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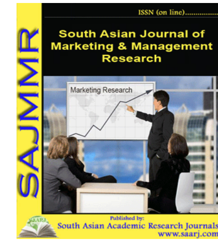

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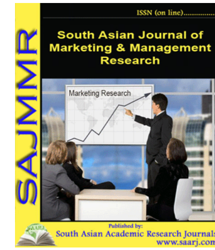

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MANAGERIAL ECONOMICS STRUCTURE: AN OVERVIEW OF KEY ELEMENTS AND PRINCIPLES

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

This paper provides an overview of the structure of managerial economics, elucidating the key elements and principles that constitute this discipline. Managerial economics combines economic theory with decision-making processes in the business environment. The paper explores the core components of managerial economics, including demand analysis, cost analysis, pricing strategies, market structure, and decision-making models. By understanding the structure of managerial economics, managers can effectively apply economic principles to make informed decisions that optimize resource allocation, maximize profits, and enhance overall organizational performance.

KEYWORDS: *Business, Managerial Economics, Macroeconomics, Management, Policies.*

INTRODUCTION

Managerial Economics is a relatively new field of study. Corporate managers are becoming more and more concerned with finding logical solutions to exploiting environmental change due to the rising instability and unpredictability of the corporate environment. From 1950 forward, scholars began to pay attention to the issues facing the business sector. After Joel Dean's book "Managerial Economics" was published in 1951, the study of managerial economics became more prominent in the USA. Managerial Economics is the integration of economic theory with business operations to facilitate management's decision-making and long-term planning. Managerial Economics helps business managers find logical solutions to problems they encounter while carrying out their duties. It applies economic theory and ideas. Making rational management judgments is aided by it. The microeconomic theory of the company is the foundation of managerial economics. It closes the gap between theory and application of economics. A discipline called managerial economics studies how to utilize limited resources efficiently[1]–[3]. It aids managers in making choices about the organization's clients, rivals, and suppliers, as well as choices regarding how a corporation operates internally. It applies statistical and analytical techniques to evaluate economic theories while addressing real-world business issues. The study of managerial economics aids in problem-solving, the development of analytical abilities, and logical problem-solving. Macroeconomics is the branch of economics that investigates how the economy as a whole (i.e., whole industries and economies) behaves. Microeconomics is the study of choices made about the distribution of resources and pricing of products and services.

Managerial Economics's Nature

Managers study management economics because it enables them to understand how an

organization operates. Organizational efficiency will arise from the manager's reasonable use of the economic behavior principles.

Economic management is a science.

An important academic area is managerial economics. It is comparable to science in that it satisfies the following requirements for becoming a science: Science is a corpus of systematic knowledge. It is founded on scientific observation. Managerial economics is a field of study that focuses on choosing between competing uses for finite resources. This branch of knowledge identifies or studies the internal and environmental environments that influence decision-making[4]–[6]. Policies are created in managerial economics following extensive testing and trailing. The policies are not strict even when the economic environment includes unexpected human variables. Managerial economists make judgments based on their insightful historical observations and experience. The principles of science are universal. Similar to that, managerial economics policies may be applied generally, though not completely. Depending on the circumstance and how people react to it, the policies need to be adjusted from time to time. Although policies are generally applicable, changes are sometimes needed.

Management Economics demands creativity

A managerial economist must be skilled at using his aptitude, expertise, and understanding to accomplish the corporate goal. Managerial economists need to have a skill to put their theoretical understanding of the components of the economy into practice. Managerial Economics for organizational management. Management benefits from the use of managerial economics in decision-making. These choices are appropriate in the current economic climate since they are founded on economic reasoning. The best resource allocation may be aided by managerial economics. Resources are limited and have other uses as well. Managers must make the best use of these few resources. The applications of each resource are many. The manager chooses the most effective use of the resource using his understanding of economics.

Microeconomics is a component of managerial economics.

Managers seek to ensure the long-term, profitable operation of the company by researching and overseeing the internal environment of the business. This feature alludes to the study of microeconomics. The field of managerial economics focuses on the issues that each organization faces, including its primary goal, the demand for its products, the setting of the organization's prices and output, the availability of complementary and substitute goods, the supply of inputs and raw materials, and the target or potential customers for its goods[6]–[8].

Macroeconomics is a part of economics

All members of the organization collaborate. They are impacted by the external environment in which the economy operates, including governmental policies, the general level of prices, economic income and employment levels, the stage of the business cycle in which the economy is operating, the exchange rate, the balance of payments, general spending, consumer saving and investment habits, and market conditions, among others. These elements have a connection to macroeconomics.

The nature of managerial economics is dynamic

The focus of managerial economics is on people, including human resources, customers,

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producers, etc. Each person's personality and attitude are unique. Because of this, managerial economics evolves throughout time to keep up with dynamism and vitality.

DISCUSSION

The Value of Management Economics

The following are some examples of how business/managerial economics is significant or important:

Traditional economic concepts that are important for actual company decision-making are the focus of business economics. To help the management make better judgments, they are altered or changed. Building a useful toolkit from classical economics is therefore achieved by business economics. It also combines helpful concepts from several other fields, like sociology, psychology, etc. if they are deemed important for making decisions. Actually, in order to best allocate resources under a variety of explicit and implicit limitations, business economics consults with other disciplines that have an impact on business choices. In a complex setting, business economics aids in a range of business choices. Several instances include:

(i) What goods and services need to be created?

(ii) Which manufacturing method and input should be used?

(iii) How much production should be generated, and what prices should it be offered for sale?

(iv) What are the ideal plant sizes and locations?

(v) When exactly should equipment be replaced?

(vi) How should the capital that is available be distributed?

A manager becomes a more skilled model creator after studying business economics. It enables him to understand the crucial connections that define a certain circumstance. at the organizational level. Business economics acts as an integrating agent when an organization's operations are carried out via well-known focus functional areas, such as finance, marketing, people, and production, by coordinating the actions in these many areas. Business economics recognizes the relationship between a corporation and society and carries out the essential function of an agent in accomplishing the firm's objectives for social and economic benefit. It has become clear that businesses also have social responsibility in addition to their duties to their shareholders. These social duties are the main focus of business economics since they serve as limits on how businesses make choices. Through corporate actions that are socially conscious, it acts as a tool to improve the economic well-being of society.

Managerial Economics's Purpose

The field of managerial economics is still evolving. The field of study for management economics is referred to as its scope. Economic theory is where managerial economics got its start. The scope of management economics is broader due to its empirical orientation. Management may utilize the strategic planning tools provided by managerial economics to get a comprehensive understanding of how the corporate world operates and what can be done to preserve profitability in a constantly changing environment. Managerial economics refers to those facets of economic theory and application that have a direct bearing on management practice and the enterprise's

decision-making process. The macroeconomic theory and the economics of public policy, which are likewise of interest to managers, are not included in its purview. Understanding whether managerial economics is positive or normative is important when evaluating its breadth.

Comparing positive and Normative Economics

The majority of management economists believe that managerial economics is, at its core, a normative and prescriptive discipline. What choices need to be taken is what it is concerned with. Because management economics is constantly focused on achieving objectives or optimizing aims, its application cannot be separated from consideration of values or standards. In management economics, we are more concerned with what ought to occur than what actually occurs. We describe what a business should do in order to make its choice effective, as opposed to what it is now doing.

Optimistic Economics

'What is' is what a positive science is interested in. According to Robbins, economics is a pure study of the real world, unaffected by moral or ethical issues. Economics is unbiased toward all goals. The economist is not qualified to judge whether a goal is wise or foolish. He is only focused on the issue of resources in connection to the intended goals. Even while the production and sale of alcohol and cigarettes may be ethically wrong since they are bad for your health, an economist has no business opining on them because they both fulfill economic needs and human desires.

Standard Economics

The goal of normative economics is to define what should exist. Therefore, prescriptive economics is another name for it. Normative economics covers topics including how much a product should cost, what wages should be paid, how money should be allocated, and more. Normative economics incorporates value judgements, it should be highlighted. Nearly all of the top management economists agree that managerial economics is basically normative and prescriptive in character. It generally pertains to what should and shouldn't be objective regarding the ends. Because managing economics is constantly focused on achieving objectives or optimizing goals, it is impossible to apply managerial economics without taking values or norms into account. Furthermore, management economics is focused in what ought to occur rather than what really occurs. We describe what a business should do in order to make its choice effective, as opposed to what it is now doing. Managerial economists are often concerned with finding the best distribution of limited resources among conflicting goals in order to maximize benefit in accordance with specified criteria. They attempt to develop policies rather than assuming things will remain as they are to accomplish these goals. The attempt to establish a cause and effect link via factual analysis and logical reasoning is a crucial component of management economics. Because of how broad its application is, management economics covers practically all issues that affect managers and businesses[9], [10].

Topics in Marginal Economics

Forecasting and Analysis of Demand

A business is a kind of economic organization that converts inputs into finished goods that are then sold on the open market. The key to making wise decisions at the company level is accurate demand assessment, which is achieved by examining the dynamics influencing consumer demand

for the firm's products. Accurate demand projections are a key component of management decision-making. When estimating demand, the management does not only examine the existing demand; they also project demand for the future. Demand forecasting is supposed to signify this. The management may use this prediction as a guidance to preserve or increase market position while increasing profit. Demand analysis gives guidance for managing demand by assisting in the identification of the many aspects impacting the demand for a firm's product. Demand Determinants, Demand Distinctions, and Demand Forecasting are the key subjects addressed.

Analysis of Production and Costs

Another role of management economics is cost analysis. Cost estimations are crucial while making decisions. If management wants to arrive at cost estimates that are important for planning purposes, the elements contributing to cost fluctuation must be acknowledged and taken into account. A corporation must pay close attention to the factors that determine cost estimation, the link between cost and production, and the prediction of cost and profit. Because not all of the elements driving costs are constantly known or under control, there is some degree of cost uncertainty. These features of cost analysis are discussed in managerial economics as a useful skill whose application is essential to a company's success. Production analysis typically moves forward in terms of physicality. A crucial aspect of production economics is inputs. The inputs, also known as the elements of production, may be placed together in a certain manner to produce the most output.

Alternately, when input costs skyrocket, a company is compelled to determine which components should be combined to provide the least expensive combination. Production function, least expensive factor input combinations, factor productiveness, returns to scale, cost ideas and categorization, cost-output relationships, and linear programming are the key subjects addressed by cost and production analysis.

Inventory Control

A firm's supply of raw materials is referred to as an inventory. How much of the inventory is the optimal stock is now the issue. If it is high, capital is being held inactively. Production will be impacted by low inventory levels. In order to reduce the cost of inventory, management economics will use techniques like the Economic Order Quantity (EOQ) approach and ABC analysis. It also delves further into topics like the reasons for keeping inventory, the expense of keeping inventory, inventory control, and the primary techniques for managing and controlling inventory.

Advertising

Producing a product is one thing, but marketing it is quite another. However, the buyer should hear about the goods before considering purchasing it. As a result, advertising plays a crucial role in making decisions and developing plans for the future. Selling costs are what economists refer to as spending on advertising and associated sorts of promotional activity. Several approaches may be used to determine an advertising budget, including the percentage of sales approach, the most you can afford, the competitive parity approach, the objective and task approach, and the return-on-investment approach.

Policies, Procedures and Pricing

The study of pricing is a crucial component of management economics. Production and pricing

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are both control tasks in an organization. The cost of manufacturing must be considered when determining how much to charge for a commodity. Market structure, both as it now exists and as it has changed due to the nature of market competition, has a significant impact on business choices.

Pricing is really determined by taking into account cost plan pricing and public business rules. It is also crucial to understand how a product is priced in an oligopoly environment. The pricing system assists the management in making decisions that are both wise and lucrative.

Profit Control

A company with a profit-making goal is referred to as a business firm. Profits are a key indicator of a company's success. We must first comprehend how profit is generated before we can evaluate a business. The idea of profit maximization is highly helpful in narrowing down the options when choosing a course of action at the corporate level. Profit forecasting is a critical management task. It refers to the forecast of future profits and includes the examination of corporate behavior—both real and anticipated as well as sales volume, pricing, and rival tactics, among other things. The nature and measurement of profit, as well as profit policies that are especially important to management decision-making, are the key topics discussed in this subject. By using factual research and logical reasoning, managerial economics seeks to identify the cause and effect link. A significant portion of economic study of this deductive thesis, such as the claim that profits are at their highest when marginal revenue equals marginal cost, aims to draw precise recommendations for how things should be done. The reasoning behind linear programming is deductive in nature. In conclusion, managerial economics is a subfield of normative economics that borrows from both descriptive economics and logical deductive patterns that are well-established.

Capital Administration

The fundamental executive role is the planning and management of capital expenditures. From an economic perspective, the management issue of capital planning and control is looked at. various sectors have various capital budgeting procedures. The equi-marginal principle is involved. The goal is to ensure that funds are used in the most lucrative way possible, thus money cannot be applied when the management returns are lower than for alternative uses. So, we can see that a corporation must deal with uncertainty. We may thus draw the conclusion that the focus of management economics is on applying economic ideas and principles to managing the firm's uncertainty. Integration of management economics and operation research has become more popular recently. As a result, management economics has developed to include approaches like linear programming, inventory models, waiting line models, bidding models, theory of games, etc.

Relation to Other Knowledge Areas

An effective way to shed insight on the nature and application of management economics is to look at how it interacts with other fields of study. To categorize an area of study's range is to talk about how it relates to other topics. Our research would be useless if we looked at the topic in isolation. There are several academic subjects and disciplines that managerial economics is closely related to. The discipline has benefited from interactions with statistics, mathematics, and economics and has included ideas from management theory and accounting. By combining ideas and approaches from various fields, management economics applies them to managerial issues.

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Economics and Managerial Economics:

Economic theory used in decision-making is known as managerial economics. It may be researched as a subfield of economics, spanning the divide between purely theoretical economics and management application. Microeconomics and macroeconomics are the two primary subfields of economics.

Micro-economics:

"Micro" refers to size. It examines both the behavior of such units in isolation as well as in small groupings. It is a study of specific companies, specific families, specific pricing, salaries, and incomes, as well as specific sectors and commodities. Thus, a microscopic picture of the economy is provided by microeconomics. There are three levels at which the microeconomic analysis may be conducted:

(i) The parity between different customers and producers;

(ii) The single market's equitization;

(iii) The concurrent equilibrium of every market.

The main issue in microeconomics is the issue of scarcity and the best or optimum distribution of resources. Microeconomic theory is where management economics got its start. The ideas of demand, elasticity of demand, marginal cost, marginal revenue, the short and long runs, and theories of market structure are among the sources of microeconomics that managerial economics uses. These concepts are all found in pricing theory. It also uses well-known pricing theory models as the monopoly price model, the kinked demand theory, and the price discrimination model.

Macro-economics:

Macro refers to size. It discusses how the economy's major aggregates behave. Total saving, total consumption, total income, total employment, general price level, wage level, cost structure, etc. are examples of huge aggregates. Macroeconomics, therefore, is the study of aggregates. It looks at the relationships between the different aggregates and the reasons why they fluctuate. The main issues in macroeconomics are the determination of total income, total employment, and general price level. Managerial economics and macroeconomics are connected. Business choices are influenced by the environment in which a company works, changes in the amount of business activity, changes in fiscal and monetary policies, and variations in the national income. The management economist finds that having a grasp of how the economy functions as a whole helps him formulate his policies.

Forecasting is where macroeconomics makes its biggest contribution. Forecasting general business circumstances directly depends on the post-Keynesian aggregative theory. Since an individual organization's prospects often depend heavily on business as a whole, individual firm projections rely on general business forecasts, which employ models developed from theory. The gross national product model is the one that is most often employed in contemporary forecasting.A crucial field of study that combines economic theory with management decision-making is managerial economics. This part outlines the paper's goal while highlighting the value of comprehending managerial economics' organizational structure in boosting managerial efficacy and organizational success.

Request Analysis

The function of demand analysis in management economics is examined in this section. It explores the ideas of demand drivers, demand curves, and demand elasticity, demonstrating how managers may assess and forecast customer behavior in order to make defensible choices about pricing, product development, and marketing tactics.

Cost Evaluation

A key component of management economics is cost analysis. The many cost kinds, including opportunity costs, fixed costs, and variable costs, are covered in this section along with how they affect decision-making. Managers may maximize production and cost effectiveness by understanding concepts like economies of scale, cost curves, and cost functions.

Pricing Techniques:

The profitability and market position of an organization are substantially impacted by pricing choices. The many pricing techniques, such as cost-based pricing, value-based pricing, penetration pricing, and skimming pricing, are examined in this section. The importance of demand elasticity, rivalry, and market circumstances in choosing the best pricing methods is emphasized.

Market Organization:

For decision-making to be successful, it is crucial to comprehend market structure. This section examines various market forms, including oligopoly, monopoly, perfect competition, and monopolistic competition. Managers may navigate and take advantage of market circumstances by discussing how market structure affects price, market behavior, and competitive tactics.

Models for Making Decisions:

The models of decision-making that managers might use to identify and resolve challenging business issues are the main topic of this section. We investigate models from game theory, marginal analysis, and decision trees to explain how these tools help managers make thoughtful and strategic choices in the face of uncertainty.

CONCLUSION

In conclusion, the structure of managerial economics encompasses various key elements and principles that guide managerial decision-making. By comprehending demand analysis, cost analysis, pricing strategies, market structure, and decision-making models, managers can make informed and strategic decisions that optimize resource allocation, enhance efficiency, and achieve organizational objectives. The understanding and application of managerial economics contribute to improved organizational performance and long-term success in the dynamic business environment.

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MANAGERIAL ECONOMICS AND THE THEORY OF DECISION MAKING: EXPLORING RATIONALITY AND OPTIMIZATION

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, India
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

This paper provides an analysis of the relationship between managerial economics and the theory of decision making, highlighting the role of rationality and optimization in managerial decision-making processes. Managerial economics combines economic principles with managerial decision-making to enhance organizational performance. The paper examines the foundations of the theory of decision making, including rational decision-making models, risk and uncertainty analysis, and optimization techniques. By understanding the interplay between managerial economics and the theory of decision making, managers can make informed decisions that maximize outcomes, mitigate risks, and improve overall organizational success.

KEYWORDS: *Businesses, Decision Making, Economics, Managerial Economics, Management.*

INTRODUCTION

An area of study that is relatively new yet has relevance for management economics is the theory of decision making. Making decisions is always crucial to the management process as well as to each of the management functions including organizing, leading, and regulating. Making decisions is really a crucial aspect of modern corporate management. A manager must deal with a variety of issues related to his or her firm, including those related to production, inventories, costs, marketing, pricing, investments, and staff[1], [2].Economists are naturally interested in business decision problems because they are concerned with the effective use of limited resources. They also apply economics to the management of business issues. Therefore, management economics is the application of economics to decision-making. As reported by M.H. Scott and L. According to Siegelman, managerial economics is the fusion of economic theory with business practice with the goal of assisting management with decision-making and long-term planning.

Managerial economics is a core academic discipline that aims to comprehend and analyze the issues with business decision-making. In the actual world of management, there are many different objectives and there is always some degree of ambiguity. The idea of a single optimal solution is replaced by the theory of decision making, which holds that the goal is to find a solution that "satisfies" rather than maximizes. It delves into an examination of motivation, the relationship between incentives and aspirational levels, and the distribution of power. The theories of economics and decision-making seem to be at odds with one another since they each make distinct assumptions. The assumption of a single goal the maximization of utility for the person or of profit for the firm forms the foundation of most of economic theory[3], [4].

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Operational research and managerial economics

Together, mathematicians, statisticians, engineers, and others created models and analytical tools that later grew into a specialized field called operation research. The approach's main goal is to create a scientific model of the system that can be used to inform policy decisions. Linear programming, dynamic programming, input-output analysis, inventory theory, information theory, probability theory, queuing theory, game theory, decision theory, and symbolic logic all played major roles in their development. When there is a linear connection between the variables in a programming issue, linear programming is used to solve it. The management economist may utilize it to split purchases among several supply and site depots and cut down on transportation expenses. When the goal is to maximize profit, production, or efficiency, it is used.

Certain forms of sequential choice problems may be solved with the aid of dynamic programming. A sequential decision issue is one in which a series of choices must be taken, each of which will influence subsequent choices. It has been used in situations including equipment replacement, targeted marketing, inventory and production management, maintenance and repair, and financial portfolio balance. The input-output approach is used in this model to establish the amounts of activity in the different economic system sectors while treating the ultimate demand as exogenously determined. Businesses may utilize it for resource mobilization, planning, and coordination. It is used to find the best solution[5], [6]. The idea may be used to solve issues like determining the best cost-effective way to satisfy a demand or how to reduce waiting or idle time. The study of games offers a potential solution to several oligopolistic interminacy issues.

The following factors need to be taken into account when using game theory:

(i) The two businesses are the participants;

(ii) They engage in market-based gaming;

(iii) Their pricing or production choices serve as their strategy; and

(iv) Their gains serve as the payoffs or rewards. The numbers make up the so-called pay-off matrix. The most crucial tool in game theory is this matrix.

Management Statistics and Economics

The study of management economics benefits from statistics. It serves as the foundation for evaluating theories empirically. Statistics are crucial for giving any company measurements of the proper functional relationships involved in decision-making. Because businesses depend on estimations and probabilities, statistics is a science that business leaders may employ to their advantage. Managerial economics may use several methods from statistics. Let's say predicting is necessary. Trend predictions are used for this reason. Multiple regression approach is used similarly. Measures of central tendency including the mean, median, and mode as well as measures of dispersion, correlation, regression, and least squares estimators are often employed in management economics. Managerial economists are often forced to choose between models that explicitly take probability theory into account and those that ignore uncertainty. Managerial challenges are often solved using statistical methods. For instance, sampling is a great tool for gathering data. Multiple regression and correlation are tools used in managerial economics to solve business challenges including some kind of cause-and-effect connection[7], [8].

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Managerial Accounting and Economics:

Accounting and managerial economics go hand in hand. It is focused with keeping track of a commercial firm's financial operations. Profit is the primary motivation for starting a company. When money is invested, it is used to finance the purchase of real estate, including buildings and furnishings, as well as to pay for ongoing company expenditures. Both cash and credit are used to buy and sell goods. Credit vendors get cash payments. It comes from credit purchasers. Both income and expenses are covered. This is part of the company' regular everyday operations. Business transactions include acts like purchasing, selling, receiving, and paying for commodities and services. The commercial dealings are many and diverse. They are too many to remember all of them. Due to this, it is now essential to record company transactions in books. To make it easier to properly analyze the findings, they are organized into a series of volumes.

Three categories of accounts exist:

1. Personal account
2. Property accounts.
3. Nominal accounts.

The accounting information needed to make company choices is provided by management accounting. The success of the company depends heavily on the accounting processes since profit maximization is the main goal of the company.

Mathematics and managerial economics

Another crucial discipline that is strongly connected to management economics is mathematics. We need a set of mathematical tools in order to derive and explain economic analysis. Economic theories have benefited from mathematics, and as a result, mathematical economics has grown to be a crucial area of study within economics. Economic ideas become more clear and rational when they are approached mathematically. The mathematical technique is highly beneficial for the estimate and forecast of economic elements for decision-making and forward planning. Geometry, algebra, and calculus are the three major fields of mathematics that a management economist often uses. Input-output tables, vectors and determinants, logarithms, and exponentials are some of the mathematical ideas employed by management economists. Operations research, a branch of management economics, has a mathematical foundation[9], [10].

Managerial Economics's Function in Business Decisions

Making decisions is a crucial component of modern corporate management. One of the most challenging responsibilities for a competent manager is making a choice. In order to run a firm, a manager must make a number of choices. A manager's day is spent making choices that affect other decisions. A decision is the end result of a process called decision making. Information flow serves as the foundation for managerial choices. Making decisions is a management task as well as an organizational procedure. Making decisions is how managers do their duties. Planning and decision-making both aim to focus behavior and effort of people on a future goal or target. It is organizational in that many decisions are made by groups, teams, committees, etc. rather than by a single management. Once a choice is made, it is carried out with the least amount of effort and expense possible. Managers will be better equipped to see business challenges from a different angle and improve their problem-solving skills as a result of studying the principles of business

choices.

Business-related choices that are made by executives include those involving production, inventories, costs, marketing, pricing, investments, and staff. Application of corporate decision-making concepts will provide good results over the long term. A good choice is one that follows logic, takes into account all relevant information and potential alternatives, and utilizes the quantitative method. The executive takes organizational choices in his own position as a manager. They consist of approving plans, adopting strategies, and defining goals. So that choices could be carried out with their backing, these decisions may be delegated to the organizational members. These choices are made with the organization's best interests in mind. The most significant choices are those that need a long-term commitment and significant financial outlay. There is a great deal of significance placed on them. The company's survival will be in peril if a big error is made. The choice of a site, choice of a product line, and choice of how to run the firm are all fundamental choices. They are seen as fundamental because they have an impact on the whole organization.

DISCUSSION

Important Business Decision Types

Producing choices:

Production is a kind of economic activity that involves supplying products and services to the market in order to meet customer demand and maximize profit. The corporate executive is required to allocate his resources in a sensible manner. He could run into issues like how to employ various machine hours for the most productive benefit or the optimum mix of components to maximize profit, among other things.

Inventory choice

Inventory is the amount of commodities, raw materials, or other resources owned by the company at any particular moment but not in use. For a business, it's crucial to decide whether to keep inventory on hand to satisfy demand. In certain cases, the quantity of inventory also acts as a production planning guide, making it a strategic management variable. Blocking of capital is caused by large inventories of raw materials, intermediary products, and final items.

Cost judgments

The firm's ability to compete depends on its capacity to manufacture the product at the lowest possible cost. Cost structure, cost reduction, and cost management now play a significant role in company choices. Without cost management, profitability would decline because costs would rise. Future business choices demand the businessmen to choose from a range of options, and in order to do so, they must be aware of the associated expenses. For corporate decision-making, cost knowledge regarding the resources is particularly important.

Making marketing choices

The marketing executive must decide on the target market, market positioning, product development, price, distribution methods, physical distribution, communication, and promotion as part of market planning. In marketing, a businessman must primarily make two distinct but connected choices. They are the choices for both purchases and sells. Choosing how much to manufacture and sell in order to maximize profit is a sales decision. The goal of the purchasing

choice is to get these resources at the lowest cost feasible in order to maximize profit. Here, the core competency of the CEO is to shape the volume, timing, and makeup of demand for a product or service, company, location, individual, or notion.

Investment Choice

Risk issues and faulty forecasting are highly important factors in investing decisions. There are very few investments in real-world business situations that are risk-free. Investment choices include decisions on the quantity of capital investment, the source of funding for this investment, and the distribution of this investment over time across various projects. These choices are quite important for assuring the steady expansion of an organization. Therefore, the executive must make investment selections with the greatest prudence and attention.

Personal Choice

A big number of employees are needed for an organization. These individuals have a variety of jobs. To accomplish organizational goals, each job inside the organization plays a specialized role. Manpower planning, hiring, vetting, training, development, performance reviews, promotions, transfers, and other areas are covered by personnel choices. Executives in the business world should consider personnel choices to be crucial. The theory of decision making and management economics are related disciplines that influence managerial decision-making processes. This part explains the paper's goal, highlighting how crucial it is to comprehend the connections between different disciplines in order to promote logical decision-making and achieve resource allocation optimization in management situations.

Models for Rational Decision-Making

This section examines the theoretical underpinnings of rational decision-making models, including the limited rationality model and the classical economic model. It talks about the presumptions, restrictions, and uses of these models in management choice-making. It also looks at how knowledge, preferences, and decision criteria play a part in making logical decisions.

Analysis of Risk and Uncertainty

In management economics, dealing with risk and uncertainty is a common part of decision-making. This section examines how to make decisions when faced with risk and uncertainty, delving into ideas like decision trees, anticipated utility theory, and probabilistic analysis. It emphasizes how crucial it is to evaluate and control risks in order to make wise choices in complex situations.

Optimization Strategies

In management decision-making, optimization is important. Different optimization strategies, such as linear programming, integer programming, and dynamic programming, are covered in this section. It looks at how these methods help managers choose the best options to optimize results while taking limits and trade-offs into account.

Behavior-Related Decision-Making Elements

Given that human conduct may stray from pure rationality, this section discusses the behavioral elements of decision-making. It examines cognitive biases, heuristics, and decision-making traps

that may affect management judgment. The combination of management and behavioral economics provides insights into bias-reducing techniques and decision-making processes.

CONCLUSION

Managerial economics generally refers to the integration of economic theory with business practice. Economics provides tools and managerial economics applies these tools to the management of business. In simple terms, managerial economics means the application of economic theory to the problem of management. Managerial economics may be viewed as economics applied to problem solving at the level of the firm. It enables the business executive to assume and analyse things. Every firm tries to get satisfactory profit even though economics emphasises maximising of profit. Hence, it becomes neces-sary to redesign economic ideas to the practical world. This function is being done by managerial economics. The scope of managerial economics is not yet clearly laid out because it is a developing science. In conclusion, the integration of managerial economics and the theory of decision making provides a robust framework for rational and optimized managerial decision making. By understanding rational decision-making models, analyzing risk and uncertainty, employing optimization techniques, and considering behavioral aspects, managers can make informed decisions that maximize outcomes and contribute to organizational success. The application of these concepts in managerial economics enhances resource allocation, strategic planning, and performance optimization in organizations. The ongoing research and exploration of the relationship between managerial economics and the theory of decision making continue to advance the field, enabling managers to navigate complex business environments effectively

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MANAGERIAL DECISION ANALYSIS STRUCTURE: A FRAMEWORK FOR EFFECTIVE DECISION MAKING

Dr. Narayana Srikanthreddy*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-srikanthreddyn@presidencyuniversity.in

ABSTRACT:

This paper provides an overview of the structure of managerial decision analysis, a systematic approach that enhances decision-making processes in managerial contexts. Managerial decision analysis combines quantitative and qualitative techniques to analyze complex problems, evaluate alternatives, and make informed decisions. The paper explores the key components of managerial decision analysis, including problem identification, data collection, decision modeling, evaluation of alternatives, and implementation strategies. By understanding the structure of managerial decision analysis, managers can improve their decision-making capabilities and drive organizational success.

