MEANING AND NATURE OF BUSINESS ECONOMICS

ENOTES WORLD

MEANING OF BUSINESS ECONOMICS

- A relatively new branch of economics developed in the 1950s
- Business economics refers to an application of economic theories, principles, and methods in the business or managerial decision-making process.
- It provides the base or criteria to the managers while solving the problems related to the allocation of scarce resources
- Business organizations face different types of problems due to scarcity of resources like what, how much and how to produce, how much to invest, what should be the reasonable profit, price, and sales expenditure, and so on.
- Business economics works as a tool for managers to take decisions in those areas and thereby it helps in business management.

MEANING OF BUSINESS ECONOMICS…

- Therefore, business economics is that part of economic theory which includes different economic theories and decision-making tools that are used to find the optimal solution to business decision problems.
- With help of business economics, business managers arrive at a set of operating decisions and rules that are necessary for efficient utilization of scarce resources.
- Managers can learn how to take proper action to achieve the organizational goal more efficiently and more economically.
- Managers also learn how economic variables and forces can affect organizational efficiency, working environment, and consequences of proper management of them.

NATURE/FEATURE/CHARACTERISTICS OF BUSINESS ECONOMICS...

- **Microeconomic**: Its unit of study is a particular firm/particular firm's problems related to economic variables and resource allocation
- **Concerned with Choice and Allocation**: This implies that business economics helps businesses to identify their economic choices and allocation of scarce resources to get them
- **Goal Oriented:** Business economics is goal oriented and prescriptive. It deals with how decisions should be formulated by managers to achieve the organizational goals.

NATURE/FEATURE/CHARACTERISTICS OF BUSINESS ECONOMICS...

- **Conceptual and Metrical**: Business economics provides conceptual base to understand how to solve business issues/to take decision and on the other hand it also provide metrical/measurement tools to see the various relationships.
- **Pragmatic**: Managerial economics provides the appropriate solution to the practical problems faced by the firms. It helps the firm to reach the height of success by making appropriate policies and plans on the basis of empirical facts and experiments.
- **Normative**: It is prescriptive rather than descriptive. Business economics firstly tells what aims and objectives a firm should pursue and secondly, it tells how best to achieve these aims in particular situations.

NATURE/FEATURE/CHARACTERISTICS OF BUSINESS ECONOMICS...

- **Multi-disciplinary:** Managerial economics is an integration of different academic disciplines like economics, accounting, finance, human resources management, statistics, mathematics, operational research, psychology, and so on.
- **Uses the theory of the firm**: It means managerial economics is concerned with the decision-making (economic nature's decision) of firms. For example, managerial economics includes the study of the cost revenue, price and output determination, profit planning, demand analysis, and demand forecasting of a firm.
- **Main Aim**: To help the management- in making rational decisions and preparing plans and policies for the future.

NATURE/FEATURE/CHARACTERISTICS OF BUSINESS ECONOMICS...

- **Dynamic and Developing**: As business economics deals with business and problem solving of businesses, so it must be growing, and dynamic as business activities follow changing and dynamic behaviors of human beings.
- **It Coordinates Theory and Practice**: Business economics establishes coordination between theoretical and practical aspects of different microeconomic theories while solving business problems
- **The help of Macroeconomics**: It also helps to prepare suitable policies for the managers to face the consequences of changes in the economic environment and its components. Such a thing is incomplete without the assistance of macroeconomics.