequality is paramount to the improvement in the community-based development (Carmen et al. 2021). By giving the marginalized groups a voice in making decisions, the decision-making process entrenches commitment in development as well as amplifying democratic rules and societal bond (Carmen et al. 2021). Within the same setting regarding SDGs, such participatory approach is not only desirable, but rather the way it is necessary that the goals are achieved in way that is inclusive, just and sustainable (Mosca et al. 2023).

The social trust is one of the key elements of cohesive societies and a key enabler of the sustainable development (Halkos and Aslanidis 2023). It can be defined as the trust that people put in other people, in organisations and in the system at large to perform in a fair and predictable fashion that will be in the interest of the people (Kumar 2019). Social trust in the context of the Sustainable Development Goals (SDGs) can be viewed as the foundation of civic cooperation development, which makes the policy effective, and helps to promote inclusive governance. Coined by (Dickinson et al. 2023), trust as a lubricant of cooperative societies is often not mentioned without any reference to the collective action, transaction costs and institution legitimacy promotion. Trust, in this regard, is a socially desirable asset and operational, at the same time, to implement development projects (Roberto et al. 2024).

Nevertheless, studies had demonstrated repeatedly that economic inequality is a major destroyer of social trust, especially institutional trust, or the confidence that governments, non-governmental organizations, and development organizations truly are behaving in only interests of the societal common good (Tweedie and Hazelton 2018). In the highly unequal societies, the

state and the other public institutions are often seen to be benefiting mainly the rich and leaving or disadvantaging the poor. (Matusiewicz 2025) suggests that a more fractious a society with regard to economic division, the more the opinion of a corrupt and biased institution prevails. Such loss of trust is not merely theoretical as it has real implications to the implementation of policies (Sánchez-rodríguez et al. 2023). Lack of trust in the institutions and agencies charged with the responsibility of delivering development plans makes people less likely to abide by the rules, take part in community activities, join in common activities and projects (Wienk et al. 2022). Well-structured development policies can also be defeated in such situations where they do not get the buy-in of the people or are perceived to lack legitimacy (Rafael 2017).

The significance of social trust turns out to be even greater in the context of SDGs. The objectives are based on vibrant partnership between governments, the civil society and the community to facilitate inclusive and equitable development (Anon 2018). To give an example, SDG 16 requires the creation of effective, accountable, and transparent institutions who cannot be effectively created without establishing a base of trust (Afrin and Shammi 2023). Besides, trust has the effect of leaving a wider attitude towards the payment of taxes with regard to civic responsibility with regard to the sacrifice of the collective means towards a lasting development project (Chaleta et al. 2021). My source, the World Bank (2020) and the OECD (2021) have found that the lower the income inequality in the region, the greater the levels of trust in the institution and fellow citizens are (Niekerk 2020). Compliance with policy, morale, and local involvement in governance are also known to be stronger in these regions, which are also very important factors in the realization of SDGs (Lasisi et al. 2023).

Moreover, the absence of trust may result in the breaking down of social contracts in which citizens lose interest in the political system, or fall prey to populist discourse that further divides societies (Dryjanska et al. 2025). In most unequal societies, this detachment is more damaging to the marginalized group as they can see no sense in getting involved with the system, often regarding it as hopelessly corrupt (Wahlbeck et al. 2017). This disillusionment clearly contravenes the spirit of inclusiveness of the 2030 Agenda of Sustainable development, whereby partnership collaboration, equality, and responsibility have been requested (Leon-giraldo et al. 2025).

Thus, the need to repair, sustain social trust in unequal societies is not only a moral action, it is strategic (Marbin et al. 2017). An intervention which seeks to minimize inequality should also emphasize upon creation of transparent (accountable, responsive) institutions (Sousa 2024). Such a move will not only enhance trust but also facilitate the engagement, compliance and cooperation of the community which is vital in achieving the SDGs. Lacking trust, sustainable development may turn into pure illusions (Hough 2018).

There have been growing interest in the psychological consequences of economic inequality especially hopelessness, social exclusion, and decreased self-efficacy in development literature and social psychology (Awal et al. 2023). The effects described are not only indirect consequences of material deprivation: they are central influences of individual attitude, social incorporation, and engagement in civic life which are all vital to well-coordinated achievement of the Sustainable Development Goals (SDGs) (Bukowski 2022). When viewed in systemic and irreversible terms, inequality develops a kind of psychological world where disempowerment and the lack of participation in social and developmental processes occur (Mcwhirter and Mcwha-hermann 2021).

Among the seminal theories with which this dynamic can be explained, there is a concept of the status syndrome by (Bari et al. 2022). In the rightful words of (Bari et al. 2022), those who hold low social and economic personnel are prone to constant stress, inferiority complex, and helplessness. It is not only an emotionally demanding psychological state; it also has physical health, cognitive and productivity effects that are measurable (Jaspal 2022). Individuals with lower socio-economic status are usually more exposed to negative life circumstances although what makes them even disadvantaged is the view that they have no power over their lives (Taghvaei and Arani 2020). When such deprivation is experienced internally, over the course of time, one develops a state of learned helplessness a psychological research term used to refer to how people become indifferent to situations they feel helpless to change (Gupta and Vegelin 2016). Where one finds that economic inequality is great (and upwards mobility seemingly not possible), such disempowerment becomes broad and self-perpetuated (Suhraib et al. 2024).

