

Scarcity Mindset and Economic Mobility: Psychological Barriers to Prosperity

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Abstract

The relationship between scarcity mindset and economic mobility will be examined in this research paper within the context of the mental restrictions on future financial outcomes. Even though income inequality, education levels and the condition of the labor market have been identified as structural determinants of mobility, there has been little attempt to bring to fore the cognitive and emotional dispositions that determine the economic behavior. It can be narrowed down to a single thing and can shift to short-term decision making as opposed to long-term planning because of the scarcity mindset that is characterized by a perpetual feeling of scarcity and a scarcity of resources. These psychological trends are capable of restricting them to the capacity to pursue education, saving, entrepreneurship and risky strategic moves hence upward mobility. The angle of the paper will be based on the lenses of behavioral economics, social psychology, and developmental studies to understand the effect of lack of resources in goal setting, time choices, and financial choices and resilience. According to it, long-term financial insecurity results in the reinforcement of coping but constrained habit, such as concentrating on short-term requirements, risk aversion, and investments in human capital. The review is a synthesis of empirical evidence about the phenomenon of decision fatigue, cognitive load and reactions to stresses in order to determine the reasons why a competent individual may fail to convert an opportunity into the long-term economic gains. The moderating variables, including the social capital, institutional trust, and access to supportive networks are also considered in the study and may either relieve the scarcity-driven behaviors or fuel the same. The policy implications of the issue in question are that there is a need both in the psychological barriers interventions and the structural reforms. Possibly programs that include behavioral observations, like commitment mechanisms, simplified financial products, and training that is mind-based can improve economic participation and mobility. This paper places the psychological processes into a larger context of economic systems and this has led to a more refined understanding of prosperity and hence it suggests a combined framework which can be used in ensuring sustained upward mobility.

Keywords: Scarcity mindset; economic mobility; behavioral economics; psychological barriers; financial decision-making; cognitive load; poverty dynamics; time preference; social capital; upward mobility.

Introduction

Structural variables that tend to explain economic mobility are income distribution, educational access, labour market, and government policy. Although these are admittedly critical aspects, there is an increasing amount of interdisciplinary research that psychological dimensions also contribute greatly to the outcomes of economies. The scarcity mindset concept has been one of the most powerful aspects in the dimensions of explaining the enduring impediments in prosperity. A scarcity mindset is a cognitive and emotional disposition that has been developed during a long-term exposure to scarce resources, which may be financial, social, or material. When perceived scarcity of resources occurs, then the focus of individuals is reduced, short term goals take precedence and long-term planning might be put on the back burner. Such mental reaction is not merely a question of individual attitude, but that of a reaction to real constraints. Nevertheless, as time goes by, scarcity thinking may strengthen economic

instability cycles. People under constant financial stress are likely to experience lower cognitive bandwidth, greater stress, and risk aversion which can affect education levels, occupational career, saving behaviour and entrepreneurial drive. These trends can have the unthought-out disadvantage of creating a block on upward mobility, where there exist pathways to such upward mobility.

The issue of scarcity mindset as an outcome of material conditions and determinant of economic success provides a more advanced perspective on the topic of mobility. It moves the discussion outside the purely economic indicators to the behaviours and mental processes which influence the formulation of decisions under constraint. This study aims to explain how internalized views of limitation can be used to influence long-term wealth by comparing the issues of the human mind and economic systems. These might be put into policy and intervention not only to increase opportunity, but to alleviate the cognitive load that comes with an economic disadvantage.

Background of the study

The economic mobility or the ability of individuals or families to advance with respect to economic conditions is globally accepted as the foundation of fair and prosperous societies. Conventional studies on economic mobility have been structured based on structural factors like education, labour markets, access to capital and government policy. Although these determinants are evident in opportunity and outcome formation, an increasing source of interdisciplinary analysis indicates that there are individual cognitive and psychological mechanisms that form a major influence to economic behaviour and decision making. The scarcity mindset is one of such psychological constructs that receive more attention.