KEYWORDS: *Business, Managerial Economics, Macroeconomics, Management, Policies.*

INTRODUCTION

The application of economic theory and methods to business is known as business economics, often known as managerial economics. Making decisions is a part of business. The process of choosing one course of action from two or more alternatives is known as decision-making. The issue of choice occurs because there are a finite number of fundamental resources, including capital, land, labor, and management, which may also be used for other purposes[1], [2]. Thus, choosing options and making choices that will give the most effective method of achieving a desired aim, such as profit maximization, becomes the decision-making function. Business choices are made by managerial economics' use of microeconomic techniques. It involves a business. Managerial Economics is not only used by for-profit businesses and organizations.

However, it may also be used to assist non-profit organizations (such as hospitals and educational institutions) in making decisions. It allows for the best possible use of limited resources in these organizations and aids in reaching objectives in the most effective way. Analysis of prices, output, capital expenditures, risk, and demand may all be greatly aided by managerial economics. For logical management decision-making, managerial economics applies both economic theory and econometrics. By empirically determining the link between economic variables, econometrics is defined as the application of statistical methods to evaluate economic theories. For the purpose of solving economic issues, it employs factual data. The economic theory known as the "Theory of Firm" is related to managerial economics. According to the theory of the company, maximizing wealth is the main goal of the organization. In management economics, making decisions often entails establishing the firm's goals, identifying the challenges to achieving those goals, developing potential solutions, choosing the best one, and then putting the choice into action[3], [4].

Managerial theory and economic theory

Economic theory is a network of connections. In terms of theoretical perspectives, economics is the most developed of the social sciences. In economics, there are well established theoretical frameworks. The postulational or axiomatic approach of theory development is one of the most hotly debated frameworks. It maintains that the foundation for economic analysis and reasoning is a logical core of theory made up of postulates and their predictions. It is difficult to separate the logical foundation of a theory from its empirical component. A logically sound framework of reasoning underpins economics. The fundamental foundation of the theory of competitive equilibrium is the axiomatic approach. The interrelationships are the guiding principle in both deductive reasoning and inductive generalizations. The elements of economic theory and application that have a direct bearing on management practice and the decision-making process are referred to as managerial theory. The management philosophy is practical. It is focused on those analytical tools that may help make better decisions. The managerial theory gives the conceptual tools that are important for the manager to make informed judgments. The management theory offers a company manager the most support for his decision-making and business planning. The fundamental ideas and methods of management theory apply to all branches of managing theory[5], [6].

The corpus of principles are the subject of economic theory. However, management theory is concerned with using specific concepts to address a firm's issue. Both microeconomics and macroeconomics are included in economic theory. But the micro features of management theory are limited. Economic theory studies both individual consumers and particular firms. But only individual firms are studied by management theory. Rent, wage, interest, and profit distribution theories are studied in economic theory. But the study of management theory is limited to theories of profit. The foundation of economic theory is a set of presumptions. However, because of real-world circumstances, these assumptions vanish in management theory. Unlike management theory, which is primarily normative in nature, economic theory is both positive and normative in nature. While management theory investigates both economic and non-economic sides of the issue, economic theory exclusively studies the economic aspect.

Why Do Managers Need Economic Knowledge?

The accomplishment of management tasks and obligations depends greatly on economics. Economics contributes to the management profession in the same way that biology contributes to the medical field and physics to engineering. When all other professional requirements are equal, managers who have a good understanding of economics are better able to carry out their duties than those who don't. The primary responsibility of a business organization's management is to use the limited resources at their disposal to the greatest degree feasible in order to accomplish the organization's goal. Here, the focus is on making the most of the available resources while maximizing the goal. If resources had been boundless, the issue of resource management or resource recognition would not have existed. However, a firm's access to resources—whether they be financial, human, or material is by no means unlimited. Therefore, the management's primary duty is to maximize their utilization. As previously noted, economics is primarily the study of logic, tools, and tactics for using the resources at hand as effectively as possible to attain the stated aims. Thus, economics provides managers with the analytical tools and methods they need to further the objectives of the organization they are in charge of. Therefore, managers need to have a practical understanding of economics, not necessarily a formal education. Therefore,

managers are basically economists in practice.

In order to carry out their duties, managers must make a variety of choices that are consistent with the company's objectives. Many business choices are made in an environment of risk and ambiguity. These are primarily caused by the market forces' erratic behavior, the shifting business environment, the emergence of competitors with fiercely competitive products, government policy, foreign factors that have an impact on the domestic market as a result of the country's growing globalization, and social and political changes. corporate decision-making is made more difficult by the complexity of the current corporate environment. But if market circumstances can be reliably foreseen, the degree of uncertainty and risk may be significantly decreased. Economics provides tools, strategies, and models to forecast changes in market dynamics and commercial opportunities.

It is insufficient to just anticipate how the business environment will develop in the future. Making the right business choices and developing a business plan that is in line with the objectives of the company are equally vital. A thorough awareness of the technological and environmental factors affecting the business problems for which choices are made is necessary for rational decision-making. Rational decision-making is greatly aided by the use of economic theories to describe and analyze technological circumstances and the business environment. As a result, a broad variety of applications for economic theories in the examination of real-world business issues have emerged. The effectiveness of economic theory as an analytical tool and its contribution to the process of decision-making has been generally acknowledged given the increasing complexity of the corporate world.

DISCUSSION

Make Decisions

A manager's conceptual and technical skill set is meant to be enhanced through managerial economics. It is focused on the firm's economic behavior. It focuses on the firm-level decision model, decision process, and decision factors. It involves using economic analysis to assess company choices. Making decisions and preparing forward in an unpredictable corporate environment is a manager's key responsibility. Production, inventory, cost, marketing, financial, personnel, and other choices related to finances and people are only a few of the crucial management decisions. The capacity for rapid decision-making is one of the traits of a successful executive. He must have a clear understanding of his objectives, make use of all available information, consider the advantages and drawbacks, and act quickly. The choices are made in order to accomplish certain goals. The driving forces behind decision-making are goals. A number of actions are taken to achieve the goals, and quantitative methods are also utilized in decision-making. However, it should be highlighted that actions and quantitative methods alone won't result in satisfactory outcomes. It's crucial to keep in mind that other elements, like technical pressures, environmental factors, human and behavioral considerations, and other variables, affect the choices and decisions made by managers[5], [6].

Managerial Economics' Impact on Business Decision Making

Construction and estimation of decision models that are helpful in identifying the ideal behavior of a corporation are done using mathematical economics and econometrics. While the latter uses statistical methods and data from the actual world to economic issues, the former aids in the expression of economic theory in the form of equations. Similar to how probability theory is used

to forecasting, regression is utilized to risk analysis. Additionally, economists analyze a firm's behavior using a variety of optimization approaches, including linear programming. Additionally, they have discovered that using the calculus's symbols and logic to represent their models of business and consumer behavior is most effective. Managerial Economics hence focuses on the economic ideas and ideas that make up "Theory of the Firm." The topic is a blend of quantitative management decision-making methods and economic theory. It has a microeconomic personality. Additionally, it is normative since it makes value judgements and specifies the objectives a corporation ought to follow. Fig. The main connections between economics and management decision-making are summarized here. The administration of non-profit organizations including governmental organizations, hospitals, and educational institutions also heavily relies on managerial economics. A mind schooled in economic logic is capable of making rational administrative judgments whether one oversees the ABC hospital, Eastman Kodak, or the College of Fine Arts.

Analysis of Managemental Decisions

Managerial Economics is concerned with distributing the limited resources in a way that reduces the cost. Managerial Economics is distinct from both microeconomics and macroeconomics, as we have previously explored. The focus of management economics is really on applying microeconomics to address managerial problems. Managerial economics assures that managers make effective and efficient judgments regarding consumers, suppliers, rivals, as well as inside an organization, wherever there are limited resources. The fact that resources are scarce raises three important questions:

a. What should be made?

b. How do you make?

c. Who are you producing for?

A company applies the management economics concepts to these inquiries.

What products and services should be produced, and in what quantity(es)? is the initial question. For making this decision, the managers turn to demand theory. Demand theory looks at how consumers behave in terms of the types of purchases they would like to make now and in the future, the factors that influence the purchase and consumption of a specific good or service, the effects of changes in these factors on the demand for that particular good or service, and the goods or services that consumers might not purchase and consume in the future. The managers employ techniques of demand forecasting to determine the quantity of products and services to be produced. The second question refers to how products and services are created. The company now needs to decide between many alternative manufacturing strategies. It must decide on the procurement of raw materials, expensive equipment, labor, etc. For making these important choices, managers may utilize a variety of managerial economics techniques, including production and cost analyses (for hiring and obtaining of inputs), project evaluation methods (for long-term investment decisions), etc.

Who should use and make claims for the products and services supplied by the company is the third issue. For instance, the company must choose if its specialized market is local or international. The market needs to be divided. It must thoroughly examine market structure before making judgments about prices and production that are appropriate for the kind of market.

Decision-making is aided by managerial economics since it requires logical reasoning. Additionally, managers can cope with increasingly complicated and real-world issues by studying simple models. Additionally, a broad strategy is used. Managerial Economics examines a business from a broader perspective, addressing issues like what constitutes a firm, what the firm's goals are, and what factors drive the organization toward and away from profit. Overall, management economics places a focus on the company, individual corporate choices, and the environment in which the organization functions. It addresses important topics including why certain professions pay well while others don't, why certain market circumstances encourage the establishment and departure of businesses, etc. An excellent analytical and logical instrument is managerial economics. Managerial Economics is relevant to non-profit institutions like hospitals, schools, government agencies, etc. in addition to for-profit businesses[7]–[9].

Managerial Economics Principles

Economic principles support clear thinking and logical deliberation. They hone the managerial strength and logical abilities. The following are some key management economics principles. With regard to the firm's goal of profit maximization, a choice is considered to be reasonable and sound if it results in an increase in profit, which is the case in either of two scenarios:

1. If overall revenue growth outpaces overall cost growth.
2. If overall income decreases but entire costs remain stable.

Analyzing margins entails determining how a unit change in one variable affects another. Small changes are often referred to be marginal. Changes in total revenue per unit of product sold are referred to as marginal revenue changes. While incremental cost relates to changes in total expenses as a result of changes in total production, marginal cost refers to changes in total costs per unit change in output generated. The effect or change in marginal revenue and marginal cost that results will determine whether a corporation decides to adjust the pricing. The company should implement the pricing modification if the marginal revenue is higher than the marginal cost.

Marginal analysis often results from a change in outputs or inputs, while incremental analysis analyzes the change in the firm's performance for a specific management action. The marginal idea is generalized by incremental analysis. It speaks about adjustments in cost and income brought on by a change in policy. As an example, consider adding a new company, purchasing additional inputs, processing goods, etc. Incremental change is defined as a change in output brought on by modifications to a process, a product, or an investment. According to the incremental principle, a choice is profitable if revenue grows more than costs, costs decline more than revenues, some revenues increase more than others fall, and some expenses decrease more than others increase.

Equi-marginal Principle:

The benefit gained by consuming an extra unit of a commodity is known as marginal utility. According to current economists, this concept has been expressed in the form of the law of proportionate marginal utility. It asserts that a consumer would reach the stage of equilibrium when the marginal utilities of the numerous commodities he consumes are equal. It claims that the customer will spend his or her income on various things in a manner that makes each one's marginal value proportionate to its cost, or

MUy/Py = MUz/Pz = MUx/Pz = MUy/Py =

Where MU stands for marginal utility and P is the good's price.

Similar to this, a producer who seeks to maximize profit (or achieve equilibrium) would use a method of production that meets the criterion below:

MRP1/MC1 = MRP2/MC2 = MRP3/MC3, respectively.

Where MC stands for marginal cost and MRP stands for marginal revenue product of inputs. As a result, a manager may choose wisely by allocating or recruiting resources in a way that balances the marginal returns and costs of multiple uses of those resources for a particular purpose.

Opportunity Cost Principle: The sacrifice of alternatives necessitated by a choice is referred to as the opportunity cost of that action. There is no cost if no sacrifices are made. The opportunity cost concept states that a company may only recruit a factor of production if and only if that element will get compensation in that vocation or job that is at least as high as its potential cost. Opportunity cost is the lowest price at which a factor-service must be retained for the intended purpose. It might also be described as the price of given up choices. For instance, a guy decides to launch his own company instead of keeping his lucrative work that pays him Rs. 50,000 per month. The opportunity cost of owning his own firm is the lost chance (making Rs. 50,000).

The Time Perspective Principle states that before making any choices, a manager or decision-maker should give proper consideration to the short- and long-term effects of such actions, giving each appropriate weight. In the short term, certain variables are fixed while others are subject to change. By increasing the number of variable parameters, the productivity may be boosted. While the long run is a time frame during which all production elements are susceptible to change. It is simple for selling enterprises to enter and depart. From the perspective of the consumer, the short-run is the time frame during which they react to price changes based on their tastes and preferences, while the long-run is the time frame during which they have ample time to react to price changes by changing their likes and preferences[10]–[13].

The discounting principle states that in order to properly compare options, all costs and revenues that will be impacted by a choice in the long run must first be discounted to present value. This is crucial because money now does not have the same value as money tomorrow. Examples of how to use economics in business choices How economics may influence company decision-making has been covered above. Making a choice in business generally involves choosing the best option from a range of options available to the company. There are four key stages to the decision-making process:

a) Identifying and defining the goal to be accomplished;

b) Gathering and analyzing information about the corporate world, as well as the economic, social, political, and technical environments, and anticipating the need and occasion for decision-making;

c) Coming up with, planning, and analyzing potential courses of action; and

d) Deciding on a certain plan of action from the available options.

However, this decision-making process is not as straightforward as it first seems to be. Business decision-making heavily relies on steps (ii) and (iii). By doing these actions, managers may evaluate choices in the contemporary corporate environment to see whether they are acceptable

and legitimate. Due to the rapid change, intense competition, and complexity of today's business environment, using one's common sense, intuition, and experience alone may not be adequate to make sound business judgments. Additional Economic Principles That Affect Management Decisions. Other important economic ideas that bear on management choices include:

Separation of Labor

Adam Smith did believe that the division of labor is the primary factor enhancing living standards, which is why I placed it first. The notion of division of labor isn't used much in modern economics, but two closely related ideas are crucial: returns to scale and the possibility of growing, stable, or falling returns to scale. Division of labor is one driver of increased returns to scale, if not its primary one. This is the scenario that produces unusual outcomes. Virtuous Circles in Economic development: According to Smith, the division of labor and subsequent rise in productivity had a significant impact on the creation of a "virtuous circle" of sustained development. Although there are other aspects of modern "virtuous circle" theories, they include the division of labor and growing returns to scale.

Market Stability

The concepts of supply, demand, amount provided and required, and equilibrium might all be separated down into individual principles that make up the market equilibrium model, although doing so would not be very profitable. There are several applications, however, including at least four significant auxiliary principles. Knowledge how market changes impact society requires a knowledge of the concepts of elasticity and revenue. The entry principle states that more competition will drive out profits (above opportunity costs) in industries where entry is free. Depending on whether or not there is "perfect" competition, or monopolistic competition, this has a somewhat different meaning.

Cobweb Adjustment: This may provide an explanation for why the market overshoots rather than moving smoothly to equilibrium. Why economists favor competition over monopolies and despise them in the case of monopolies.

Decreasing Profits

The Long Run/Short Run dichotomy is an essential sub-principle because the Principle of Diminishing Returns, perhaps the most well-known main economic concept, is far more trustworthy in short-run applications than in long-run ones. Since marginal analysis and the equi-marginal principle are both often used to describe declining returns in modern economics, they are closely related.

Measurement tenets

The complexity of economics makes it difficult to measure things like output, earnings, and price levels. Some of the issues may be more or less completely resolved.

Value Added and Double Counting: The issue of double counting has a very full answer, which is to employ value added.

"Real" Values and Index Numbers: Since output and related quantities are measured in terms of dollars, inflation must be taken into account. However, there are several issues and drawbacks using index numbers as a feasible option.

Measurement of Inequality: Because no one's income is typical and is distributed unevenly,

there is also the concern that the term "average income" may not imply very much. Even if we are unable to account for it, we may still estimate the relative inequality and determine its direction.

The Means of Exchange

Whatever is typically accepted as a means of transaction is considered money. This implies that a bank or other comparable entity may essentially produce money if enough individuals accept the bank's paper as a form of payment. This amazing truth may be referred to as the Fiduciary Principle.

Money-Spending Equilibrium

This model brings together a number of ancillary concepts that support one another and together make up the "Keynesian" theory of aggregate demand, much like the market equilibrium principle but much more so. The implementations of this theory are less contentious than the term "Keynesian" itself; the debate centers on the specifics rather than the generalizations. When presented with the same stimuli, people react to them differently than they would if they are not unexpected. Similar to how "Income-Expenditure Equilibrium" affects aggregate demand, this new economic concept has a major impact on aggregate supply.Logic dictates that no one wants too many unpleasant shocks. They won't often be astonished in the same manner if they effectively utilize the facts at their disposal. This may result in:

1. Ineffectiveness of policy
2. Permanence
3. Path Dependence

CONCLUSION

The study of managerial economics is used in decision-making. It fills the gap between management practice. It focuses more on the reasoning process. Managerial economics may be defined as "Economics used in decision making." Making decisions and long-term planning are the management executive's main responsibilities in a corporate organization. Making decisions and preparing for the future go hand in hand. The act of choosing one course of action from two or more alternatives is known as decision-making. Forward planning is the process of creating future plans to implement a decision. Because a business unit only has a certain amount of resources (land, labor, money, and management ability) at their disposal, they must utilise these resources as profitably as possible. The decision-making role belongs to the company executive; he makes the choice that will guarantee the most effective way to achieve a desired goal, such profit maximization. After deciding on a certain output, preparations are made for price, capital, raw materials, and electricity, among other things. Thus, decision-making and forward planning take place simultaneously. The complexity of a business manager's job is exacerbated by the ambiguity of business decisions. Nobody can foresee how business circumstances would develop in the future. He makes the best preparations he can for the future based on previous performance and the forecast for the future, but in order to minimize failure, he must continually revise his plans in light of new information. Thus, managers are faced with the general challenge of adapting to uncertainty as they participate in a constant process of decision-making through an uncertain future. In conclusion, the framework for methodical and successful decision-making in management situations is provided by the structure of managerial decision analysis. Managers may improve their decision-making skills and promote organizational performance by adopting a

systematic strategy that includes issue identification, data collecting, decision modeling, assessment of options, and implementation methods. In management decision analysis, combining quantitative and qualitative methodologies promotes thorough issue comprehension, allows for informed choice, and supports successful implementation. Using management decision analysis to continuously enhance and fine-tune decision-making procedures promotes organizational sustainability and development.

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MANAGERIAL ECONOMICS: A BLENDING OF POSITIVE AND NORMATIVE SCIENCE

Mr. Kunal Saxena*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-drkunal@presidencyuniversity.in

ABSTRACT:

This paper explores the structure of managerial economics and investigates whether it is primarily a positive or normative science. Managerial economics combines economic theory with managerial decision-making, aiming to provide practical insights and recommendations for optimizing business outcomes. The paper delves into the positive and normative aspects of managerial economics, highlighting how it incorporates both descriptive analysis of economic phenomena (positive science) and prescriptive recommendations for managerial decision-making (normative science). By understanding the structure of managerial economics as a blend of positive and normative elements, managers can effectively apply economic principles to make informed and ethically conscious decisions in practical business scenarios.

KEYWORDS: *Business, Managerial Economics, Macroeconomics, Management, Normative Science.*

INTRODUCTION

We see that various stakeholders or categories of individuals utilize economics in various ways. To make any recommendation or critical analysis, for instance, a practicing economist or policy practitioner employs economic techniques and facts. Typically, these individuals use economic theories and instruments to properly comprehend and make precise predictions about economic factors. It's because economic sciences are often used to make sound decisions and provide accurate economic forecasts. Positive remarks thus refer to actual facts. They lay forth the facts as they are. To be more precise, economics is only concerned with positive propositions and has a rigorous positivist outlook. Given that positive claims are based on facts, the only way to appropriately manage any dispute over a positive statement or analysis is to utilize the facts and their interpretation. Positive economics is thus one that works with facts, data, or real-world circumstances. Any conclusions are drawn and debated only on the basis of these facts and analysis. The normative assertions form the foundation of normative economics. Normative statements focus on what ought to be. In this situation, economics is more concerned with how things should function than it is with actual life experiences. The normative economics, in contrast to the positive economics, cannot be refuted on the basis of any fact. For instance, if a political leader says during an election that his party believes the unemployment rate should be reduced to 2.0%, this remark is not supported by any study or data, but rather by the party's norm or want. Now, the policy maker must adjust the system to achieve this goal if the political party gains power. Even though positive economics and normative economics disagree, economics is a discipline that encompasses both positive and normative features. Because economics is a social

science, this is especially true.

Economic policy-making, which involves deliberate interference in economic activity with the aim of changing the direction it will go, is fundamentally normative in nature. However, competent positive economic analysis must certainly form the foundation of economic policymaking if it is to be successful in enhancing economic well-being. The whole spectrum of effects of the policies that are recommended by policymakers should be understood[1]–[3]. The following are possible interpretations of positive and normative economics, according to Samuelson and Nordhaus (2000). "Positive economics addresses issues like why physicians make more money than janitors. Do most Americans' incomes rise or fall as a result of free trade? Despite the difficulty of the problems, they can all be answered by using analysis and empirical data. They fall within the category of "positive economics" as a result. "Normative economics is concerned with moral principles and fairness standards[3]–[5]. Should those in need of government aid be compelled to work in order to get it? Should unemployment be increased to prevent excessive price inflation? These questions don't have right or incorrect answers since they deal with ethics and ideals rather than facts. **Economics Methodology**

Although it is a social science, economics is also similar to a science. It focuses mostly on how people behave. Since economics cannot be a natural science with the same level of precision as physics, chemistry, etc., many economists make this claim. The latter may be researched in a lab setting where experiment factors can be readily controlled. Social sciences like economics, however, are difficult to manage. Still, over time, economic sciences have matured enough to develop methodologies that are now proving to be quite effective. These methodologies can be used for effective analysis of economic relationships and predictions can be made with enough accuracy to inspire confidence and faith. The economic sciences often use one of two major methodologies.

1. The inductive approach
2. Inductive reasoning

The deductive approach

This approach entails moving from the general to the specific. It is assumed that certain assumptions or postulates about human behavior are valid, and then with the aid of logical justification and analysis, Nature and Scope of Economics. We attempt to determine the cause and effect connection between the elements being considered in this lesson. The deductive technique entails the following phases.

1. Prior to adequately specifying the issue for the investigation, the problem must first be recognized.

2. Clear assumptions should be included in the investigation. Appropriate assumptions are essential to economic analysis.

3. It is important to explicitly define hypotheses after defining the assumptions. The construction of the hypothesis calls for the probable link between the various economic factors.

4. The last step should include testing assumptions using various approaches, including econometrics and mathematical economics.

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5. Appropriate inferences must be drawn from the aforementioned analysis in order to make particular economic decisions.

The inductive technique: Although the deductive method may be based on many solid arguments, it seems to have several flaws. As a result, the inductive or empirical technique has been favored by many economists, even those from the historical school. The induction process entails moving from the specific to the broad. Here, facts are emphasized above logic, and an effort is made to draw inferences from the well-known facts of real life. The following stages were necessary for the inductive approach:

1. As with the deductive technique, choosing and defining the issue to be addressed is the first stage.

2. The second phase is gathering information on the topic that has been chosen for research.

3. After the stage of data gathering, there comes a step of categorization, then an analysis of the data using the proper statistical methods.

4. Inference, or deriving conclusions from the completed statistical analysis, is the fourth step. Economic generalizations are used to convey the findings.

Economic Targets

Any science progresses toward a set of objectives. In recent years, economics has emerged as a key field of study. Being a social science, it often changes its objectives. We would want to concentrate simply on a few of the key objectives of economics, which are listed below:

Low unemployment: Those who are eager to work should have no trouble finding employment. Widespread unemployment is demoralizing and wasteful from a financial standpoint. The commodities and services that the jobless might have created are forgone by society.

Price stability: It is preferable to prevent abrupt rises or falls in the average price.

Efficiency: When we work, we want to get the most out of our constructive efforts as is practically possible. Technology that is effective in this area is really helpful.

An equal income distribution ensures that no subset of residents experiences extreme poverty even in affluent societies. Due to this, emerging nations are establishing objectives like inclusive and participatory development. Growth: It's widely agreed that maintaining growth is a key goal since it would enable future improvements in living standards.

Economic freedom and choice: Any economy should expand and evolve in a way that gives individuals greater options while removing external pressure from those choices.

Economic welfare: Economic policies should be conducted in a way that maximizes social benefits or human wellbeing.

Sustainable development: It has become a significant problem for economists to continue the process of economic growth in a way that ensures the resources are used as efficiently as possible for long-term sustainable development as well as intergenerational equality.

DISCUSSION

A Positive or Normative Science of Management Economics

The majority of management economists believe that managerial economics is, at its core, a normative and prescriptive discipline. What choices need to be taken is what it is concerned with. Because managing economics is constantly focused on achieving objectives or optimizing goals, it is impossible to apply managerial economics without taking values or norms into account. In management economics, we are more concerned with what ought to occur than what actually occurs. We describe what a business should do in order to make its choice effective, as opposed to what it is now doing[6]–[8].

Optimistic Economics

'What is' is what a positive science is interested in. According to Robbins, economics is a pure study of the real world, unaffected by moral or ethical issues. Economics is unbiased toward all goals. The economist is not qualified to judge whether a goal is wise or foolish. He is only focused on the issue of resources in connection to the intended goals. Even while the production and sale of alcohol and cigarettes may be ethically wrong since they are bad for your health, an economist has no business opining on them because they both fulfill economic needs and human desires.

Standard Economics

The goal of normative economics is to define what should exist. Therefore, prescriptive economics is another name for it. Normative economics covers topics including how much a product should cost, what wages should be paid, how money should be allocated, and more. Normative economics incorporates value judgements, it should be highlighted. Virtually all of the top management economists agree that managerial economics is basically normative and prescriptive in character. It generally pertains to what should and shouldn't be objective regarding the ends. Because managing economics is constantly focused on achieving objectives or optimizing goals, it is impossible to apply managerial economics without taking values or norms into account. Managerial economists are often concerned with finding the best distribution of limited resources among conflicting goals in order to maximize benefit in accordance with specified criteria. They attempt to develop policies rather than assuming things will remain as they are to accomplish these goals. The attempt to establish a cause and effect link via factual analysis and logical reasoning is a crucial component of management economics. Because of how broad its application is, management economics covers practically all issues that affect managers and businesses.

The Role of Economics in Daily Life

Economics is the study of how limited resources are used up by demand in proportion to the costs their supply places on that demand. In other words, economics explains how the price of orange juice will fluctuate and how the price will influence demand over time if a frost in Florida destroys the orange crop. Understanding the results of financial activities and responses by people and organizations is aided by studying economics. The forecast of future economic circumstances based on existing signals is fundamental in this understanding. Governments may manage macroeconomic circumstances by minimizing recessions and promoting recovery with the use of economic knowledge. Economic theory is a social science that is founded on the interaction between culture and money, hence it is not infallible. As cultural norms change, so do the economic repercussions.

Central issues with the economy

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Every economy has its share of issues. These issues are related to inflation, business cycles, unemployment, and growth. The purpose of the macroeconomic theory is to clarify how supply and demand together interact to address these four issues. Economists refer to these significant national issues as macroeconomic issues, that is, issues that need knowledge of the functioning of the whole economic system to comprehend or resolve. The following four macroeconomic issues stand out:

1. Recession
2. Unemployment
3. Inflation
4. Economic Development or Stability

Economic Fluctuations, Depressions, And Recessions

The "Great Depression" was the event that gave rise to contemporary macroeconomics, but in current economics, a recession is the broad word for a decline in national output.A decrease in productivity is not always a negative thing. For instance, it's possible that individuals wish to spend less time generating products and services and more time enjoying leisure activities. We wouldn't have any basis to believe that the reason output decreased was an economic issue. However, there is evidence that this did not occur during other recessions. When firms announced they were recruiting during a recession, huge queues of applicants formed, much outnumbering the available positions. This implies that those waiting in line for employment had more free time than they desired and would have preferred employment and money so they could purchase more products and services. In order to get some extra money in the 1930s, some individuals would sell apples or pencils on the street, usually for considerably less money than they would have made at their previous occupations. This also shows that individuals would have wanted more labor and money but instead had too much leisure. If this is the case, something obviously went wrong. In other words, it seemed that unemployment was a result of the recession. Another risk is that output may decline as a result of the destruction of factories and other capital goods due to a conflict or natural catastrophe. However, it is very improbable that the economy's productive capacity could have decreased by 30% in 1933. No conflict had taken place. In reality, at a period when many people were searching for employment, factories that might have been reopened and put to work had been shuttered. Perhaps these facts demonstrate why the recession is seen as a serious economic issue.