The developmental implications especially concerning the SDGs are immense. Communities and individuals play a crucial role in sustainable development paralleled by agency and participation (Wang and Xu 2023). However, when people sense that they are excluded out of economic and political systems, there is a minimal chance that they get involved in the community activities and programs tailored to bring social change and sustainability (Tibber et al. 2022). It is stressed (Boffi et al. 2022) that responses to feelings of low status and social exclusion include withdrawal from civic activity and belief in the futility of collective action. In this respect, psychological rejection is not only an individual problem but a social obstacle to the inclusive development (Prandelli et al. 2025). Individuals who are not recognized or appreciated by their cultures are unlikely to spend their time or energy on any programs which they believe will not yield any positive results to them (Chen and Jeronen 2021).

This has a direct relationship with self-efficacy theory propounded by (He et al. 2021) who held that an individual thinks that he/she can play a role to improve/alleviate events and the outcomes in his/her life is a key determinant of motivation and behaviour. Self-efficacy defines the goal-setting, challenges and change behaviors of human beings. Persons of high self-efficacy are, in the development context, more prone to initiate or take part in local projects, practice sustainable behaviours, and defend their communities (Carmen et al. 2021). On the other hand, should the perception of fairness in the economic system be undermined due to economic inequality (by either reinforcing the structural barriers or by causing a sense of inferiority), the individuals might withdraw altogether to all attempts to change the environment or change the socio-economic status of individuals (Mosca et al. 2023). In that environment, although development programs might be availed, they might fail to attract the people with the greatest need due to the fact that psychological preparedness and encouragement has been eliminated (Halkos and Aslanidis 2023).

Any connection between inequality and hopelessness is of special concern. Scientific evidence has shown that individuals in very unequal communities express less hope about the future particularly among the young people and those who are in the margins (Kumar 2019). Hope, one of the most disregarded aspects of development discourse, is a very influential psychological resource. It also encourages planning and looking to the future and persevering and taking risks all of which are necessary attributes needed in innovation and long-range planning (Dickinson et al. 2023). As people lose hope, they also give up on investing in their future whether in the form of education, entering the business world or in being politically active. This, in its turn, not only influences the personal courses but also the potential of the

whole society to survive and progress. Due to inequality and despair, higher dropout rates, greater mental health issues, and an increase in antisocial behavior that undermines the social fabric that is needed to achieve SDGs are commonplace in areas where such phenomena are obvious (Roberto et al. 2024).

Another important factor of the psychological influence of inequality is social exclusion. It not only means the economic exclusion but also denotes the symbolic denial of decision making, acknowledgement and participation in public discussion (Tweedie and Hazelton 2018). Socially excluded people feel as if they are invisible and voiceless. This invisibility is psychologically harmful and socially disruptive. The needs and grievances of those groups that can be completely barred in terms of participating in the life and functioning of the society, go unanswered and the result is disillusionment, something that ends in social unrest in some situations (Matusiewicz 2025). SDGs are directed by the principle of no one left behind, but long-term psychological and social exclusion contradicts the very principle. Given that a couple of development initiatives do not consider psychological barriers, there is some risk of supporting the creation of inequalities rather than trying to eliminate them (Sánchez-rodríguez et al. 2023).

Furthermore, it is increasingly abundant that there are intergenerational impacts of psychological burden of inequality (Wienk et al. 2022). Children, who are brought up in these highly uneven environments, will tend to be more subjected to stress, anxiety and low expectations of their prospective life which can trigger mental disorders and retard cognitive behavior and social environment (Rafael 2017). Such early life circumstances form part of the perception of the persons of how they are or can serve in the society. When children are brought up knowing that they cannot succeed in the system because it is biased, they will lack the drive and confidence to contribute in the development of the society when they are adults (Afrin and Shammi 2023). Such disempowerment among the generations is just one of the most nefarious results of inequity, as it not only inherits a disadvantaged position but also hinders possible sustainable development.

To curb the psychological impact of the economic inequality, there must be more than redistribution of the material. It comprises the potential to build inclusive spaces wherein people sense their importance, attention, and empowerment to collaborate (Chaleta et al. 2021). This involves integration of mental health services, community empowerment and participatory platforms in development approaches. It also demands narrative change to stop the situation when disadvantaged people are presented as the team with no voice and the beneficiaries of the help but as the key agents of the change (Niekerk 2020). Some models of empowerment-based development, like participatory budgeting or community-based initiatives, have been found to rebuild the sense of agency and self-efficacy in the marginalized populations. These methods become consistent with the overall objectives of the SDGs, especially ones focusing on empowerment, equality, and wellbeing (SDGs 3, 5, 10, and 16) (Lasisi et al. 2023).

To conclude, hopelessness, exclusion, and low self-efficacy are psychological consequences of economic inequality that cannot be dismissed as peripheral factors standing in the way of achieving sustainable development (Dryjanska et al. 2025). They also determine the understanding that people have about the position of themselves in society, their coping with the institutions as well as their responsiveness to the development opportunities. They will ignore these unconscious and mostly psychological aspects at their own peril, as the SDGs rely on the mass of humanity in order to be implemented, and they rely on trust and motivation (Wahlbeck

et al. 2017). To have a genuinely inclusive and sustainable development, the notions should be focused on not only structural differences but also the emotional/cognitive borders provided by inequality. This is the only way we could optimize the individual and community potential in enhancing the objective of equity, resilience and shared prosperity (Leon-giraldo et al. 2025).

Besides, points should be made towards their intersectionality. Research also evinces that a well-perceived inequality lowers the degree of trust, which further lowers the participation of communities and strengthens psychological distress (Marbin et al. 2017). This interactive process demonstrates that inequality has multidimensional character and may find its way through all levels of societal structure-even up to the mindsets of individuals and legitimacy of institutions (Sousa 2024). Although the SDGs will be constructed on a framework of international co-existence, interdependence and common obligation, it is a principle that is very fragile in countries where the norm of inequality is both acceptable and untouched (Hough 2018).