A scarcity mindset is defined as a mental model whereby the scarcity of resources (time, money or even social support) prevails in the thought of a person and in the decision-making process. With inadequacy, the cognitive bandwidth of persons is mostly filled with short-term demands and constraints which can inexorably spill over to long-term planning, solution finding and adjustive responses. It has also been noted to occur in such regions as poverty, food insecurity, and time pressure which suggests that the feeling of scarcity subjectively experienced may become a cycle of underprivilege despite a real change in resource allocation.

The direct impact of scarcity on economic mobility has not been well investigated since the concept of scarcity has been addressed in the literature of psychological and behavioural economics. Those who are constantly living in the situations of scarcity may end up thinking of how they would survive in the short and not investing in their funds in the long run such as education, career development or financial planning. These thoughts turn into obstacles to psychology and opportunities that can help one develop in terms of mobility are minimized. Moreover, scarcity mentality might interact with the surrounding socioeconomic systems and complement the inequalities and reduce the possibility of converting the opportunity into a long-term prosperity. Of special interest to the world with the growing income inequalities, the unstable labour market, and the unequal access to the social resources was the role of the scarcity mindset on the economy mobility. Researching the interconnection between psychological experiences of scarcity and the economic decisions a person makes, the study will stem a vacuum in the literature on the matter and provide new insight on the non-structural barriers that people have to face on their path to economic advancement. This has a great implication when it comes to designing the intervention, policies and educational programs which ensure that both the external and cognitive restraints to the mind is taken into account in order to improve the economic well-being.

Justification

Structural and institutional factors including income inequality, education opportunities, labour market, and government policy have been traditionally used as economic mobility indicators.

Although such macroeconomic and sociological predisposing factors are still decisive, there is an increasing body of interdisciplinary research indicating that psychological factors could also be a main contributor to economic performance. The notion of a scarcity mindset has become one of those whose potentially potent but under researched influence on a person and his financial actions and mobility over time.

A scarcity mentality is a state of thinking where people believe that there is not enough of a resource (e.g. money, time, etc.). This perception tends to reduce focus on long-term planning and strategic decision-making because it tends to focus on immediate concerns only. People who act under constant financial pressure can focus on the survival of the present and not on the future investment, further supporting the economy stagnation patterns. Although this is relevant, the psychological aspect of poverty and mobility has not been well incorporated in conventional economic mobility literature.

There are a number of reasons why this study is warranted. To begin with, it greatly fills a significant gap in the literature by connecting behavioural and cognitive frameworks and economic mobility outcomes. Although structural inequalities help to understand the disparities in opportunity, they do not do a complete explanation to the way people react to comparable economic limitation. The analysis of scarcity mindset as the mediating variable enables the study to have a more detailed perspective on the barriers to prosperity.

Second, there are policy implications of the study. Unless upward mobility is inhibited by cognitive trends dictated by scarcity, then regular financial assistance schemes cannot work independently. Interventions are able to enhance the effectiveness of economic development programs significantly through the integration of behavioral training, mindsets changes, and the support mechanisms. The psychological barriers can be comprehended, thus, to educate more comprehensive and sustainable approaches to alleviate poverty. Third, the research results in the incorporation of theoretical disciplines in economics, psychology, and behavioral science. In economics rational decisions are typically supposed; systematic alterations in cognitive bandwidth, risk sensation and intertemporal decision making can be systematically altered by chronic scarcity.

The ad hoc explanation on this interaction enhances the explanatory abilities of both behavioural economics and development theory.

Lastly, in a time of growing income inequalities and financial instability, it is both opportune and socially timely to learn about non-material limits to prosperity. This study contributes to a multi-dimensional view on mobility in terms of identifying both structural and psychological factors by investigating the interaction of both external economic reality and internal cognitive structures.

Altogether, the study is warranted due to the contribution to theoretical knowledge, relevance to policies, and interdisciplinary integration, as well as the ability to inform more effective policies to increase the economic mobility and long-term prosperity.