Unemployment

Unemployment is the second macroeconomic issue we have. Although there is a strong correlation between this issue and the recession, it is separate, and we must consider it separately. When someone is looking for job and ready to work but is unable to find employment, they are said to be unemployed. The unemployment rate, which is defined as the proportion of people in the labor force who are jobless, is often used to calculate the prevalence of unemployment. Economic experts make distinctions between different forms of unemployment. For instance, seasonal, hardcore, structural, cyclical, frictional, and concealed. Different sorts of unemployment may coexist in the real world. They overlap, which makes it difficult to gauge the extent of each. People who are unemployed are those who do not have a job and are looking for one. It is one of the most urgent issues facing any economy, particularly one that is undeveloped. Additionally,

this has macroeconomic ramifications, some of which are covered below:

Reduction in Output: The workforce that is jobless may be used to produce products and services. The economy is suffering because they are not producing as much as they should.

Income tax makes up a significant portion of the government's revenue; hence, tax revenue will decrease. Because they are unable to work, the jobless cost the government tax money.

Increase in Government Spending: The government is required to provide unemployment compensation to applicants. As a result, both in terms of lost tax income and unemployment compensation, the government will suffer.

Inflation

In the field of economics, inflation is defined as an increase in the average level of prices for goods and services over time. The following drawbacks of inflation are associated with higher prices:

1. People become apprehensive about what their money will be able to purchase tomorrow as a result of this.
2. In turn, uncertainty deters productive behavior, saving, and investing.
3. Reduced competitiveness in international commerce results from inflation. It makes the country's exports less desirable and makes the country's imports more appealing if this is not countered by a depreciation of the national currency relative to other currencies, which in turn tends to produce trade imbalance.
4. People who have bonds and bank accounts in dollars lose the value of their accounts as the price level rises, exactly as if their money had been taken away, making inflation a hidden tax on "nominal balances."
5. Without any valid economic justification, some people gain from the inflation tax while others lose out.
6. People employ alternate, resource-intensive, and inefficient methods to conduct business when the purchase power of the monetary unit becomes less predictable.

Economic Development or Stability

A period of many years during which the gross domestic product grows slowly on average, more slowly than the economy might grow is known as a period of stagnation.

Stagnation's Root Causes

1. Population increase might be rapid.
2. Perhaps fewer individuals will decide to work.
3. The rise in labor productivity might slow down.

Economic growth that, although encouraging, falls short of the economy's potential growth is known as stagnation. Some economists contend that stagnation is a severe issue and a root cause of other issues, however because determining stagnation relies on one's perception of potential, it is unclear whether the slowdown we are now seeing is stagnation or a decline in potential[9], [10].Managerial economics is a field that applies economic theories and concepts to guide

managerial decision-making processes. This section introduces the purpose of the paper, which is to analyze the structure of managerial economics and determine whether it predominantly adopts a positive or normative science approach. The importance of comprehending the positive and normative aspects of managerial economics in aiding managerial decisions is emphasized.

Positive Science in Managerial Economics

This section delves into the positive science dimension of managerial economics. Positive science aims to describe and explain economic phenomena based on empirical evidence and objective analysis. It explores how managerial economics employs positive analysis to understand the relationships between economic variables, predict market behavior, and evaluate the impact of managerial decisions on business outcomes. Economic models, statistical analysis, and empirical studies are utilized to provide examples of positive science in managerial economics.

Normative Science in Managerial Economics

This section focuses on the normative science aspect of managerial economics. Normative science involves making value judgments and providing recommendations for decision-making based on subjective goals and ethical considerations. It discusses how managerial economics incorporates normative analysis to offer prescriptive recommendations for managers on resource allocation, pricing strategies, market entry, and other managerial decisions. The ethical implications, stakeholder perspectives, and social responsibility aspects of normative science in managerial economics are examined.

The Integration of Positive and Normative Elements

This section highlights the integration of positive and normative elements within managerial economics. It emphasizes that while positive science provides a foundation for understanding economic phenomena, normative science offers guidance and recommendations for managerial decision-making based on subjective goals and values. The paper discusses how positive analysis informs normative recommendations in managerial economics and how normative analysis draws insights from positive analysis to make informed and ethically conscious decisions. It also underscores the importance of recognizing the ethical dimensions of managerial economics and the responsibility of managers in considering the broader societal implications of their decisions.

CONCLUSION

The two main tenets of conventional economic theory are normative and positive. The normative approach is prescriptive in nature and helps create norms that are intended to assist businesses achieve their stated objectives. Positive, on the other hand, concentrates on description and seeks to describe how the economic system functions without prescribing how it ought to function. Normative theory is prioritized in business economics, commonly referred to as management economics. The purpose of business economics, which is also the definition of the term normative, is to create regulations that assist businesses in achieving their objectives. However, in order for the enterprises to create sound decision criteria, they must have a complete understanding of their surroundings. Studying positive or descriptive theory is necessary in this situation. The core concepts of normative and positive economic theory are therefore combined in management economics, with a stronger focus on the former than the latter.

In conclusion, managerial economics encompasses a structure that encompasses both positive and normative elements. It blends positive science, providing descriptive analysis of economic

phenomena, with normative science, offering prescriptive recommendations for managerial decision-making. Understanding the integration of positive and normative aspects within managerial economics enables managers to apply economic principles in a practical and ethically conscious manner. By considering both empirical evidence and subjective goals and values, managers can make informed decisions that optimize resource allocation, maximize performance, and align with ethical considerations. The blending of positive and normative science in managerial economics ensures its relevance and effectiveness in guiding managerial decision-making in real-world business scenarios.

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Special Issue

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APPROACHES TO MANAGERIAL DECISIONS STRUCTURE: EXPLORING ANALYTICAL AND BEHAVIORAL PERSPECTIVES

Dr. Ramalingam Mageshkumar*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-mageshkumar@presidencyuniversity.in

ABSTRACT:

This paper examines the structure of approaches to managerial decisions, highlighting the analytical and behavioral perspectives that managers employ in decision-making processes. Managerial decisions play a pivotal role in organizational success, and different approaches offer distinct frameworks for understanding and making decisions. The paper explores the analytical approach, which emphasizes rationality, quantitative analysis, and optimization, and the behavioral approach, which considers cognitive biases, social dynamics, and heuristics. By understanding the structure and interplay of these approaches, managers can effectively navigate decision-making challenges and make informed choices that align with organizational objectives.

KEYWORDS: *Business, Decision-Making, Managerial Decisions, Macroeconomics, Management.*

INTRODUCTION

Making decisions is a crucial component of planning. All managerial functions include making decisions and addressing problems, albeit these processes are often seen as being a part of the planning stage. One on modeling, the five-step management science method, and the process of addressing engineering problems follows a review of the history of management science. Making a deliberate selection between two or more reasonable options in order to choose the one that would result in the most preferable outcomes (benefits) compared to undesirable outcomes (costs) is known as managerial decision-making[1], [2]. There is nothing to chose if there is just one option. In this session, we'll look at the process of creating and assessing alternatives before choosing the best one. We'll also examine briefly some of the management science techniques that may be used to aid in this assessment and selection. Making decisions is a crucial component of planning if it actually means "deciding in advance what to do, how to do it, when to do it, and who is to do it" (as stated by Amos and Sarchet). An organization's design and staffing, the creation of subordinate motivation strategies, and the identification of corrective measures in the control process all need decision-making. It is mentioned here because it is often researched as a component of the planning function[3], [4].

A Management Economist's Role

The managerial economists have assumed a significant role in contemporary business with the arrival of the management revolution and the shift from the owner-manager to the professional executive. Companies don't function deterministically in the actual world. They work to accomplish a variety of goals. The underlying presumption of economic theory is that every firm's

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primary goal is to maximize profits. Pure economic theory is seldom directly applicable to executive choices. Current business issues need a unique kind of understanding since their solutions are either too evident or just theoretical[4]–[6]. A management economist who is well-versed in theory and analytical techniques can solve business difficulties. Large corporations use managerial economists to support management in developed nations. Organizationally, a management economist is positioned closer to the policy maker for the simple reason that his primary responsibility is to raise the standard of policymaking as it pertains to both short- and long-term planning. He has a big part to play in helping the management of a company make decisions and plan ahead utilizing his specialized talents and tactics. The following variables have an ongoing effect on the company:

External and internal, respectively

The 'Business Environment' is made up of external elements that are beyond of the company's control. The internal elements are referred to as "Business Operations" and are included in a firm's scope and operation.

External variables

A managerial economist's main responsibility is to conduct a thorough analysis of the business environment and external factors that affect the firm's interests, such as the level and growth of national income, the impact of the global economy on the domestic economy, the trade cycle, volume of trade, and the makeup of financial markets, among other things. They are incredibly important since they have an impact on every corporate organization.

Internal Elements

The managerial economist may assist management in making decisions on a firm's internal operations with regard to issues like cost structure, demand, pricing, and investment forecasts, among others.

In this context, some key pertinent questions include the following:

(i) What should the next year's production schedule look like?

(ii) What should the next year's profit budget look like?

(iii) What kind of technology should be used for the particular procedure, and how should it be specified?

(iv) What tactics must be used for labor utilization, inventory management, and sales promotion?

(v) What variables affect the cost of the inputs?

(vi) How may various input components be blended to reduce manufacturing costs?

In addition to the research mentioned above, the managerial economist must carry out a number of particular tasks. He contributes to the organization of the firm's production, investment, pricing, sales, and inventory schedules. The essential task that takes up the majority of a management economist's work is forecasting. The sales forecast is closely tied to overall economic activity and serves as a bridge between internal and externally uncontrolled elements. In order to create a framework for the growth of sales and profit, the management economist is often tasked with creating short term general economic and specialized market projections. He

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must assist the company in formulating plans for new product policy, pricing, and sales promotion[7].

The management economist often requires specialized research on unique issues and possibilities. He needs to engage in market research, a product preference test, a review of the efficiency of his advertising, and marketing research. To better comprehend a marketing issue, marketing research is conducted. The management economist is required to do an economic study of rival companies. He should also do a feasibility study, project review, and investment appraisal. The managerial economist has a responsibility to provide the appropriate information. To sum up, a managerial economist plays a crucial function in society. The management should maintain its faith in him. A managerial economist can best support management if he never loses sight of his company's primary goal, which is to turn a profit.

DISCUSSION

Managerial economist responsibilities

By helping management use the increasingly specialized skills and sophisticated approaches needed to address the many challenges of good decision-making and forward planning, the managerial economist may play a crucial role. The analysis and interpretation of economic data in the context of managerial issues may be roughly characterized as the duties of a managerial economist. The managerial economist should be able to devote more time and attention to economic issues than the firm's management. Numerous mundane tasks that are intimately related to the day-to-day operations of the company may be part of his employment. The management economist's main role at work is that of a general advisor. The advice service alludes to the possibilities available to managerial economists as a result of the expanding influence of government in commercial life. He is in charge of overseeing how the whole company operates. One of a management economist's most crucial responsibilities is that his goal must align with the company's. Profit maximization has always been seen as the primary goal of business. He has to go above and beyond standard management in order to make money since he is a managerial economist. He cannot hope to succeed in his role as a manager unless he has a strong belief that aids him in improving the firm's capabilities. Making as precise of a prediction as feasible is the management economist's other primary duty. The management economist must foresee both the numerous elements of the internal business picture of the organization as well as the various stages of company activity.

The management economist should be aware of his obligations to provide accurate forecasts. The management may monitor the progress of company planning more closely by providing the finest projections feasible. Creating a synthesis of policies relating to production, investment, inventories, pricing, and cost is yet another duty of the management economist. An organized process of converting inputs into output is called production. The act of manufacturing increases the worth or quantity of utilities. The cost of production consists of the financial outlays spent throughout the manufacturing process. The foundation for price is set by the cost of manufacturing. It offers a foundation for management choice.

The management economist has focused on a number of topics, including increasing profit, lowering inventories, predicting sales, etc. Production is hampered by a relatively low inventory level. Because a significant amount of capital is unprofitably invested in inventory, a management economist's first duty is to minimize his stock. Only until the management economist is a full part

of the company team will his contribution be sufficient. The management economist should utilize his knowledge and information while determining the course of action. He has to be prepared to take on special duties seriously. Even the most complex concepts may be explained simply and without using difficult technical words by a management economist. Additionally, it is the managerial economist's duty to inform management as soon as feasible if he detects a forecasting inaccuracy. He can help the management make the necessary adjustments to policies and programs in this manner. He has to be aware of recent political and economic changes in order to assess how they could affect his company's operations. The managerial economist should develop and retain several relationships and data sources that the other members of management would not immediately have access to. He should become a member of and actively participate in professional and trade organisations for this reason. A management economist should, therefore, widen the range of certainty. He has to be aware of his commitments and responsibilities in order to properly perform his position. Nobody can dispute that the management economist, via his realistic outlook, considerably helps to the profitable expansion of the company.

Managerial Decision-Making Methods or Approaches

The following are the top six techniques used by management economics to identify and address firm-specific business issues:

Scientific Process

The scientific method is a field of study that is concerned with methodically classifying observable facts and contains reliable methods for the discovery of truths. It describes a method or methodology of inquiry used to gain systematic, scientific information. Science has many vital aspects, but its technique of investigation may be its most important quality. Confidence in the reliability of findings can only be gained via the scientific approach. It focuses on controlled studies and examines how preconceived pieces behave in a much reduced setting. The experimental technique may be used to management behavior characteristics that need precise and logical reasoning. Managerial economics can to a limited extent employ experimental approaches. A managerial economist cannot use experimental techniques in the physical sciences in the same manner or to the same degree as a physicist. In any examination of management behavior, we often use both an inductive and a deductive approach. The deductive approach starts with random postulates and assumptions. For the rationalists, a collection of self-evident propositions sits at the top of the system, and it is from these that further propositions (theorems) are deduced via the process of reasoning. On the opposite end of the spectrum are inductionists (empiricists), who contend that science must develop its axioms from the same facts, especially by gradually and continuously climbing until it reaches the most comprehensive axioms. What scientific method—deduction or induction is used is a frequently questioned question. Both are the appropriate responses to this. Both approaches play a crucial role in any scientific investigation and are interconnected.

Statistical Analysis

A mechanical technique known as statistical methods was created specifically to make it easier to condense and analyze a huge quantity of quantitative data. The objective of the statistical approach is to make comparison easier, investigate correlations between the two occurrences, and interpret the complex data for analysis. The differences between the changes and the outcomes that follow from shifts in time, frequency of occurrence, and a variety of other variables must

often be compared. For this kind of comparison between past, current, and future estimations, statistical techniques are applied. Extrapolation is one technique that may be used, for instance, to estimate future patterns in, say, supply and demand for a given product. The process of making inferences using statistics is mathematical in nature. It attempts to create a mathematical relationship between the two variables in addition to establishing a causal link between them.

A quantitative micro-approach is the statistical approach. With the use of statistics, some significant correlations and associations between qualities may be discovered. The study of management, economics, etc. may benefit from it, and bankers, governments, planners, speculators, researchers, etc. can all benefit greatly from it. Although statistical techniques are the servant of management economics, caution should be taken when using them. The statistical approach's most notable feature is that it enables us to look for patterns or regularities in economic data and allows us to draw generalizations that are impossible to draw using any other method.

Intellectual Experimentation Technique

Finding out the nature of any connection between several factors, such as cost, pricing, and production, is the central challenge in management economics. Additionally, the actual world is always complicated. Many elements, including those that are physical, social, temperamental, and psychological, have an impact on it. In such a disorganized and intricate structure, it is impossible to find any order, sequence, or rule. Model creation is crucial for the management economist in this situation. Models are sometimes used to analyze behavior. An study from reality is what a model is. A model may be expressed as a graphic, a description in words, or a description in mathematics. It may be divided into three groups: symbolic, analogous, and iconic.

Managerial economics may be thought of as economics that has been applied to firm-level problem solving. Managers constantly deal with issues related to resource allocation and choice. Managerial economics is more situational and tangible and focuses mostly on the allocation process that is carefully controlled. An study model of the company may and will be used for this purpose by the management economist. Models are illustrative depictions of reality. Through approximation, they assist us in comprehending the underlying dynamics of the intricate world of reality. Building models is more helpful in managerial economics since it enables us to understand the real socio-economic dynamics at play in an organization. Companies only have a certain amount of resources at their disposal, which they must use to turn a profit. The management of these businesses must make decisions about how to allocate their resources and choose which conflicting demands on them to give priority to. Models may help company leaders forecast potential outcomes.

Technique for Simulation

It is a development of the thought experiment. With the growth of electronic computers, calculators, and other related technology as well as internet services, this technique has become more and more widespread. Using this technique, we may program a complicated network of relationships. Computers may also be utilized for various corporate applications, document generating, and graphical solutions in addition to scientific and mathematical applications. A computer is a quick electronic calculator that can quickly take in information, process it, integrate it, relate it, and provide the output as a consequence. In managing a firm, a manager must make several choices that may be trivial or significant, straightforward or difficult. Once a choice has

been made, they must make sure that it is carried out as quickly and inexpensively as possible. The manager will be better equipped to tackle the business difficulties he faces thanks to the technological devices, which will also help him grasp them from a different angle.

Historical Approach

It is believed that prior knowledge is necessary for current knowledge. The major justification for using the historical approach in modern management economics is this. The strategy takes on a more general character in an effort to identify a foundation for commercial activities. This method's major goal is to apply mind to a variety of business challenges by identifying historical trends in facts, events, and attitudes as well as the boundaries between thinking and action. We can better grasp the present economic issues if we have a sense of the historical occurrences. A given economic policy's wisdom is a natural byproduct of its history. Experience in data collection, relational analysis, and context analysis are all necessary for using the historical approach. In order to have complete control over the facts and the synthesis perspective of the facts, the managerial economist must adopt the analytical viewpoint. He need to be able to discern the connections between happenings and one another as well as between events and their surroundings. Finding facts and evaluating them both require taking an impartial stance. However, the strategy must be founded on pertinent, sufficient, and accurate facts in order to be objective. The management economist should be clear about his own purpose and knowledgeable with the broad area of his issue before adopting the historical technique. Applying the historical approach requires a lot of creativity.

A Descriptive Approach

The descriptive technique is straightforward and readily adaptable to a variety of business issues, especially in developing nations. It uses a cross-sectional analysis of the current situation to gather information about the present and study generalizations. The gathering of data is the method's major focus. The descriptive technique also addresses data interpretation to some degree. Applying the descriptive technique requires precise, objective, and, if at all feasible, quantitative data.

The descriptive technique must compare one circumstance with another and various features of the same situation in order to link the causation of the data that were gathered. As a result, situational comparability is a key component of this approach. This approach is used to explain the structure, operation, and policies that are important to the economy. The management economist often uses it to analyze how the organizational structure affects how commercial organizations operate. The finest descriptive studies are those that are based on observation. This approach offers a rational and scientific foundation for making judgments and learning new things. The managerial economists might therefore characterize a phenomenon or phenomena under examination or offer a picture of them.

Approaches to managerial decisions provide managers with frameworks to analyze and make choices in complex business environments. This section introduces the purpose of the paper, which is to explore the structure of these approaches and their implications for managerial decision-making. The importance of understanding the analytical and behavioral perspectives in managerial decisions is emphasized.

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Analytical Approach

This section delves into the analytical approach to managerial decisions. The analytical approach emphasizes rationality, systematic analysis, and quantitative techniques to evaluate alternatives, assess risks, and optimize outcomes. Decision models, such as decision trees, cost-benefit analysis, and optimization models, are explored. The analytical approach provides managers with structured frameworks to weigh options and make logical decisions based on data and objective analysis.

Behavioral Approach

This section focuses on the behavioral approach to managerial decisions. The behavioral approach recognizes that decision makers are subject to cognitive biases, emotions, and social influences that can affect their choices. It explores concepts such as bounded rationality, heuristics, framing effects, and group dynamics. Understanding these behavioral aspects enables managers to consider human factors in decision-making, anticipate biases, and create decision processes that align with human tendencies.

Interplay between Analytical and Behavioral Approaches

This section highlights the interplay between the analytical and behavioral approaches to managerial decisions. It emphasizes that while the analytical approach provides structured methods for rational decision-making, the behavioral approach recognizes the importance of psychological and social factors in decision outcomes. Integrating both approaches allows managers to blend objective analysis with an understanding of cognitive biases, social dynamics, and organizational context, leading to more comprehensive and effective decision-making processes [8]–[11].

Contextual Factors and Decision Approaches

This section examines the influence of contextual factors on the choice of decision approaches. It discusses how factors such as decision complexity, time constraints, organizational culture, and industry characteristics can shape the selection of either the analytical or behavioral approach. Different decision contexts require tailored approaches, and managers must adapt their decision-making methods accordingly.

CONCLUSION

Economic theory and management practice are combined in the study of managerial economics. Managerial Economics fills the gap between the logical issues that fascinate economist theorists and the policy issues that trouble real-world managers. Managerial economics improves analytical abilities, aids in the logical organization of problems, and offers acceptable answers to economic issues. Its study aids management decision-making in all areas, enabling successful and efficient corporate operation. management economics uses economic theories and methods from decision science to address management issues. It offers ideal answers to problems with management decision-making. Business organizations are made up of a mix of human, financial, and physical resources that support management decision-making. Production and consumption are the two basic categories into which societies may be divided. Consumers are on the consumption side, while firms, which are the economic units, are on the production side.

An economic model is used to analyze how well businesses function. The theory of the company

is the name given to an organization's economic model. Business decisions encompass a variety of crucial choices, such as whether to introduce a new product, engage in research and development, etc. The managers' business choices have a big impact on whether a company succeeds or fails. The complexity of the business world is always increasing, which makes it increasingly difficult to be a manager or decision-maker in an organization. The complexity of the business environment is greatly influenced by the effects of product manufacturing, marketing, and technical advancements.In conclusion, the structure of approaches to managerial decisions encompasses both the analytical and behavioral perspectives. The analytical approach provides structured frameworks and quantitative techniques for rational decision-making, while the behavioral approach considers cognitive biases, social dynamics, and organizational context. Understanding the interplay between these approaches enables managers to navigate decision-making challenges effectively. By combining objective analysis with an understanding of behavioral factors, managers can make informed choices that align with organizational goals, anticipate biases, and leverage social dynamics. The integration of analytical and behavioral perspectives in managerial decision-making enhances decision quality and contributes to organizational success.

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DEMAND ANALYSIS STRUCTURE: UNVEILING CONSUMER BEHAVIOR AND MARKET DYNAMICS

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department Of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

This paper presents an overview of the structure of demand analysis, a crucial component of economics that examines the relationship between price, quantity, and consumer behavior. Demand analysis plays a pivotal role in understanding market dynamics, forecasting demand patterns, and formulating effective pricing and marketing strategies. The paper delves into the key components of demand analysis, including demand determinants, demand curves, elasticity of demand, and factors influencing consumer choices. By comprehending the structure of demand analysis, stakeholders can make informed decisions that maximize market opportunities and optimize resource allocation.

KEYWORDS: *Business, Decision-Making, Demand Analysis, Macroeconomics, Management.*

INTRODUCTION

The ideas of supply and demand are helpful in describing what is taking place in the market. Every market transaction entails an exchange, and many exchanges take place every day. We may purchase and sell products and services in a market. The market is a place where buyers may purchase goods and services, and sellers can sell their products there. The demand that underpins a market economy is discussed. The term "demand" is used in economics to describe the link between the pricing of a good and the quantities of that good that customers wish to buy at those prices. One of the factors affecting pricing is demand[1]–[3]. The consumption of a consumer, or a consumer's economic activity, is connected to the theory of demand. Demand is the mechanism through which a customer is able to buy the products and services he wants to use. One of the most important management variables is demand since it helps managers foresee changes in output and input prices. Regarding the kind of product to be produced, the amount, the cost of the product, and its selling price, the manager may make better selections. Let's examine the idea of demand and how crucial it is to making decisions.

An Outline of Demand

A concept in economics that explains a consumer's desire and readiness to pay a price for a particular commodity or service. A product or service's price rises when demand rises, and vice versa, all other things being equal. Demand is the capacity and desire to purchase a specified amount of a good at the going rate for a predetermined amount of time. Therefore, the desire, willingness, and capacity to pay for an item are implied by the term "demand." Demand is defined as "the different quantities of goods that would be purchased over time at different prices in a given market." As a result, three conditions must be met for demand to exist: (1) the price of

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a good; (2) the quantity of that good that a consumer or consumers are willing to purchase over time; and (3) a specific period of time. In a similar vein, Benham noted that "the amount of anything at a given price that will be bought per unit of time at that price is the demand for it."

Various Demands

The following information about the eight demand states is provided:

1. **Negative Demand:** The product is often unpopular. Even if the product may be useful, the consumer does not desire it. For instance, there is a low demand for air travel and other services, such as dental treatment.

2. **Lack of demand:** Potential customers might be uninformed and disinterested in the offering. As an example, farmers may not be interested in new agricultural techniques. Foreign language classes may not be appealing to college students.

3. Consumers may have a significant desire in common that is unmet by any available product, which is known as latent demand. Examples include a safer neighborhood, a safer cigarette, and a vehicle that uses less gasoline.

4**. Declining demand:** When a product or service's demand declines. Private institutions, for instance, have witnessed a decline in applications.

5. **Unhealthy expectations:** Those are the types of demands that society does not tolerate. For instance, booze, strong liquor, and cigarettes

Demand changes irregularly on a seasonal, daily, and hourly basis. For instance, museums are less frequented and more packed during the week. When an organization is satisfied with the amount of business, there is a full demand. An ideal circumstance would be one in which supply and demand are equal. Demand that exceeds what the organization can and wants to manage is said to be at an overflowing level. For instance, the summer months are very congested at national parks.

Requirements of Demand

Demand and want are different. Demand is the quantity of a product or service that consumers are willing and able to purchase. Need and demand are not the same thing. Demand indicates that the customer has both the need and the money to buy it. A connection between price and demand. Demand always has a cost. The amount sought is meaningless unless the price is specified. The customer must be aware of the product's pricing and quantity in order to express his demands.

Demand at a certain moment. The quantity requested must be in relation to a time frame, such as 10 quintals of wheat year, 6 shirts annually, or 5 kilos of sugar monthly. In addition, the price and the quantity required must relate to a certain date.

Demand Determinants

There are several variables that affect a product's demand. Any research would be unable to account for every potential driver of demand. As a result, it is simple to identify a few variables that drive demand for the majority of the items. These include the commodity's price, purchasers' salaries, and the cost of associated commodities, advertising, and sales promotion. These elements are discovered to have a significant impact on a commodity's sales. There are several methods to express and quantify them.

These serve as the controlling factors in demand studies. Each determinant's weight changes depending on the product. As a result, it is only necessary to analyze the demand for a given product after identifying the significance of each factor. Some of these variables are within a company's control, while others may not be. For instance, a company may alter the commodity's pricing, promotional spending, product quality, and sales circumstances. Let's quickly go through each of these factors:

i. The most significant element influencing the quantity requested is the commodity's price. Demand for a commodity at a certain price is more appropriately known as price demand. The Law of Demand describes the relationship between price and demand. Demand is impacted by both the current price and the anticipated price increases.

ii. Consumer Income: Consumer income is the second most significant factor affecting demand. In reality, we can create a relationship between consumer income and demand at various income levels while keeping the price and other factors constant. A typical commodity's demand increases with rising income and decreases with declining income. However, the connection is the exact reverse in the case of Giffen commodities.

iii. Associated items' prices. The price variations of linked items have an impact on a commodity's demand as well. There are two categories of related goods:

Alternatives that may be used interchangeably; tea and coffee are two examples. The demand for a commodity is affected by price fluctuations in the same way that a substitute's price is affected. Tea will become more popular as coffee prices increase, and complementary commodities include items like ink and pens that are equally in demand. In certain situations, the price of one product and the quantity requested for another have an opposing connection.

The demand for ink also decreases as a consequence of lower pen demand as pen prices rise. Demand and price are inversely correlated. Cross demand refers to the impact of price changes on the quantities of linked goods that are wanted[4]–[6].

Consumer Preferences: The amount requested also relies on the preferences of the consumer. Fashion, habit, traditions, etc. are examples of tastes. Advertising also has an impact on consumer taste. If a commodity's popularity increases, even at the same price, there will be increased demand for it. Demand has increased in response to this. Demand decline is the reverse of demand increase.

Wealth: The distribution and level of wealth have an impact on the quantity sought of a given good. The demand for common goods rises as income levels increase. There will be greater demand for necessities and comforts if income is divided more fairly. On the other side, the desire for luxury is often stronger when some individuals are wealthy and the majority of people are poor.

Population: As the population grows, so does the need for basic necessities. Demand is influenced by demographic composition as well. The ratio of males to women as well as the number of young, elderly, and children make up the population's composition. The nature of demand for certain goods is impacted by changes in population composition.

Government Policy: Through taxes, government policy impacts the demand for goods. When a product is taxed, its price rises and its demand declines. Similar to this, financial assistance from the government lowers the price of a product while raising demand for it.

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Outstanding Demand Curve

The demand curve slopes higher from left to right if, despite a rise in the price of the thing, consumers continue to purchase more because of factors like scarcity fears or the fact that the product may be absolutely necessary. In certain cases and circumstances, the law of demand does not apply. The situations in which the law of demand ceases to apply are referred to as legal exceptions. These are a few of the significant exceptions.

Giffen Products

Giffen products are a few unique sorts of subpar goods. This group includes less expensive kinds of vegetables like potatoes and millets like bajra. The first person to notice that people used to spend more of their money on inferior products like potatoes and less on meat was Sir Robert Giffen of Ireland. After buying potatoes as a main diet, they ran out and couldn't afford to purchase meat. As a result, the demand for potatoes increased as a result of the price increase on potatoes. This violates the demand legislation. It is often referred to as the Giffen paradox.

