BBA 1st Year **Subject- Business Economics**

SYLLABUS

BBA Class – I Year

UNIT – I	**Economics:** Meaning, Definitions, Nature, and Scope of Economics, Contribution of Kautilya in Indian Economic Thought.
UNIT – II	**Managerial Economics** - Meaning and Definitions, Characteristics, Functions and Importance, Role of Business Economics in Business Decision Making, Functions and Responsibilities of a Business.
UNIT – III	**Methods of Economic Study** Approaches to Economic Study: Inductive and Deductive Methods. Inductive Method: Meaning, Nature, History, Merits and Demerits. Deductive Method: Meaning, Nature, History, Merits and Demerits. Difference and Utility of both methods.
UNIT – IV	**Law of Demand -** Meaning, Factors affecting demand, Types of demand, Law of demand and exceptions, Measurement of demand, Demand forecasting.
UNIT – V	**Concept of Market** - Meaning, Definitions, Classification, Perfect Competition, Imperfect Competition, and Monopoly Concept, Pricing and Firm Equilibrium.

Unit I

Meaning of Economics

Economics is the study of how humans make decisions in the face of scarcity. These can be individual decisions, family decisions, business decisions or societal decisions. If you look around carefully, you will see that scarcity is a fact of life. **Scarcity** means that human wants for goods, services and resources exceed what is available. Resources, such as labor, tools, land, and raw materials are necessary to produce the goods and services we want but they exist in limited supply. Of course, the ultimate scarce resource is time – everyone, rich or poor, has just 24 hours in the day to try to acquire the goods they want. At any point in time, there is only a finite amount of resources available.

Does everyone need food to eat? Does everyone need a decent place to live? Does everyone have access to healthcare? In every country in the world, there are people who are hungry, homeless, and in need of healthcare, just to focus on a few critical goods and services. Why is this the case? It is because of scarcity.

Definition of Economics

The term "Economics" was originally derived from the two Greek word "Oikos" which means household and "Nomos" which means management. Thus, it refers to managing of a household using the limited funds.

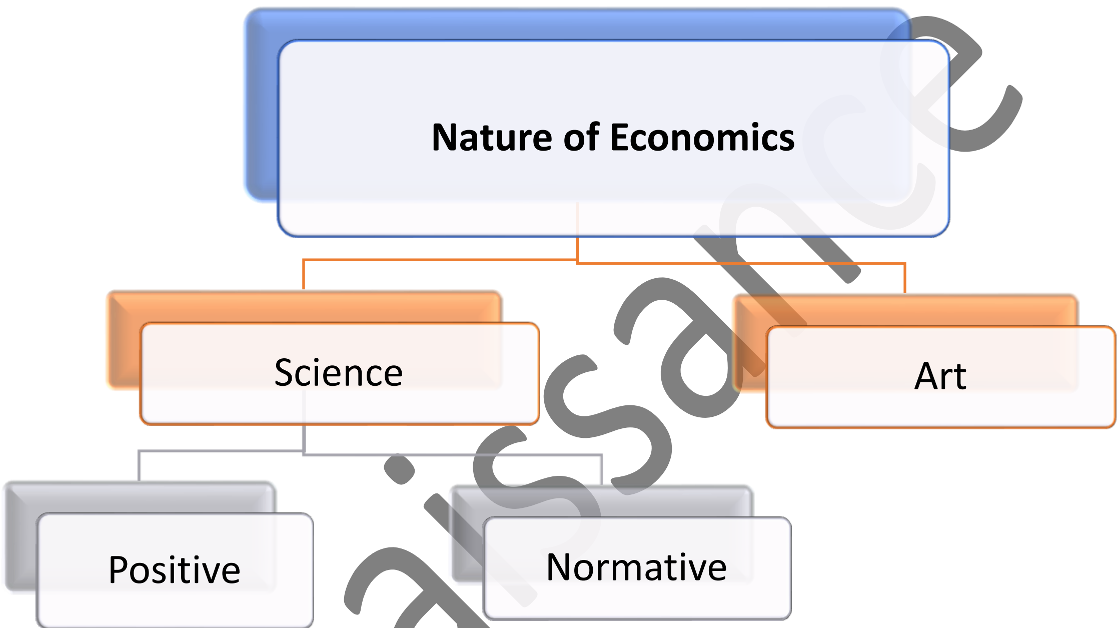
Many economists like Stigler, Samuelson, Macifie, Oscar Lange, Sciovosky, have given definition of economics –