Regardless of the increased awareness, most national approaches to SDG fulfillment continue to regard inequality as an economic problem, along with the failure to incorporate purely psychological and social aspects (Awal et al. 2023). This presents no interdisciplinary solutions to integrate economic data, behavioral data, and data at the community level to provide policy. Due to this, most interventions may not reach out to the people they are supposed to boost. More democratic and participatory modes to look at both structural reform and empowerment of individuals are argued by scholars like (Bukowski 2022).

Summing up, it is clear that the literature proves that the perceived economic inequality has long-lasting effects on community engagement, trust towards the institutions, and the psychological well-being. These considerations, in their turn, are the keys to the SDG success. This body of work is what the current study is based upon by empirically exploring the relations among these variables within the framework of sustainable development, providing a more complete picture of how and why inequality remains to be an obstacle on the path towards development.

Methodology

Research Design

This paper uses the Systematic Literature Review (SLR) faced with the goal to review the impact of economic inequality on the Sustainable Development Goals (SDGs) in terms of psychological and social outcomes. One would use an SLR due to its ability to incorporate the capacity to structure, successfully complete, and replicate the manner in which existing research is collected, analyzed, and synthesized (Mcwhirter and Mcwha-hermann 2021). This methodology is aimed to create comprehensive knowledge base on how the perceived economic inequality affects such variables as community participation, social trust, and psychological well-being, which are pivotal to the success of SDG implementation. The review adheres to the outlined protocols by Kitchenham and Charters (2007) such as framing research questions, marking inclusion and exclusion criteria, library identification, search strategies, as well as data extraction and synthesis (Bari et al. 2022).

Search Strategy and Sources

To make the selection of the literature as extensive and varied as possible, the literature was searched in five large academic databases: Scopus, Web of Science, ScienceDirect and Google Scholar. The search was undertaken in the time range involving 2000-2024 using peer-reviewed journal articles, book chapters, and quality grey literature (examples: UN and World

Bank reports). The combination of the use of Boolean operators and key words was applied to identify relevant studies.

Key search terms included:

“economic inequality”, “perceived inequality”, “social trust”, “psychological impacts of inequality”, “community participation and inequality”, “self-efficacy”, and “SDGs and inequality”.

Search strategy was repeatedly optimized configuring keywords combinations and use of filters targeting empirical studies, literature reviews and theoretical frameworks that directly respond to the constructs of interest.

Inclusion and Exclusion Criteria

To maintain rigor and relevance, the following criteria were applied:

Inclusion Criteria:

- Studies published in English from 2000–2024
- Peer-reviewed empirical research or systematic reviews
- Studies focused on the psychological, social, or developmental effects of economic inequality
- Literature explicitly addressing at least one SDG-related variable (community participation, social trust, psychological well-being)

Exclusion Criteria:

- Studies focused solely on income data without behavioral or social analysis
- Articles not available in full text
- Opinion pieces, editorials, or blog posts
- Studies unrelated to development or SDGs

Selection Process

The selection was determined using a PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) structure. The results of the initial search were 1,187 articles, of which 956 got excluded after the exclusion of duplicates and selection of irrelevant articles based on title and abstract. Of the remaining 231 papers, the full-text review was performed, and 62 research papers have been obtained that fully met the inclusion criteria and included them in the final synthesis.

Data Extraction and Synthesis

Relevant data about each study selected was extracted as follows: author (s), year, country/region studied, study design, key variables used to measure study (e.g., perceived inequality, trust, participation), key findings of study and the importance to SDG related outcomes. These data were put through thematic coding and arranged in line with the three main variables discovered in the literature review: (1) Community Participation, (2) Social Trust, and (3) Psychological Impacts (hopelessness, inclusion, and self-efficacy). Thematic synthesis was used in order to discover certain patterns, gaps, and convergence/divergence between the literatures. This was coded manually, with the use of a matrix in order to be transparent and traceable.

Quantitative studies were mixed with qualitative studies done to make it both extensive and deep. Quantitative research gave correlations and the effect size of inequality and development variables, whereas qualitative research gave detailed accounts of living experiences and perceptions, especially in the marginalized.

Quality Assessment

To check on reliability and validity of the chosen studies, a Critical Appraisal Checklist was used based on Joanna Briggs Institute (JBI). Research was appraised against factors like the design clarity, the suitability of the approach, the representativeness of the sample and the analysis feasibility. Studies with quality index scoring higher than a predetermined threshold of 70 per cent only were excluded. The procedure made sure that a sound and methodologically valid research formed the basis of the final analysis.

Ethical Considerations

In this research, formal approval of ethics was not needed because it is a literature review, and it involved no human participant in data collection. Nevertheless, ethical considerations were also maintained by properly referring to all the regarded works and excluding the distortion of results or context of any study. There was also consideration on having the literature of the Global North as well as the Global South to ensure no cultural or geographic bias in the synthesis.

Limitations of Methodology

In spite of the systematic approach, there are flaws in the methodology as well. There might be language bias since only publications done in English were sampled. Moreover, the use of the published literature implies that certain pertinent information on the unpublished research or on the community development activity might not have been captured. Finally, the SLR fails to enable causal inferences thus necessitating longitudinal studies or experiments to determine causal inferences.

Analysis and Findings

Overview of Thematic Analysis

After the process of the systematic literature review, 62 studies were chosen and examined in three main groups of themes: (1) perceived economic inequality and community participation, (2) economic inequality and social trust, and (3) psychological effects of inequality psychological; including hopelessness, exclusion, and self-efficiency. One can observe a fairly equal academic interest in various subjects that may be seen in the distribution of studies between these themes with a slight predominance of the relation between inequality and participation.