DISCUSSION

Consumption in public and the Veblen Effect

The Thorsten Veblen theory is connected to this exception to the rule of demand. The wealthy and affluent segments of society buy a select few items, such as diamonds, etc. These products are out of the reach of the average person due to their exorbitant pricing. The prestige value of a diamond increases with its price. Therefore, as these commodities' prices drop, customers believe that their prestige worth has decreased. Therefore, when the price of these things decreases, so does the demand for them. The law of demand does not apply in this situation.

The obvious necessities

The essentials of contemporary living are several items. So, despite their exorbitant cost, we must get them. Despite the rise in their prices, the demand for TVs, cars, and refrigerators, etc. These items have evolved into status symbols. Consequently, despite their increased cost, they are bought.

Ignorance:

Another element that sometimes encourages a buyer to buy more of the goods at a greater price is his ignorance. This is particularly true when the buyer thinks that a high-priced, branded product is of higher quality than one that is of lower cost.

Emergencies

In times of crisis, such as war or hunger, families act strangely. Due to the fear that they may not be accessible, households make more purchases, even at higher costs, which accentuates scarcities and causes prices to climb more. However, during a depression, a drop in costs is not enough for consumers to demand more if it is necessary.

Future Price Variations

Families engage in speculation as well. Households often buy big amounts of a product when prices are increasing out of concern that they could continue to rise. They wait to purchase items in the future at even cheaper rates when prices are anticipated to decline further. Therefore, demand decreases as prices decline.

Modest Fashion Changes

The market for a commodity is affected by changes in style and preferences. When a digital camera replaces a traditional manual camera, stock clearance is impossible no matter how much the price of the former is reduced. The market for digital cameras, on the other hand, will grow despite potential price increases. Demand legislation is rendered useless.

Effect of demonstration

It alludes to low income groups' propensity to mimic high income groups' spending habits. Even if they lack the means to do so, they will nonetheless purchase a good to mimic their neighbors' consumption.

Snob Impact

Some consumers seek to purchase odd or distinctive goods in order to distinguish themselves from others. In this case, even if the price increases, there will still be increased demand for the good.

Seasonal, speculative, and outdated goods:

Shares and other speculative items do not adhere to the law of demand. Every time prices increase, dealers increase their purchases because they anticipate additional price increases. Obsolete products are those that lose their use as a result of advances in the underlying technology. Despite price reductions, there is no increase in demand for these products. The demand pattern for seasonal commodities, which are not consumed in the off-season, will be comparable[7]–[9].

Products in Limited Supply

The rule of demand is also broken by goods with a finite supply or whose future availability is unclear.

Demand Elasticity

A proportional (percentage) change in one variable in relation to a proportionate (percentage) change in another variable is referred to as elasticity in economics. Changes in an item's price, the prices of competing goods, changes in income, and other variables all have an impact on the amount required of that commodity. Elasticity is a measurement of how much a change in price or income will have an impact on the amount desired. The degree to which consumer demand for a good or service responds to a decrease in its price is referred to as elasticity of demand in economics parlance. A decrease in price causes a rise in demand and vice versa[10].

Demand analysis serves as the foundation for understanding consumer behavior and market dynamics. This section introduces the purpose of the paper, which is to unravel the structure of demand analysis and its significance in guiding decision-making processes. The importance of comprehending the key components of demand analysis is emphasized.

Demand Determinants

This section explores the determinants of demand that shape consumer behavior. It examines factors such as price, income, consumer preferences, and prices of related goods, highlighting their influence on consumer demand. By understanding these determinants, businesses can anticipate changes in demand and tailor their strategies accordingly.

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Demand Curves

This section delves into the structure of demand curves, which graphically represent the relationship between price and quantity demanded. It discusses the slope, shape, and shifts of demand curves, emphasizing how changes in price and other factors impact consumer behavior. The analysis of demand curves enables businesses to forecast market demand and adjust their pricing strategies accordingly.

Elasticity of Demand

This section explores the concept of elasticity of demand, which measures the responsiveness of quantity demanded to changes in price or other determinants. It examines different types of elasticity, such as price elasticity of demand, income elasticity of demand, and cross-price elasticity of demand. Understanding elasticity helps businesses assess the sensitivity of demand to various factors and make informed pricing and marketing decisions.

Factors Influencing Consumer Choices

This section addresses the factors that influence consumer choices and their implications for demand analysis. It explores consumer behavior, psychological factors, advertising, and information availability, shedding light on how these factors shape consumer preferences and impact market demand. Understanding these influences helps businesses develop effective marketing strategies and tailor their products or services to meet consumer needs.

CONCLUSION

One of the factors affecting pricing is demand. The consumption of a consumer, or a consumer's economic activity, is connected to the theory of demand. Demand is the mechanism through which a customer is able to buy the products and services he wants to use. The term "demand" is used in economics to describe the link between the pricing of a good and the quantities of that good that customers wish to buy at those prices. There are several variables that affect demand for a product, including price, income, pricing of similar commodities, tastes, preferences, population, etc. The price of a commodity and the quantity required are inversely correlated. This connection is referred to as the Law of Demand in economics. The rule of declining marginal utility, the substitution effect, the variety of applications for the good, and the income impact all contribute to the demand curve's negative slope. Although the demand curve often has a negative slope from left to right, there are rare instances when it has a positive slope, such as when there are subpar or counterfeit products, when customers are irrationally anticipating an increase or decrease in the price of items in the future, etc. Law of demand is crucial for setting a product's price, the finance minister's budget, understanding how a good or poor harvest can effect a farmer's financial situation, and planning for certain commodities and businesses.In conclusion, the structure of demand analysis provides a framework for understanding consumer behavior and market dynamics. By comprehending the determinants of demand, analyzing demand curves, evaluating elasticity, and considering factors influencing consumer choices, businesses can make informed decisions that maximize market opportunities and optimize resource allocation. Demand analysis serves as a valuable tool for forecasting demand patterns, formulating pricing strategies, and developing effective marketing campaigns. By leveraging the insights gained from demand analysis, businesses can gain a competitive edge in a dynamic market environment.

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MARKET DEMAND ANALYSIS STRUCTURE: UNRAVELING CONSUMER BEHAVIOR AND MARKET DYNAMICS

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

This paper provides an overview of the structure of market demand analysis, a vital component of economics that examines the relationship between price, quantity, and consumer behavior on a broader market scale. Market demand analysis plays a pivotal role in understanding overall market dynamics, forecasting demand trends, and formulating effective strategies for market entry, positioning, and expansion. The paper delves into the key components of market demand analysis, including market demand determinants, market demand curves, elasticity of market demand, and factors influencing market behavior. By comprehending the structure of market demand analysis, businesses can make informed decisions that capitalize on market opportunities and drive business growth.

KEYWORDS: *Business, Decision-Making, Market Demand Analysis, Macroeconomics, Management.*

INTRODUCTION

Market demand analysis serves as a fundamental tool for understanding consumer behavior and market dynamics at a macro level. This section introduces the purpose of the paper, which is to explore the structure of market demand analysis and its significance in guiding strategic decision-making processes. The importance of comprehending the key components of market demand analysis in driving market success is emphasized [1]–[3].

Market Demand Determinants

This section examines the determinants that shape market demand. It delves into factors such as price, income, consumer preferences, population demographics, and economic conditions, highlighting their influence on market demand. Understanding these determinants enables businesses to identify market trends, assess market potential, and tailor their strategies accordingly.

Market Demand Curves

This section explores the structure of market demand curves, which illustrate the relationship between price and quantity demanded in the overall market. It discusses the slope, shape, and shifts of market demand curves, emphasizing how changes in price and other factors impact market behavior. Analyzing market demand curves allows businesses to forecast market demand patterns, assess market competitiveness, and devise effective pricing and marketing strategies.

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Elasticity of Market Demand

This section delves into the concept of elasticity of market demand, which measures the responsiveness of market quantity demanded to changes in price or other determinants. It examines different types of elasticity, such as price elasticity of market demand, income elasticity of market demand, and cross-price elasticity of market demand. Understanding elasticity of market demand helps businesses assess the sensitivity of market demand to various factors and make informed strategic decisions.

Factors Influencing Market Behavior

This section addresses the factors that influence market behavior and their implications for market demand analysis. It explores factors such as consumer behavior, cultural influences, technological advancements, competitive forces, and regulatory frameworks. Understanding these influences helps businesses identify market opportunities, develop effective marketing campaigns, and adapt their products or services to meet market demands[4]–[6].

Meaning of Market Demand

Market demand for a certain thing is the total of all prospective consumers' (market participants') desires for that good during a specified time period in a specific market.

Definition

The whole market's demand for a certain item or service. Calculating market demand helps identify the best price levels to maximize sales revenues and establishes the level at which manufacturing output for a thing or service should be established.

Curve of Market Demand

A graph that plots a variety of price levels on the Y axis and displays the quantity of a commodity or service that customers buy on the X axis. To get the product's equilibrium pricing, which is situated where the two curves intersect, one may combine the market demand curve and market supply curve for a products or service offered by a firm.

Differentiating between Want and Demand

People often mix up demand with desire and use them interchangeably. Actually, they are two distinct words. Demand is a desire supported by the capacity to buy. This implies that if someone wants something bad enough and has the money to pay for it, they may demand it. Any item or service may be desired by anybody. However, one cannot just want something and then get it for free. Only when the person who wanted it paid the price for it did that person have the right to demand the good.

Factors Affecting Market Demand

The link between price and amount required is stated by the law of demand and demand schedule, which presupposes "other things remaining the same." The whole demand schedule or demand curve changes when one of these other factors changes. In other words, the location and level of the demand curve are determined by these additional factors. The whole demand schedule or the demand curve will alter if these additional factors or the demand determinants change. A demand curve will move above or below, depending on the circumstances, as a consequence of changes in key variables. The factors that determine the market's demand for products are as follows:

Consumers' tastes and preferences

The tastes and preferences of the customers for a thing are a key component in determining demand for it. A product whose demand is strong and whose demand curve is located at a higher level is one for which customers have more tastes and preferences. People's likes and preferences for different products often vary, which affects the demand for such products. Due to changes in fashion as well as the pressure of marketing from producers and retailers of various products, the demand for diverse commodities fluctuates[7]–[9].

For instance, the demand for Coca-Cola was quite low when it opened its facility in New Delhi a few years ago. But because to extensive advertising and exposure, people's tastes for Coca-Cola have changed and are now more favorable. As a consequence, there has been a significant rise in Coca-Cola demand. In terms of economics, we would argue that the Coca-Cola demand curve has changed higher. On the other hand, demand declines when a product is no longer in demand or when people's tastes and preferences no longer favor it. The demand curve for these products will move downward, according to economic theory.

Price Variations for Related Goods

Prices of other items, particularly those that are connected to a given good as alternatives or complements, have an impact on demand for that good as well. We assume that the prices of the associated items will stay constant when calculating the demand schedule or demand curve for a good. Therefore, the whole demand curve would vary its position, shifting higher or downward depending on the situation, as the prices of the connected items, replacements, or complements changed. Demand for a product will decrease when the price of a replacement for it decreases, and will increase when the price of the alternative for it increases. For instance, customers would purchase less tea than usual if the price of tea and people's earnings remained the same but coffee's price decreased. Tea and coffee are fairly near alternatives, thus as coffee gets more affordable, customers start choosing coffee instead of tea, which lowers the demand for tea. If the price of one of the complimentary commodities changes, it will have an impact on the demand for the other. For instance, the demand for sugar would be impacted if the price of milk decreased. The need for sugar will rise as people consume more milk or make more khoya, burfi, and rasgullas with milk. Similar to how falling automobile prices would stimulate demand for them, rising gasoline consumption will follow. Petrol and automobiles work well together[10].

DISCUSSION

How many consumers are there in the market?

The market demand for a product is calculated by aggregating the individual desires of both current and potential consumers or purchasers of an item at different feasible prices, as we have previously described. The market demand for a product increase with the number of customers. The issue now is what elements determine how many people buy a product. The number of consumers of the item that has been replaced by the other will decrease, while the number of consumers of the good that has been utilized in its stead will grow. This happens when customers substitute one good for another. Additionally, when the market for an item grows as a consequence of the seller's success in discovering new markets, there will be more people buying that good. The growing population is a significant factor in the rise in consumer numbers. For instance, since the population of the nation and the number of customers for these items has grown, there is a greater demand for several vital goods, particularly food grains, in India.

Changes in Consumption Propensity: Consumption propensity influences demand for goods and services. If a person's tendency to consume increases while their income remains constant, they will spend a larger portion of their available income, which will lead to an increase in the demand for commodities. On the other side, if people's tendency to save rises, or if their propensity to consume drops, then consumers would spend less of their income on products, which would lead to a reduction in the demand for those commodities. It follows that, even if income remains constant, changes in people's propensities to spend will result in changes in the demand for commodities. Similar to this, when customers believe that they will have a good income in the future, they will spend a larger portion of their money now, increasing their need for products now.

Income Distribution: A society's income distribution has an impact on how much people want its products. When wealth is distributed more evenly, society as a whole will have a higher tendency to spend, which increases demand for commodities. On the other hand, if income distribution is more uneven, society's tendency to spend will be substantially lower since affluent individuals tend to consume less than poor people. Therefore, the demand for consumer products will be relatively smaller as income inequality increases. This is the impact of income distribution on consumer behavior and the desire for products. However, the demand for different items would be impacted differently depending on how the income distribution in the community changed. The distribution of income would become more equal if progressive taxes were imposed on the wealthy and the funds raised were used to create jobs for the unemployed. As a result, there would be a transfer of buying power from the wealthy to the unemployed.

Because the purchasing power of the poor has increased as a result, the demand for those goods that are typically purchased by the poor will rise. On the other hand, the demand for those goods that are typically consumed by the rich who are subject to progressive taxes will decline.

Spending on Advertising

Spending on advertising is a significant element in shaping demand for a product, particularly for the product of the corporation that provides the adverts. The goal of advertising is to persuade people to buy a product. Media outlets such as newspapers, radio, and television all run advertisements. Products are repeatedly advertised in order to persuade buyers of their better quality. When commercials are effective, the product's demand rises as a result.

Market Demand-Affecting Factors

Understanding that there is a connection between individual and market demand is crucial when looking at demand drivers, particularly for enterprises. Despite their modest differences, these two have the same root causes and are similarly influenced by macroeconomic and microeconomic factors, although to a lesser extent. When the price fluctuates and all other influencing variables remain constant, the demand varies. The position or level of a commodity's demand curve is determined by these additional elements. It should be observed that the whole curve swings rightward or leftward depending on the change in these non-price elements. The following elements affect a commodity's market demand.

Cost of the Good

The cost of the commodity or service being given has an impact on both consumer and market demand. The inverse link between price and demand is shown by the law of demand. A rise in

one will result in a fall in the other. Both at the individual and market levels, this is valid.

Amount Paid for Complementary Goods

One good is utilized in conjunction with another when it is complementary. For instance, you must purchase cooking gas or electricity when you buy a cooker. A vehicle and gas would be another illustration. You cannot utilize one thing without the other, thus you must purchase both. All other conditions being unchanged, the demand for a complementary item reduces as its price rises, and vice versa. A rise in automobile prices will result in a decrease in petrol purchases.

Cost of Replacement Goods

The products that compete for consumption are known as substitutes. When you choose one, the other is replaced. You either eat one or the other. This is possible as long as the substitution is thought to be of an equal or higher caliber. When the price of replacement items changes, it has an impact on demand for both individual and market goods.

Income

Income has a significant impact on consumer and market demand. Demand for commodities rises in response to rising income. This is as a result of more money being available to spend on the good. A "normal" good or service is one that goes through this. With a rise in income, however, demand for certain products declines. These fall under the category of "inferior goods". People buy these products because they are affordable and are thus inexpensive. However, when their money rises, people start to choose products and services of higher quality. For instance, some individuals consider public transportation to be a subpar product.

Future Projection

When people acquire future knowledge, they try to put themselves in a better position. For instance, if they anticipate a shortfall of a necessary commodity, they would sharply raise demand today to avoid the shortage. Every year, you prepare for winter by purchasing clothes before it arrives.

Preferences and tastes

Beyond the intellectual justifications, individuals buy things because they enjoy them. They are sometimes inspired by vogue trends. Other times, people buy something because they like it or because a famous person recommended it. This is perhaps the most difficult to anticipate of all the variables driving consumer and market demand. This is due to the fact that it is impacted by psychological elements, which are difficult to classify and compile.

Difference between Market Demand and Individual Demand

The total quantity that all consumers of the commodity are willing and able to purchase at a given price per time unit, given their money incomes, their tastes, and prices of other commodities, such as substitutes and complements, is referred to as the aggregate demand for the commodity.

CONCLUSION

Considering the overall demand for a company's goods is essential when making business decisions. Market demand, or the size of the market at a given point in time at various prices, determines the overall scope of business, provides opportunities for growth, and is essential for determining future production plans, raw material inventories, marketing strategies, and the

placement of sales outlets. Therefore, knowledge about the size of the product's demand in the present and the future is crucial. An understanding of these issues may be gained via theory of demand. In conclusion, the structure of market demand analysis provides businesses with a framework for understanding consumer behavior and market dynamics at a macro level. By comprehending the market demand determinants, analyzing market demand curves, evaluating elasticity of market demand, and considering factors influencing market behavior, businesses can make informed decisions that capitalize on market opportunities, drive market success, and achieve sustainable growth. Market demand analysis serves as a valuable tool for strategic planning, market entry, market positioning, and market expansion. By leveraging the insights gained from market demand analysis, businesses can effectively navigate the complex market landscape and gain a competitive advantage.

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MARKET DEMAND SCHEDULE STRUCTURE: ANALYZING CONSUMER PREFERENCES AND QUANTITY DEMANDED

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

This paper provides an overview of the structure of a market demand schedule, an essential component of economics that represents the relationship between price and quantity demanded in a specific market. The market demand schedule serves as a valuable tool for understanding consumer preferences, market dynamics, and pricing strategies. The paper explores the key components of the market demand schedule, including price levels, corresponding quantity demanded, and factors influencing consumer behavior. By comprehending the structure of the market demand schedule, businesses can make informed decisions regarding pricing, production, and market positioning to meet consumer demand and achieve market success.

KEYWORDS: *Business, Decision-Making, Market Demand Schedule, Macroeconomics, Management.*

INTRODUCTION

The household demand curve, which is frequently referred to as the individual demand curve and is based on a person's preference among various commodities. We demonstrate how to construct the market demand curve from each of these separate demand curves in this session. The whole demand curve shifts when demand changes as a result of factors other than price. In addition to price, factors affecting demand for a commodity include consumer income, tastes and preferences, and the costs of comparable commodities. As a result, the demand curve will alter if any of these element’s change. For instance, if consumer incomes rise, either as a result of an increase in their earnings and salaries or the granting of a dearness allowance, they may want more of an item, such as cloth, at each price. The demand curve will move to the right as a result of this. Similar to this, as consumer preferences for a good let's say, color television increase, consumers will want more of that good at every price point, which will cause the demand curve to move to the right. Expectations about future pricing are another major element that might drive demand for an item. When consumers anticipate that the price of a thing will rise in the future, they will want to buy it now, particularly if it is durable, which will increase demand for the product right now and cause the demand curve to move to the right. As was said before, the costs of comparable goods like complements and replacements may alter demand for a given good. For instance, if the price of coffee increases while all other variables stay the same, the demand for tea, a beverage that may replace coffee, would increase and its demand curve will move to the right[1], [2].

A shift in the demand curve will result from a fall in demand brought on by unfavorable changes in the variables affecting demand. For instance, if agricultural output falls in a year as a result of

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insufficient rainfall, this would result in a drop in farmers' revenues. Due to the farmers' declining wages, there would be less demand for industrial goods like cloth, which will lead the demand curve to move to the left. Similar to this, shifting preferences for certain commodities may have an impact on demand. For instance, the demand for color TVs increased when they were introduced to India due to the larger desire of the population. However, this led to a decline in the demand for black and white TVs, which caused a change in the demand curve to the left for these black and white TVs. The shift in other demand-determining factors, not the price increase, is what causes the decline in demand. A commodity's demand may decline as a result of lower prices for its alternatives, higher prices for its complements, or consumer expectations that the price would decline in the future[3]–[5].

Demand Calendar

The nature of a product is the most significant of several elements that influence the link between the price of a commodity and the volume required. The demand schedule is the quantity required in response to variations in a commodity's price. It provides a summary of the data on pricing and quantity requests.

Demand Types and Timetable

The Individual Demand Schedule, which relates to the prices and quantities desired of the item by an individual, is one kind of demand schedule. The Market Demand Schedule is the primary focus of Price Theory. A market is made up of all the people who desire to buy a certain product. The quantities of a particular item that all customers will purchase at all potential prices at a given period are therefore known as the "market demand schedule." It should be obvious that the Market Demand Schedule is created by adding the Individual Demand Schedules.

Different Market Demands

Demand usually comes in three flavors.

1. Price
2. Demand
3. Cross Demand

Demand and Price

It relates to the different amounts of the item that customers will buy at a certain moment and at a set of fictitious costs, supposing that other circumstances stay the same. Generally, we simply care about pricing and demand. Only price demand was covered in depth in the foregoing conversation of the law of demand.

Financial need

The varied amounts of a product that a customer will purchase at a given moment at various income levels are referred to as income demand. In general, demand rises as income does, and vice versa. Cross demand refers to the situation when the prices of two commodities are connected in terms of demand. The good might be an alternative or complement. Those items that may be used in place of one another are known as substitute goods. Coca-cola and Pepsi, for instance, as well as tea and coffee. Demand and price are therefore positively correlated. This implies that as one's price rises, so does the demand for another, and vice versa. Products that are

utilized in tandem to fulfill a need are referred to as complementary items. Alternatively said, complementary products are those that are lacking without the other. These are complementary items that are often used together. Pen and ink, for instance. Cameras, film, tennis rackets, and tennis balls, among other things. Price and demand for these commodities have a negative relationship. This implies that when one commodity's price rises, the demand for the other decreases. Cameras, film, tennis rackets, and tennis balls, among other things. Price and demand for these commodities have a negative relationship. This implies that when one commodity's price rises, the demand for the other decreases.

DISCUSSION

Additional Forms of Demand

Mutual Demand

When a number of commodities are required to fulfill a certain need or for a shared aim. This involves a joint demand. To prepare tea, you must have milk, sugar, and tea dust. For writing, we may want paper, a pen, and ink. Joint demand refers to the collective desire for such things. Demand for land, labor, capital, and organizational resources is also an example of combined demand for creating goods.

Aggregate demand

A composite demand exists for a commodity that has a variety of applications. In this situation, a single item is required for a variety of purposes. For instance, electricity is required for fans, lights, heating, and engine operation. Coal is similarly used in industry, in the kitchen, etc.

Demand, both direct and derived

Direct demand, also known as demand for the ultimate goal, is the desire for a good or service that is intended for immediate use, such as food, clothing, etc. Autonomous demand is the term for direct demand. The procurement of certain key items is not related to the demand in this case. It is referred to as derived demand or induced demand when the demand for the commodity results from the need for a different good or service. For instance, the demand for tires is generated from the need for automobiles or scooters, and the demand for cement is derived from the demand for building construction, etc.

The demand curves for individual customers are adversely skewed for a number of significant reasons. People consume to fulfill several needs, including those for food, housing, entertainment, and self-image. In order to satisfy these needs, several commodities might be substituted for one another. Beef may be substituted with chicken, fish, or goat, or a vegetarian diet can be adopted in their place. The proportional costs of different meats will determine what one does. Many people will decide to eat less beef and more fish, goat, or chicken if the price of beef increases significantly while all other items stay the same. Additionally, broad categories of consumption might be used in place of one another. For instance, a significant increase in rent compared to the price of eating out, frequenting bars, and seeing movies can cause some customers to keep smaller, less expensive residences and use more of their free time in leisure activities. The substitution effect is the propensity to choose less expensive alternatives to items whose prices have increased. A increase in a good's price causes a decrease in the amount that is wanted, which is known as the substitution impact of a price adjustment[6]–[8].

Holding all other prices constant, a decrease in the price of chicken will result in an increase in the amount demanded the price-quantity combination moves rightward and lower along the demand curve. In addition, a rise in the price of beef (or fish) or goats will result in a greater demand for chicken at all prices. Thus, the demand curve will change. While changes in the pricing of alternative commodities cause the demand curve to shift, changes in the price of the commodity itself causes the demand curve to move. The demand curve for a commodity is often shifted to the right by a rise in the price of a replacement item because more of the commodity is needed at each price. The amount requested of an item does not necessarily increase as the price of other commodities rises. Take the market for shoelaces, for instance. As individuals fix worn-out shoes and use them for extended periods of time, an increase in shoe prices will result in a decrease in the demand for shoes. Shoelace demand will decrease as well since there would be less desire for shoes. Since demand for shoelaces declines as shoe prices rise, the demand curve for shoelaces changes to the left. People swap their shoes and shoelaces for other items. Shoes and shoelaces are referred to be complementary items or complements in this situation.

The amount of revenue has an impact on the amounts of items that are required. People must spend all of their money on something; saving is seen here as an investment in future products. The average amount spent by customers on items will inevitably increase as their income increases and more money becomes available to spend. If a product is a typical good, individuals will spend more of their money on it. At every price for that item, a greater amount will be requested. Not every product is typical. Take the consumption of rice in mainland China, for instance. People were likely to determine that they can now afford to add a little more meat to their diet and depend less largely on rice as the country's revenue increased with the entry of cash from the rest of the globe and the growth of new businesses.

The main objective of life is survival. Due to the high cost of meat, it could be essential to buy just rice to subsist on limited incomes. Higher revenues allow one to buy a lot more rice than would be required for subsistence. Then, it makes sense to add some meat to the rice to make your diet more delightful. Due to this, a rise in income may cause the demand curve for rice to move to the left. In this case, rice is a subpar good. Demand curves for average items move to the right as income increases, whereas demand curves for subpar goods move to the left. The substitution effect, which occurs when the price of a commodity increases and causes customers to switch to other goods whose prices have not increased, has led us to suggest that the demand curve has a negative slope. However, a rise in a good's price also affects the amount that consumers are willing to pay for it.

Of course, it's possible that the item whose price has increased is a subpar product. The demand curve will get steeper in this scenario due to the income impact. For instance, a rise in the price of rice may have a negative impact on real income, forcing individuals to eat less meat and more rice[9]–[11]. The income and substitution effects for normal products operate in the same direction; for inferior items, they act in the other way. It turns out that the income impact is probably not going to matter all that much in real life. People only spend a little portion of their income on the majority of items, thus changes in the cost of those commodities are likely to have a negligible impact on their actual earnings.The market demand schedule offers insights into consumer behavior and the interaction between price and quantity demanded in a market. This section introduces the purpose of the paper, which is to explore the structure of the market demand schedule and its significance in guiding strategic decision-making processes. The importance of understanding the key components of the market demand schedule is emphasized.

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Price Levels and Quantity Demanded

This section focuses on the relationship between price levels and the corresponding quantity demanded in the market demand schedule. It illustrates how changes in price affect consumer behavior and the quantity of goods or services demanded. The structure of the market demand schedule allows businesses to identify price points that maximize revenue and understand the price elasticity of demand.

Factors Influencing Consumer Behavior

This section examines the factors that influence consumer behavior and shape the structure of the market demand schedule. It explores variables such as consumer income, consumer preferences, market competition, and the availability of substitutes. By understanding these factors, businesses can adjust their marketing strategies, product offerings, and pricing decisions to align with consumer preferences and market demand.

Demand Shifts and Market Dynamics

This section delves into the concept of demand shifts within the market demand schedule. It explains how changes in factors such as consumer income, population demographics, and external influences can shift the entire demand curve, leading to changes in the structure of the market demand schedule. Understanding demand shifts and market dynamics enables businesses to adapt their strategies and effectively respond to changing market conditions.

Pricing Strategies and Market Demand Schedule

This section explores the implications of the market demand schedule for pricing strategies. It discusses how businesses can utilize the market demand schedule to determine optimal pricing points, set competitive prices, and maximize revenue. By aligning pricing decisions with the structure of the market demand schedule, businesses can achieve a balance between meeting consumer demand and maximizing profitability.

CONCLUSION

The total amount bought by all customers at various fictitious prices is reflected in market demand. The total of all individual requests makes up this amount. It is created by summing the amounts that each buyer would purchase of the product at a certain price. The Market Demand Schedule is a table that displays the range of quantities desired by each customer for a commodity on the market at various fictitious prices. The Market Demand Curve will be the resultant curve if the data are shown on a two-dimensional graph. The market demand curve illustrates the various amounts that the product's seller may sell at various prices from his perspective. The lateral combination of such curves to get the market demand curve will likewise produce a downward-sloping curve since the demand curve for an individual is downward-sloping.In conclusion, the structure of the market demand schedule provides businesses with valuable insights into consumer behavior, market dynamics, and pricing strategies. By comprehending the relationship between price levels and quantity demanded, understanding the factors influencing consumer behavior, and recognizing the impact of demand shifts, businesses can make informed decisions to meet consumer demand effectively. The market demand schedule serves as a vital tool for strategic planning, pricing decisions, and market positioning. By leveraging the insights gained from the structure of the market demand schedule, businesses can optimize resource allocation, meet consumer needs, and achieve market success.

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ECONOMIC SLOWDOWN STRUCTURE: ANALYZING CAUSES AND IMPLICATIONS

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

This paper explores the structure of an economic slowdown, a period characterized by a deceleration in economic growth and various adverse effects on industries, businesses, and individuals. The paper examines the causes and manifestations of economic slowdowns, including factors such as reduced consumer spending, declining investments, global economic trends, and policy decisions. By understanding the structure of an economic slowdown, policymakers, businesses, and individuals can take proactive measures to mitigate its impacts and promote economic recovery.