1. **Stonier and Hagur** - Economics is fundamentally a study of scarcity and the problems which gives rise to scarcity.
2. **Scitovosky** - Economic is a science concerned with the administration of scarce recourses
3. **A.P. Lerner** – Micro economics consists of looking at the economy through a microscope, as it were, to see how the millions of cells in the body of the individuals, or households as consumers, and the individuals or firms as producers-play their parts in the working of the whole economic organism.
4. **K.E. Boulding** – Micro economics is the study of particular firms, particular households, individual prices, wages, incomes, individual industries and particular commodities.
5. **Shapiro** – Micro economics deals with small parts of the economy.
6. **Standard definition** - the study of the production, distribution, and consumption of goods and services floating in the economy. This definition indicates that economics includes any business, nonprofit organization, or administrative unit. This subject presents economic concepts and principles from the perspective of ―managerial economics which is a subfield

of economics.

Nature of Economics

- Is Economics a science or an art?
- Is Economics a positive or normative science?
- Is Economics a macro or micro Economics?



Economics as a science: -

For this first know what is science, — Science is a systematic & comprehensive study of knowledge which explains in cause & effective relation.

Arguments in favour of Economics as a science: - Robbins considered Economics as a science.

1) **Systematic study-** Collection, classification, & analysis of Economics facts are systematized in Economics. The subject matter of Economics is systematically divided into consumption, production, exchange, distribution, & public finance.
2) **Scientific Law-** Law of Economics is similar to the Law of other sciences. In Laws we establish cause & effective relationship of Economic activities. For E.g. the Law of demand shows the relationship between a change in demand & change in price.
3) **Experiments-** Economics carries several experiments with the laws of Economics. Different

Economic laws have been experimented & tried to get out of Economics evils. For e.g. the devaluation of Indian rupee in 1955-66 was an economic experiment.

4) **Measuring rod of money-** Economists possess the measuring rod of money to measure the economic facts. Marshall said that the measuring rod of money has made Economics a more certain science than offer social sciences. Money is good measuring rod to measure individual as well as commercial motives.
5) **Universal-** Much of the Economic laws is universally true. They are applicable to all types of Economics. Whether it is a capitalist, socialist, or mixed Economy, the law of Economy is equally applicable.

   On the basis of arguments given above, we can say that Economics is a science. It explores the facts; analysis them & classifies them.

The economics as a science can be divided into two parts i.e. (a) Positive Science and (b) Normative Science.

I. **Economics as a Positive Science –** A positive science establishes a relation between cause and effect. It tells us that if we do a certain thing, same result will follow.
II. **Economics as A Normative Science –** Marshall, Pigou and historical school puts the arguments that economics is normative science i.e. it states: What should be done.

   The statement a government deficit will reduce unemployment & cause an increase in prices is hypothesis in positive economics, while the statement in setting policy, unemployment ought to matter more than inflation is a normative hypothesis.

Therefore, a positive science describes what is and a normative science describes what should be done & what should not be done.

Positive Economics is of two types: Description and Theory.

Positive Statements

Positive statements are objective statements that can be tested or rejected by referring to the available evidence. Positive economics deals with objective explanation and the testing and rejection of theories. For example:

- A rise in consumer incomes will lead to a rise in the demand for new cars.
- A fall in the exchange rate will lead to an increase in exports overseas.
- More competition in markets can lead to lower prices for consumers.
- If the government raises the tax on beer, this will lead to a fall in profits of the brewers.
- A reduction in income tax will improve the incentives of the unemployed to search for work.