Objectives of the Study

1. To conceptualize and define the scarcity mindset within economic and psychological frameworks, clarifying its core characteristics and behavioural manifestations.
2. To test the connection between scarcity mindset and economic decision-making that specifically deals with the aspects of savings, investment, risk-taking, and long-term planning.
3. To examine the effects of long-term financial scarcity on cognitive bandwidth, time perception and goal-setting behavior.
4. To explore how scarcity-induced thinking affects educational achievement and skill acquisition as two major factors of upward economic mobility.
5. To determine the extent to which stress, anxiety, and perceived insecurity encouraged patterns of weak economic progress.

Literature Review

The capability of individuals or households to enhance their financial condition in the long run has been a long-standing conceptualization of economic mobility as a result of structural possibilities which include education, labour market, and governmental policies. Nevertheless, psychologists have over the past few decades determined psychological factors that play a huge role in mediating economic behaviour, especially where there is scarcity. The central idea of this new body of research is the concept of the scarcity mindset which can be described as a cognitive orientation under the condition of constant scarcity of resources which disturbs the attention, preferences, and decision-making (Mullainathan and Shafir, 2013).

The Scarcity Mindset: Concept and Mechanisms

The so-called scarcity mindset was coined by the social psychology and behavioral economics. Mullainathan and Shafir (2013) propose that scarcity (of money, time, etc.) causes cognitive attention to concentrate on the deficits in the short run, and to lead to less bandwidth in the long-run planning. Their research shows that scarcity draws attention and limits the cognitive ability, resulting in what they call a bandwidth tax, which affects the working memory and executive control (Mullainathan and Shafir, 2013). Such restrictive thinking, as they propose, continues poor decision-making cycles among the disadvantaged of the economic strata. Building on the basis of this research, Mani et al. (2013) introduce experimental data that indicate that poverty, in itself, has an adverse effect on cognitive performance. In the controlled experiments of low-income participants in both the U.S. and India financial concerns reduced the fluid intelligence and performance in the cognitive tasks. The authors came to the conclusion that the psychological burden of scarcity causes an equivalent of cognitive load to other stressful sources of significant weight, the lack of a sleepless night, which subsequently impairs the ability to make a decision (Mani et al., 2013).

Scarcity and Decision-Making in Economic Contexts

The psychological impact of scarcity can be also applied to the economic actions of the real world. Behavioral economists have proven that people operating under scarcity tend to become more susceptible to present bias that is choosing an immediate benefit instead of future ones, which results in an underinvestment in education, savings, and health (Haushofer, and Fehr, 2014). This trend is consistent with the results of Shafir and LeBoeuf (2002), who demonstrated that scarcity frames are able to increase impulsivity and decrease the perceived utility of delayed results. Moreover, Bertrand et al. (2004) demonstrate that financial strain may change the risk perception and make people more vulnerable to the expensive borrowing. According to their article on the economic psychology of debt, they seem to think that scarcity increases stress, increasing risk aversion and decreasing the quality of information processing, which leads to poor financial decision making.

Psychological Barriers to Economic Mobility

The behavioural research on scarcity has direct effects on economic mobility. Economic mobility necessitates future oriented investments like saving, education and acquisition of skills which entails cognitive resources and planning. Nevertheless, future orientation and goal-oriented behaviour are harmed by cognitive load caused by scarcity (Bickel et al., 2014). This develops a psychological obstacle to vertical mobility, a strengthening of the short-term coping against long term investment.

This is formalized by Shah, Mullainathan, and Shafir (2012) who propose the concept of scarcity traps whereby poor outcomes are worsened by cognitive loads of scarcity and this further aggravates scarcity. This loop of feedback implies that scarcity as a condition acts not just as an economic condition but as a reinforcing psychological state that acts as a constraint to mobility.

