

B.T.M. 2nd Semester
Jiwaji University

BUSINESS ECONOMICS (204)

Topic- Business Economics:
An Introduction

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Business Economics

- It is also known as managerial economics.
- It is the application of economic approaches and techniques in business management.
- Decision-making is one of the most important functions of management and the approaches of business economics helps in that.
- Decisions are always taken by selecting one most appropriate course of action out of several other alternatives.

Business Economics

- Business economics serves as a bridge between economic theory and decision making theory in context of business.
- According to **Mc Nair and Meriam** - “Business Economics consists of the use of economic modes of thought to analyse business situations.”
- According to **Siegelman** - “the integration of economic theory with business practice for the purpose of facilitating decision-making and forward planning by management.”

Nature of Business Economics

- The traditional theory of economics is based on two approaches-
 - Normative
 - Positive or Descriptive
- Normative approach focuses on prescriptive statements and help for establishing rules aimed at attaining the specified goals of business.
- Positive approach focuses on description. It describes the manner in which the economic system operates.

Nature of Business Economics

- The approach of Business Economics is of new origin.
- It is based on Normative as well as Positive theories.
- Business economics emphasizes on certain rules and theories which are helpful in attaining the goals of business, this way it is normative in nature and for establishing certain rules, understandings of environment is done through descriptive or positive study.
- Business economics is the combination of Normative and Positive theories.

Scope of Business Economics

- There are different approaches of business economics that is why there is no unified view in regards of it's scope. However following are considered as the areas of scope of Business Economics-
 - Demand Analysis and Forecasting
 - Cost and Production Analysis
 - Pricing Decisions, Policies and Practices
 - Profit Management
 - Capital Management

Significance of Business Economics

- Business Economics play an important part in decision-making process. It's importance/significance are numerous. Few of the significance of Business Economics are as following-
 - It helps in solving many problems related to demand and supply analysis, short and long run costs, marginal utility etc.
 - It helps for the analysis of internal and external business factors.

Significance of Business Economics

- It helps in developing policy framework in the business organizations.
- It helps in future economic predictions through the study of cost of production, business capital etc.
- It helps in establishing relationships between different economic factors such as income, profit, loss etc.
- It incorporates the useful ideas of psychology, sociology etc. to make the decisions more practical.

Significance of Business Economics



- It helps in market positioning.
- It helps in decision-making process even in strategic and critical conditions.
- It acts as an integrated approach of finance, marketing, personnel and production.
- It is an agent between the firm and the society.



Thank You