Normative Statements

Normative statements express an opinion about what ought to be. They are subjective statements rather than objective statements – i.e. they carry value judgments. For example:

- The level of duty on petrol is too unfair and unfairly penalizes motorists.
- The London congestion charge for drivers of petrol-guzzling cars should increase to £25 - three times the current charge.
- The government should increase the national minimum wage to £6 per hour in order to reduce relative poverty.
- The government is right to introduce a ban on smoking in public places.
- The retirement age should be raised to 75 to combat the effects of our ageing population.
- The government ought to provide financial subsidies to companies manufacturing and developing wind farm technology.

Economics as an art: -

For this first know about what is art, Art is the practical application of knowledge of achieving definite ends.

According to ―Lord J.M. Keynes ― An art is a system of rules for the attainment of a given end. A science teaches us to know; an art teaches us to do.
Economics as an art due to following reasons: -

1. **Solution of problems**- it can be helpful to human beings only, if it is able to solve their problems. Economics helps to utilize the scarce resources in the best possible ways. Prof. Pigou remarked in this context, ―Economics is not only light-giving but also fruit-bearing.
2. **Modern trends**- Modern Economists are much concerned with solving the Economic problems. Prof. Stiglar said, ―At least 90% of modern Economists spend over half of their time on applied or empirical subject. for this we can regard Economics as an art.
3. **Verification of Economics law-** Verification of Economics laws is possible only if Economics is an art because art is the practical application of knowledge. When we actually apply the Economics laws, only then we come to know that whether their results are true or false. From the arguments given below, we say that Economics is an art. Now days, Economic problem has become very popular & to formulate Economic plans is an art. Therefore, we can conclude that Economics is a science as well as art.

Science & Art both are complementary to each other.

SCOPE OF ECONOMICS

Economics is not primarily a collection of facts to be memorized, though there are plenty of important concepts to be learned. Instead, economics is better thought of as a collection of questions to be answered or puzzles to be worked out. Most important, economics provides the tools to work out those puzzles.

Virtually every major problem facing the world today, from global warming, to world poverty, to the conflicts in Iran, Ukraine, Syria, Afghanistan, and Somalia, has an economic dimension. If you are going to be part of solving those problems, you need to be able to understand them. Economics is crucial.

It is hard to overstate the importance of economics to good citizenship. You need to be able to vote intelligently on budgets, regulations, and laws in general.

A basic understanding of economics makes you a well-rounded thinker. When you read articles about economic issues, you will understand and be able to evaluate the writer's argument. When you hear classmates, co-workers, or political candidates talking about economics, you will be able to distinguish between common sense and nonsense. You will find new ways of thinking about current events and about personal and business decisions, as well as current events and politics.

The main points of practical uses are discussed below –

1. Useful to the Consumer
2. Useful to the Producer
3. Helpful to Business Community
4. Solution to Economic Problems
5. Helpful to Workers
6. Helpful in Price Determination
7. Significant for Economics Development
8. Useful for Economic Planning
9. Useful for Social Workers
10. Helpful to Social Welfare Activities
11. Helpful in international Trade.
12. Microeconomics V/s Macroeconomics

S.No.	Points	Microeconomics	Macroeconomics
1	**Study**	It studies individual unit	It studies aggregate or group of individual units.
2	**Assumption**	At micro level full employment is assumed which is never found in an economy. Hence this is an unreal assumption	At macro level, full employment is not assumed. Instead equilibrium employment is assumed which is a real assumption.
3	**Subject Matter**	We study demand supply, consumer behavior production, types of market, theory of cost & revenue etc.	We study national income, theory of wage, interest & employment, Theory of money, theory of international trade etc.
4	**Applicability**	It is useful in analysis of an individual unit like cost of an individual good, demand of a single good, price of a single good.	It is useful in analysis of aggregate units such as aggregate demand, aggregate prices or inflation-deflation, aggregate or national income etc.
5	**Usefulness to Govt.**	It is less useful to Govt. in formulating economic policies.	It is more useful to Govt. in formulating economic policies.

