

# Meaning, Definition and Significance of Managerial Economics

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# An Introduction

- Economics is the art of making the most of life
- Economics is a social science, since it deals with the society as a whole and human behaviour in particular, and studies the production, distribution and consumption of goods and services.
- Economics is the study of that process and its outcomes
- Study about how much they work, what they buy, how much they save, how they invest their savings.

## Cont...

- Science of Wealth- Adam Smith, the father of modern economics defines economics as “An inquiry into the nature and causes of the wealth of the nations”.
- Science of material well-being- According to Alfred Marshall "Economics is a study of mankind in the ordinary business of life.
- Science of choice making- Robbins gave a more scientific definition of Economics. His definition is as follows: "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses"
- How individuals and societies choose to use the scarce resources ?
- A system or process that works to transform the resources that nature and previous generations provide into useful form ?
- Economics is both a science and an art.

# How People Make Decisions

- People Face trade offs
- The cost of something is what one gives up to get in
- Rational people think at the margin
- People respond to incentives

## Emergence of Managerial Economics

- Growing complexity of business decision making process due to changing market conditions and business environment.
- The increasing use of economic logic, conceptual theories and tools of economic analysis in the process of business decision making process.
- Rapid increase in demand for professionally trained managerial manpower

# What is Managerial Economics

“Managerial Economics refers to the application of economic theory and the tools of analysis of decision science to examine how an organization can achieve its objectives most effectively”

**Salvatore**

## How Managerial Economics Helps

- With the environment in which the firms will operate
- The decisions that the Managers take
- 
- The effects of such decisions on themselves and on the stakeholders (Customers, competitors, employees and the society)

## What we will Gain?

- This course will provide an understanding about the theories that future Managers will need-
- Demand Analysis
- Cost Analysis
- Pricing Practices and Policies
- Analysis of Business Environment
- Management of Externalities



Thank You