KEYWORDS: *Business, Decision-Making, Economic Slowdown, Macroeconomics, Management.*

INTRODUCTION

Over the last 20 years, the emerging market economies have shown tremendous development, significantly increasing their share of global economic production and international commerce. However, however, economic momentum has significantly slowed down in a large number of emerging market economies, and the growth advantage such economies formerly had over industrialized nations has shrunk. Many first believed that this was caused by cyclical factors, particularly the brief decline in demand in the industrialized nations. However, given how protracted the slowdown is, it is more likely that the expansion's fundamental trajectory has flattened. This "natural" slowing in the pace of growth might be attributed to the advanced stage of the convergence process[1]–[3].

However, given the size of the downturn, it is probable that a number of other reasons are also at work in a number of developing market economies. The slower rate of development in China may likely be partially explained by the slowing of sectoral structural change and the diminished influence of economic impulses brought on by previous market reforms. The end of the commodities boom seems to be an important consideration for the developing market economies that specialize in the export of raw resources. The slower rate of development in eastern European developing market countries signals a return to more normal conditions, since the rapid expansion observed in the years just before the financial crisis has shown to be unsustainable. Economic development is also being hampered by lower investment levels and a disregard for the need to alter economic policy[4]–[6].

Given that the slowdown is mostly structural, it is likely that the collective growth rate of the group of emerging market nations will remain modest in the coming years. If circumstances worsen, growth can decline much further. This prognosis indicates that for the advanced nations,

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the underlying rate of their exports to the emerging market economies is expected to slow down in the near future. Germany would see the reverberations of a severe slump in the Chinese economy. The developing market countries' slowing aggregate growth rate is evidence that a quick and robust catch-up process cannot be taken for granted. For the medium term, the developing market economies need fresh reform impulses to return growth to a higher trend path.

An economic slowdown is a challenging phase for economies, impacting various sectors and individuals. This section introduces the purpose of the paper, which is to analyze the structure of an economic slowdown and its causes, manifestations, and implications. The importance of understanding the components of an economic slowdown is emphasized to facilitate effective decision-making and policy formulation.

Causes of Economic Slowdown

This section explores the factors that contribute to an economic slowdown. It examines causes such as decreased consumer spending due to income uncertainty or rising debt levels, reduced business investments, fluctuations in global economic conditions, changes in government policies, and financial market instability. Understanding these causes helps stakeholders identify the underlying issues and formulate appropriate strategies to address them.

Manifestations of Economic Slowdown:

This section delves into the manifestations and indicators of an economic slowdown. It discusses declining GDP growth rates, rising unemployment levels, reduced business profits, stagnating or contracting industries, and diminished consumer confidence. Analyzing these manifestations provides a comprehensive view of the impact of an economic slowdown on various sectors and stakeholders.

Implications and Challenges

This section examines the implications and challenges associated with an economic slowdown. It discusses the effects on employment rates, income inequality, government revenues, fiscal deficits, business profitability, and consumer purchasing power. The structure of an economic slowdown poses significant challenges for policymakers, businesses, and individuals, necessitating appropriate responses to mitigate its adverse effects.

Mitigation and Recovery Strategies

This section highlights strategies to mitigate the impacts of an economic slowdown and foster economic recovery. It explores policies such as fiscal stimulus measures, monetary policy adjustments, infrastructure investments, support for small businesses, and measures to enhance consumer and investor confidence. By implementing effective mitigation and recovery strategies, stakeholders can facilitate a timely rebound and restore economic growth.

Economic Slippery

When an economy's pace of economic growth slows, an economic downturn results. GDP (Gross Domestic Product), which represents the entire amount of goods and services generated in an economy over a certain time period, is the standard unit used by nations to quantify economic growth.

Measuring GDP changes

Calculating the percentage change in GDP from one era to another allows one to determine the pace of economic growth or decrease. For instance, the GDP of a nation may have grown by 2% from the first quarter GDP to the second quarter this year. However, if GDP only increased by 1.5% between the second and third quarters, we may infer that the economy is slowing down as a result of the slower growth.

Economic cycle

The business cycle explains changes in the economy. The cycle begins with an economic peak, when growth has achieved its maximum point for that cycle. A drop in growth, or the economic slowdown, then follows. The economy enters a recession when growth declines for a certain amount of time. The economy may go into a depression if the negative growth persists for an extended period of time or is severe enough. When the economy eventually recovers from its low point, it will experience economic growth until it reaches a new high, at which point the cycle will begin all over again.

Motives behind the Drop in Trend Growth

The trend growth in emerging market economies has slowed, which shows that there has been a "natural" relaxation in the pace of development after the fast convergence process brought several nations closer to the very edge of their technical capacities. But there is still a sizable disparity. For instance, estimations show that in 2011, labor productivity in China and other significant emerging market countries each fell below one-tenth of the level in the United States. From this perspective, it seems reasonable to assume that a number of additional factors were behind the relatively sharp decline in trend growth seen in recent years. Similarly, total factor productivity, a measure that also incorporates capital input, continues to show that China and other nations lag far behind the United States.

In about two-thirds of the 135 economies studied as a whole, trend growth has slowed during 2006–07. One of them is the world's second-largest economy, China, whose trend growth fell from around 12% to 7.%. Other nations that have seen a noticeable slowdown in overall economic activity include a startlingly high number of economies that are specialized in the export of commodities[7]–[9]. It is easier to understand China's macroeconomic slowdown when trend growth is broken down to highlight the contributions made by labor input and labor productivity. It demonstrates that labor input, as determined by the total number of people employed in the economy, has only ever made a little contribution to the rise in economic production because of its weak upward trend. While the modest positive contributions related to labor input have stayed mostly stable, the major driver in this case is the increase in labor productivity, which has seen a sharp fall in recent years and is what is causing the slowdown in trend growth.

Flagging structural change seems to be partially responsible for the slower increase in labor productivity. This is because the speed of structural change is slowing down. The movement of rural agricultural labor to urban regions, where they find jobs in the much more productive industrial or service sectors, is one of the main factors influencing China's total productivity development. The waning positive effects of previous structural reforms are likely to have played a significant role in the slowdown in productivity gains at the sectoral level, which is probably even more significant than the slowing pace of sectoral structural change. Evidence of reduced investment efficiency: Extremely active investment activity, supported by high levels of domestic

saving, was another factor that led to the steep increase in intra-sectoral productivity. During the global financial and economic crisis, growth in gross fixed capital formation accelerated further, increasing its percentage of GDP from 38% in 2007 to 44% in 2009. This capital creation ratio increases and is unquestionably high by global standards.

DISCUSSION

Economic Slowdown's Effects

Recession or economic slowdown decreased India's industrial production, employment prospects, and liquidity. Additionally, it lowers GDP and changes consumer habits and buying power. Impact of the recession on Indian industrial output: During the recession, India's industrial sector suffered from weak export demand conditions as well as from repressed internal demand as a result of the delayed creation of jobs. Middle classes in India are worried about the domestic demand as a result of the country's economic crisis. For at least two years after the global financial crisis of 2008, India's GDP grew by 9%, but more recently, the rupee has fallen, losing a sixth of its value versus the dollar. In addition to falling share prices and rising commodity costs, investment remained stagnant and growth was moderate. A few analysts referred to the situation as "a crisis," while others blamed Manmohan Singh's administration for failing to enact fundamental changes that would have boosted development. Notably, India buys much more than it sells, resulting in an unacceptably high current account deficit of 4.8% of GDP. There is virtually little chance of restoring investor trust in the economy unless it is destroyed. The trade imbalance has been skewed in large part due to gold. India's illogical preoccupation with gold still persists, even after economist John Maynard Keynes said that it was "ruinous to her economic development" in a letter written a century ago. India produces just 10 tonnes of gold annually, so it imported 860 tonnes last year, which it used to make jewelry or kept in family safes as coins and bars.

Indian Economy Affected by the Recent Global Financial catastrophe: The recent global financial catastrophe has had a severe effect on the Indian economy. There is a limit to our capacity to withstand a global recession that may turn into a big depression, even while the public sector in India, including nationalized banks, could shelter itself in some way from the harmful consequences of globalization since we are also a part of the globalization plan of neo liberalization. The crisis had a far different effect on the Indian economy than it did on the economies of the western industrialized countries.

An exodus of foreign institutional investment (FII) from the equities market is the most noticeable direct impact of this global financial crisis on India. The rupee sharply declined as a result of the FIIs' pullout. Losses have been incurred by both banking and non-banking financial firms. India's exports of software and IT services have suffered as a result of the financial crisis that the USA and other developed nations experienced as a result of the recession. India's exports suffer as a result of the downturn in international markets. This is already apparent in certain sectors, such as the apparel industry, where the crisis-related employment losses have been severe. This, along with a strain on high-income service industries like finance, hospitality, and tourism, etc., caused a decline in consumer spending and total demand for goods and services within the domestic economy. A direct result of this was a decline in the number of new non-farm jobs created in the economy at the same time that informal employment was lost. The rupee's devaluation was unable to help India's export budget.

This downward trend has had a negative impact on industrial activity, particularly in the manufacturing, infrastructure, and service sectors, particularly in the commerce, hotels, and transportation and communication. As the crisis worsens and financial services companies, which were historically significant consumers of outsourcing services, were reorganized, service export growth was also projected to decline. As employment are lost in the formal sector, demand for services offered by the informal sector declines, working hours and real salaries are reduced, a financial crisis may result in a reduction in employees' incomes. Workers who lost their employment in the formal sector and moved into the unorganized sector placed further pressure on unorganized labor markets. Industrial growth was similarly sluggish throughout the slump. India's industrial sector has been negatively impacted by both the weak demand circumstances in its export markets and the internal demand suppression brought on by the delayed job creation[10].

The loss of institutional foreign investment from the equities market has been the most noticeable direct impact of that crisis on India. Foreign Institutional Investment (FII) has grown to be a significant seller in Indian markets as a result of their need to retrench assets to offset losses in their home countries and their search for safe havens in a volatile environment. Large corporations have undoubtedly been impacted by FIIs withdrawing their capital from the stock market, but exporters and small, marginal businesses that play a key role in job creation were expected to be the most hit. The increasing cost of imported food hurts impoverished people and families that spend a large portion of their income on food, and the currency depreciation may also have an impact on consumer pricing. quicker than anticipated decline in inflation. The decrease in inflation should boost consumer demand and lower business input costs.

The worldwide decelerating process resulted in a reversal of capital flows, which put pressure on the foreign currency market. Reserves of foreign currency were dwindling. The country's exporting manufacturing sectors have suffered as a result of the global market's overall decline brought on by the crisis. Government stimulus was replaced on the demand side by significantly increased investments. Between February and May 2010, wholesale price inflation was approximately 10% after spending much of 2009 in the negative. On the other hand, food inflation decreased from 18 to 12 percent throughout that time. After the financial crisis, global commodity prices have recovered, but pricing pressures are still under control.

Due to the recession, consumer behavior has changed

The recession is now affecting economies not only in India but all throughout the globe. Many businesses lost contracts as a consequence of the economic downturn, which presumably had an impact on the workers' ability to earn enough money and retain employment. Therefore, it has an impact on several living issues in our everyday activities, making our way of life more worse. But if individuals are mentally equipped to handle this circumstance, he should cut his own spending and turn the tables. His life will most likely be happy. The contemporary retail sector is seeing a change in consumer attitudes and behaviors as a result of the recession. Customers are now more devoted to the supermarkets that provide them the best value. Although I am unsure of how the typical middle-class family's income has tracked this year, on average, families have witnessed a decrease in monthly expenditure. Consumer spending persists even amid tough economic times. Consumers postpone replacing functional items during a recession and put more emphasis on getting the most bang for their buck, looking for discounts, and cutting down on extravagances. As a result, shopper attitudes and behavior patterns change significantly. This insight looks at

how customers prioritize their purchases during a recession and offers consequences and suggestions for how to proceed.

India's Exports and the Slowdown

The expansion of a product's exports is significantly influenced by the global demand for that product. The demand for common and luxury goods increases as global earnings grow, whereas the market for subpar goods may drop. For luxury items, income elasticity of demand is anticipated to be more than one, whereas for everyday goods, it is anticipated to be between zero and one. The kind of goods a nation sells, or the income elasticity of the product's demand, is a significant element that affects how a slowdown in exports would affect the nation. In addition to income elasticity, price competitiveness may also have an influence. If the exported goods are less price sensitive, decreasing prices to keep market shares may not be an option in the event of a downturn. For exports from developing nations, the empirical evidence of low price elasticity and high income elasticity of demand is significant. First off, this shows that developed country economic performance has a significant impact on the development of developing country exports. Second, it suggests that the developing nations' ability to use price competition to retain or boost exports may be restricted.

CONCLUSION

A recession is a significant slowing or contraction of the economy. Trade and industrial activity are decreased during this brief economic downturn, which is often indicated by a dip in GDP (gross domestic product) for two or more consecutive quarters. Consumers often cut down on spending during a recession as a result of losing faith in the economy's expansion. As a result, there is a decline in the demand for products and services, which in turn results in lower output, job losses, and a dramatic increase in unemployment. Investors spend less because they anticipate a decline in stock value, which causes stock markets to decline due to bad sentiment. India's economy ranks third in the world by purchasing power parity (PPP) and is the tenth-largest by nominal GDP. India has been impacted by the global financial crisis as a result of its quick and expanding integration into the world economy. An effective break from the prevalent economic concept of neo-liberalism is needed to resist these consequences of the global crisis on the Indian economy and avert future collapse.In conclusion, understanding the structure of an economic slowdown is essential for policymakers, businesses, and individuals to navigate the challenges it presents. By analyzing the causes, manifestations, and implications of an economic slowdown, stakeholders can develop targeted strategies to mitigate its effects and promote recovery. Proactive measures, such as appropriate policy interventions, business resilience strategies, and support for affected individuals, are vital for minimizing the adverse impacts of an economic slowdown and laying the groundwork for sustainable economic growth. The structure of an economic slowdown provides insights into the complexities of economic downturns and guides stakeholders in making informed decisions to foster resilience and facilitate recovery.

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PRICING POLICY: STRATEGIES FOR PROFIT OPTIMIZATION AND MARKET SUCCESS

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

This paper examines the structure of pricing policy, a crucial aspect of marketing and business strategy that determines the pricing decisions for products or services. Pricing policy plays a significant role in achieving profit optimization, market competitiveness, and customer satisfaction. The paper explores key components of pricing policy, including pricing objectives, pricing strategies, factors influencing pricing decisions, and the impact of pricing on consumer behavior. By understanding the structure of pricing policy, businesses can make informed decisions that maximize profitability, align with market dynamics, and create value for customers.

KEYWORDS*:* *Business, Decision-Making, Macroeconomics, Management, Pricing Policy.*

INTRODUCTION

Pricing is an important administrative choice. On a daily basis, it is not a significant issue for the majority of businesses. However, there are certain extra rules that must be followed when setting the price of the new product. Any company that markets a "new product" has challenges since new items lack historical data. In this case, the company is similarly unable to predict customer response. What exactly do we mean when we talk about a new product? For our purposes, new goods include unique products, enhanced products, changed products, and new brands that the company creates via its own R&D initiatives. Obviously, choosing the initial price is a significant choice. The success of the company's first price choice will have a significant impact on the rest of its operations[1]–[3]. Since top management is responsible for the new product's track record of success, they set precise standards for ideas for new products to be accepted, particularly in a big, multidivisional firm where all types of initiatives tend to emerge as favorites of different managers. There will always be rivals that want to create it as soon as possible. When one or more rivals modify their prices, goods, or both, the pricing choice takes a unique significance. Sometimes, rivals may launch a new product without changing the cost of an already-established product. The company in issue may need to reconsider its pricing strategy if the new brand is seen to more successfully compete with a certain brand.

From the perspective of the consumer, value is the only factor that justifies pricing. Customers sometimes have a poor knowledge of the costs associated with raw materials and other manufacturing processes. However, such buyers are able to comprehend the value that the product provides for them. Customers decide whether to buy a product based on this justification. Consumer demands are met through effective pricing, which also makes the exchange procedure easier. Marketers must comprehend that not all consumers want to pay the same price for things, just as not all consumers want the same product, the same distribution channels, or the same

advertising campaigns. Therefore, markets must make distinctions between different market groups in order to efficiently price things. The same principles that govern successful product, distribution, and marketing strategies also govern successful price. If trades are to take place, marketers must comprehend consumers and price their items to meet their wants. However, it is important to remember that the price must be high enough to meet the organization's goals, including pleasing investors. For most firms, the price charged continues to be the principal source of income[4], [5].

Specified Price

Even though choosing a price is often a marketing choice, choosing it right needs knowledge of both the customer's and society's perceptions of value. In some ways, a business's most crucial choice is how to establish its prices. A pricing that is set too low might lead to a lack of sales and the failure of the company. A price that is set excessively high might lead to poor client reaction and, ultimately, the failure of the company. Therefore, the effects of a bad price choice may be severe.

Customer Perceptions of Price

Customers may be either the final consumer of the completed product or a company that buys components of the finished product, as was covered. The client is the one who attempts to fulfill a demand or set of requirements by purchasing a certain product or collection of items. As a result, the client employs a number of factors to decide how much they are prepared to spend to fulfill their demands. The consumer would like to spend as little money as possible to fulfill these demands. Therefore, to improve value and gain a competitive edge, a corporation may either raise perceived benefits or decrease perceived costs, both of which can be seen as components of pricing.

Price in Relation to Society

Price has historically been seen as the best measure of worth, at least in terms of money. The monetary system in each community, which was derived from bartering, or trading commodities of equal worth, offers a more practical approach to buy products and build wealth. Price has evolved into another variable society uses to regulate the state of its economy. An included or exclusive price is possible. The majority of the people is prevented from purchasing goods like food, health care, housing, and vehicles in several nations, including Russia, China, and South Africa. In contrast, nations like Denmark, Germany, and the United Kingdom have low health care costs and hence make it accessible to everyone. Price may be seen from two perspectives: that of rational man and that of irrational man. The former, which is the main tenet of economic theory, contends that pricing manipulation has predictable outcomes.

The Marketer's Perspective on Cost

Price is significant to marketers because it reflects their evaluation of the value consumers have on a product or service and are willing to pay for. The process through which marketers determine the prices for their goods and services has altered as a result of a variety of variables. The pricing methods of American businesses have been under intense pressure from foreign competition. Numerous goods produced abroad are of a high caliber and compete in the American market by offering better value at a cheaper price. Competitors often attempt to increase market share by lowering their pricing. By lowering the price, the company hopes to attract more clients who are

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thought to be price sensitive[6]–[8].

Nowadays, new items are far more common than in the past. Pricing a new product might be difficult since there is often no past data to use. The market will respond negatively if a new product is priced inappropriately, and the "wrong" pricing might permanently harm a product's prospects of becoming successful. Existing items now have a reduced shelf life due to technology. Marketers are under pressure to price items to recoup expenses more rapidly since new products are released into the market more regularly, which shortens the "shelf life" of current ones. Early achievements, such as rapid sales growth, rapid market penetration, and rapid recovery of R&D expenses, must be priced accordingly.

Price-related Goals

Prices are crucial to businesses because they allow them to recover their production costs, cover their costs, and provide the profit incentive they need to stay in business. These elements may be seen as assisting organizations with their ability to: (1) endure; (2) make a profit; (3) produce sales; (4) get an acceptable proportion of the market; and (5) develop a suitable reputation.

Survival: It is clear that the majority of managers want to follow strategies that will allow their organizations to remain operational for an extended period of time. Therefore, one main goal that the majority of CEOs seek is survival. A commercial business derives its income from the price the customer pays. For an extended length of time, if income is below cost, the business cannot continue.

Profit: Survival and profitability are strongly related. Pricing objectives for a company can include making a $500,000 profit over the next year. Failure will result from anything less. All commercial companies need to generate long-term profits. Long-term success helps many organizations to satisfy their most essential stakeholders, the investors. Stock prices will drop if earnings are lower than anticipated or nonexistent, which might be terrible for the business.

Sales: A company firm must make sales in order to make a long-term profit, just as existence depends on it. The responsibility of marketing management is tied to controlling demand, as you will remember from previously in the book. To control exchanges or sales, demand must be regulated. Thus, the goal of marketing management is to change sales trends for the better.

Market Share: We define Safeway as having a 30% market share if its sales in the Dallas–Fort Worth metropolitan area account for 30% of total food sales in that region. All businesses, big and small, care about keeping a healthy market share so that their volume of sales will allow them to stay in business and grow. Once again, one of the instruments that is important in gaining and maintaining market share is price strategy. Prices must be established to attract a significant portion of the targeted market group.

Image: Price policies have a significant impact on how respected and esteemed a company is in its neighborhood. Price is a communicator who is extremely noticeable. It must communicate to the neighborhood that the business provides excellent value, that it treats customers fairly, that it is a trustworthy establishment to patronize, and that it stands behind its goods and services.

DISCUSSION

Pricing Policy Determining Factors

A product's price choices are influenced by both internal and external influences.

A. Internal Elements:

1. Cost

The cost required in creating a product should be taken into account by the company when setting pricing for that product. Both the variable and fixed expenses are included in this cost. Therefore, the company must be able to recoup both the variable and fixed expenses in setting the rates.

2. The established goals.

The marketer should take the company's goals into account while setting the pricing of the product. For instance, a company may charge a higher price if its goal is to enhance return on investment, and a lower price if its goal is to get a large market share.

3. Image of the company

The firm's reputation in the market may also be used to decide the pricing of the product. For instance, because of their strong market reputations, HUL and Procter & Gamble may expect a greater premium for their brands.

4. Lifecycle of a product

The price of a product is also influenced by where it is in its life cycle. For instance, a company may charge a lower price in the beginning to entice clients, then an increase in price throughout the growth period.

5. Credit period available

The company's credit term is another factor that influences the product's price. The price of the product may increase with a longer credit duration or decrease with a shorter credit period.

6. Promotional endeavor

The pricing is also influenced by the marketing efforts the business makes. The price of the product must be maintained high if the company spends a lot on advertising and sales promotion in order to recoup the expense.

B. external influences

1. Competition

The corporation must research the level of market competition before setting the product's pricing. The pricing could remain the same if there is intense competition low to successfully compete, and if there is no competition, prices could be maintained high.

2. Consumers

When setting pricing, the marketer should take a variety of customer characteristics into account. The customer considerations that must be taken into account include the buyer's price sensitivity, buying power, and other aspects.

3. Government sway

While setting the rates, government laws and regulations must be taken into account. When setting pricing, the marketer must take into account any regulations that the government may issue for certain items, such as administered prices.

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4. Economic circumstances

When setting pricing, the marketer may also have to take the current economic situation into account. Customers may have less money to spend during a recession, thus the marketer may lower prices in an effort to influence customers' purchasing decisions.

5. Intermediary channels

The marketer must take into account the expectations of various channel intermediates. The price of the commodities would increase the longer the network of middlemen.

Other elements to take into account when determining a product's pricing include: Identify the main and auxiliary market segments. This aids in your understanding of the value of the product to customers. To optimize sales at the set price point, segments are crucial for marketing and merchandising the product. Evaluate the product's accessibility and nearby alternatives. Both underpricing and overpricing are detrimental to your goods. Potential clients will assume something can't be that nice if the price is too cheap. This is especially true for premium, prestigious brands. One customer underpriced their subscription service, which resulted in a weaker reaction and reduced sales. The company undervalued the distinctiveness of its service, the availability of comparable alternatives, and the degree of attachment customers had to the brand. Because of this, the client could raise the price with little danger to its clientele. Actually, the original price rise led to an increase in customers since the higher cost was more in line with the product's perceived worth[9].

Look for competing and related items on the market. Take into account if new items, applications for current products, or technology may outperform or, worse still, compete with your offering. Examine all potential distribution channels for your goods. I've dealt with organizations who only consider direct rivals that use the same distribution channels. Don't restrict your analyses to internet outlets for dissemination. Your pricing range may be established by rivals. If customers believe your product and/or brand to be much superior, you may charge a higher price; if your product has better features, you can charge a parity premium; or you can charge a lower price if your product has features that are generally comparable to those of competing items. A premium product presented this circumstance to a customer of information. Its immediate rivals set the cost for a comparable product. Its options as the third participant in this market were price parity with an improved product or a lower price with comparable features.

Consider market economics and pricing. For instance, a premium, ad-free website should make more money than a free, ad-supported one. Remember to factor in the cost of lost income while weighing this alternative, particularly because advertising find paying customers more alluring. Watch customers engaging with your product to better understand their relationship to it and to get further insights from this study. This may provide information on how to present and market the product, which may have an impact on its cost, features, and incentives. Determine the internal cost structure and comprehend the relationship between price and the offering. A content client encourages people to sign up by promoting its free, advertising-supported e-zines. The customer didn't promote the e-zines because it thought they were worthless since the information was taken from another product. However, readers saw the reused information as having certain advantages. The customer lost out on a chance to boost registrations and, therefore, advertising income with a product that essentially had no development expenses by undervaluing its offering.

If you can, experiment with several pricing ranges. This is crucial whether you want to expand an

existing business or break into an unexplored market. Marketing Experiments.com examined three alternative pricing points for a book to determine its price. It was discovered that the highest pricing produced the maximum product income. It's interesting to note that the intermediate pricing eventually brought in more money since it attracted more clients who could be sold related items. To regularly evaluate price, keep an eye on the market and your rivals. Consumer requirements may be influenced and altered by market dynamics and new offerings. Based on a variety of parameters, determine the price. The price that prospective clients are ready to pay and their long-term worth to your business are the most crucial factors.

Aspect of Pricing Decision that is Practical

Pricing in the Package Travel Market: A Case Study

With the use of a case study, a practical component of price determination is illustrated here. An estimated 36 million Brits go abroad every year. Nearly half of these are "packaged holidays," in which the buyer purchases a whole package that includes lodging, transportation, and other amenities for a single fee. A limited number of major tour operators, such as Thomson Holidays, Air Tours, First Choice, and JMC, are vying for market share in this fiercely competitive industry. Package vacations were developed in part to enable tour operators to buy the various components (flight, cuisine, lodging, etc.) in bulk and pass some of the savings on to customers, therefore attaining large sales volumes and lowering unit costs.

Asset utilization must be high while margins are low.

Tour operating margin estimates range, but generally speaking, the mainstream portion of the market assumes rather low average numbers in the order of 5% (or around £22 on the average vacation price of approximately £450). However, it should be highlighted that vertically integrated tour operators—those who also operate an airline and a travel agency—typically make money from customers. As a result, the integrated operators' overall gross margins may be higher than those of just their tour operating businesses. For tour operators to be profitable, capacity utilization levels must be high (on the order of 95% or more in terms of holidays sold). Since package vacations are perishable items and lose all of their value if they are not sold before their departure date, matching capacity and demand is essential to profitability. To closely match supply and demand and reduce production "waste," perishable commodities markets need extremely flexible production and delivery networks. However, it is very difficult for package vacation providers to balance capacity and demand perfectly[10]. They must "produce" nearly all of what they anticipate selling well in advance of when it will be "consumed" (i.e., when the consumer departs for the vacation destination or, at the earliest, when the consumer pays the majority of the price, which is typically eight weeks prior to departure).

Long-term capacity management

Prior to the holiday season, tour operators often establish their capacity plans and the contracts they have with hotels and airlines. There may be some changes made after this date. The scope for adjustments is severely constrained within around 12 months of the departure date, after the booking season has started (i.e., starting in the summer of 2002 for departures in the summer of 2003). This is a result of the difficulty in altering dates, flights, hotels, etc. for consumers who have already made reservations as well as the rigidity of many contracts with suppliers.

Tour operators can only get a price that is sufficiently low to draw an acceptable amount of

profitable sales by making contracts for their anticipated requirements well in advance, allowing suppliers to prepare ahead. Therefore, tour providers must promote early reservations. These increase cash flow since customers pay a sizable deposit at the time of booking (often approximately £100 per person, or around 25% of the cost of a normal short-haul vacation); the remaining amount is due two months before to departure (with the exception, of course, of "late" bookings). Additionally, tour operators lessen the possibility of unsold vacations and the ensuing requirement for discounting.

During a season, increasing capacity is simpler than decreasing it, albeit there are times, such when a specific resort is proven to be extremely popular, when all acceptable lodging will already have been booked, at least for the peak season. However, it is often difficult for tour operators to 'unwind' their contracts, particularly those for air transportation, without significant penalties. As a result, the tour operator assumes practically all of the risk associated with any committed capacity that is not filled.

The pricing system

Tour operators can, for the most part, only try to match supply and demand via the price mechanism - in other words, by discounting once it becomes clear that sales of their vacations seem unlikely to match the supply that they have contracted - when faced with this limited ability to reduce output in the short term (i.e., once the brochures are published and the selling season has started). Since a significant amount of the overall expenses of running a tour are fixed expenditures (namely, the price of an airplane ticket and the majority of the costs associated with lodging and dining), rather steep discounts may be offered to move unsold inventory. On certain 'late' sales, discounts of up to 25% off the original brochure price are offered; however, customers are often compelled to accept the operator's choice of hotel or resort, depending on availability, in such situations.

Holiday discounts are a common occurrence during this "late" portion of the selling season, much like "end of season stock clearance" deals in other retail industries (like clothes). The impact of discounting on "late" during a typical season should be considered in relation to the operator's seasonal revenue; in actuality, it is only lowered by roughly 5% (25% off 25% of sold vacations).

Discounts (or comparable incentives like "free insurance" or "free child" spots) for early purchase are also provided, although they are somewhat less important in terms of the size of the discount (5–10% seems to be the norm) and the effects they have on costs and turnover. The average price of all package vacations is about 75 percent of the brochure price. The underlying market rigidities have significant effects on competitiveness. They make suppliers mutually reliant on one another both strategically and immediately. Any choice by a tour operator to attempt to expand market share by raising capacity (i.e., providing more vacations for sale) would specifically result in a drop in pricing unless rivals lower their share by an identical amount by reducing capacity.

