

6.1 INTRODUCTION:

Economics studies optimizing behaviour and provides tools of analysis. It is the science which studies human behaviour directed towards attaining maximum satisfaction with the help of scarce resources. Economics as a science is concerned with the problem of allocation of scarce resources among the competing ends. Managerial Economics and Business Economics are the two terms, which have been used interchangeably.

What is Managerial Economics?

Number of definitions of Managerial Economics are explained below:

- (i) Managerial Economics is a significant branch of Economics, which denotes itself especially to managerial decision making. A firm is usually confronted with the problem of making choice among available alternatives of economic nature and allocation of scarce resources.
- (ii) Managerial Economics is a value analysis of allocation of resources available to a firm among its activities. Availability of more than one ways demands for the selection.
- (iii) Managerial Economics is concerned with making choice of alternatives, which will maximize the achievement of objectives.
- (iv) Managerial Economics is Economics applied in decision making. It is a special branch of economics, which bridges the gap between abstract theory and managerial practice. - Haynes Mobe and Paul
- (v) Managerial Economics is concerned with determining the means of achieving given objective in the most efficient manner while considering both explicit and implicit constraints.
- (vi) Managerial Economics serves as a link between Economic things and Managerial Practice.
- (vii) Managerial Economics is concerned with the application of economics concepts and economic analysis to the problem of formulating rational managerial decision. - Edwin Marfield (1966)
- (viii) Managerial Economics is the use of economics modes of thought to analyse business situations. - MC Nair and Meriam
- (ix) Managerial Economics is a study of the behaviour of firms in theory and practice. - James Bath and J.R. Parkinson.
- (x) Managerial Economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning for management. - Spencer and Siegelman (1969)

- (xi) Managerial Economics is the application of economic theory and methodology to decision-making problem faced by both public and private institutions. -James RMC Gurgan and R. Charles Mayor (1979)
- (xii) Managerial Economics as the application of economic theory and methodology to business administration and practices.- Charles
- (xiii) Managerial Economics is Price theory in the service of business executives. - Watson.
- (xiv) Managerial Economics is the application of economics theory and methodology to business administrative practices. - Brigham and Pappas .
- (xv) Managerial Economics is a fundamental academic subject, which seeks to understand and to analyse the problems of business decision making. - Hague.
- (xvi) Managerial Economics is concerned with the application of economic principles and methodologies to the decision making process with the firm or organization. It seeks to establish rules and principles to facilitate the attainment of the desired goals of management. - Douglas
- (xvii) Managerial Economics applies the principles and methods of economics to analyse the problems faced by management of a business or other types of organization to help find solution than in advance the best interest of such organisers - Davis and Chang (1986).

From the above definitions we derive that the Managerial Economics is a special discipline which deals with application of economic theory to business management. It serves as a bridge between the two disciplines of Economics and Business Management.

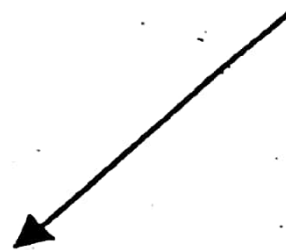
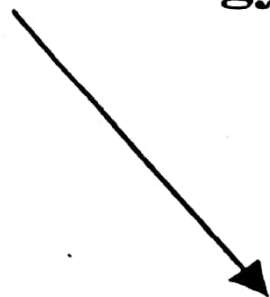
6.2 FEATURES OF MANAGERIAL ECONOMICS:

- (i) Managerial Economics is economics applied in decision making of economic nature. It indicates that Managerial Economics deals with identification of economic choices and optimum allocation of scarce resources.
- (ii) Managerial Economics is goal oriented and prescriptive since it concerns itself with the objectives to be achieved and decision to be taken in this regard.
- (iii) Managerial Economics is both conceptual and metrical. The application of various quantitative techniques like Input Output analysis and Game theory etc. give it a metrical dimension which is also supported by vigilant and careful thinking leading to successful judgement
- (iv) Managerial Economics is microeconomic in character as the unit of study undertaken is a firm and not the whole economy.
- (v) Managerial Economics also takes help of macroeconomics, as the area of operation for a firm is the whole economy.

- (i) Managerial Economics is a pragmatic in nature. The analytical tools, which are useful in improving decision-making, are concerned with it.
- (ii) Theory of firm forms the conceptual framework for Managerial Economics.
- (iii) For the purpose of analysing profits Managerial Economics takes the help of theory of distribution.
- (iv) Managerial Economics is normative in character as it prescribes the firm, the type of decision firm should take in order to maximize its achievement.
- (v) Managerial Economics provides a link between traditional Economics and the decision sciences for managerial decision making.

**Economic Theory
Methodology**

**Business Management
Decision Problem**



**Business/ Managerial Economics
Application of Economics to solve
Business Problems**



Optimal Solution to Business Problems.

Fig. 6.1 Link of Economics and Management.