Introduction to Kautilya and his Arthashastra

The original name of **Chanakya** was **Vishnugupta,** minister under Chandragupta Maurya. He was called Chatur, which was known as "Chanakya" in the state. Besides, he believed in a policy that should adopt a cautious policy and accordingly, it is known as "Kautilya" because of the administration of the state. Thus, useful information about how the state administration is done by the Maurya dynasty rulers in ancient India is provided by this scripture. **Arthashastra – science of wealth and welfare** is a very famous treatise on ancient India. It was written around 300 B.C. The book deals with economics, administration, political ideas, ecology and various other topics. The book is divided in to fifteen chapters.

He is India's most illustrious political economist of all time. He was a true statesman who bridged the gap between experience and vision. For him, good governance was paramount. The discussion in Arthashastra is as relevant today as it was in Kautilya's time. He was well-versed with the characteristics of bureaucrats and statesmen and laid down rules to prevent misuse of power. He emphasized the importance of accounting methods in economic enterprises to properly measure economic performance. He explained that no amount of rules and regulations or auditing can prevent unethical behavior and that character-building and action-oriented ethical values were essential.

a. He believed that poverty was death while living. His Arthashastra is a manual on promoting Yogakshema—peaceful enjoyment of prosperity—for all the people.
b. He believed in the power of persuasion, moral and material incentives and not in coercion or force to elicit effort. He designed material incentives in such a way that no crowding-out occurred, that is without weakening the moral incentives.
c. In fact, a stakeholders-model in which the businessmen, workers and consumers share prosperity, is discernible in his Arthashastra.
d. He relied both on the invisible hand (the market) and the direct hand (principles, policies and procedures) to enrich the people.
e. He writes that all the accounts are dependent on the monies. So, give the most attention to treasures. The way in which the king needs help is to find ways to earn income.
f. He further writes that wealthy people should give more wealth. Those who give themselves a few rupees or gold for the welfare of the king will be given government assistance, a government turban or a military garment.
g. Wealth should be protected from thieves and government men.

Kautilya was far-sighted, foresighted, ethical but not very religious, believed in designing an efficient organizational structure but was not a bureaucrat.
The following table lists some of the concepts innovated and used by Kautilya. It also provides the time-periods of their re-emergence.

Concepts developed and used by Kautilya -

S. No.	**Re-emerged during the period Concepts**	**Originated and applied by Kautilya**
1	1700-1850	Gains from trade, diversification, Division of labor, Inter- temporal choice, labor theory of property, Law of diminishing returns, moral hazard, regulation of monopoly, sources of economic growth, Duipit Curve, principles of taxation.
2	1850-1900	Distinction short-run and long run, Efficiency Wages, externality, Demand-Supply Apparatus, Opportunity cost, Producer Surplus
3	1900-1970	Principal-agent problem, Liquidity, Mean-Variance approach, non-cooperative game

4	1970- Present	Asymmetric information, piece-wise Linear income Tax, Loss-aversion, information economics, Self-protection, self- insurance, Time Inconsistency, Systemic risk

Kautilya: The True Founder of Economics

Kautilya's Arthashastra is comprehensive, coherent, concise and consistent. It consists of three fully developed but inter-dependent parts.

(a) Principles and policies related to economic growth, taxation, international trade, efficient, clean and caring governance, moral and material incentives to elicit effort and preventive and remedial measures to deal with famines.

(b) Administration of justice, minimization of legal errors, formulation of ethical and efficient laws, labour theory of property, regulation of monopolies and monopsonies, protection of privacy, laws against sexual harassment and child labour.

(c) All aspects of national security: energetic, enthusiastic, well trained and equipped soldiers, most qualified and loyal advisers, strong public support, setting-up an intelligence and analysis wing, negotiating a favourable treaty, military tactics and strategy, and diet of soldiers to enhance their endurance.

Kautilya's Ethics-based Economics:

(a) An ounce of ethics was better than a ton of laws. Ethical anchoring could be more effective in preventing systemic risk than a heap of rules and regulations.

(b) Principles were only as good as the people who practiced them, and policies were only as good as the people who formulate and implement them.

(c) Material incentives should complement and not substitute moral incentives so that there is no crowding- out.