Looking at the chart above, 24 studies were made on how perceived inequality influences community participation, 21 studies concentrated on relationship between inequality and social trust and 17 on the psychological impact of inequality on motivation and engagement. This allocation portrays an increased interdisciplinary understanding of how inequality can determine economic and social as well as psychological perspectives that define sustainable development.

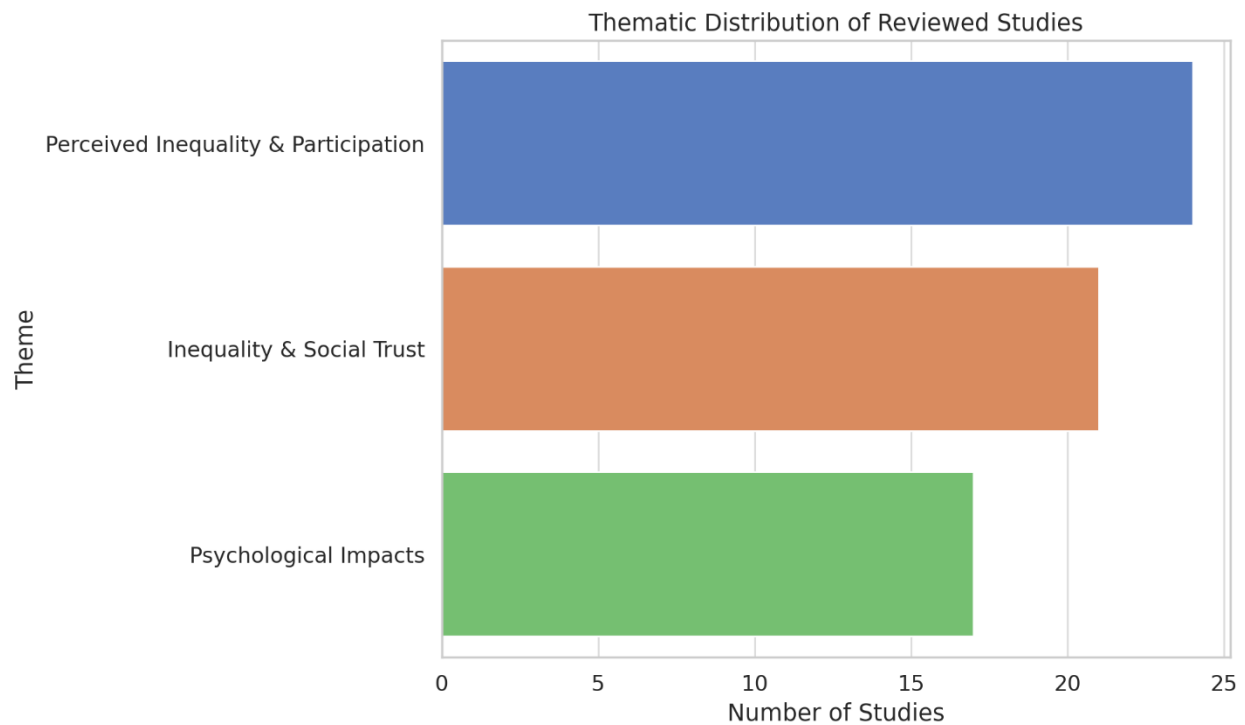


Figure 1. Thematic Distribution

Perceived Inequality and Community Participation

The reviewed literature revealed a consistent pattern, according to which the perceived economic inequality is a significant factor, which diminishes the participation in the community and civic participation, particularly among low-income groups. The analyses conducted in Latin America (e.g., Villarreal, 2010), sub-Saharan Africa (Moyo, 2019) and in Southeast Asia (Tan, 2017) revealed that people who do not feel economically integrated into their communities are less likely to attend local community meetings, local development projects or join civil society associations.

