Management

Management is the science and art of getting things done through people in formally organized groups. It is necessary that every organization is well managed to enable it to achieve its desired goals. Management includes a number of functions planning, organizing, staffing, directing, and controlling. The manager, while directing the efforts of his staff, communicates to them the goals, objectives, polices, and procedures, coordinates their efforts, motivates them to sustain their enthusiasm, and leads them to achieve the corporate goals.

Economics

Economics is the science of making decisions in the presence of scarce resources. Resources are simply anything used to produce a good or service to achieve a goal. Economic decisions involve the allocation of scarce resources so as to best meet the managerial goal. The nature of managerial decision varies depending on the goals of the manager.

Economics is a study of human activity both at individual and national level. The economists of early age treated economics merely as the science of wealth. The reason for this is clear. Every one of us in involved in efforts aimed at earning money and spending this money to satisfy our wants such as food, Clothing, shelter, and others. Such activities of earning and spending money are called "Economic activities".

According to Adam Smith

"Economics as the study of nature and uses of national wealth"

According to Dr. Alfred Marshall
"Economics is a study of man's actions in the ordinary business of life: it enquires how he gets his income and how he uses it".

1.2 NATURE OF ECONOMICS

Nature of economics an be discribed as

Economics as a Science

Science is a systematized body of knowledge about a particular branch of universe & which contains concepts, theories & principle which are based on cause & effect relationship & are universal in nature.

Similarly economics contains economic laws about human behaviour. It decides conclusion or generalisations after observing, collecting and examining facts.

Economics as a Art

A science teacher us to know and an art teacher us to do science is theoritical & art is practical. Economics is also an art as its several branches like consumption, production and public finance provides pratical guidence to solve economic problems.

For ex. — the law of demand & elasticity of demand helps a businessman to set price of the product.

Economics as a Positive Science

The classical economist proposed that economics should be concerned only with 'what is, what & what will be'. They said that economics should not explain rightness & wrongness of things & economics should not pass moral judgements. It relates to only actual situation.

Economics as a Normative Science

Challenging the views of classical school; Marshall, Pigou & others defined economics as a normative science. Economics being a normative science relates to ideal situation or 'what ought to be'. The statement 'a government deficit will reduce unemployment & cause an increase in prices' is a hypothesis in positive economics; while the statment 'in setting policy, unemployment ought to matter more than inflation is a normative hypothesis.

The postive economic theory on one hand attempt to develop hypothesis which explain why it happened & in case of normative economies, it relates to problem like what the objectives * policies of business ought to be & how to go about them.

Economics as a Social Science

Economics is a social science as it relates with the study of human behaviour far satisfying their needs with the help of their limited resource. It relates with study of individuals, firms and natons all are comprises of human beings.

INTRODUCTION TO MANAGERIAL ECONOMICS

Managerial economics is the study of how scarce resources are directed most efficiently to achieve managerial goals. It is a valuable tool for analyzing business situations to take better decisions.

Managerial Economics refers to the firm's decision making process. It could be also interpreted as "Economics of Management". Managerial Economics is also called as "Industrial Economics" or "Business Economics".

Managerial Economics bridges the gap between traditional economics theory and real business practices in two days. First it provides a number of tools and techniques to enable the manager to become more competent to take decisions in real and practical situations. Secondly it serves as an integrating course to show the interaction between various areas in which the firm operates

***Definition*:**

According to the Spencer and Siegelman

"Managerial Economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management".

According to the Pappas

"the application of economic theory and methodology to business administration practice"

Nature of Managerial Economics

(a) ***Close to microeconomics***: Managerial economics is concerned with finding the solutions for different managerial problems of a particular firm. Thus, it is more close to microeconomics.

(b) ***Operates against the backdrop of macroeconomics***: The macroeconomics conditions of the economy are also seen as limiting factors for the firm to operate. In other words, the managerial economist has to be aware of the limits set by the macroeconomics conditions such as government industrial policy, inflation and so on.

(c) ***Normative statements***: A normative statement usually includes or implies the words 'ought' or 'should'. They reflect people's moral attitudes and are expressions of what a team of people ought to do. For instance, it deals with statements such as 'Government of India should open up the economy. Such statement are based on value judgments and express views of what is 'good' or 'bad', 'right' or ' wrong'. One problem with normative statements is that they cannot to verify by looking at the facts, because they mostly deal with the future. Disagreements about such statements are usually settled by voting on them.

(d) ***Prescriptive actions***: Prescriptive action is goal oriented. Given a problem and the objectives of the firm, it suggests the course of action from the available alternatives for optimal solution. If does not merely mention the concept, it also explains whether the concept can be applied in a given context on not. For instance, the fact that variable costs are marginal costs can be used to judge the feasibility of an export order.

(e) ***Applied in nature***: 'Models' are built to reflect the real life complex business situations and these models are of immense help to managers for decision-making. The different areas where models are extensively used include inventory control, optimization, project management etc. In managerial economics, we also employ case study methods to conceptualize the problem, identify that alternative and determine the best course of action.

(f) ***Offers scope to evaluate each alternative***: Managerial economics provides an opportunity to evaluate each alternative in terms of its costs and revenue. The managerial economist can decide which is the better alternative to maximize the profits for the firm.

(g) ***Interdisciplinary***: The contents, tools and techniques of managerial economics are drawn from different subjects such as economics, management, mathematics, statistics, accountancy, psychology, organizational behavior, sociology and etc.

(h) ***Assumptions and limitations***: Every concept and theory of managerial economics is based on certain assumption and as such their validity is not universal. Where there is change in assumptions, the theory may not hold good at all.