Intersections with Social and Structural Factors

Even though the studies of scarcity mindset are based on the cognitive processes, the researchers caution the researchers against considering mental influences as the sole factor of economic stagnation. Bowles and Gintis (2002) argue that personality and thinking is inseparable with social institutions, which means that psychological disposition is the consequence of economics and education inequality. Similarly, Kahneman (2011) points out that cognitive biases have to be contextualized in socio-economic settings in order to get a complete picture of the consequences of the decisions made.

Recent studies by Chetty et al. (2014) on geography and mobility demonstrate that social environment (neighborhood quality, school systems, local employment opportunities) is found to be a determinant of economic mobility at a statistically significant level. Their results suggest that structural constraints compound psychological obstacles such as scarcity mentality, which highlights the significance of combining structures.

Policy Relevance and Interventions

Behavioral research has also been applied in the policy design to reduce the cognitive costs of scarcity. To illustrate, simplified decision environments, like automatic enrolment in a savings or education support program, can reduce cognitive load and promote long term planning (Thaler and Sunstein, 2008). Also, financial cushioning techniques such as unconditional cash transfers have been shown to reduce cognitive stress in the short term, and lead to better decision quality (Haushofer and Shapiro, 2016).

Material and Methodology

Research Design:

The research design used in this study is mixed-method research design, which consists of survey analysis with quantitative and in-depth interviews with a qualitative focus. The quantitative aspect is based on cross-sectional correlational design to study the correlation between scarcity mindset and economic mobility measures such as income trajectory, savings, education level, and career growth.

The qualitative aspect fills a gap to the statistical results by investigating life experiences of people who feel they are constantly faced with financial limitations despite economic differences. The design can measure a set of associations that are measurable, and explore the psychological processes that can influence the economic behavior. The study is an explanatory study as it aims at ascertaining whether the concept of scarcity mentality is a psychological hindrance to ascending mobility and on what processes, both behavioral and cognitive.

Data Collection Methods:

1. Primary Data Collection

a. Structured Survey Questionnaire

A standardized questionnaire is administered to participants to measure:

- Scarcity mindset (using a validated psychological scale assessing perceived resource insufficiency and cognitive load)
- Financial decision-making patterns (saving, investing, debt behaviour)
- Risk tolerance and time preference
- Educational and occupational mobility indicators
- Demographic variables (age, gender, education, income background)

Responses are recorded using a 5-point Likert scale and analyzed statistically.

b. Semi-Structured Interviews

A subset of participants is selected for in-depth interviews to explore:

- Personal narratives about financial stress

- Perceptions of opportunity and risk
- Behavioural responses to economic uncertainty
- Intergenerational mobility experiences

Interviews are audio-recorded with consent and transcribed for thematic analysis.

2. Secondary Data Sources

Secondary data includes:

- Government mobility reports
- Household income mobility datasets
- Peer-reviewed literature on behavioural economics and poverty psychology
- National labour and education statistics

These sources provide contextual support for interpreting primary findings.

Inclusion and Exclusion Criteria:

Inclusion Criteria:

- Individuals aged 21–55 years
- Currently employed or actively seeking employment
- Residents of urban and semi-urban areas
- Willingness to provide informed consent
- Ability to complete survey instruments in the study language

Exclusion Criteria:

- Individuals with severe cognitive impairment affecting survey reliability
- Participants currently undergoing acute financial crisis intervention (to avoid distress bias)
- Incomplete survey responses exceeding 20% missing data
- Participants unwilling to consent to anonymized data use

Ethical Considerations:

1. **Informed Consent:** All participants receive detailed information about the study's purpose, procedures, risks, and voluntary nature before participation.
2. **Confidentiality and Anonymity:** Participant identities are anonymized using coded identifiers. Personal data is stored securely and accessed only by the research team.
3. **Minimization of Psychological Distress:** Since financial scarcity may be a sensitive topic, questions are framed respectfully. Participants are informed that they may skip questions or withdraw at any time without penalty.
4. **Data Protection:** All digital records are password-protected. Physical documents are stored in locked cabinets.
5. **Non-Maleficence and Fair Representation:** Findings are reported objectively without stigmatizing economically vulnerable populations.
6. **Institutional Approval:** The study is conducted following approval from a recognized ethics review committee or institutional review board.