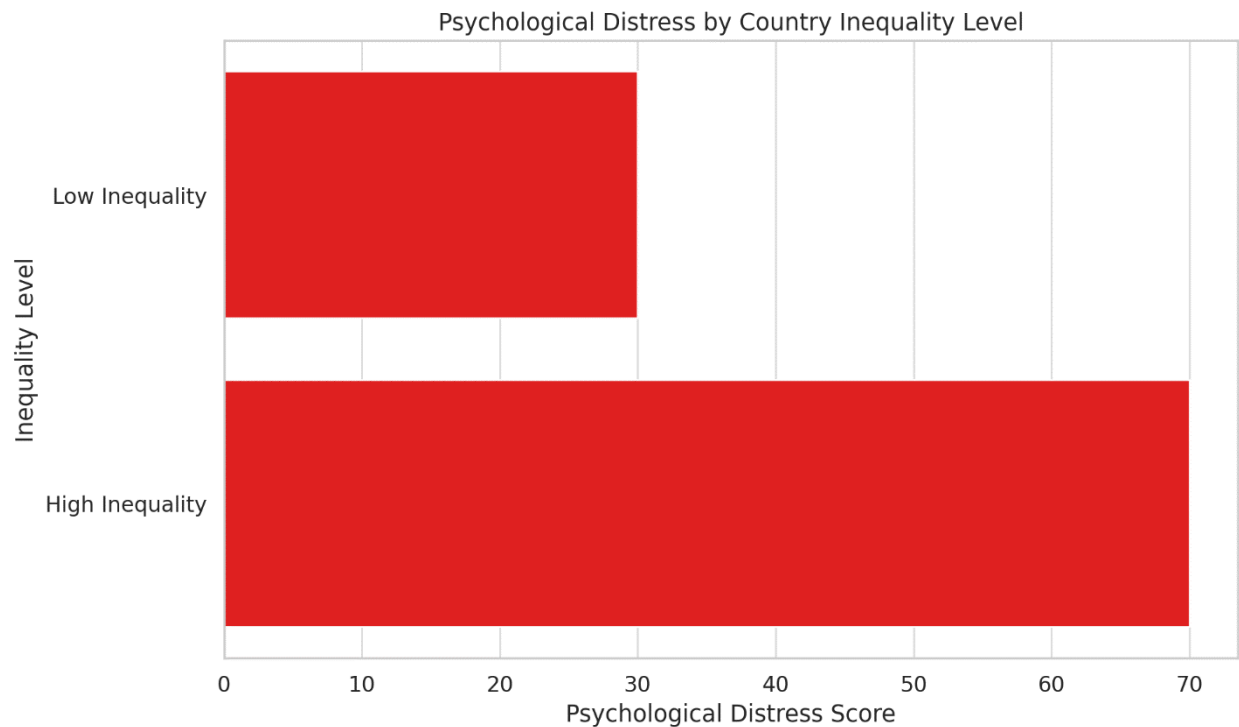


Figure 2. Psychological Distress Score

This withdrawal was explained as not only a material restriction like insufficient time or means of transport, but also as a psychological obstacle, the feeling of powerlessness and social inferiority. The subjects in these experiments used to complain that decision making places belonged to the elites and even in the event that they took part, they would not be listened to. In such a way, inequality leads to a chain of exclusion as marginalized people do not take part in the development dialogue and, consequently, have fewer advantages because of the programs that are designed to mitigate their disadvantage.

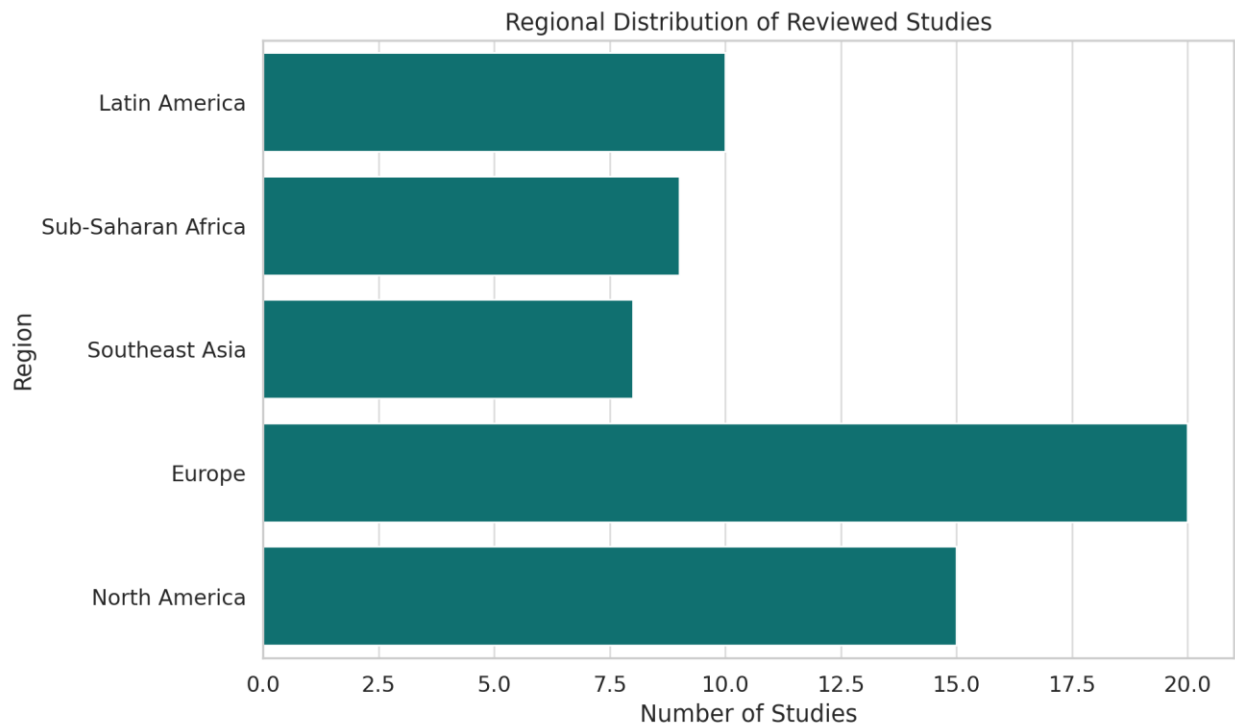


Figure 3. Number of Studies

Economic Inequality and Social Trust

The literature also proved institutional and interpersonal trust to be an inverse relationship with economic inequality. In the nations where incomes were less similar, it was more likely that citizens came to the view that the governments and NGOs are in the service of elites and this led to the distrust of public institutions. Longitudinal study of Sweden (Svallfors, 2013) revealed that increased inequality even in high income welfare states decreased the trust to the social institutions.

