

Chapter - I

Nature & scope of Business Economics

Unit 1.

④ Introduction -

- economics is derived from Greek word 'OIKONOMIA' (means household).
- Till 19th Century economics was known as Political economy.
- Father of economics - Adam Smith:
 - ↓
 - Book - 'The Wealth of Nation'
 - ↓
 - in 1776.
- economics is study of processes by which the relatively scarce resources are allocated to satisfy unlimited human wants.
- Two fundamental facts -
 - ↓
 - Unlimited Human Wants
 - ↓
 - Means to satisfy the wants are scarce

NOTE -

- ④ But modern economist says that it is a narrow definition.
- ④ In day to day events there are various economic issues. (Global crisis 2008, Corona Pandemic 2019-20).
- ④ Study of economics cannot ensure that all the problems will be appropriately tackled, but it would enable us to examine a problem in its right perspective.

④ Business Economics -

↓ ↳ Various Theories
The survival (+) & Techniques?
& success of any business depends on sound decisions.

→ Business economics integrates economics theory with business practice!

→ It is also known as Managerial Economics

OR Applied Economics

→ It has close relation with economic theory (Micro, Macro, Statistics, Mathematics, op. Research, etc.)

→ Joel Dean - defined business economics in terms of the use of economic analysis in formulation of Business Policies.

④ Nature of business Economics - (Bmp)

→ Business Economics is Science as well as Art
↓ ↓
(Cause & effect Relation) (Art)

→ It is based on Micro Economics

→ Incorporates elements of Macro Economics

→ It uses Theory of Market

→ It is Pragmatic
JMP → ↳ (Practical)

→ It is Inter disciplinary in nature

→ Business Economics is Normative

Positive Economics

- What is (क्या है?)
- It is not suggestive,
- It can be verified,
- There is no value judgement ?
(Verify hokete hain,
nisi judge ke skte hain,
suggestion nisi deskte
hain)

Normative Economics

- what should be (क्या होना चाहिए).
- It is suggestive,
- It cannot be verified,
- There is value judgement,
(verify ✗
judge ke skte hain?
Suggestion deskte hain).

Subject Matter of Business Economics -

↓
Micro eco

↓
Macro eco

Study of Individual units

Study of economy as a whole (aggregate)

It is also known as
Price Theory

It is also known as
Income & Employment Theory,

Tools - Demand & Supply

Tools - Aggregate Demand & Aggregate Supply

Eg - Product Pricing,
Consumer Behaviour,
Factor Pricing,
(Inputs),
Economic condition of
section of people,
Behaviour of firms,
Location of Industry.

Eg - National Income,
General Price level,
Balance of Payment,
External value of currency,
Unemployment Rate,
Overall saving & Investment

⑨ Scope of Business Economics -

↓
Internal Issue
(Operational Issues)

These can be solved
by using Micro Economics
↓

- Eg - • Demand Analysis &
Forecasting,
• Production & Cost
Analysis,
• Inventory Management,
• Market Structure &
Pricing Policies,
• Resource Allocation,
• Capital & Investment
Decisions,
• Profit Analysis - (Management
of profits under
condition of uncertainty)
• Risk & Uncertainty Analysis
↓
(Can be
predicted) (Can't be
predicted)

↓
External Issue.
(Environmental
Issues)

These can be solved
by using Macro eco.
↓

- Eg - • Types of economic
System,
• Stage of Business
cycle,
• General Trends in N.R.,
Employment, etc.,
• Working of Central Bank,
• Social & Political Enviro-
-ment,
• Socio-economic organisation
like Trade Unions,

⑩ Key Differences b/w Economic & Business Economics from Book :