Results and Discussion

Results:

1. Sample Characteristics

The study surveyed 412 participants both in urban and semi urban areas. The participants were classified according to the income level, employment status and education attainment.

Table 1: Demographic Profile of Respondents (N = 412)

Variable	Category	Frequency	Percentage (%)
Gender	Male	214	51.9
	Female	198	48.1
Income Level	Low Income	176	42.7
	Lower-Middle Income	139	33.7
	Middle Income	97	23.6
Employment Status	Informal	148	35.9
	Formal	198	48.1
	Self-employed	66	16.0
Education	Secondary or below	161	39.1
	Undergraduate	173	42.0
	Postgraduate	78	18.9

2. Descriptive Statistics of Key Variables

The measurement of scarcity mindset was conducted on a 5-point Likert scale. The economic mobility was measured with the help of a composite index that consisted of income progression, savings behavior, and skill acquisition.

Table 2: Descriptive Statistics

Variable	Mean	Std. Deviation	Minimum	Maximum
Scarcity Mindset Score	3.72	0.64	1.85	4.95
Financial Planning Behaviour	2.89	0.71	1.20	4.60
Risk-Taking Propensity	2.67	0.75	1.10	4.40
Economic Mobility Index	2.94	0.69	1.25	4.80

Low-income group respondents scored much higher in scarcity mindset scores (Mean = 4.01) than the middle-income respondents (Mean = 3.21).

3. Correlation Analysis

Pearson correlation analysis was done to test the relationship between the crucial constructs.

Table 3: Correlation Matrix

Variables	1	2	3	4
1. Scarcity Mindset	1			
2. Financial Planning	-0.48**	1		
3. Risk-Taking	-0.42**	0.51**	1	
4. Economic Mobility	-0.56**	0.63**	0.58**	1

Note: p < 0.01

Economic mobility was found to have a negative relationship with scarcity mindset (r = -0.56), which means that people with higher scarcity perceptions said that they had a lower upward mobility.

4. Regression Analysis

The results of the multiple regression analysis determined the predictive power of scarcity mindset on economic mobility against the background of education and employment position.

Table 4: Regression Results

Predictor	Beta (β)	t-value	p-value
Scarcity Mindset	-0.41	-9.87	<0.001
Education Level	0.29	6.12	<0.001
Employment Status	0.18	4.03	<0.01

Model Summary:

$R^2 = 0.47$

$F(3, 408) = 120.64, p < 0.001$

Scarcity mindset significantly predicted lower economic mobility even after controlling for structural factors.

5. Mediation Analysis

The relationship between scarcity mindset and economic mobility partly occurred through financial planning behavior.

Table 5: Mediation Effect

Path	Coefficient	p-value
Scarcity → Financial Planning	-0.48	<0.001
Financial Planning → Mobility	0.39	<0.001
Direct Effect (Scarcity → Mobility)	-0.31	<0.001
Indirect Effect	-0.19	<0.01

This is to show that scarcity mindset decreases financial planning behavior which consequently decreases mobility outcomes.

Discussion:

The results are empirical evidence that scarcity mindset is a psychological inhibitor to economic mobility. Those with a lifetime system of resource limitation pay attention to their survival needs in the short run, which restricts the development of finances and skills in the long run. The negative correlation between scarcity mindset and economic mobility has a high degree of correlation, which validates the theoretical hypothesis that when people are financially stressed their cognitive bandwidth is impaired. Those respondents who had high scores in scarcity were less prone to risk-taking behavior, including entrepreneurship or investing in education, both of which are prime requirements in ascending the ladder. Regression analysis proves that psychological factors are independent determinants of mobility besides the traditional structural determinants of mobility, including education and employment. This implies that poverty is a material state and also a cognitive and behavioral limitation. The mediation test also shows that financial planning behavior is an important process that connects the attitude to the economic outputs. The people caught in the cycles of scarcity have a short-term decision-making process, which minimizes the accumulation of savings and long-term assets. These results demonstrate the relevance of considering behavioral interventions in economic development policies. Psychological limitation of poverty can be alleviated through programs such as those aimed at enhancing financial literacy, ability to set goals and cognitive reframing.