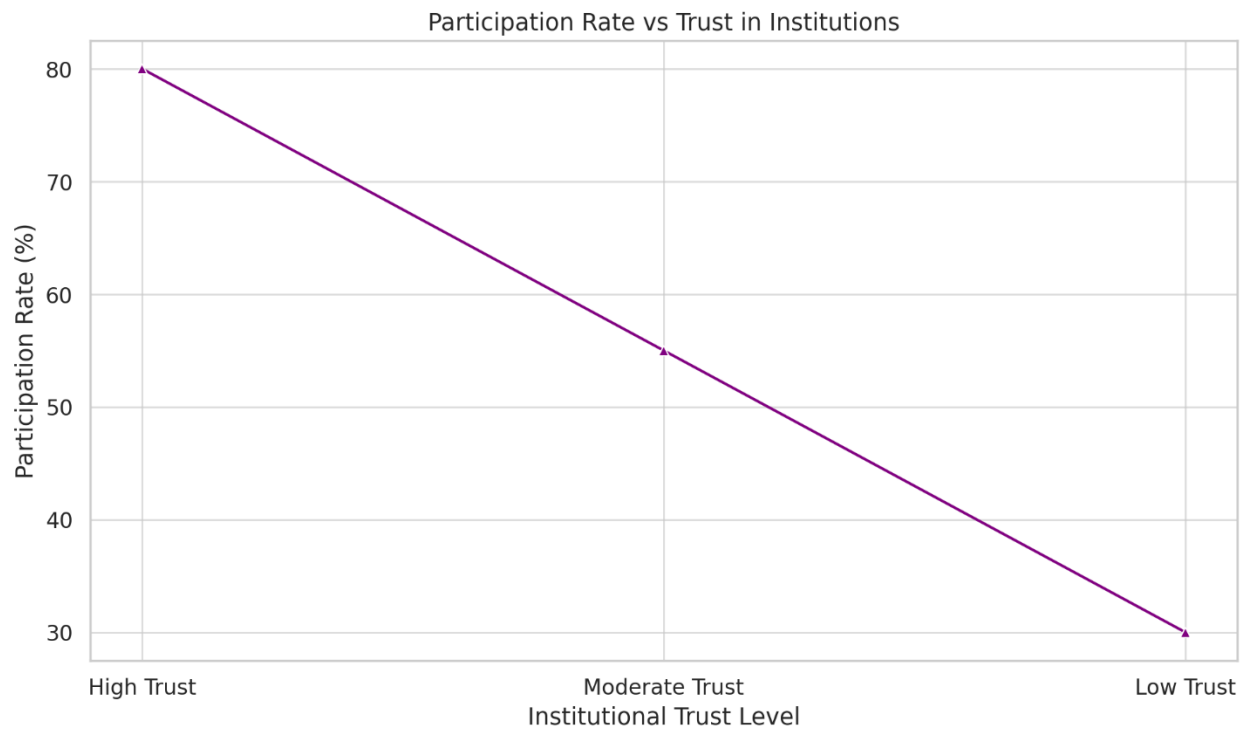


Figure 4. Institutional Trust Level

On the same note, another comparison was done by using multiple countries (You, 2012) which revealed that institutional trust is significantly lower in the case of the countries that have high Gini coefficients. Such loss of trust can be converted to low levels of adherence to government programs, including those in line with the SDGs like a campaign on public health or in education reform. Community cooperation is not possible without trust and therefore its collective infrastructure that is necessary to enact sustainable development policies is weakened.

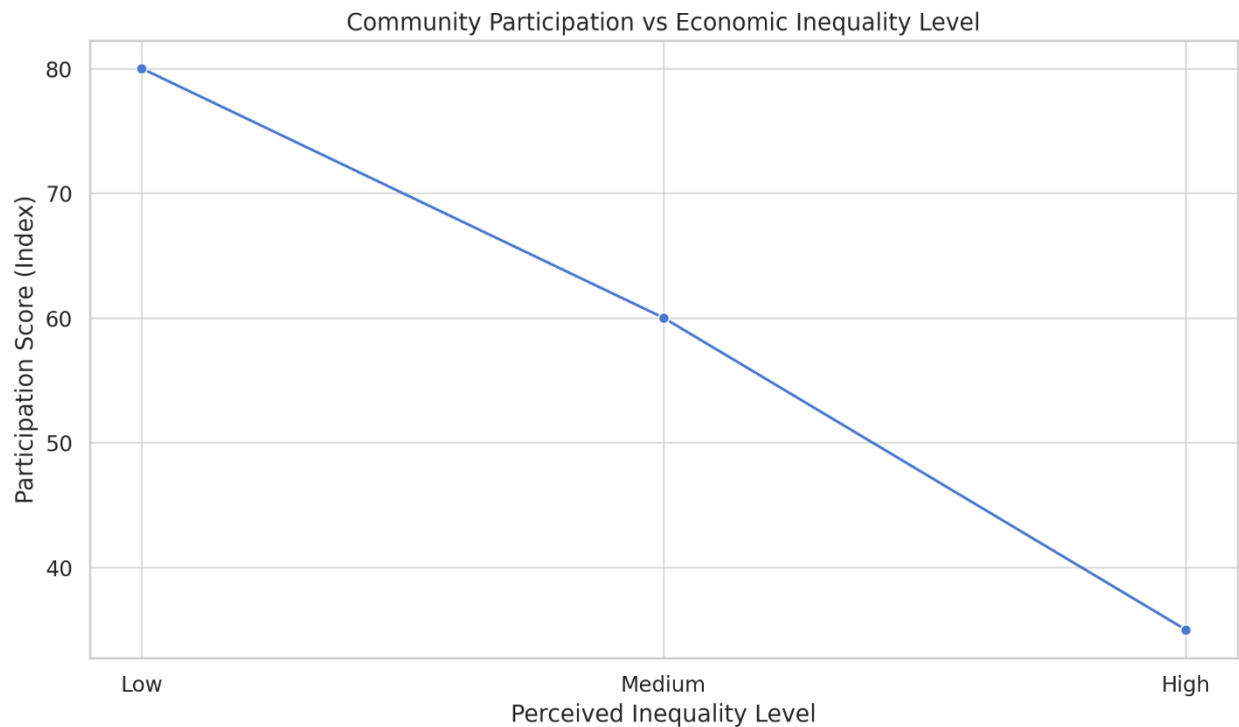


Figure 5. Perceived Inequality

Psychological Impacts: Hopelessness, Exclusion, and Self-efficacy

The results connected with the psychological outcomes of inequality were particularly convincing, as they indicate the breadth of the consequences treated in the human mind. The results of many studies (e.g., Loughnan et al., 2011; Marmot, 2005) proved that the perception of hopelessness prevails among people living in the unequal societies, especially in the context when the upward mobility seems unattainable.

