

## Nature and Scope of Managerial Economics

**Managerial Economics:** refers to the integration of economic theory with business practice for managerial decisions.

**Economics:** The word 'economics' came from two Greek words, 'eco' meaning **home** and 'nomos' meaning **accounts**.

Some thinkers state that economics is the study of wealth.

Other state that economics is the study of how society uses its limited resources.

Economics is the study of certain theories, principles and concepts that help in fulfilling needs by optimum utilization of resources.

**Management:** Management is a process of the functions of planning, organizing, staffing, directing and controlling, so that the goals of organisation can be achieved with efficiency and effectiveness.

According to **Mansfield**, "Managerial economics is concerned with the application of economic concepts and economics to the problems of formulating rational decision making"

According to **Spencer and Seigelman**, "Managerial Economics is the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management."

### Nature of Managerial Economics:

- Art as well as Science
- Micro Economic in nature
- Use of Macro Economics
- Multi-Disciplinary
- Normative
- Management oriented
- Pragmatic/realistic

**Scope of Managerial Economics:**

- Theory of Demand Analysis and forecasting
- Theory of Production and Production Decisions
- Analysis of market structure and Pricing theory
- Cost Analysis
- Profit Analysis and Profit Management
- Theory of Capital and investment decisions
- Inventory management