CONCLUSION

Each one advances our knowledge of pricing and establishes it as a differentiating factor. Five things are sought for by price: survival, profit, sales, market share, and image. A pricing strategy may also aim to: match the competition, price higher than the competition, or price lower than the competition. There were many price strategies proposed. They include the psychological effects of pricing, price bundling, price flexibility, price lining, and pricing for new products. It turns out

that keeping current customers happy comes first in terms of price goals, followed by luring in new ones and meeting their wants. Cost coverage, building the company's reputation, ensuring its long-term existence, and service quality leadership are additional crucial goals. Perhaps due to the challenges of maximizing profits or sales in practice, goals linked to profit, sales, and market share are less important. Keeping new rivals out of the market is the least significant goal, maybe as a result of the substantial barriers to entry that several of the study's analyzed industries have. Companies also view qualitative objectives—those linked to less quantifiable goals like the relationship with customers, competitors, and distributors, as well as the long-term survival of the company and the accomplishment of social goals—as more important than quantitative objectives, which are linked to more quantifiable goals like the firm's profits, sales, market share, and cost coverage. Additionally, businesses seem to have many goals, maybe as a result of the complexity of pricing choices.

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PROFIT POLICY: STRATEGIES FOR MAXIMIZING PROFITABILITY AND SUSTAINABLE GROWTH

Dr. Narayana Srikanthreddy*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-srikanthreddyn@presidencyuniversity.in

ABSTRACT:

Profit policy plays a critical role in business strategy, guiding decisions that impact financial performance and sustainability. This section introduces the purpose of the paper, which is to analyze the structure of profit policy and its implications for maximizing profitability and fostering sustainable growth. The importance of comprehending the key components of profit policy is emphasized in guiding effective decision-making processes. This paper explores the structure of profit policy, a fundamental aspect of business strategy that focuses on optimizing profitability and achieving sustainable growth. Profit policy encompasses various strategies and tactics aimed at maximizing revenues, minimizing costs, and enhancing overall financial performance. The paper examines key components of profit policy, including revenue management, cost control, pricing strategies, and investment decisions. By understanding the structure of profit policy, businesses can make informed decisions that effectively manage their resources, improve profitability, and ensure long-term success.

KEYWORDS: *Business, Decision-Making, Macroeconomics, Management, Profit Policy.*

INTRODUCTION

Concept of Profit in Business

The concept of profit entails several different meanings. Profit may mean the compensation received bya firm for its managerial function. It is called normal profit which is a minimum sum essential to induce the firm to remain in business. Profit may be looked upon as a reward for true entrepreneurial function. It is the reward earned by the entrepreneur for bearing the risk. It is termed as supernormal profit analysis. Profit is the earning of entrepreneur[1]–[3]. To the economist, the most significant point about profit is that it is a residual income. However, the term profit has different connotations. In short, the following are the distinctive features of profit as a factor reward:

(i) It is not a predetermined contractual payment.

(ii) It is not a fixed remuneration.

(iii) It is a residual surplus.

(iv) It is uncertain.

(v) It may even be negative. Other factor rewards are always positive.

Gross Profit and Net Profit

In ordinary parlance, profit actually means gross profit. Gross profit is a term in which the following items are included in addition to the net profit due to the entrepreneur:

(i) Remuneration for factors of production contributed by entrepreneur himself.

(ii) Depreciation and maintenance charges.

(iii) Extra personal profits.

(iv) Net profit.

Accounting Profit and Economic Profit:

An accountant looks at profit as a surplus of revenues over costs, as recorded in the books of accounts. An accountant is interested in accounting, auditing, planning and budgeting profit. The accountant does not take care of implicit or opportunity cost. Accounting profit is also called residual profit. For the business firm, accounting profit is very important. Accounting profit is defined as the revenue realised in a given period after providing for expenses incurred during the production of a commodity. A firm while making accounting profits may be incurring economic losses. Such a firm would have to withdraw from business in the long run. In the balance sheet of a firm, accounting profit occupies an important place. The economist, however, does not agree with the accountant's approach to profit[4], [5]. The account-ant would only deduct the explicit or actual costs from the revenues to determine profit. The economist points out that in addition to the deduction of explicit cost, imputed cost, i.e., the cost that would have been incurred in the absence of the employment of self-owned factors, should also be deducted.

Their examples are:

(i) Entrepreneur's wages that he could earn by working for someone else,

(ii) Rental income on self-owned land and building employed in the business, and

(iii) Interest on self owned capital that could have been earned byinvesting it elsewhere.

Thus the profit arrived at after deducting both explicit and imputed costs may be called economic profit. From the managerial point of view, economic profit is veryimportant because this alone shows the viability of a firm.

Normal Profits and Supernormal Profits:

Normal profits refer to the imputed returns to capital and risk-taking just necessary to prevent the owners from withdrawing from the industry. The normal profits are usually defined as the supply price or opportunity cost of entrepreneurship. Such cost must be covered if the firm is to stay in business in the long run. When competition among entrepreneurs is perfect, the market price of the product is equal to average cost which itself includes 'normal profit'. Normal profit is the minimum to induce the entrepreneur to remain in the business in the long run. It is possible that the entrepreneur may not get normal profit in the short run and may have to sell his product at a loss, but in the long run every entrepreneur must get at least the normal profits. It is assumed to be part of the price. In the words of Mrs. Joan Robinson, "Normal profit is that profit which neither attracts a new firm to enter into the industry nor obligates the existing firm to go out of the industry. Supernormal profit is defined as the surplus over the normal profit. It is obtained by the super -marginal firms. The marginal firm gets only the normal profit, but determines the supernormal profit of the intra marginal firm.

Profit as Functional Reward

Some economists consider profit as a functional reward. According to them, profit is a reward for the entrepreneur for his entrepreneurial functions. Some have said that organising and coordinating other factors of production are the main functions of the entrepreneur. Some others have said that risk- taking and decision making are the important functions of the entrepreneur. They say that since the entrepreneur takes risks in business, he earns profit. Schumpeter said that the entrepreneur is performing the role of an innovator and therefore profit is a reward for his innovation. Prof. Knight opined that profit is due to his risk taking and uncertainty bearing[6]–[8].

Monopoly Profit

When a firm possesses monopoly power, it can restrict output and obtain a higher profit than it could under competitive conditions. Profit is the result of continued scarcity. It can exist only in an imperfect market where output is for various reasons restricted and the consumers are deprived of the opportunity of alternative sources of supply. Sources of such powers are usually found in legal restric-tions, sole ownership of raw materials or access of sale to particular markets. Even some degree of uniqueness in a firm's product confers some monopoly power. Summarising, it can be said that profits may come to exist as a result of monopoly.

Windfall Profit

Some consider profit as a windfall gain. According to them, profit is not a reward for any entrepreneurial function or monopoly power. It is merely a windfall gain. It arises due to changes in the general price level in the market. If the producer or trader buys his inputs and raw materials when the prices are low and sells the output when the prices have abruptly gone up due to some unforeseen external factors, we call the profit as windfall profit. This is also included under net profit.

Earning of Management

The entrepreneur having good bargaining power, purchases raw materials at reasonable prices. He makes suitable arrangements to store the raw materials properly. By proper inventory building, he maintains the supply of raw materials regularly. He hires labour at normal wages and borrows working capital at reasonable rates of interest. Thus he manages and controls explicit costs. Ensuring of supply of capital is the most important function of profit. A certain percentage of net profit is set apart for better management of business.

Profit Policy

It is generallyheld that the main motive of a firm is to make profits. The volume of profit made by it is regarded as a primary measure of its success. Economic theory advocates profit maximisation as the chief policy of a firm. Modem business enterprises do not accept this view and relegate the profit maximisation theory to the back ground. This does not mean that modem firms do not aim at profits. They do aim at maximum profits but aim at other goals as well. All these constitute the profit policy.

Industry Leadership

Industry leadership may involve either the achievement of the maxi-mum sales volume or the manufacture of the maximum product lines. For the attainment of leadership in the industry, there has to be a satisfactory level of profit consistent with capital invested, labour force employed and

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volume of output produced.

Restricting the Entry

If a firm follows a policy of restricting its profit, no competitors are likely to enter the market. Reasonable profits which guarantee its survival and growth are essential. According to Joel Dean, “Competitors can invade the market as soon as they discover its profitability and find ways to shift the patents and make necessary changes in design, technique, and production plant and market penetration.”

Political Impact

High profits are considered to be suicidal for a firm. If the government comes to know that the firms are earning huge returns, it may resort to high taxation or to nationalisation. High profits are often considered as an index of monopoly power and to prevent the govern-ment may introduce price control and profit regulation policies.

Consumer Goodwill

Consumer is the foundation of any business. For maintaining consumer goodwill, firms have to restrict the profit. By maintaining low profit, the firms may seek the goodwill of the consumers. Consumer goodwill is valued so much these days that firms often make organised efforts through advertisements.

Wage Consideration

Higher profits may be taken as evidence of the ability to pay higher wages. If the labour associations come to know that the firms are declaring higher dividends to the shareholders, naturally they demand higher wages, bonus, etc. Under these circumstances in the interest of harmonious relations with employees, firms keep the profit margin at a reasonable level.

Liquidity Preference

Many concerns give greater importance to capital soundness of a firm and hence prefer liquidity to profit maximisation. Liquidity preference means the preference to hold cash to meet the day to day transactions. The first item that attracts one’s attention in the balance sheet is the ratio of current assets to current liabilities. In order to give capital soundness, the business concerns keep less profit and maintain high cash.

Avoid Risk

Avoiding risk is another objective of the modem business for which the firms have to restrict the profit. Risk element is high under profit maximisation. Managerial decision involving the setting up of a new venture has to face a number of uncertainties. Very often experienced managements avoid the possibility of such risks. When there is oligopolistic uncertainty, firms mayfocus attention at minimising losses. The guidingprinciple of business economics is not maximisation of profit but the avoidance of loss.

Alternative Profit Policies

Economists have suggested different profit policies which business firms mayadopt as an alternative to profit maximisation. Profit maximisation has until now served as the wonderful market key that opened all doors leading to an understanding of the behaviour of the entrepreneur. It was always realised that familypride, moral and ethical considerations, poor intelligences and

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similar factors may modify the results built on the maximum profit assumption, but it was right by assuming that these disturbing phenomena are sufficiently exceptional to justify their exclusion from the main body of price theory. But there is another motive which cannot be so lightly dismissed and which is probably a similar order of magnitude as the desire for maximum profits, namely the desire for secure profits". He has suggested that the primary motive of an enterprise is long run survival. According to him, the assumption of profit maximisation is no doubt valid to the situation of perfect competition or monopolistic competition. Under monopolistic condition, the aim of the firm is to secure monopoly profits. In the case of oligopoly, he says that the assumption of profit maximisation is not sufficient.

DISCUSSION

Objectives of Profit Policy

The firm seeks to achieve many objectives and profit making is the main objective but it is not the only objective. Profit making is no doubt necessary. In addition to adequate profit, the firm often pursues multiple and even contradictory objectives. If a firm makes sufficient profits, it can give good dividends and attractive salaries, etc. The firm can fix a target rate for profits as its investment. There is a problem in determining the target rate of profits.

They are:

(i) Competitive rate of profit

(ii) Historical profit rate

(iii) Rate of profit sufficient enough to protect the equity, and

(iv) Plough back of profit rate.

Competitive rate of profit is the rate earned by other companies in the same industry or of selected companies in other industries working under similar conditions. It may be slightly different from the rate of profit of other companies. Historical rate of profit is the rate of profit determined as the basis of past earnings in the normal times. The rates should be sufficient enough to attract equity capital, have provided adequate dividend to share holders and have not encouraged much competition. Rate of profit sufficient enough to protect the equity is the rate sufficient enough to attract equity capital and the rate of return on investment should protect the interest of present shareholders. Plough back of profit late is that late of profit which should be such that there is a surplus after paying the dividends to finance further growth of the industry. Cyert and March have focused on five objectives which represent main operative organisational goals.

They are:

(i) Production goal

(ii) Inventory goal

(iii) Sales goal

(iv) Marketing share goal and

(v) Profit goal

Production Goal: The firms want to maintain the production of the product at a stable level to ensure stable employment and growth. The basic requirement is that the production does not

fluctuate.

Inventory Goal: To ensure a complete and convenient stock of inventory throughout the production, a minimum level of inventory has to be maintained so that the firm can prevent fluctuations in prices.

Sales Goal: It is considered as very important from the point of view of stability and survival of the firm. Increasing sales mean progress of the firm. Sales strengthen the organisation. The more are the sales, the more is the profit.

Market Share Goal: Companysales do not reveal how well the company is performing. If the company's market share goes up, the companyis gaining as a competitor, if it goes down the company is losing relative to competitors.

Profit Goal: Profits are a function of the chosen price, advertising and sales promotion budgets. Normal profit is essential not only to pay dividends but also to ensure additional resources for reinvestment.

The Measurement of Profit

The problem of profit measurement has always been a difficult affair. In the present business world, the tendency is to discard the word 'profit' and use a neutral expression as "business income". In the accounting sense, profit is an ex-post concept. Accountants follow conventions and define their terms by enumeration. Conventional accounting is largely concerned with historical profits rather than anticipated profits. Economists disagree with conventional techniques and theydefine their terms functionally. For an economist, profit is an ex-ante concept. It is a surplus in excess of all opportunity costs or the difference between the cash value of an enterprise at the beginning and end of a period. From the management point of view, economic profits are a better reflection of profitability of business. The economist is basically interested in the theoretical analysis of profit. The most important points of difference between the economist's and accountant's approaches centre around:

Inclusiveness of Costs

To determine profits, economists include in costs, wages, rent and interest for all the services employed in the business, including both those actually paid for in the market and virtual wage or interest or rent for services rendered by the owner himself. To determine profits, accountants only deduct explicit or paid out costs from the income. The non-cost items as the entrepreneurial wages, rental income on land and the interest that the capital could earn elsewhere do not appear in the books of accounts. The economist s costs of production are a payment which is necessary to keep resources out of the next best alternative employment. The economist does not agree with the accountant's approach. The accountant would only deduct actual costs from the revenues, the economist points out that in addition to the deduction of actual cost imputed cost should also be deducted.

Depreciation

The treatment of depreciation has an important bearing on the measurement of profit. To the economist, depreciation is capital consumption cost. The cost of capital consumption is the replacement cost of the equipment. It has various meanings. In the accounting sense, it refers to the writing off the unamortised cost over the useful life of an asset. In the value sense, it may be

defined as the lessening in the value of a physical asset caused by deterioration. Economists recognise only two kinds of depreciation charges and they are:

(a) The opportunity cost of the equipment, and

(b) The exhaustion of a year's worth of limited valuable life.

The former includes the most profitable alternative use of it that is forgone by putting it into its present use, while the latter aims at preserving enough capital so that the equipment may be replaced without causing any loss. Both these concepts are useful to the management.

Causes of Decreasing Value

(a) The following categories may be used to group the main depreciation causes:

(b) There are three types of depreciation: accidental, functional, and physical.

Physical depreciation is the term used to describe the deterioration in an asset's physical usefulness as a consequence of regular usage. Abrasion, stress, vibration, collision, and other factors might be to blame for the damage. Economic variables including repression, obsolescence, and insufficiency cause functional degradation. In this situation, the asset's capability is unaffected; but, the demand for the asset may be suppressed, it may become outdated, or it may not be sufficient to meet the need. Accidental depreciation may include physical damages like fire, explosion, accident, and windstorm that are often covered as well as certain common business risks including modest losses from disasters. As a result, all of these are taken into account and classified as depreciation.

Procedures for Depreciation

The techniques of depreciation have a major impact in an enterprise's profitability. Depreciation is a significant internal funding source, and the depreciation technique plays a key role as a tool for capital accumulation. Depreciation is offset using a variety of techniques. Depreciation policy's primary goal is to close the gap between an asset's current book value and its current depreciated value. It is the most straightforward and typical form of depreciation. The proportionate or equal instalments approach is another name for it. This approach is predicated on the notion that an asset's value decreases steadily over time. Assuming there is no scrap value, the yearly depreciation is computed by dividing the asset's starting expenses by its projected life in years. If an asset has a scrap value, the sum should be subtracted from the purchase price.

Unit-of-Production Approach

The machine hour rate technique is another name for this approach. This depreciation process resembles depletion in certain ways. With this approach, the asset life is calculated in terms of working hours rather than years. This approach is unique in that it uses production as the unit of measurement rather than time. This approach recovers capital expenditures for the equipment based on the anticipated output. This approach works well for giving depreciation on expensive machinery.

Sinking Fund Technique

The amount written off as depreciation under this form of depreciation is computed using predetermined recurring charges and placed in easily marketable securities at compound interest, which adds up to generate a total equal to the asset's initial purchase price. The profits from the

sale of the securities are then used to buy the new asset. If the asset has to be replaced once it is turned into scrap, this technique is helpful. It works well when replacing equipment and plant.

Using Declining Balance

Alternatively, it is referred to as the "fixed percentage method or Mathesan method of depreciation." According to this procedure, an annual depreciation charge equal to the asset's worth as it is recorded in the books at the start of the year is made. The fundamental goal of using this strategy is to ensure that the asset's total cost of production stays more or less constant over the course of its lifespan. According to this strategy, depreciation increases in the early years of an asset's life but decreases as time goes on.

Double Declining Balance Calculation

With this technique, depreciation is applied at a uniform rate to the asset's book value at the start of the year. The balance of the asset's unamortized cost and depreciation costs, both of which continue to decrease at a consistent pace, is the book value. The management prefers any technique of calculating depreciation that permits large sums in the first years since it aids in the early recovery of the majority of the initial investment.

Counting the Years Digit Approach

This technique was once referred to as the Cole approach. The yearly depreciation charge likewise decreases annually using this strategy. This method's ability to quickly write off investments is its economic benefit. The diminishing balance approach is conceptually quite similar to this one. Depreciation starts out greater at the beginning of an asset's life and becomes smaller with time. This approach is practical. It makes the choice to sell and replace the asset sooner than the expected end of its life after accounting for the asset's immediate decline in value.

The Method of Revaluation

When it is impossible to account for depreciation on a quantitative basis, this technique is typically utilized in the case of tiny things such loose tools, laboratory glassware, cattle, jigs, packages, designs, etc. The amount of depreciation is determined by the process of providing depreciation by periodic deductions, each of which is equal to the difference between the value of such assets and their revalued value at the end of the financial year.

The Method of Repair Provision

This approach involves increasing the equipment's cost by the cost of repairs. This technique accounts for the total cost of depreciation and maintenance via periodic charges, each of which is equal to the total cost of the depreciated asset plus the anticipated maintenance expenses during the asset's useful life. When renting their own factories to other contractors, public works contractors often use this strategy. This approach addresses both depreciation and repairs and maintenance.

Using Retirement Accounting

This technique emphasizes that depreciation should only be charged when an asset is beyond repair, less the cost of capital minus salvage value. One of the more objective approaches is this one. The method's validity rests on the fact that depreciation is consistently applied to the whole cost of the capital.

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Using an Insurance Policy

This approach is comparable to the sinking fund approach. In this strategy, an endowment policy is used as the asset's life, and at the conclusion of a certain time period, the insurance company will pay the promised sum, which may then be used to buy a new asset. This approach is appropriate for leases if the asset's life is unquestionably known.

Mileage Calculation

'Use method' is another name for this technique. This approach seems fair since the amount of depreciation charged will depend on how the item is used. This method is used when dealing with assets whose usage can be quantified in terms of miles, such as cars. We have so far spoken about the various depreciation procedures, but not the approaches that are really employed in business. The type of the assets involved and the owner's preference determine the acceptability of depreciation techniques. However, a lax depreciation policy promotes riskier investments while serving to boost capital creation.

Capital Gains and Losses Treatment

All of a company's assets are susceptible to gains from inflation, natural disasters, or court rulings. It has a significant impact on a firm's profitability. In general, these adjustments produce more costs than benefits. Conservative organizations never keep such records. The benefits from asset revaluation are often added to capital reserves. Some businesses include capital gains in their profits for the year in which they occur. Either retained earnings or current gains are used to offset capital losses. The least interested economists are in tracking these windfalls. Future worries are on their minds. According to economists, the majority of these gains or losses can be predicted before they are experienced.

CONCLUSION

Profit estimates play a pivotal role in business decision. For measuring profits, accountants rely on historical costs rather than current prices. Economists are concerned with income, assets and net worth in the future. Gross profits for the economist come much closer to the accountant’s net profits.In conclusion, the structure of profit policy is essential for businesses aiming to maximize profitability and achieve sustainable growth. By comprehending revenue management strategies, cost control measures, pricing strategies, and investment decisions, businesses can make informed choices that optimize their financial performance. Profit policy provides a framework for effective resource management, enabling businesses to generate revenues, control costs, and make strategic investments. By leveraging the insights gained from the structure of profit policy, businesses can enhance profitability, maintain competitiveness, and foster long-term success in their respective industries.

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PROFIT PLANNING AND CONTROL STRUCTURE: STRATEGIES FOR FINANCIAL PERFORMANCE MANAGEMENT

Mr. Kunal Saxena*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-drkunal@presidencyuniversity.in

ABSTRACT:

Profit planning and control play a crucial role in managing the financial performance of businesses. This section introduces the purpose of the paper, which is to analyze the structure of profit planning and control and its implications for financial performance management. The importance of comprehending the key components of profit planning and control is emphasized in guiding effective decision-making processes. This paper explores the structure of profit planning and control, a vital component of financial management that enables businesses to set goals, allocate resources, monitor performance, and achieve desired profitability. Profit planning and control involve the development of strategies, budgets, and performance measurement systems to guide business operations and ensure effective financial performance management. The paper examines key components of profit planning and control, including goal setting, budgeting, variance analysis, and performance measurement. By understanding the structure of profit planning and control, businesses can make informed decisions, optimize resource allocation, and drive financial success.

KEYWORDS: *Business, Decision-Making, Macroeconomics, Management, Profit Planning.*

INTRODUCTION

As we know that objectives of business firms can be various. There is no unanimity among the economists and researchers on the objective of business firms. One thing is, however, certain that the survival of a firm depends on the profit it can make. So whatever the goal of the firm-sales maximisation, maximisation of firms, growth, maximisation of managers' utility function, long-run survival, market share, or entry-prevention-it has to be a profitable organisation. Maximisation of profit in technical sense of the term may not be practicable, but profit has to be there in the objective function of the firms. The firms may differ on 'how much profit' but they set a profit target for themselves. Some firms set their objective at a 'standard profit', some at a 'target profit' and some at a 'reasonable profit'. 'A reasonable profit' is the most common objective[1]–[3].

Profit Planning

Profit planning is a disciplined method whereby the environments encroaching on an organisation are analysed, the available resources and internal competence identified, agreed objectives established and plans made to achieve them. Profit planning is largely routine and covers a definite time span. Strategy is a word often used in conjunction with profit planning. Profit planning and strategyformula-tion are complementary. Profit planning is often a reasonable

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substitute for the fair and imagination need of the entrepreneurs.

Essential Elements in Profit Planning

The following are the essential elements in profit planning:

1. Objectives and results are established and measured at all management levels.
2. The role of the chief executive is often vital in ensuring success.
3. The system should become the major framework in guiding and controlling management performance.
4. The system should be totally pervasive, especially in framing objectives.
5. The system is recognised as the key method of management in the organisation.
6. Planners have been trained in economics or associated disciplines.
7. Budgeting, cost control, and contribution analyses are the keyelementsin controlling a profit plan.

Steps in Profit Planning

Some rudimentary form of planning may already be in existence in most organisations. Many of the techniques used in profit planning may be in use. The following activities will need to be introduced or improved or enhanced if they are undertaken at present.

Establish Suitable Objectives

Objectives can cover many factors of the business survival, profits or increase in net worth. The way in which objectives are determined is nearly as important as the types that are pursued. It will be essential to take account of past performance, resource availability, management competence, environment changes, competitors' activities and so on. Objectives should not be imposed[4]–[6].

Establish Suitable Control System

Profit planning and control may have grown out of budgetary control systems. It is necessary to have some form of budgetary cost control, plan monitor-ing and management information systems which will serve to enable profit planning to be effective.

Establishing Job Responsibilities

Often job responsibilities are too imprecise to provide the information on which performance standards can be established and then judged. It is necessary to have job breakdowns in such detail that the need for resources can be identified.

Carry Out a Situation Audit

It entails an audit of all the factors both internal and external that will have an influence on companyaffairs. It should include establishing the skills of competition, the economic situation which will impinge on company performance and the potential and actual social, technological and cultural changes to be accommodated.

Gap Analysis

This is an activity where the desired company objectives are compared with the probable results of continuing current trends.Agap will almost certainly be obvious between the two. Profit

planning is largely concerned with how the gap can be closed.

Establishing Base Data

Often the base data essential for profit planning is either nonexistent or set out in a way that is inappropriate for planning purposes. The data include product and operational costs, production speeds, material utilisation, labour efficiency, etc.

Establish Appropriate Plans and Strategies

The management should ensure that there is plan integration. Strategies are the results of choosing between alternatives in the use of the companyresources through which it is hoped that the corporate objectives will be achieved. They can be highly complex and appropriate alternatives need to be set out.

Need for Profit Planning

The need for profit planning arises:

(i) To improve management performance.

(ii) To ensure that the organisation as a whole pulls in the right direction.

(iii) To ensure that objectives should be set which will stretch but not overwhelm managers.

(iv) To encourage strict evaluation of manager's performance in monetary terms.

(v) To run a company in a more demanding way.

Aids to Profit Planning

The following are the aids to profit planning in an organisation:

Organisation

Profit planningorganisation must ensure that it is sensitive to environmental changes and that such changes are speedily reflected in profit plans. To carry profit planning, the organisation must be designed accordingly.A high state of expertise is required and this should be reflected in the profit planning organisation. Involvement and participation are more important. Wherever possible, decentralisation should be established. It is essential that the organisation should be dynamic. The or-ganisation must help goal identification and problem resolution.

Information System

Management information systems are an essential factor in profit plan-ning and control. This system must help to provide the means for allocation of resources and the measurement of results. It should help to identify the various strategy alternatives and help for the integration of various main plans and sub-plans[7], [8].

The Computer

A computer can be applied in profit planning modelling. Information of all kinds can be obtained much faster than when normal files are used. The computer should be able to help management to make profit planning decisions. The interactive nature of many planning decisions can be generated more cheaply. Application programme changes are simplified and amendments to output requirements take less time and cost.

DISCUSSION

Use of Modelling

A model is a representation of a real-life situation. A model is fabricating and integrating the relationships. Models have been used to aid decision making and forecasting. Amodel provides an opportunity to manipulate a situation. It is the only way in which a solution to the problem can reasonably be obtained.

Planning Techniques

Profit planning should be a management activity that guides the use of company resources at all management levels. Profit planning can itself be regarded as a technique. Most techniques used by management services like forecasting, investment appraisal, risk analysis, decision theory, and organisational development might be applied in profit planning.

Control of Profit

The main goal of the business firm is to produce and market the goods and services which satisfy the buyers and thereby earn a profit sufficient for the survival and growth of business. Profit making is no doubt an essential function of a business firm. Profit as such is not at all a defective objective. The future growth of the economy depends upon generation and reinvestment of profit. Profit should serve as a motivation for expansion, diversification and innovation. Therefore, we need some control over it. Profit control may be achieved by controlling the internal and external factors which have an influence on profits. Some planning at a particular level has to be done to achieve this control. For this, we have to find out the chief factors which influence the volume of profit. In reality, sales revenue and the total cost of production are the chief factors which influence the volume of profit.

Profit is usually interpreted as the difference between the total expenses involved in making or buying of a commodity and the total revenue accruing from its sales. However, sales revenue, the price per unit of output sold, the total cost of production, the volume of inputs and the price per unit of input are all interrelated. Similarly, provision of depreciation and taxes create measurement problems in profit analysis, as they are likely to vary from firm to firm depending on the method of estimation and taxation laws respectively. A large firm may follow different method of depreciation accounting than a smaller one. Let us go back to the profit accounting system. For that the relationship between various factors mentioned above are to be understood and established. If profit (P) is the difference between the sales revenue (R) and the total cost of production (C), the relationship is:

$P = R-C$

P is gross or net profit which depends on what is included in C. We may express Ñ =r. K+D where Ñ is the total cost of production, r is a rate of return covering depreciation, interest rate and risk premium appropriate to the industry and Ê is capital. D is direct cost such as labour cost, material cost, cost of fuel and power, selling cost, managerial remuneration, etc.

Profit Policy and Forecasting

A project plays two primary roles in the functioning of the economic system. First, the project acts as a signal to producers to change the rate of output or to enter or leave an industry. Second,

profit is a reward that encourages entrepreneurs to organise factors of production and take risk. High profits in an industry usually are a signal that buyers want more output from that industry.

Those profits provide the incentive for firms to increase output and for new firms to enter the market. Conversely, low profits are a signal that less output is being demanded by consumers or that production methods are not efficient. Firms maynot maximise profit, but they do have a profit policy. Profit policy and profit planning must go together. The profit policy is more strategy-oriented and the profit planning is more technique-oriented. The firm has to consider a lot of short run and long run factors in designing its profit policy. The main motive of the businessman is to make profits. The profit that a firm makes should not be at the point of exploitation of consumers. The firm while making profits should also satisfy the requirements of the consumers.