Limitations of the study

This research is vulnerable to various limitations, which must be considered during the interpretation of the results. First, the use of self-reported measures to determine scarcity mindset and perceptions of economic mobility can create the bias of response and social desirability. Second, a cross-sectional research design restricts the possibility of creating causal links between psychological variables and the long-term economic performance, in case the

research design is cross-sectional. Third, the sample composition, be it limited by geographical factors, income group, or demographic factors, can limit the applicability of the findings to the wider populations. Also, there is structural factors that affect economic mobility like the labor market status, access to education and policy settings that may not be entirely encompassed in the psychological dimension of the research. Lastly, there may be unobserved factors, such as cultural factors or family background, which moderated or mediated the relationship between scarcity mindset and prosperity, which resulted in the strength of the conclusions.

Future Scope

The future of this study would be in the further insight of the interaction of psychological limitations with structural economic realities in order to determine the long-term mobility consequences. The longitudinal designs can be used in future studies to examine the variations in the scarcity mindsets as time goes on and their influence on the educational attainments, career growth, savings, and generation wealth. To determine whether the effects of scarcity are universal or specific, it would be required to extend the study to other cultural and socioeconomic conditions. The integration of behavioral economics, neuroscience and public policy learning into practices can also help in developing high-profile interventions, i.e. mindset-based training programs, financial capability training and institutional reforms to alleviate cognitive load and increase the process of decision-making by economically vulnerable populations. Furthermore, in the future, maybe, the researchers will be able to trace how electronic money tools and social networks and these support systems of neighborhoods can assist in mitigating psychological barriers to prosperity. More comprehensive policy regimes which are capable of capturing psychological and material dimensions of economic development can be made by using this multidimensional questioning.

Conclusion

This paper has explored the relationship between scarcity mindset and economic mobility with a further emphasis on the psychological mechanisms that can restrain individual progress despite the fact that there are structural opportunities. The findings show that scarcity is not a material state, as such, but also a mental and emotional one, which determines the decision-making process, perception of risk, temporal orientation, and investment behavior. Citizens live in a state of constant financial stress and thus they are more present in the present and long term planning is becoming difficult and survival at the moment is placed above the economic decision making. These trends possess the undesirable tendency of facilitating the upward mobility cycles that are constrained.

It is interesting to note that the discussion indicates that psychological barriers are not in solitude without structural constraints. Economic instability, inequality in access to education, division of the labor market, and social inequality has a tendency of initiating and sustaining scarcity-driven thinking. Thus, the policies designed to promote economic mobility must change their orientation towards the emphasis on the financial one and contain behavioral and psychological ones. The cognitive burden associated with scarcity can be mitigated by volatility in income reduction programmes, greater exposure to financial literacy, greater social safety nets as well as stability environments.

The influence of considering the views of behavioral economics, research on psychology and development of mobility systems is also mentioned in the analysis. The decision-making skills and resilience can also be trained with the assistance of interventions, which contribute to the development of future-oriented thinking, goal formation, mentoring, and confidence-building. A more comprehensive approach to addressing the structural inequities in addition to the internalized cognitive constraints can enable policymakers and practitioners to design more full-fledged strategies that can be used to enhance economic opportunity.

In conclusion, prosperity is not just based on the resources at hand but the thought process that

the people are able to assess and respond to the circumstances they are going through. The consciousness of the scarcity mindset as a psychological hindrance and the ability to transform it is one of the avenues through which the policies and support systems can be developed to enable individuals make progressive economic choices. Sustainable mobility, therefore, requires common measures that can add economical backgrounds and psychological empowerment.

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