



TRINITY COLLEGE FOR WOMEN NAMAKKAL

PG & Research Department of Commerce

Banking Theory law and Practice

21UECA08-ODD Semester

Presented by

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Basic Economic Concepts

Meaning of Economics:

Economics means it is a social science. It is concerned about the study of production, distribution and exchange of goods and services. It is known as economics.

Definition of Economics:

1. Wealth Definition Adam smith (1723 - 1790), in his book 'An Inquiry into Nature and Causes of Wealth of Nations' (1776) defined economics as the science of wealth. He explained how a nation's wealth is created. He considered that the individual in the society wants to promote only his own gain and in this, he is led by an 'invisible hand' to promote the interests of the society though he has no real intention to promote the society's interests.

2. Welfare Definition Alfred Marshall (1842 - 1924) wrote a book 'Principles of Economics'(1890) in which he defined 'Political Economy' or Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of wellbeing'.

3. Definition Lionel Robbins defined the discipline in terms of **scarcity**: Economics is the science which studies human behaviour as a relationship between ends and **scarce** means which have alternative uses.

Business Economics

Meaning of Business Economics:

Business economics is a field of applied economics that studies the financial, organizational, market-related, and environmental issues faced by corporations. Business economics encompasses subjects such as the concept of scarcity, product factors, distribution, and consumption.

Definition of Business Economics:

Business economics is concerned with the application of economic principles and methodologies to the decision-making process within the firm or organization. It seeks to establish rules and principles to facilitate the attainment of the desired economic goals of management. –Douglas

Scope of business economics

Demand analysis & forecasting: Demand forecasting is the process of finding the values for demand in future time period. A company is an economic organization which transform productive resources into goods to be sold in the market. Demands analysis helps to identify the various factors influencing the product demand and thus provides guidelines for manipulating the demand.

Demand analysis and forecasting provide the essential basis for business planning and occupies a strategic place in business economics.

Cost analysis: A study of economic costs, combined with the data drawn from the companies accounting records, can yield significant cost estimates which are useful for management decisions. An element of cost uncertainty exists because all the factors determining costs are not known and controllable.

Inventory management:-It refers to stock of raw materials which a company keeps. If the level of inventory is low, production will be hampered at the same time if the level of inventory is high then it will amount to blockage of funds.

Advertisement:-Business economics helps in determining the total advertisement cost & budget, the measuring of economic effects of advertisement & form a fundamental part of decision making.

Price system:-Pricing is an important area of business economic. In fact, price is the origin of a company's revenue and as such its success largely depends on how correctly the pricing decisions are taken.

THANK YOU

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