(d) Education should include ethical education also. Secular values, such as non-violence, honesty, truthfulness, compassion and tolerance do not violate the separation between religion and state.

(e) Market failure is bad; government failure is worse but moral failure is the worst since moral failure is true cause for other failures.

(f) Ethics and foresightedness could improve governance and bring sustainable prosperity for the whole of humanity.

(g) Sound organizational design could complement the ethics-based approach by enhancing specialization and reducing the scope for conflict-of-interest situations.

(h) Wisdom is the most valuable asset and knowledge-management is a subset of management by wisdom.

(i) Women should also participate in the work force.

UNIT II

Meaning of Managerial Economics:

The subject Managerial Economics is of recent origin. It came into being in the early 1950s. Managerial Economics and Business economics are the two terms, used interchangeably. However, the term Managerial Economics has become more popular and has overcome the term Business Economics. Managerial Economics may be defined as the study of economic theories, logic and methodology which are generally used to provide the solution to the problems faced by the managers in the due course of business. Managerial Economics is thus regarded as that part of economic knowledge or economic theories which is used as a means to analyse various business problems for sound business decisions. Managerial Economics serves as a connecting link between traditional economics and the decision-making sciences for decision making in business.

Definition of Managerial Economics:

"Business Economics (Managerial Economics) is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management." – Spencer and Seegelman.

Characteristics of Managerial Economics:

There are certain chief characteristics of managerial economics, which can help to understand the nature of the subject matter and help in a clear understanding of the following terms:

1. **Managerial economics**: Positive or Normative: Positive economics is descriptive in nature. It use to describe economic activities as they are. Prof. Lionel Robbins says that economics is a positive science. While normative economics ensures judgments of value. Managerial economics draws from descriptive economics and tries to pass judgments of value in the context of the firm. **Managerial economics is mainly normative in nature.** This nature of Managerial Economics can be illustrated with the help of one example. when an investor goes to a Financial Analyst, he used to tell the fund available, purpose of investment, expected time of return, risk bearing capacity. After listening to the need of the investor using his knowledge, he suggests him the investment avenue in which he can invest in. Same is the case with Managerial economics it is descriptive as well as prescriptive.

2. **Pragmatic and Realistic**: Managerial economics is pragmatic and realistic in nature. The principles of managerial economics are made use of to find the optimal solution to the problems faced by the manager in due course of business which may be related to the choice and allocation of resources. It attempts to ignore the complexities of the traditional economics. But ensures the consideration of the facts that are important for decision making but ignored by traditional economics. Thus, Managerial economics helps to improve the functioning of the organization.

3. **Goal Oriented**: Managerial economics is goal oriented; it aims to achieve the objectives to the best possible extent. Right from the very first activity undertaken by the organization it focuses on the ultimate goal of the organization, be it the profit maximization, wealth maximization or the sales maximization.

4. **Applied science**: Managerial economics attempts to solve the business problem by identifying the cause-and-effect relationship between the variables. Managerial economics also analyses the effect of change in one variable on the other.

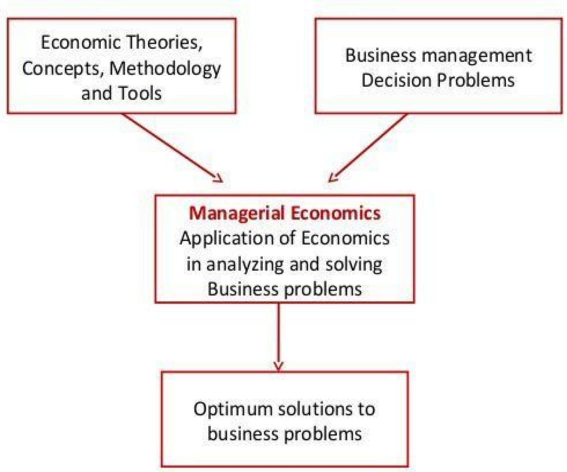
5. **Related to other Disciplines**: It makes use of the services of many other related sciences like mathematics, statistics, engineering, accounting, operation research and psychology etc to find solutions to business and management problems. Managerial economics is also found to be in close relation with statistics. In business Managers have to go with the estimates of demand, market trends, probabilities regarding supply. Statistics as an important tool helps to study the various functional relationships and also facilitate forecasting. Operations Research is now largely used in planning and controlling business activities. The various concepts of mathematics that are used by a managerial economist are logarithms and exponential, geometry, algebra and calculus, vectors and determinants, input-out tables.