At present, the concept of social obligations has been thrust upon the businessman. The business community is required to safeguard the health and wellbeing of the society. The business people should have concern for the public. They should give priority to the goals set by the government for the betterment of the people. They are expected to solve many social and ecological problems. There are two issues involved in profit policy decisions and they are:

Setting Profit Standards

Profit standards involve a choice of a particular measure and concept of profit with reference to which achievements and aspirations may be compared. In profit policy decision, the task is to decide 011 an acceptable rate of profit. The firm has to consider rate of profit earned by other firms in the same industry, historical profit rate earned by the firm itself in the past, rate of profit sufficient to attract equitycapital and rate of profit necessary to generate internal finance for replacement and expansion.

Limiting the Target Profit:

Apart from setting profit standards, the firm should also con-sider a set of environmental factors to limit its rate of target profit. The profit target should be limited which means the shareholders do not ask for higher dividends, the wage earners do not ask for higher wages, the government does not impose high taxes, the consumers do not ask for lower prices, the suppliers do not ask for higher rates, and the goodwill of the business is not affected. Profit policyis programmed through profit planning. Profit planning gives a concrete shape to the profit policy of the firm.

Profit Forecast

It is usual to calculate a profit forecast for each major product group or service which an organisation offers. It presupposes that it is possible to assume what rates of inflation will occur, the market share the company will obtain and the degree of overall economic activity which the company will enjoy. Profit forecasting means projection of future earnings taking into consideration all the factors affecting the size of business profits. It is an essential part of operation planning. The major factors are the turnover and costs.

Turnover

Turnover is the major factor and its element is the product. It must, however, be emphasised at the outset that the product is the starting point for all planning activities. To a manufac-turer, the special aspect of a product is most relevant which earns good profit. A higher turnover indicates a healthier performance.

Costs

It is the costs that form the basis for many managerial decisions. It is the level of costs relative to revenue that determines the firm's overall profitability. In order to maximise profits, a firm tries to increase its revenue and lower its costs. The costs can be brought down either by producing the optimum level of output, using the least cost combinations of inputs or increasing factor productivities, or byimproving the organisational efficiency. The elements of costs are sales cost, product develop-ment, distribution, inventories, production, general administration, depreciation and reserves.

Sales Costs

Sales costs consist of salesmen's compensation, sales promotion, market research and adminis-tration. Salesmen have to be recruited, trained, directed, motivated and supervised. There is particular significance in devising a good compensation plan in the case of salesmen because the functions of selling are such that its results can be judged in concrete terms. The level of comparison refers to the overall remuneration paid to salesmen.

Sales promotion is designed to supplement and co-ordinate personal selling and advertisement effort. Sales promotion techniques include trading stamps, mail refunds, trade shows, free demonstra-tions and sales and displays at retail centres. It is expensive but at the same times a controllable variable. It does not involve mass media. Marketing research has grown into importance very rapidly. It is mainly concerned with market identification, market size, market share, market segmentation and market trends. It is a systematic search for information. It involves data collection, analysis and interpretation. Research cannot drown decisions, but it helps the marketers in the task of decision making. It is also expensive and time consuming.

Administration is the policymaking function and a top level activity.Administration handles the current problems arising out of the policies laid down by the management. It requires the services of a large number of personnel. These personnel occupy the various positions created through the process of organising. Top management is chiefly concerned with performing administrative activities. There are many decisions which the marketing manager takes which have a significant impact on the profitabil-ity of the firm. The production manager controls a major part of the investment in the form of equipments, materials and men. The top management which is interested to ensure that the firm's long term goals are met, finds it convenient to use the financial statements as a means for keeping itself informed of the overall effectiveness of the organisation.Administration expenseswill include all accounting, personnel and legal expenses and office expenses.

Goal Setting

This section focuses on the importance of goal setting in profit planning and control. It explores the process of defining financial objectives, such as revenue targets, profit margins, and return on investment. By setting clear and achievable goals, businesses can align their efforts and resources toward achieving desired profitability.

Budgeting

This section delves into the role of budgeting in profit planning and control. It examines the process of developing financial budgets that allocate resources, track expenses, and project revenues. Budgeting enables businesses to establish financial targets, monitor performance, and

make necessary adjustments to achieve profitability objectives.

Variance Analysis

This section explores variance analysis as a tool for assessing performance against budgeted targets. It examines the process of comparing actual financial results with the budgeted figures to identify variations and investigate the underlying causes. Variance analysis helps businesses understand deviations, make informed decisions, and implement corrective actions to ensure financial performance aligns with the planned goals.

Performance Measurement

This section addresses performance measurement systems within profit planning and control. It explores key performance indicators (KPIs), financial ratios, and other metrics used to assess financial performance. Effective performance measurement systems enable businesses to track progress, identify areas of improvement, and make informed decisions to enhance profitability.

CONCLUSION

In conclusion, the structure of profit planning and control is vital for businesses to effectively manage their financial performance. By comprehending the components of goal setting, budgeting, variance analysis, and performance measurement, businesses can make informed decisions, optimize resource allocation, and drive financial success. Profit planning and control provide a framework for setting financial objectives, monitoring performance, and making necessary adjustments to achieve profitability targets. By leveraging the insights gained from the structure of profit planning and control, businesses can enhance financial performance, optimize profitability, and sustain long-term success.

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PRODUCT DEVELOPMENT: STRATEGIES FOR INNOVATION AND MARKET SUCCESS

Dr. Ramalingam Mageshkumar*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-mageshkumar@presidencyuniversity.in

ABSTRACT:

Product development plays a pivotal role in business strategy, enabling companies to introduce new offerings and adapt to changing market demands. This section introduces the purpose of the paper, which is to analyze the structure of product development and its implications for innovation and market success. The importance of comprehending the key components of product development is emphasized in guiding effective decision-making processes. This paper explores the structure of product development, a critical process that drives innovation, market competitiveness, and business growth. Product development encompasses the entire lifecycle of creating and launching new products or enhancing existing ones to meet customer needs and capitalize on market opportunities. The paper examines key components of product development, including idea generation, concept development, design, testing, and commercialization. By understanding the structure of product development, businesses can foster innovation, improve customer satisfaction, and achieve market success.

KEYWORDS: *Business, Decision-Making, Macroeconomics, Management,Product Development.*

INTRODUCTION

In many organisations, this activity is part of R&D's responsibility. However, the need for sales to start in the market place suggests that marketing involvement with product development should have a good impact on sales revenue and profit. Product development involves R&D and production engineering. R&D implies a function that will promote and defend profitability by maintaining and improving the company's position in product design, quality and cost and developing new products, materials and production methods where the improvement of current products is not economic. R&D must be used to help to close the gap between the required or desired profit and that anticipated, after all cost reduction and marketing plans have been made[1]–[3].

Production engineering co-ordinates search for knowledge in rational manner cutting across the entire spectrum of integrated management and processing activities to attain optimal economic objectives of sufficiency. It lays down a disciplined use of strategies for increased productivity with ensured quality and quantity. Production engineering is the thread of the garland of flowers of agricul-tural, civil and architecture; mechanical, electrical and electronics; metallurgy and mining; chemical and environment; textile; computer and telecommunications; marine and such others.

Distribution

When a product has been developed and made ready and its price also determined, the next task is distribution, to bring it to the market and reach it to the consumer. Distribution is a key external resource and is much important as the internal operations of research, engineering and production.

It involves two operations and they are:

(i) Selection of the channel of distribution, and

(ii) Physical distribution. It involves warehousing, packaging and transport.

The place where the goods are stored is known as warehouse. It implies a house for wares. Warehouse is a building for the accommodation of goods, possessing facilities to perform other market-ing functions. It is meant for final products. It holds the goods as a distribution centre. In the ware-house, allied marketing functions such as grading, standardisation, blending, mixing and packing are performed. It facilitates the user to sell the goods at the best possible price and thus derive better profit. Packaging is an activitywhich is concerned with protection, economy, convenience and promo-tional consideration. The packaging of a consumer product is an important part of the marketing. It prevents breakage, contamination, pilferage, chemical change and insect attack.

Attractiveness is a major consideration in modem packaging. A good package stimulates sales. Packaging is the sub-division of the packing function of marketing. Innovative packaging can bring large benefits to consum-ers and profits to producers. Transportation means the physical movement of persons and goods from one place to another. It is the blood stream of a country's economy. It is described as physical marketing. It is the key link between the production and other marketing functions. It develops trade and commerce. It encourages specialisation, division of labour, large scale production and the extent of market. It increases the mobility and widens the market. Both consumers and producers benefit by the extension of the market[4]–[6].

Inventories

In today's competitive and ever-changing environment, it is essential to hold adequate stocks to minimise production holdups and win customer satisfaction. Material constitutes a recurring investment and modem management has recognised that a constant review of inventory can reduce this capital tied up without limbering the production and customer goodwill. Holding large stocks will mean high inven-torycarrying charges and possible losses caused by price declines. Similarly, shortages in inventories interrupt production, making machines and men idle and causing sales loss. Hence there is need for inventory control or what is sometimes termed as inventory planning.

It would be appropriate to mention that an effective inventory control system secures various benefits to the concerned business unit. The purpose of holding inventories is to allow the firm to separate the process of purchasing, manufaturing and marketing of its primary products. Inventoryplanning involves a forecast of unit requirement during the future period. Both a sales forecast and an estimate of the safety level of support in unexpected sales opportunities are required. The marketing department should also provide pricing information so that higher profit items receive more attention.

Production

Production reflects the ability of the organisation to produce whatever is demanded by the environment. The measures of production include profits, sales, market share, students graduated, clients served and the like. It is concerned with the supply side of the market. The basic function of a firm is that of readying and presenting a product for sale, presumably at profit. While the broader measurement of profit and return as investment will indicate to some extent the efficiency of the manufacturing units, more appropriate and directly applicable measurements such as added value and resource utilisation of various kinds are needed. Managers will usually have a major proportion of the company's resources under their control. How they delay these resources, could have a fundamental effect as the profit plan is being made. It involves labour, materials, manufacturing, overheads and maintenance.

DISCUSSION

General Administration

Making policies is the function of administration. In all kinds ofbusiness, the function of administration is the same. Administration personnel are normally engaged in two activities. First, routine- covering sales order, processing accounting, secretarial duties, filing, etc. Second, development-activities that can be used to give positive help to other major functions such as the use of the computer, management accounting development, management services, various personnel services, etc. The two activities need to be planned but with a different emphasis in each case. In amanufacturingorganisation, the administration plan should show the relationship between the cost and numbers of administration staff and those in other functions and activities[7]–[9].

Depreciation

There are two measures of working capital and they are gross working capital and net working capital. Gross working capital is the total of current assets. Net working capital is the difference between the total of current assets and the total of current liabilities. The working capital of a concern is normally replaced by income from sales and is available to the owners for the payment of salaries, the purchase of raw materials and the acquisition of productive services. But the originally invested capital wears out or becomes obsolete with the passage of time. It cannot be recovered when the usefulness of these assets is exhausted. Businessmen, therefore, have realised that in order to state business income properly, some provision should be made to recover that part of the original asset which eventually becomes worthless because of depreciation. Depreciation means a fall in the quality or value of an asset. An accountant is interested in accounting, auditing, planning and budgeting profit. The account-ant does not take care of opportunity costs. On the other hand, the economist is very much concerned with the opportunity cost. The opportunity cost includes the most profitable alternative use of it that is foregone by putting it into its present use. This concept is useful to the management since it is needed for operating problems of profit making.

Reserves

Reserve is an amount set aside out of profits and other surpluses. It is not designed to meet anyexisting liability, contingency or diminution of value of assets. Reserves maybe divided into two main classes. Reserves arising from normal profits are known as Revenue Reserves. They are available for distribution through the profit and loss account. Reserves arising out of unusual profit such as sale of fixed assets at a profit on revaluation of assets and liabilities are known as

Capital Reserves. There are not generally available for distribution. These are used to write off capital loss such as loss on sale of a fixed asset, discount allowed on shares or debentures, etc.

A Revenue Reserve maybe created out of profits in order to strengthen the financial position of the business. This is called a 'General Reserve'. It is a free reserve available for any purpose whatso-ever. It may be used for covering unforeseen losses. It may be even distributed among the proprietors, or it may be used as an additional working capital. A Revenue Reserve may also be created for a specific purpose. It is called Specific Reserve. It is generally created for such purposes as repayment of a long term loan, replacement of an asset, creation of fund for acquiring assets in future, etc. A Specific Reserve is not available for any purpose other than the purpose for which it is created. Itis not available for distribution.

Reserve Fund

When a reserve is created out of profits and a corresponding amount of cost is withdrawn from the business and invested outside in securities, the reserve is called Reserve Fund. This depends upon the nature of the business and the purpose of the reserve.Thus reserve is an appropriation of profits. A reserve can be created only when there are profits. The object of a reserve is to strengthen the financial position of the business. Areserve is available for distribution.

Approaches to Profit Forecasting

Profit forecasting is indispensable for profit planning. Profit forecasting means projecting the future profits assuming the factors like growth of the size of the business, the pricing policies of the firm, the cost control policies, depreciation and so on. It is also necessary from the point of view of economic health and stability of the firm to project for certain years the growth of sales increase in costs and consequently the profits also. According to Joel Dean, there are three approaches to profit forecasting:

(i) Spot projection

(ii) Environmental analysis, and

(iii) Break-Even analysis

Spot Projection

It relates to projecting the entire profit and loss for a specified period, say five years or seven years or ten years. The projection of profit and loss statements for this period depends on the projection of sales, costs and prices of the same period.Since profits are surpluses resulting from the forces that shape demand for the company's products and govern the behaviour of costs, their predictions are subject to wide margins of error, from culmination of errors in forecasting revenues and costs, and from the interrelation of the income statement.

Environmental Analysis

It relates the company's profit to key variables in the economic de-velopment during the relevant period. The key variables are general business activity and general price level. These are external to the company. These factors are beyond the control of the firm and force the firm to abandon the profit maximising goal. In reality, factors that control profit have a tendency to move in regular and related patterns. The controlling factors of profit are the rate of output, prices, wages, material costs and efficiency. These are all inter-connected in aggregate business activity. The environmental analysis might show areas where the company has superior competence or

advantage of some kind.

Break-Even Analysis

The break-even analysis is a powerful tool for profit planning and man-agement control. Of the three techniques, the break-even analysis is the most important tool of profit forecasting. The break-even analysis involves the study of revenues and costs of a firm in relation to its volume of sales and particularly the determination of that volume at which the firm's costs and revenues will be equal. The break-even point may be defined as the level of sales at which total revenues equal total costs and the net income is equal to zero[10]–[12]. This is also known as no-profit no- loss point. The main objective of the break-even analysis is not simply to spot the BEP, but to develop an understanding of the relationship of costs, price and volume within a company's practical range.

Problems in Setting a Profit Policy

The objectives and aims of a business may be different. In fact, most business concerns like to earn a target rate of return on their investment.

There are four criteria to judge the target rate of return and these are:

(i) Rate adequate enough to attract equity capital

(ii) Rate earned by other companies in the same industry

(i) Normal or historical profits rate of return

(ii) Rate sufficient to finance growth from internal sources

This section focuses on the generation of new product ideas. It explores techniques such as market research, customer feedback, brainstorming sessions, and trend analysis. Idea generation helps businesses identify opportunities and potential solutions that address customer needs and market gaps.

Concept Development and Design

This section delves into the development and design of product concepts. It examines the process of transforming ideas into tangible concepts, defining product features, specifications, and aesthetics. Effective concept development and design ensure that products align with customer expectations, market trends, and company capabilities.

Testing and Validation

This section addresses the importance of testing and validation in product development. It explores techniques such as prototyping, market testing, and consumer feedback to assess the viability, functionality, and market acceptance of products. Testing and validation help businesses refine their product offerings, make necessary improvements, and minimize market risks.

Commercialization

This section focuses on the commercialization of products, which involves launching them into the market and driving sales. It examines strategies for pricing, promotion, distribution, and positioning to effectively introduce products to target customers. Successful commercialization ensures that products reach the intended market segments and generate revenue.

CONCLUSION

As we know that objectives of business firms can be various. There is no unanimity among the economists and researchers on the objective of business firms. One thing is, however, certain that the survival of a firm depends on the profit it can make. So whatever the goal of the firm-sales maximization, maximisation of firms, growth, maximisation of managers' utility function, long-run survival, market share, or entry-prevention-it has to be a profitable organisation. Maximisation of profit in technical sense of the term may not be practicable, but profit has to be there in the objective function of the firms. The firms may differ on 'how much profit' but they set a profit target for themselves. Some firms set their objective at a 'standard profit', some at a 'target profit' and some at a 'reasonable profit'. 'A reasonable profit' is the most common objective.In conclusion, the structure of product development is crucial for businesses aiming to drive innovation, customer satisfaction, and market success. By comprehending the components of idea generation, concept development, design, testing, and commercialization, businesses can effectively navigate the product development process. Product development provides a framework for identifying customer needs, generating innovative ideas, designing customer-centric solutions, and bringing them to market. By leveraging the insights gained from the structure of product development, businesses can foster innovation, differentiate themselves from competitors, and achieve sustainable growth. Effective product development is a catalyst for business success, enabling companies to meet customer demands, seize market opportunities, and remain competitive in dynamic market environments.

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PRICING METHODS: STRATEGIES FOR OPTIMAL PRICING DECISIONS

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

Pricing methods play a pivotal role in determining the financial success of businesses by influencing customer behavior and revenue generation. This section introduces the purpose of the paper, which is to analyze the structure of pricing methods and their implications for pricing decisions. The importance of comprehending the key components of pricing methods is emphasized in guiding effective decision-making processes. This paper explores the structure of pricing methods, which are crucial tools for businesses to determine optimal prices for their products or services. Pricing methods encompass a variety of approaches and techniques that help businesses set prices that align with market dynamics, customer preferences, and profitability objectives. The paper examines key components of pricing methods, including cost-based pricing, value-based pricing, competition-based pricing, and dynamic pricing. By understanding the structure of pricing methods, businesses can make informed pricing decisions that maximize profitability, enhance market competitiveness, and satisfy customer expectations.

KEYWORDS: *Business, Decision-Making, Macroeconomics, Management,Pricing Methods.*

INTRODUCTION

The part of the marketing mix that gets the least attention is pricing. The pricing goals of service companies provide recommendations about how to proceed. They include things like increasing sales, earnings, or market share, preventing pricing wars, or pursuing social objectives. While pricing techniques are clear stages or processes that businesses use to arrive at marketing judgments. They may be cost-based (such as increasing the average cost of the service by a profit margin), competition-based (such as establishing prices that are comparable to those of rivals or that are in line with the typical prices in the market), or demand-based (such as adjusting the price to meet the demands of the client).

Techniques for pricing

The Cost of a New Product

Pricing is an important administrative choice. On a daily basis, it is not a significant issue for the majority of businesses. However, there are certain extra rules that must be followed when setting the price of the new product. Any company that wants to advertise a new product has challenges since they lack historical data. In this case, the company is similarly unable to predict customer response. What exactly do we mean when we talk about a new product? For our purposes, new goods include unique products, enhanced products, changed products, and new brands that the

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company creates via its own R&D initiatives. The choice is clearly crucial when setting the initial price. The success of the company's first price choice will have a significant impact on the rest of its operations. The success rate of the new product is under the control of top management. Particularly in a big, multi-divisional organization where all types of initiatives pop up as favorites of different managers, top management must create clear criteria for accepting new product ideas. There will always be rivals that want to create it as soon as possible. When one or more rivals modify their prices, goods, or both, the pricing choice takes a unique significance. Sometimes, rivals may launch a new product without changing the cost of an already-established product. The company in issue may need to reconsider its pricing strategy if the new brand is seen to more successfully compete with a certain brand. The new product's set pricing must:

(i) Generate a healthy profit for the company throughout the course of the product;

(ii) Deliver superior quality at a lower cost and quicker pace than rivals;

(iii) Deal with increased expenses for R&D, production, and marketing

(iv) Meet public standards such consumer safety and environmental compatibility.

DISCUSSION

The company has two sorts of strategy options:

1. Skimming the Price
2. Penetration Pricing,

Pricing Skimming

Skimming pricing is characterized by charging a high amount up front. A company may do this by charging a higher price for a new product at the prototyping stage. The market is split into divisions based on the varying degrees of elasticity of demand of various customers when demand is either uncertain or more inelastic at this point. This instrument for pricing has a brief lifespan. Early on, the market's demand for new items is probably less price elastic, meaning that the first high price helps to "Skim the Cream" of the market, which is comparatively price-insensitive. For instance, early pricing for computers, televisions, electronic calculators, etc. were quite costly, but they are now steadily falling. If the circumstances are right, a new product might be introduced with a high initial price and significant promotional spending.

Here is a list of these circumstances:

Early on, demand is probably less price elastic than it will be later. Cross-elasticity demand need to be quite low. A successful strategy for segmenting the market into groups with different levels of price elasticity of demand is the introduction of new products with high prices. High starting prices act as a rejection price during the exploration stage when the demand elasticity is unclear. High early costs aid in funding the product's flotation. Early on, manufacturing costs and distribution planning are both expensive. Investments in research and marketing are also necessary.

Pricing for Penetration:

The lowest price possible for the new product is referred to as the penetration price. This is done in an effort to increase sales quickly, take market share, use all available capacity and economies of scale in the production process, and keep rivals off the market.

The following situations allow for the adoption of a penetration pricing policy:

(i) The price elasticity of demand is very strong.

(ii) The improved manufacturing method results in significant cost reductions.

(iii) The product is generally well-liked by customers by nature.

(iv) There isn't much of a patent system.

(v) A significant portion of the market has to be taken swiftly since there is an immediate threat of possible competition.

A long-term pricing approach, penetration price should only be used sparingly. Even without an elite market, penetration pricing works. When a company uses a penetrating pricing strategy, there are few price changes made throughout the course of the product life cycle. This approach is often known as a "Stay-out" pricing policy since it limits competition [1]–[3].

Multiple Product Pricing

On the assumption that the company creates a single homogenous product, the classic theory of price determination is predicated. However, businesses often generate a variety of goods. When a company produces a variety of items, managers must take into account how those products interact. These goods might be combined as multi-products. Inputs that are shared throughout the production process result in joint output. The production of many items involves separate inputs but shared overhead costs. Multi-product or joint product pricing necessitates a little more attention and consideration. Several fundamental factors that are taken into account while making decisions for multi-product companies' developing pricing policies include:

(i) Cost and price relationships across product lines,

(ii) Product line demand relationships, and

Competition-related differences.

These are described in detail below:

Price-Cost Relationship

The fundamental factor in developing a pricing strategy for any product is the link between price and cost. Pricing is determined by cost factors. Cost predictions should be accurate because of this. Although a company must recoup its common expenses, it is not required that the pricing of each product be high enough to pay a part of the common costs that is assigned arbitrarily. Although prices must at least cover the additional cost of manufacturing each commodity, proper pricing is still necessary. Incremental costs are extra expenses that wouldn't arise if the product hadn't been created. The corporation may improve overall profit by offering a product as long as its price is higher than its additional expenses. As a result, judgments need to be based on an assessment of additional costs. In general, a price that provides the greatest contribution above expenses is acceptable, but in situations involving several products, incremental cost becomes more important when making such judgments. The following list of alternative pricing policies should be taken into account:

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(i) Multi-product prices could be proportionate to total costs. For all items, this pricing might result in an identical percentage profit margin. Pricing will be same if the total cost of all items is deemed to be equal.

(ii) The cost of each additional product may be included into pricing for multi-products.

(iii) The contribution margin as a percentage of conversion cost may be used to evaluate multi-product prices.

(iv) Different prices for multi-product bundles may be set, taking market segments into account.

(v) Prices for several items might be set in accordance with the product life cycles of each one.

Demand for many products and its relationship

Competition causes demand relationships to develop, in which case the products become complimentary or alternatives for one another. The sale of one product could have an impact on the selling of another. Different customers' varying demand elasticity may enable the company to implement price discrimination strategies in various market categories. Due to the high level of competition, two items with the same price may be replacements for one another with cross elasticity of demand. In this case, the pricing of the several items must be done in such a manner as to maximize return from each market group by selling the most products possible. In the event of many items, demand relationships make it evident that we should do a complete examination of the overall impact of the choice on the firm's revenues[4]–[6].

Competitive distinctions

The evaluation of a product line's level of competitiveness is yet another crucial factor that should be taken into account when determining a pricing for a certain range of products. This analysis will determine each product's market share. A product with a significant market share can withstand a high makeup and help to absorb the losses. There is rivalry among a small number of sellers of a reasonably homogenous product that has enough cross elasticity of demand for each seller to be required to consider competitor reactions when determining prices. Actually, every manufacturer is aware of the devastating repercussions that a publicly declared decrease in his own price would have on the prices demanded by rivals. The business should examine whether or not the rivals have unrestricted access to the market.

Marginal Technique for Multi-Product Pricing:

The rationale behind the marginal methodology for pricing multiple items is that when a company has extra capacity, unutilized technological resources, and management and organizational talents and capacities, it will produce a variety of different products using the most lucrative methods available. Technical independence exists between the product and the manufacturing process. The company weighs marginal expenses while choosing various options, adopting ones that provide a better profit on cost via sales. The idea of profit maximization emphasizes that production should be stabilized at a point where MR simply covers MC since each extra unit produced implies an additional expense as well as creates an additional revenue stream. "Marginal cost" more appropriately depicts the cost fluctuations brought on by decisions. Due to the prominence of multi-product enterprises, marginal pricing is more beneficial. When MR from sales of all of

these items equals MC, a company must create the multi-product to that level. If MC exceeds MR, the company must discontinue making and marketing the product that provides MR that is less than MC[7]–[9].

Joint product pricing:

Demand and production for different products may be connected. When items are jointly produced in set ratios, there is a certain form of production interdependency. A excellent illustration of a set percentage in production is the method used at a slaughterhouse to produce mutton and skins. There is a certain quantity of mutton and skin from each corpse. The percentage of the two products cannot be changed by the slaughterhouse. When products are created in a set quantity, they should be considered a "product package." There is no conceptual foundation for dividing the total production costs between the two items since it is impossible to manufacture one component of this package without simultaneously manufacturing the other component. Two distinct scenarios may be used to illustrate joint product pricing:

(i) When the product percentage is fixed.

(ii) When the percentage of products varies.

Joint goods with a fixed proportion

There is no way to increase one at the cost of another in a joint product instance with a set percentage of quantity. The expenses are shared in this instance and cannot be raised at the expense of another. The expenses are shared in this instance and cannot be rationally distributed among the products. Despite the fact that the two products are created concurrently, their demand is separate. For both items, there is just one marginal cost curve, however. The cost of delivering an additional unit of the product package, or the marginal cost, is what indicates the fixed percentage of manufacturing. Pricing decisions should take into consideration the interdependency of items when they are jointly produced, as in the case of mutton and skins.

Pricing by Product Line

For the majority of contemporary industrial firms, product line pricing is a significant practical issue. Product line pricing is an essential component of price strategy as practically every company produces a number of related items. Product line pricing is the process of determining the costs of the many items that make up an output package. From the management's perspective, a typical modern company creates a variety of models, styles, or sizes of output, each of which may be seen as a distinct product. Although the same economic principles used for single product pricing apply to product line pricing, the analysis is made more difficult by demand and production externalities that result from the goods' complementarity or substitutability on the demand or production side.

Finding the right connection between the prices of the members of a product group is the challenge of product line pricing. Use differentials (such as fluid milk vs cheese milk), seasonal differentials (such as morning movie specials), and style cycle differentials may all be included into product line pricing. All of these stages of product line pricing are present. Our examination of product line pricing is broken down into two sections; the first presents a basic solution to the issue, and the second applies this solution to a few particular situations. In this part, we go through the challenges of analyzing demand linkages and competitive differences, as well as creating and using cost estimates for product pricing[10].

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Alternative Price Relationship Policies:

Starting with an illustration of the many types of policies on the links between the prices of line-member products is a sensible way to approach product line pricing.

Let's look at the following systematic patterns:

(i) Pricing in Relation to Full Cost:

Prices that yield the same percentage net profit margin for all items and are equivalent to full cost. Cost plus pricing is used in this instance.

Prices in Relation to Incremental Costs

Prices that create the same percentage contribution margin over incremental costs for all items, or prices that are proportionate to incremental costs. The increased cost of more units is known as incremental cost.

Prices with Profit Margins Proportionate to Conversion Cost

Prices with profit margins that are proportionate to conversion costs, i.e., without taking the cost of acquired components into consideration. Expenses spent to transform raw resources into finished goods are referred to as conversion expenses.

Prices that generate Contribution Margins based on Demand Elasticity

It is often beneficial to set bigger profit margins as goods for the opulent class markets than for the rough and tumble mass markets since consumers with high incomes are typically less price sensitive than those who make up the mass market. Prices that are consistently correlated with the market stage and

Competitive Evolution of Specific Product Line Members

A product line pricing strategy that expressly acknowledges that a company's many products are at different phases in their life cycles and, as a result, confront variable levels of market acceptability and competitive intensity has much to command it. This approach emphasizes that pricing should be maintained low for items in the maturity stage and high for those in the line that are in the pioneering stage.

Competitive distinctions

Because different competitive selling across items necessitates different profit margins or distribution margins, an examination of the competition is typically a crucial stage of product line pricing. despite the fact that the relevant feature of product competitiveness cannot be measured. Variations in the competitive environment rely on the firm's market share for each product. Here, the present and future forms of competition must be taken into account. The firm's current earnings serve as a barometer for the entrance of other businesses. Higher earnings will attract other businesses. The ability to start the industrial process affects patent obstacles to future competition. By estimating how much money would be needed to produce and market a competitive product, financial barriers may be measured. Patent restrictions are analogous to technical restrictions. With size, competition intensity often fluctuates. The logical use of size as a price factor is as a gauge of the buyer's worth. Whether the usual customer has the ability to switch out one size of goods for another has a big impact on how the price and size are related. The finest illustration of size-differential pricing issues is provided in relation to newspaper

fractional page advertising rates.