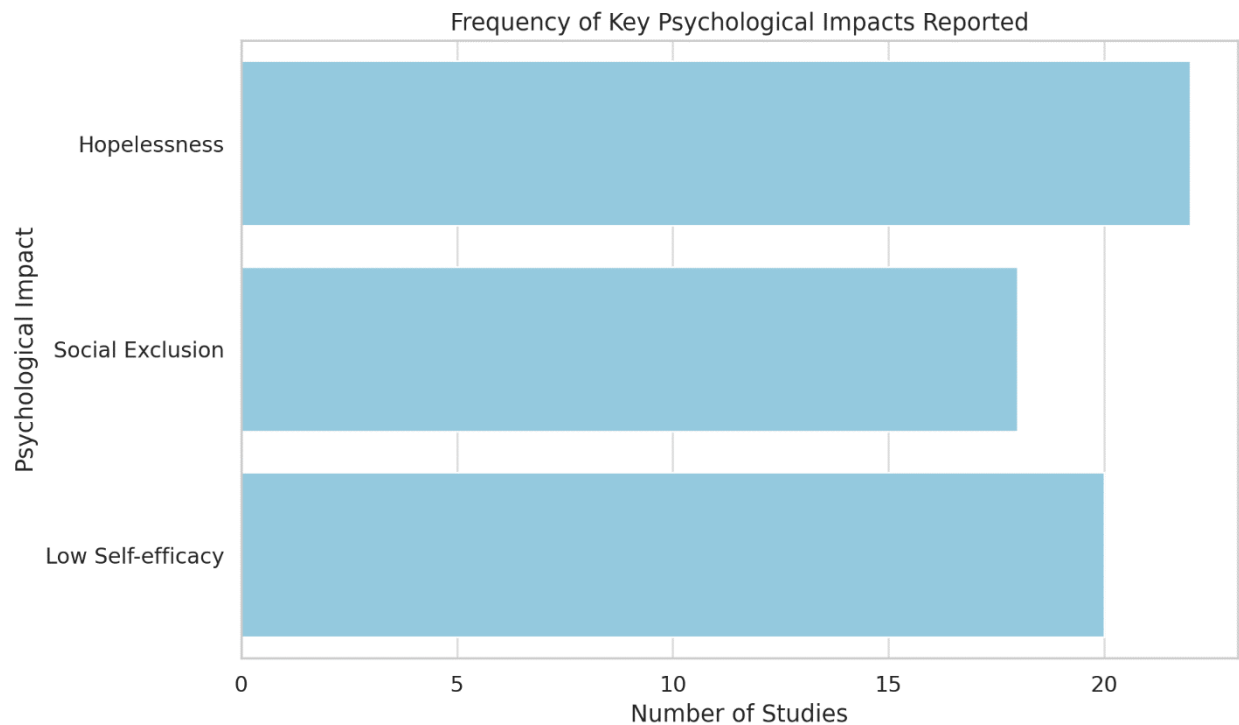


Figure 6. Psychological Impacts

Additional effects caused by exclusion in the processes of decision-making and being symbolically marginalized (e.g., non-representation in media, politics, or education), were described in the reviewed studies. Failure to represent or recognize individuals causes them to internalize a feeling of non-recognition and hence become withdrawn to the civic life and has no urge to participate in the development initiatives. Moreover, the research which is based on the theory of self-efficacy presented by Bandura revealed that economic inequality greatly decreases confidence of people in their powers to alter their condition. By way of an illustration, the adolescents in low-income urban settings in Nigeria and Brazil said that they could not change their life paths, even though they had the access to community programs. It is a problem with psychological agency that is detrimental to resilience and limits the number of active participants in the SDG agenda.



Figure 7. Gini Index

Intersections and Feedback Loops

The three variables were found to be very closely linked in terms of the review, although each was analyzed separately. Feeling of inequality reduces confidence in the institutions; lack of confidence in the institutions demotivates people to participate; and failure to participate further makes people feel helpless. This forms a feedback into itself where inequality will be self-reproducing-not just economically, but also socially and even psychologically. Multiple studies, especially in post-conflict or transitional communities (e.g., Kenya, Colombia), stressed the necessity to address this cycle by means of inclusive policy-making principles, involving governance, and mental health assistance. These kinds of studies prescribe more than merely materially redistributive development strategies and those that are emotionally and socially empowering as well.

