

Importance of study managerial economics

Profession, Manager



As an MBA student you need to study Managerial Economics which is concerned with decisionmaking by managers. As you all are aware that the main Job of managers is decision making only. Before making a decision one has to take into accounts so many things. And here comes theimportance of managerial economics. Meaning of Economics: Economics can be called as socialsciencedealing with economics problem and man's economic behavior. It deals with economic behavior of man in society inrespectof consumption, production; distribution etc. conomics can be called as an unending science. There are almost as many definitions of economy as there are economists. We know that definition of subject is to be expected but at this stage it is more useful to set out few examples of the sort of issueswhich concerns professional economists. Example: For e. g. most of us want to lead an exciting life i. e. life full of excitements, adventures etc. butunluckily we do not always have the resources necessary to do everything we want to do. Thereforechoices have to be made or in the words of economists individuals have to decide-----" how toallocate scarce resources in the most effective ways".

For this a body of economic principles and concepts has been developed to explain how people andalso business react in this situation. Economics provide optimum utilization of scarce resources to achieve the desired result. It providesthe basis for decision making. Economics can be studied under two heads: 1) Micro Economics2) Macro EconomicsMicro Economics: It has been defined as that branch where the unit of study is an individual, firm or household. Itstudies how individual ake their choices about what to produce, how to produce, and for whom to produce, and what price to charge.

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It is also known as the price theory is the main source of concepts and analytical tools for managerial decision making. Various micro-economic concepts such as demand, supply, elasticity of demand and supply, marginal cost, various market forms, etc. are of great significance to managerial economics. 1 Macro Economics: It's not only individuals and firms who are faced with having to make choices. Governments face many such problems. For e. g. How much to spend on health services How much to spend on services How much should go in to providing social security benefits.

This is the same type of problem facing all of us in our daily lives but in different scales. It studies the economics as a whole. It is aggregative in character and takes the entire economic as a unit of study. Macro economics helps in the area of forecasting. It includes National Income, aggregate consumption, investments, employment etc. Meaning of managerial economics: It is another branch in the science of economics. Sometimes it is interchangeably used with business economics. Managerial economic is concerned with decision making at the level of firm.

It has been described as an economics applied to decision economic theory and managerial practices. It is defined as application of economic theory and methodology to decision making process by the management of the business firms. In it economic theories and concepts are used to solve practical business problem. It lies on the borderline of economic and management. It helps in decision making under uncertainty and improves effectiveness of the organization. The basic purpose of managerial economic is to show how economic analysis can be used in formulating business plans.

Definitions of managerial economics: In the words of Mc Nair and Merriam, "Managerial Economics consists of use of economic modes of thought to analyze business situation". According to Spencer and Seigelman"" it is defined as the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by the management". Economic provides optimum utilization of scarce resource to achieve the desired result.