6. **Applied Economic Theory**: Managerial economics is economics which is applied in decision-making process. Managerial economics attempts to links abstract theory with managerial practice. Economics is also concerned with the problem of allocating limited resources among unlimited wants. It involves the practical application of economic theory and methodology to decision- making problems faced by the various private, public and non-profit making organizations. It helps in optimal decision making.

7. **Economics is an art**: Economics when observed as an art, it is practical. The various branches of economics such as public finance, consumption, production, etc. provide practical and optimal solutions to various economic problems. It helps managers in solving various economic problems which they face in their day-to-day business affairs.

FUNCTIONS OF MANAGERIAL ECONOMICS:

There is no general uniform pattern regarding the scope of managerial economics. However, the following areas encompass scope of managerial economics:



1. **Demand Analysis and Forecasting:** The very reason for the operation of any business firm is the demand for its product in the market. All significant decisions of the firm depend upon the correct estimation in demand analysis managers seeks to collect information about the various factors which are going to affect demand for a firm's product, various substitutes available in the market and trends prevailing in the market. All these factors have important bearing on the production schedules. Demand analysis and forecasting is therefore really essential for planning business activities and occupies a relevant place in managerial economics.

2. **Cost Analysis:** Another important area of managerial economics is cost analysis. Whenever managers plan for production, the foremost factors that comes to their mind is the cost of production. Cost analysis facilitates management decisions. The factor that leads to variations in costs is beyond the control of managers and therefore must be recognized. In the absence of cost estimates, one may not be able to properly plan its profits & also not able to determine its pricing policies. 3. Production Analysis Managers while planning for production pays attention to the relation between cost and output, what are the various factors of production which are required to carry on manufacturing, what is the behavior of various cost in relation to the factors, how far we are able to achieve economies of scale. Thus, production analysis also another important domain.

4. **Pricing Policies:** Pricing is a very important area of managerial economics. Managers have to spent a lot of time on forecasting & determining the price of products in the various market structures as price acts as a major source of revenue. There are various methods to determine the prices but the choice of right method is the greatest challenge. Wrong pricing decision will turn the firm out of the market. An accurate pricing decision contributes a lot to the success of a business firm.

5. **Profit Management:** The ultimate objective of any economic organization is to earn handsome profits & is considered as the barometer of success. But we also know that the future is` always uncertain. There is uncertainty on account of various factors such as social, political, economic factors, which acts as a obstacle in our way of objective. Thus, profit planning and management is regarded as the important area of managerial economics.

6. **Capital Management:** Capital is regarded as the most important resource and also require greater attention of the managers. capital expenditure not only have the binding on the present but also on the future profits & once such decisions are taken these are irreversible. Therefore, manager do keep focus on this aspect.

7**. Advertising**: Since decision making and forward planning are the important areas of managerial economics, therefore the managers have to plan many things about the product they are going to launch in the market. The various activities in this regard are its design, shape, quantity, deciding about the marketing of good etc. In this context advertising is important area of managerial Economics.

8. **Environmental issues**: There are many areas of macroeconomics which also becomes part of managerial economics, since the business organization can't work in isolation. These areas are related to general business, social, political and demographic environment in which a business enterprise works. All these issues have great bearing on Business activities.

9. **Business cycles**: Business cycles also seem to affect business decisions. Business cycles are regular fluctuations in economic activities in the country. The various phases that constitute business cycle are depression, recovery, boom and recession. Therefore, managers have to modify their plans according to the phase through which the business is passing out.