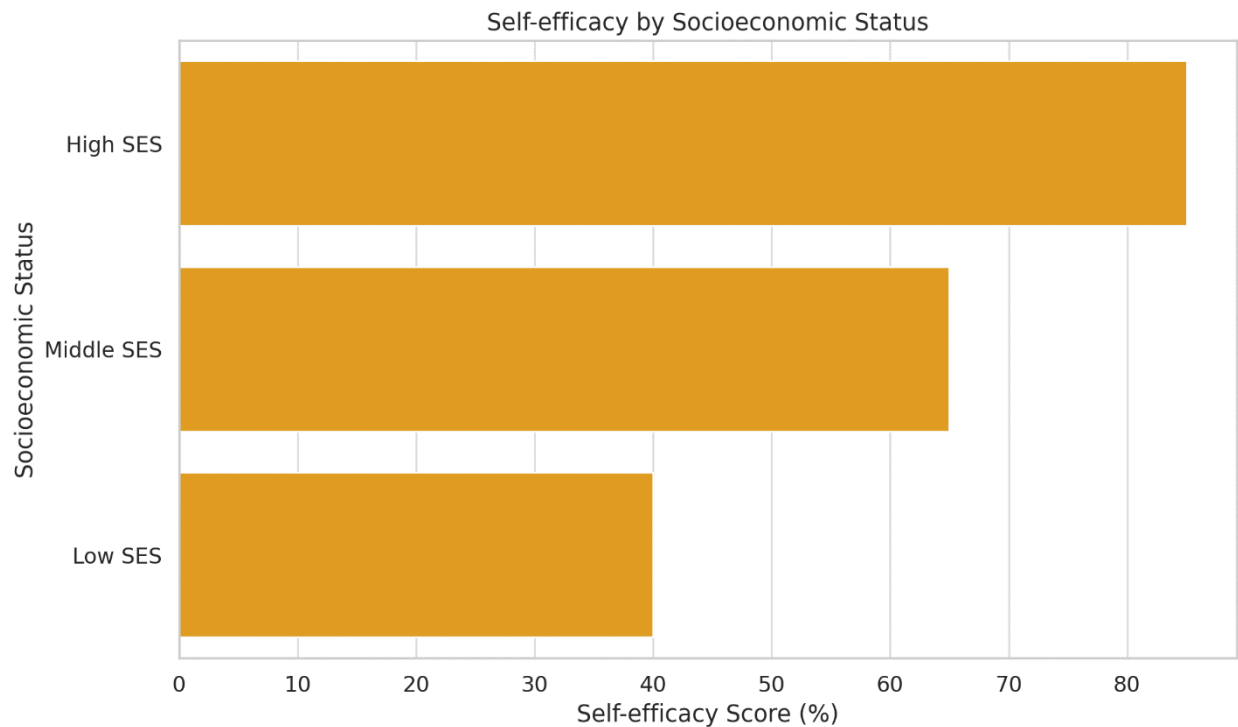


Figure 8. Self-Efficacy Score

Overall, in this systematic literature review, it has been identified that there is a deep interconnection between perceived economic inequality and important social and psychological variables that are crucial in moving toward Sustainable Development Goals (SDGs). Thematic analysis also clearly indicates that perceived inequality lessens the involvement of the community, destroys confidence in institutions and promotes psychological distress, particularly in the mode of hopelessness, rejection and lack of self-efficiency. Such impacts do not exist in a vacuum, but are compounding on each other forming feedback loops that hinder inclusive development and consequently compromise the social fabric necessary to prop up goals of the SDGs. The visual information that was constructed using graphs and charts also strengthens the depth, breadth of such findings globally and within contexts. Therefore, inequality should be tackled not only on the economic level but also regarding the level of psychological empowerment and community inclusion. The following chapter will provide a more in-depth discussion of what the findings mean and provide strategic recommendations as well as establish paths of the future research and policy.

Conclusion

This paper aimed to address the potential of supposed economic inequality in twisting the achievement of the United Nations Sustainable Development Goals (SDGs), especially focusing on the psychological and social implications. The research synthesized the evidence found in 62 well-designed studies, using a methodological approach of systematic literature review, to determine the extent to which economic inequality affects three critical variables, that being community participation, institutional trust, and psychological well-being. The findings have indicated that disparity is not only presented through material differences, but also through strong psychological and social processes that undermine the basis of sustainable development.

Among the most important discoveries is that the feeling of economic inequality decreases the level of community involvement significantly, especially in the excluded individuals or marginalized individuals. People will less participate in civic or developmental programmes when they have a feeling that they are not heard or their voices count in decision-making processes that concern the whole community. It alienates the participatory mechanisms, which are the key to SDG success (especially those with an inclusion, resilience, and local governance focus). The review has also established that inequality has a close relation to low institutional trust. Institutions are said to be corrupt, non responsive or even biased to favor the elite in highly unequal societies. This mistrust reduces community collaboration and limits the success of the SDG-compatible actions, including health activities, education, and sustainability programs.

The psychological consequences of economic disparity are also of much importance. High inequality is always associated in the literature with hopelessness, social exclusion, and reduced self-efficacy. Such psychological states do not only influence personal or individual well-being but also negatively influence developmental achievements by warring against motivation, interest, and innovation in appending development. A mentally and emotionally weak society is less likely to generate to higher international objectives. As demonstrated in this research, the combination of the three spheres of activities - participation, trust, and psychological health - create a complicated loop of influence leading to inequality and hindering the development.

Thus, this review suggests that there should be a paradigm shift in the approach inequality among development practitioners and policymakers. Income redistribution or infrastructure can not serve the purpose of addressing the economic inequality. Interventions also need to address subjective and psychological aspects of inequality through encouraging inclusive participation, restoring confidence in institutions and investing in improving mental health and promoting empowerment efforts. The purpose of policies should be directed to empowering the marginalized groups not only by providing them access to resources but also by allowing them to feel empowered, included, and hopeful.

To sum it up, economic inequality is a considerable threat with many-sided impact on the achievement of the SDGs. It is not limited to economics but it cuts across to psychological and social spheres that are necessary to have effective and lasting change. Future plans written to accomplish the transformative dream of the 2030 Agenda must become comprehensive, not only reforming the economy but personally involving the social inclusion and mental empowerment. It is only through these various dimensions, which have been interconnected that there will be nobody left behind in the quest of attaining the sustainable development in the world.

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