

Managerial Economics

By:
MugdhaVaidya
Assistant Professor,
Dr. V.N. BRIMS

Managerial Economics

- ① Why to study economics??
- ① Scarcity of resources, alternative uses
- ① Managerial economics applies economic theories and methods to business decision making – Pappas and Hirschey
- ① It deals with the decision making process of the 'firm'.
- ① It bridges the gap between the purely analytical problems that intrigue economic theorists and the day to day problems that managers face

dABS & JABS!

by *Shreyas*

PRANAB'S ALBUM ▶ MY ADVENTURE SPORTS!



- Wall
- Info
- Photos

FRIENDS

- Queen
- MMS
- India's Future
- BLACK MONEY



Micro and Macro Economics

- Managerial economics is both, Macro as well as Micro economics as it draws demand analysis, cost and production analysis, pricing decisions etc. from micro economics and market intelligence from the knowledge of national income, inflation, GDP etc which are part of macro economics
- But the basic difference between micro economics and Managerial economics is that Micro economics says what a firm does and managerial economics is prescriptive i.e. what it should do?

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- ① Managerial Economics provides analytical tools that should be used in marketing, finance, production etc.
- ① It can serve an integrating role showing how other areas such as marketing, finance, production etc. can be viewed as a whole in order to fulfill goals of the firm

Macro and Micro Economics and Managerial Decision Making

- Macro Economics and Managerial Decision making
- Higher inflation and decision making in the firm ---
- AgriBusiness- E.g. ITC
 - > Interplay of input and output costs, demand forces etc.
 - > Impact on ITC's operations, marketing, HR and Finance strategies

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- ◎ Micro Economics and Managerial decision making
- ◎ When prices of food and necessary items go up in the market, it's impact is felt by other firms
- ◎ Eg. FMCG like HUL – its shampoo, beauty products business
 - > Forces of demand and supply
 - > Impact on HR, Marketing, Operations, Finance strategies

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- ① How competition affects decision making in the firms?
- ① FDI in Retail is allowed by the Government, how it will impact competition in the retail market and decision making in firms like Reliance or BigBazar? -
 - > Impact on Finance, Marketing, HR and Operations strategies

Activity

- ① Divide yourselves among teams
- ① Each team chooses Newspaper
- ① Select any 1 news item related to Macro or Micro Economics
- ① Prepare a 10 min presentation explaining the link between that particular economic phenomenon and managerial decision making