IMPORTANCE OF MANAGERIAL ECONOMICS:

Managerial Economics has become a highly useful and practical discipline now days as it helps to analyze and offers best s solutions to various kinds of problems faced in routine affairs of the organisation in a systematic and realistic manner. The following points highlights significance of the managerial economics: 1. **Better allocation of resources**: Managerial economics not only offers the better allocation of scarce resources among competing ends but also ensure the proper utilization of resources.

2. **Right decision at the right time**: It helps the executives working in the firm to understand the various details of business and problems encountered and to take right decision at the right time by the identification of key variables in decision-making process. Thus, managerial economics attempt to avoid the complexities of wrong decisions. Every manager has to take various relevant decisions about the utilization of limited resources like land, capital, labor, funds etc. to get the maximum returns, therefore, managerial economics, concentrates on practical aspects which facilitates decision-making.

3. **Identification of Problems**: In today's scenario economy is becoming highly competitive and dynamic, it helps in identifying various business and managerial problems, their causes and consequence, and suggests various policies and programs to overcome them.

4. **Offers tools and techniques:** Managerial economics ensures availability of the various conceptual and technical skills, tools of analysis and techniques of judgment and other modern tools and instruments like elasticity of demand and supply, cost and revenue, income and expenditure, profit and volume of production etc to solve various dynamic problems of business.

5. **Attainment of business objectives**: Managerial economics helps the business executives to become more responsive, realistic and competent to overcome upcoming challenges in the dynamic business scenario. This in turn facilitates achievement of various objectives like profit and wealth maximization, society welfare, Customer satisfaction, attaining industry leadership, market share expansion and social responsibilities etc.

6. **Facilitates decision making and forward planning**: Managerial Economics enables decision making and forward planning by the evaluation of alternatives available to the managers.

7. **Understanding the various external factors**: It also helps in understanding and analyzing the various external factors which affect the decision-making of an organisation and ultimately affecting the functioning and the success of the firm.

ROLE OF BUSINESS ECONOMICS IN DECISION MAKING

Business economics plays a crucial role in decision-making within organizations by providing a framework for analyzing various economic factors that influence business operations. Here are several key aspects of how business economics contributes to decision-making:

1. **Cost Analysis**: Business economics helps in understanding and analyzing costs associated with production, marketing, and operations. This includes fixed and variable costs, which are essential for pricing strategies and profitability analysis.
2. **Demand Forecasting**: It aids in predicting consumer behavior and demand for products or services. By using concepts from microeconomics, businesses can estimate future sales and adjust their production and inventory strategies accordingly.
3. **Market Structure Analysis**: Understanding the competitive landscape is vital for strategic planning. Business economics provides insights into different market structures (e.g., perfect competition, monopoly, oligopoly) and helps firms position themselves effectively within their market.
4. **Pricing Strategies**: It assists in determining optimal pricing strategies based on demand elasticity, competitor pricing, and market conditions. This is crucial for maximizing revenue and market share.
5. **Investment Decisions**: Business economics provides tools for evaluating capital projects and investments, such as cost-benefit analysis and break-even analysis, helping firms make informed decisions about resource allocation.
6. **Risk Assessment**: It helps in identifying, analyzing, and mitigating risks associated with business operations and market fluctuations. Understanding economic indicators and trends can inform risk management strategies.
7. **Policy Formulation**: Businesses can use economic theories to develop policies that align with their strategic goals. This includes labor policies, production policies, and pricing policies that consider the broader economic environment.
8. **Performance Evaluation**: Business economics provides metrics and frameworks for analyzing business performance, allowing managers to assess the effectiveness of their strategies and make necessary adjustments.

9. **Understanding External Factors**: It helps businesses understand how macroeconomic factors (like inflation, interest rates, and economic growth) affect their operations and market conditions, enabling them to adapt to changes in the external environment.

In summary, business economics equips decision-makers with analytical tools and economic principles necessary for making informed, strategic choices that enhance efficiency and profitability.

ROLE AND RESPONSIBILITY OF A MANAGERIAL ECONOMIST:

A managerial economist realistic attitude can lead the firm to the path of success. He uses his analytical skills in solving complex aspects of successful decision-making and future planning. Since the ultimate goal of any economic organization is to make profits, therefore managerial economist also woks and serves the firm by working for the same in advanced countries, big firms employ managerial economists to assist the management. The various roles played by him are highlighted as follows:

1. **Acquiring knowledge about Environment**: A firm cannot work in isolation. The internal & external environment surrounds the firm. It is a matter of importance that internal environment is controllable but external environment is beyond the control & has important bearing on business. Right information about the environment helps manager a lot to wisely define the extent and trend of their own business plans. The managerial economist has to study the economic trends and use the same information for the best functioning of his firm.

2. **Participating in Public Debates:** The role of managerial economists is not confined to the four walls of their business firm rather they actively participate in public debates. They are regularly being the source of advice and views are being sought by the government in the formulation of the various national policies as having their hands on experience of the firm and industry.

3. **Efficient Functioning of the Organization**: A managerial economist is the one who keep constant eye on the various factors and operations going in the organization. He ensures the efficient functioning of the organization by helping in formulation of decisions relating to the various areas like price, rate of operations, investment, expansion or contraction, cash availability, wage and price policies , purchase of raw material and production schedules.

4. **Varied Functions:** In the due course of business managerial economists has to perform the various functions such as planning about finance, production, purchase, marketing, sales, making various kinds of forecast, market analysis, determining pricing policies and Practices, acting as an analyst, acting as an adviser and also projecting various technological changes in the market.

5. **Economic Intellect**: Managerial economist uses to provide general intelligence service by providing relevant information in regard to prices fixed by competitors, products offered by them, tax and, tariff rates, trends prevailing in the market, competitive moves, things going on in the international market, new developments taking place in the market, political issues having effect on the business practices.

6. **Cost Benefit Analysis**: Managerial Economist is constantly involved in the process of cost benefit analysis. While taking the various decisions manager gives due consideration to the cost involved in the particular venture and the benefit expected from the same.

7. **Assists in Decision-making**: He helps the decision maker in formulating the decisions relating to internal functioning of a firm like changes in price, plans of investment, type of goods and services to be manufactured, factor inputs to be employed, production techniques to be used, expansion or contraction plans of firm, allocation of funds, location of various plants, quantity of output to be manufactured, replacement of plant equipment, sales forecasting, inventory forecasting, etc.

8. **Maintaining Relationships**: The managerial economists have to undertake forecasting and also have to analyze various situations. For the same he must establish contacts with the sources of data. He maintains contacts with experts in the different fields and must also join trade and professional associations, subscribe to the journals providing him the updates of the market.

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6. **Facilitates decision making and forward planning**: Managerial Economics enables decision making and forward planning by the evaluation of alternatives available to the managers.

7. **Understanding the various external factors**: It also helps in understanding and analyzing the various external factors which affect the decision-making of an organisation and ultimately affecting the functioning and the success of the firm.

Limitations of Managerial Economics

Every coin has two sides, positive and negative. No doubt managerial economics provides sophisticated tools of analysis and facilitates the decision making initiated by the managers but on the other side it suffers from certain limitations. The various limitations are as follows:

1. Managerial economics has led to the emergence of monopolies for the production of some important product and services. For example: electricity companies, Railways, Telephone companies. These companies exploit the consumers by charging high prices just to earn handsome profits.

2. Small scale companies have to face high degree of competition due to the emergence of Multinational companies in or country, posing threat to the existence of the small firms. Small firms find it difficult to survive in the market.

3. There seems to be great exploitation of worker, due to weak bargaining power of the workers. It is felt that women and child labour are offered very low wages for the work being taken from them.

4. Another limitation of Managerial Economics seems from the emergence of Oligopoly in the market, where firms and producers formally collude with each other or enters into cartel agreement and charge higher price and restricts output.

Summary

Managerial Economics has helped a lot to the business community to arrive at the best decision in regard to the various functional areas like demand forecasting, production scheduling, resource mobilisation, planning different activities, control of costs, minimisation of uncertainties, maximisation of profits and wealth etc. leading to the success of the firm and simultaneously achieving the goal of social Responsibility.