Cost-Based Pricing

This section focuses on cost-based pricing methods, which involve setting prices based on the costs incurred in producing and delivering products or services. It examines techniques such as cost-plus pricing, break-even analysis, and target return pricing. Cost-based pricing ensures that prices cover costs and contribute to profit margins.

Value-Based Pricing

This section delves into value-based pricing methods, which consider the perceived value and benefits that customers derive from a product or service. It explores techniques such as price differentiation based on value tiers, price bundling, and value-based segmentation. Value-based pricing focuses on capturing the value customers place on a product or service and maximizing revenue accordingly.

Competition-Based Pricing

This section addresses competition-based pricing methods, which involve setting prices based on competitor pricing and market positioning. It examines techniques such as price matching, penetration pricing, and skimming pricing. Competition-based pricing enables businesses to position themselves strategically in relation to competitors and capture market share.

Dynamic Pricing

This section explores dynamic pricing methods, which involve adjusting prices in real-time based on factors such as demand fluctuations, market conditions, and customer behavior. It examines techniques such as surge pricing, time-based pricing, and personalized pricing. Dynamic pricing allows businesses to respond to changing market dynamics and optimize prices to maximize revenue.

CONCLUSION

In conclusion, the structure of pricing methods provides businesses with valuable tools to determine optimal prices for their products or services. By comprehending the components of cost-based pricing, value-based pricing, competition-based pricing, and dynamic pricing, businesses can make informed pricing decisions that maximize profitability, enhance market competitiveness, and satisfy customer expectations. Pricing methods serve as strategic guidelines for businesses to set prices that align with market dynamics, customer preferences, and financial objectives. By leveraging the insights gained from the structure of pricing methods, businesses can effectively position their offerings, capture customer value, and drive sustainable growth. Effective pricing methods are essential for businesses to optimize revenue generation, maintain market relevance, and achieve long-term success.

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PRICING THROUGHOUT A PRODUCT'S LIFE CYCLE: STRATEGIES FOR MARKET SUCCESS

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

This paper examines the structure of pricing throughout a product's life cycle, highlighting the importance of dynamic pricing strategies that adapt to the changing market conditions and customer preferences at different stages of a product's life cycle. Pricing throughout a product's life cycle involves setting prices that align with the product's value, market positioning, and competitive landscape. The paper explores key components of pricing throughout the product life cycle, including introductory pricing, price skimming, penetration pricing, and price adjustments during maturity and decline stages. By understanding the structure of pricing throughout a product's life cycle, businesses can make informed pricing decisions that maximize profitability, maintain market competitiveness, and capitalize on market opportunities.

KEYWORDS: *Business, Decision-Making, Macroeconomics, Management, Product's Life Cycle.*

INTRODUCTION

Pricing throughout a product's life cycle is crucial for businesses to effectively manage the profitability and market positioning of their offerings. This section introduces the purpose of the paper, which is to analyze the structure of pricing throughout a product's life cycle and its implications for pricing decisions. The importance of comprehending the key components of pricing throughout a product's life cycle is emphasized in guiding effective decision-making processes[1]–[3].

Pricing goods with varying quality

Here, choosing a price mostly relies on the strategic goals of having items of varying quality. Sometimes the goal of premium products is to elevate the reputation of the whole range. To compete with the low-cost goods on the market, the company could likewise make items of poorer quality. To compete, poor-quality items are released at cheap costs.

Charm Costs

Newspaper advertisements are dominated by prices ending in odd numbers. Another explanation is that odd figures convey the notion of a discount or bargain. The charm price theory is based on consumer psychology and claims that prices ending in odd figures, such as Rs. 4.95 and Rs. 9.95, have a greater impact than prices ending in odd or even figures, such as Rs. 5 and Rs.

Costing for Unique Designs

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The price decision as a special order is really a decision as to whether or not to produce the product at all. Here cost plays a peculiar role in special order pricing. An important base for special order pricing is good judge men estimating accurately the future cost of unfamiliar products.

Price Differences Due to Load Factor

Such load factor price differentials are part of peak load pricing theory, and examples include off peak rates for electric energy, morning movies, summer discounts on winter clothing, etc. It need not be for the same product at different period.

Repair part costs:

Spare parts pricing has an element of monopoly, but this power is always constrained by competition in various forms. Spare parts pricing should not be related to relative average cost or to relative weight. Parts that are readily available should be sold at relative bargain prices.

Costs for licenses and leases:

The price charged on these is closely related to the benefits the firm receives. This pricing practice reaps for the seller-a share of the gains of the most advantageous users. Benefits are determined by the purpose for which the equipment is obtained, the rate of utilisation, the efficiency of alternatives, and so forth. Royalty licensing and leasing of capital goods and patents reflect application of market segmentation pricing. Uniform price cannot be charged.

Pricing Throughout a Product's Life Cycle

The life cycle of a product refers to the innovation of a new product and its degeneration into a common product. It is a crucial marketing concept that offers insights into a product's competitive dynamics. The life cycle of a product portrays distinct stages in the sales history of a product, and these stages correspond to distinct opportunities and problems with respect to market strategy and profit objectives. The firm can use either a skimming price policy or a centralizing price policy in this stage because the product is new, awareness and acceptance are low, there are high promotional costs, and therefore the profit may be low. This is the first stage in the life cycle of a product and is considered an infant stage[4]–[6].

Growth

For the purposes of pricing, there is little difference between the growth and maturity stages. In this stage, a product gains acceptance on the part of consumers and businessmen, starts to make rapid sales gains due to the cumulative effects of introductory promotion, distribution work, or word of mouth influence, and satisfies the market.

Maturity

This stage is beneficial because it provides cues for being cautious with pricing policy. At this point, fierce competition increases, sales growth continues but at a dimin-ishing rate due to the declining number of potential customers. Competitors go for mark-down price. Additional expenses are involved in the product's modification and improvement, so profit margin slips.

Saturation

The rise and fall of sales depend on supply and demand. There is little additional demand to be stimulated because it is its replacement demand, so the product pricing in the saturation stage is

full cost plus normal mark-up. In this stage, sales are at their peak and further growth is not possible.

Decline

The product should be reformulated to suit the consumers preferences, it is possible in the case of few commodities, as sales begin to absolutely decline as customers tire of a product. Throughout the cycle, changes take place in price and promotional elasticity of demand as well as in the production and distribution costs of the product. Therefore, pricing becomes the competitive weapon.

Circular Pricing

It is necessary for the firm to have some sort of policy based on cyclical price behaviour. It is more obvious to say that prices are slashed during recession and pegged up during a demand-pull or a demand-push. Cyclical pricing refers to the pricing decisions of the firm which are taken to suit the fluctuations in the business conditions.

DISCUSSION

They are described as follows:

Demand:

Demand plays a significant role when the market is not functioning properly. Commodities are divided into durable and non-durable goods. The necessities fall under the non-durable goods category, and demand for them is constant and inelastic. The purchase of necessary goods cannot be delayed, but the purchase of durable goods can.

Competition:

A policy change by one business will have an instantaneous impact on rivals. Price cuts lead to price wars. If the market is imperfect, companies compete against one another and there is a degree of interdependence, adjustments must be made.

Cost-push:

The tendency of producers is to pass on rising production costs to consumers in the form of increased pricing. This might occur because of:

(a) A greater wage growth rate than production;

(b) Inadequate plant investment may result in decreased production;

(c) Lacks of production-related inputs; and

(d) A rise in the cost of essential raw materials.

Costs will inevitably increase under these circumstances. What type of pricing strategy should the businesses use in this situation? This question is tough to respond to. Joel Dean believes that the following variables may be taken into account when creating a cyclical pricing policy:

Price rigidity

Businesses do not think that business cycles are the source of pricing changes. Economic elements like revenue and profit as well as psychological ones like customer expectations are what lead to the cyclical oscillations. These variables are within their control. Additionally, they

believe that altering pricing in response to cyclical swings is unhealthy.

Price Variation

Variations in price are consistent with changes in full cost, standard full cost, and incremental cost. Another common cyclical approach is to confirm pricing adjustments to changes in business expenses. It essentially stabilizes a certain kind of unit profit margin.

Variation brought on by Substitutes

In many circumstances, using a comparable product as a cyclical pricing guide is a suitable pricing strategy. Additionally, it may stabilize the industry's share of the sizable replacement market. We have what is called as the blanket index of the buying power if prices can be lowered due to a decline in people's purchasing power during a depression. Averaging across large discrepancies, the purchasing power index is merely an average. Prices of the components are thus more significant[6]–[9].

Market share

Price is a significant determinant of market share among other considerations. A drop in price would enhance the market share. Price policy has a significant impact on the bigger portion of the replacement market. For cyclical pricing, market share might serve as a relevant price indicator.

Changes in Demand:

Price determination should take into consideration any changes in demand. They are more significant than demand elasticity. One recession pricing strategy is to adjust prices in response to the right index of changes in the product's demand.

Based on market prices

The market price basis is an appropriate method of moving commodities from one division under the same management to another. The transfer price need to be the market price. To prevent sub-optimization, the inter-divisional transfer price for a product should be identical to the market price wherever there is one. The prospect of transferring the inefficiencies of one department to the other departments is certainly eliminated by this strategy.

Cost Basis

The inter-divisional transfer should be charged at the level of the real cost of production if the product created by one division of the company can only be sold to another division of the company. To attain the optimum combined level of production in this situation, transfer pricing would be helpful. Profits will be maximized.

Cost plus basis

According to this strategy, each department's products and services are priced based on their real costs plus a profit margin. This method's primary flaw is that the transferring department could include a large margin in order to increase the department's profit. It may lead to an excessively high final price, which would hurt sales. The activities of large companies often break down into several divisions or departments. The output of one division is used by another division. When this happens, businesses must find out what price to charge for the product that has been shifted from one division or sub-division to another. Transfer pricing, therefore, is the process of determining the cost of products and services that are moved across interdependent divisions or

units within an organization. This serves as a gauge for the financial success of the company's profit-making segments. When estimating the transfer price, several situations must be taken into account.

Absence of an External Market: Transfer Pricing

If there is no external market for an intermediate good, transfer pricing will be determined by the producer's marginal cost. Assume a company has a production division and a marketing division, each of which is autonomous. One product is created by the production division and sold to the marketing section of the same company. The cost at which it is sold is referred to as the transfer price. Additionally, the marketing department packages the product, sells it to the general public, and displays it as a finished good. We also presumptively presume that the producing division's output has no external market. In other words, the demand for the product is entirely dependent upon the manufacturing division, and the supply of the product is entirely dependent upon the marketing division. As a result, the quantity of the product that the manufacturing division produces as a whole must match the quantity that the marketing division sells.

Disparate Pricing

Some vendors use differential pricing as a strategy to adjust their rates based on the unique circumstances of their customers. The company may charge the same price for the same goods or a different price. It is a useful tool at the disposal of management to increase revenues. It takes use of the variations in demand elasticities. Quantity differentials, location differentials, product usage differentials, and time differentials are some of the more frequent ones. Market segmentation is important to achieve differential pricing. Differentiations in product design, quality, channel selection, timing of sales, patents, packaging, and advertising are frequent market segmentation tactics. The following are the key causes of the pricing differences: The store where the purchase was made,

(i) The price of the acquisition,

(ii) The moment of purchasing,

(iii) The buyer's standing,

(iv) The timely payment of debts,

(v) The personal circumstances

The following are the primary objectives of pricing differentials:

(i) Using a different marketing technique,

(ii) For successful market segmentation,

(iii) To draw in new clients,

(iv) To compete with others, and

(v) To address the production issue.

Discounts for distributors:

The price difference often manifests as a discount. A very large territory is covered by modern business. The whole market may be split up into several zones or regions, creating a trading

channel. The producer uses a number of distributors or middlemen to get his goods into the market. He grants the distributors a certain rate of discount. These reductions are referred to as distributor discounts. They speak about price reductions or discounts given to different channel distributors.This section focuses on pricing strategies during the introductory stage of a product's life cycle. It examines techniques such as skimming pricing, where a high initial price is set to target early adopters and capitalize on product novelty and exclusivity. It also explores penetration pricing, which involves setting a lower price to quickly gain market share and stimulate demand.

Price Adjustments during Growth and Maturity

This section addresses the pricing strategies required during the growth and maturity stages of a product's life cycle. It explores techniques such as maintaining competitive pricing, value-based pricing, and periodic price adjustments to sustain market share, respond to competition, and capture customer value. Adjusting prices during these stages helps businesses maintain profitability and customer loyalty.

Price Strategies during Decline

This section delves into the pricing considerations during the decline stage of a product's life cycle. It examines strategies such as discounting, clearance sales, and managing price erosion. These strategies help businesses maximize revenue during the product's final stage and ensure a smooth transition to newer product offerings.

Pricing Adaptation and Market Success

This section highlights the significance of dynamic pricing throughout a product's life cycle. It emphasizes the need for businesses to adapt pricing strategies in response to changing market conditions, customer preferences, and competitive landscape. Effective pricing adaptation throughout a product's life cycle enables businesses to maintain profitability, respond to market trends, and capitalize on emerging opportunities.

CONCLUSION

The structure of pricing throughout a product's life cycle is vital for businesses aiming to maximize profitability, maintain market competitiveness, and capitalize on market opportunities. By comprehending the components of introductory pricing, price adjustments during growth and maturity, and pricing strategies during decline, businesses can make informed pricing decisions that align with the changing market dynamics and customer preferences at different stages of a product's life cycle. Dynamic pricing strategies throughout a product's life cycle help businesses effectively manage their offerings, capture customer value, and drive market success. By leveraging the insights gained from the structure of pricing throughout a product's life cycle, businesses can optimize their pricing strategies, adapt to market conditions, and achieve sustainable growth throughout the product's lifespan.

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POSSIBILITIES FOR MARKET SEGMENTATION: ENHANCING TARGETED MARKETING STRATEGIES

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

This paper explores the possibilities for market segmentation, a powerful technique that allows businesses to divide their target market into distinct segments based on shared characteristics, needs, and preferences. Market segmentation enables businesses to develop targeted marketing strategies, tailor their offerings, and effectively reach and engage specific customer segments. The study analyzes the structure of market segmentation, including demographic, psychographic, behavioral, and geographic segmentation. It also explores the benefits and challenges of market segmentation and provides insights into leveraging market segmentation for business success.

KEYWORDS: *Business, Decision-Making, Market Segmentation, Macroeconomics, Management.*

INTRODUCTION

Determiners of Distributor Discounts:

Distribution discounts will be based on the following:

(i) The Distributor's Services

For each product, the distributor's job is different. Generally speaking, the distributor of goods must make the investment decision himself, with some manufacturer assistance. On the other hand, those who manage specialized businesses, such as those that sell electrical devices, must dedicate their whole attention to the goods of a single company. The distributor discount is often at a modest, set amount, and it is typically large for specialized distributors[1]–[3].

(ii) Distributor Operating Costs:

To compensate operational expenses and typical distributor earnings, discounts are permitted to the distributor. The many tasks they carry out affect the operational expenses. The producer himself might assume the role of the distributor and choose the price. This could serve as a foundation for calculating the running cost.

(iii) Discount Policies of Rivals

In a cutthroat market, other similar alternatives are readily accessible. Different discount rates will be offered by various manufacturers. The reductions offered by competitors work as a very useful guidance.

(iv) The impact of discounts on final purchasers.

A manufacturer must consider how a distributor's discount may affect the final consumers. He should keep an eye on the distributor's attempts to increase sales. By selling the goods for less than the advertised price, some distributors may choose to forgo some of their discounts.

(v) Distributor Population Effects

The producers must swiftly increase the number of distributors and create an alluring discount scheme. The desire of a manufacturer to have a large network of small distributors or just a few large distributors must also be considered.

(vi) The price of selling to various channels:

Another factor is the cost of delivering the item via various routes of distribution. In certain circumstances, the distributor will take orders and forward them to the manufacturer. The discount percentage through mail order channels is modest. In addition, the distance, municipal taxes, and method of transportation used might affect the distribution cost.

DISCUSSION

Possibilities for Market Segmentation

The market may sometimes be split into a number of smaller marketplaces. The niche market may have unique demand patterns and competitive traits. Variations in aggregate demand and cross demand elasticity are a defining feature of these marketplaces. Quantity discounts may be used to encourage buyers to give the vendor larger quantities depending on the market's aims. The same clients may be encouraged to offer the seller a higher portion of their overall business. Through covert price cuts, competition will be defeated. All quantity discounts are considered discriminatory and used to stifle competition under the validity of the quantity discount. When bulk discounts seem to stifle competition, the issue of legality comes up[4]–[6].

Cash Savings:

Cash discounts are price reductions that rely on early payment. It has to do with monetary sales. Producers permit cash discounts to dealers and dealers' consumers. The cash discount is an easy approach to spot hazards associated with weak credit. A buyer could have to forgo the discount if he wishes to pay with credit. The manufacturer may lower working capital by deterring consumers from using credit to make purchases.

Geographic Price Variations

It is another often used differential pricing strategy. Depending on the buyer's location, this. It centers on the kind of transportation costs and a few legal issues.

They come in many different shapes

(i) Factory Direct Pricing

Under FOB pricing, the buyer is responsible for covering the whole cost of transportation as well as any hazards that may arise during transportation that are not covered by the carrier. Customers may choose their preferred mode of shipment since the goods is priced at the seller's facility. No matter where the shipments go, it ensures a consistent net pricing. The vendor guarantees that there is no danger and is liable for any delays in delivery.

(ii) Cost of postage stamps:

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Pricing like a postage stamp refers to applying the same delivered price to all destinations, regardless of the buyer's location. Naturally, the cost of anticipated typical transportation is included in the pricing. It is most often used for products with widespread distribution and well-known brands. A manufacturer can reach all markets thanks to this price, regardless of where he is.

(iii) Zone Pricing

Zone pricing involves the vendor dividing the nation into zones and regions and charging the same delivery price inside each zone while varying prices across zones. I favor situations where the sale cannot take place because the transit costs are too expensive.

(iv) Pricing for Basic Points

A factory price plus transportation costs that are computed in relation to a certain basic point make up a basic point price! The provided price under the method may be calculated using a single basic point or many basic points. Single basic point pricing is the practice of computing the supplied price using a single basic point. Multiple basic price is when more than one basic point is used for pricing.

Full-Cost or Cost-Plus Pricing

Cost-plus is a quick way to determine a product's price. In order to determine the price, it involves adding a certain portion of the expenses as profits to the cost of manufacturing. This is exactly what is meant by cost-plus pricing. According to this approach, a product's pricing should create returns as investments at a certain markup percentage while also covering its costs. Full cost is full average cost, which includes usual profit margins in addition to average overhead expenses (AFC) and average direct costs (AVC):

p = AVC + AFC + markup or profit margin.

Consequently, the cost and markup make up the two components of cost-plus pricing. These two elements are examined independently. Cost has a significant role in setting pricing. The cost serves as the foundation upon which the profit margin is based. Costs are the primary drivers of price and serve as long-term price stabilizers. There are several ways to calculate costs. In general, there are three ways to calculate the cost:

(i) The price as it is,

(ii) The anticipated price, and

(iii) The accepted costing methodology.

The expenses that are really incurred during an item's manufacture are its actual costs. The pay rate, material costs, and overhead costs are all included. An estimate of the actual costs for the price period is the projected cost. If a product is anticipated to hit the market in, say, three months, the company will first calculate the cost of manufacturing one unit at the going rate. The anticipated cost is then calculated using the pricing of different components forecasted over the next three months[7]–[9]. The capacity of the plant is considered while using the conventional technique of costing. For instance, the facility may be operational if it is operating at 70% of its potential. It's possible that the cost is optimal or typical while it's operating at 90%. This is a consideration that will need to be made. The % markup is the second factor. The company should carefully assess cost, demand elasticity, and the level of competition the product faces in order to

determine the right markup. In determining markup, the company should also take into consideration its long-term goals and brand image. Once the markup has been established, it should be included in the price of the product. On the basis of the markup, cost-plus pricing may be divided into two groups: rigid cost-plus and flexible cost-plus.

Static Cost-Plus-Pricing

A predetermined percentage is often added to the cost to get price in strict cost-plus pricing. Only variable costs are used, and they are then marked up by a set percentage. This approach conforms to the profit motivation and is straightforward to compute.

Cost-plus pricing that is adaptable

Mark-up is not strictly established as a cost under flexible cost-plus pricing; rather, it is distributed across several headings of variable and fixed costs. It takes into account all cost factors, including labor, materials, machine hours, and other overheads. The factors listed below, according to Hall and Hitch, should persuade the company to use full cost-pricing:

(i) Fairness considerations

(ii) A disregard for the demand

(iii) Ignorance of rivals' probable responses,

(iv) The notion that there is little short-term market demand flexibility,

(v) The idea that higher pricing would attract new competitors, and

(vi) The administration of a more flexible pricing strategy.

Turnover and markup

Mark-up and turnover may be directly related. Items with a high turnover rate may have minimal markup. This is as a result of the following factors:

(i) Customers would switch to another source of supply if they were aware of the pricing of such things.

(ii) Since storage space is a major issue for items with high turnover, the opportunity cost of space utilization and inventory accumulation should be considered.

Markup and Return Rate

The rate of return pricing is an alternative method of determining the price. A challenge with cost-plus pricing is the issue of markup. The rate of return pricing mechanism may be used to get around this issue. This approach bases the pricing on the anticipated rate of return on investment, which will be turned into a percentage markup. Three stages are required in order to establish the rate of return markup on cost:

(i) Calculate the average production rate and cost for a cycle of one year of average output.

(ii) To determine the invested capital to annual standard cost ratio, and

(i) To change the capital turn over by the rate of return

(ii) We can get the markup % from this.

Calculating the cost-plus price

Below is an explanation of how Prof. Andrews' version affects cost-plus pricing. Prof. Andrews discusses how a manufacturing business really determines the selling price of its product based on the full-cost or average cost in his 1949 paper, Manufacturing Business. By dividing the current total expenses by the current total production, the company calculates the average direct costs (AVC). These are the typical variable costs, which are thought to remain constant throughout a broad range of production. In other words, if the prices of the direct cost elements are known, the AVC curve is, for a portion of its length, a straight line parallel to the output axis. A business would often offer a price for a certain product that is equal to the expected average direct manufacturing costs plus a costing margin or markup. When considering the industry as a whole, the costing margin will typically have the tendency to produce a regular level of net profit while covering the expenses of the indirect components of production (inputs). This price will only fluctuate in reaction to changes in the prices of the direct and indirect elements, not in response to variations in demand.

Advantages

The following are the key benefits of cost-plus pricing:

1. Price stability results from long-term cost stability, which is less expensive administratively and less gratifying for businesses and consumers.

2. The cost-plus formula is straightforward and simple to compute.

3. The cost-plus approach provides a guarantee against a company generating a loss. If it discovers that expenses are growing, it may adjust production and pricing and take the necessary action.

4. The cost-plus approach might be used when the company is unable to predict the demand for its goods.

5. Cost-plus pricing is a suitable strategy when it is difficult or costly to acquire market data for the product.

6. In circumstances when the kind and degree of competition are unpredictable, cost-plus pricing is appropriate.

For maintaining a strict price, the full-cost pricing hypothesis is criticized. During a recession, Finns often reduce their prices to move their inventory. When expenses increase during a boom, they also boost the price. Because of this, businesses often use an independent pricing strategy rather than a fixed one. Furthermore, the terms "profit margin" and "costing margin" are ambiguous. The idea does not explain how a corporation determines this costing margin and charges it in the total cost. According to its cost and demand circumstances, the company may charge more or less than the just profit margin. Hawkins said that "the bulk of the evidence suggests that the size of the "plus" margin varies it grows in boom times and it varies with elasticity of demand and barriers to entry." Empirical research on industry pricing in England and the US has shown that businesses' specific strategies don't always follow the full-cost principle. Contrary to popular belief, calculating the average cost and margin is a far more manual operation. In reality, in order to protect their long-term profits, prevent government interference, and preserve their good reputations, businesses are hesitant to disclose to economists how they arrived at their pricing and their interactions with competitor enterprises.

The distributor population plays a significant role in shaping market dynamics and influencing the behavior of businesses and customers. This section introduces the purpose of the paper, which is to analyze the structure of distributor population effects and their implications for market dynamics. The importance of comprehending the key components of distributor population effects is emphasized in guiding effective decision-making processes [10], [11].

Advantages of Larger Distributor Populations

This section explores the advantages associated with larger distributor populations. It examines how a larger number of distributors can enhance market coverage, increase product availability, and facilitate market expansion. Larger distributor populations can promote healthy competition, provide market diversity, and drive customer engagement.

Challenges of Larger Distributor Populations

This section addresses the challenges that may arise with larger distributor populations. It explores issues such as channel conflicts, intensified competition, difficulties in managing a large network, and potential dilution of brand image. Understanding the challenges helps businesses anticipate and address potential issues to optimize distributor performance and maintain market effectiveness.

Niche Distributor Populations

This section focuses on the impact of niche distributor populations. It examines the advantages of specialized distributors targeting specific customer segments or geographic areas. Niche distributor populations can help businesses penetrate niche markets, create focused marketing strategies, and build strong customer relationships based on specific needs and preferences.

Effective Management of Distributor Networks

This section delves into strategies for effectively managing distributor networks. It explores factors such as distributor selection, training, support, and performance evaluation. By implementing sound management practices, businesses can optimize the performance of their distributor networks, foster strong relationships, and drive market success. The structure of distributor population effects plays a crucial role in shaping market dynamics and influencing business performance. By comprehending the advantages and challenges associated with larger distributor populations, as well as the impact of niche distributor populations, businesses can make informed decisions regarding their distribution strategies and overall market presence.

Effective management of distributor networks ensures optimal market coverage, healthy competition, and customer engagement. Distributor population effects provide valuable insights for businesses to develop effective distribution strategies, foster strong relationships with distributors, and drive market success. By leveraging the insights gained from the structure of distributor population effects, businesses can optimize their distribution channels, adapt to market conditions, and achieve sustainable growth in a dynamic business environment

Pricing is the process of figuring out what a business will get in return for its goods or services. When selling a product or service, a firm may use a number of different pricing tactics. Pricing may be chosen to maximize profits from either the market as a whole or from each individual item sold. It may be used to expand market share inside an existing market, protect an existing market from new competitors, or join a new market. Cost-plus, which adds a profit margin to the

average service cost, and pricing in accordance with market average rates are the two most often utilized pricing strategies by service providers in the research. This could be as a result of the simplicity of both approaches. Given that customer-based goals are the most popular among the organizations polled, it is surprising that customer-based techniques, such as pricing according to consumers' demands or perceptions of value, or establishing a reasonably cheap price for a high quality service, are not given more attention.

The challenge of identifying consumers' requirements and desires may be one factor. Another reason for using the cost plus technique is that it allows businesses to pay their expenses while charging competitive pricing, which both retains current clients and draws in new ones.Market segmentation provides businesses with a strategic approach to understand and target specific customer groups. This section introduces the purpose of the paper, which is to analyze the possibilities for market segmentation and their implications for targeted marketing strategies. The importance of comprehending the key components of market segmentation is emphasized in guiding effective decision-making processes.

Demographic Segmentation

This section focuses on demographic segmentation, which involves dividing the market based on demographic variables such as age, gender, income, education, and occupation. It explores how demographic segmentation helps businesses understand customer characteristics, tailor messaging, and develop products or services that cater to specific demographic groups.

Psychographic Segmentation

This section delves into psychographic segmentation, which categorizes customers based on their lifestyles, attitudes, values, and personality traits. It examines how psychographic segmentation provides insights into customers' motivations, preferences, and buying behaviors. By understanding psychographic profiles, businesses can create targeted marketing campaigns and develop offerings that resonate with customers on a deeper level.

Behavioral Segmentation

This section addresses behavioral segmentation, which divides the market based on customers' behaviors, usage patterns, brand loyalty, and purchasing habits. It explores how behavioral segmentation helps businesses identify customer segments with similar buying behaviors, enabling them to design personalized marketing strategies, loyalty programs, and product recommendations.

Geographic Segmentation

This section focuses on geographic segmentation, which categorizes customers based on their geographical location, such as country, region, or city. It explores how geographic segmentation helps businesses understand local preferences, cultural influences, and market dynamics. By tailoring marketing efforts to specific geographic regions, businesses can effectively localize their offerings and marketing campaigns.

CONCLUSION

In conclusion, market segmentation provides businesses with possibilities to enhance targeted marketing strategies and better meet customer needs. By comprehending the components of demographic, psychographic, behavioral, and geographic segmentation, businesses can identify

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specific customer segments, tailor their marketing efforts, and improve customer engagement. Market segmentation allows businesses to allocate resources efficiently, develop personalized marketing campaigns, and enhance customer satisfaction. By leveraging the possibilities offered by market segmentation, businesses can effectively reach and engage their target audience, gain a competitive edge, and drive business success. Market segmentation serves as a valuable tool for businesses to understand and cater to the diverse needs and preferences of their customers in an increasingly competitive marketplace.

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GROWTH OF THE KNOWLEDGE ECONOMY STRUCTURE: NURTURING INNOVATION AND ECONOMIC ADVANCEMENT

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

The growth of the knowledge economy has transformed economic landscapes, leading to increased emphasis on knowledge-based industries, intellectual property, and the exchange of information and ideas. This section introduces the purpose of the paper, which is to analyze the structure of the growth of the knowledge economy and its implications for innovation and economic advancement. The importance of comprehending the key components of the growth of the knowledge economy is emphasized in guiding effective decision-making processes. This paper explores the structure of the growth of the knowledge economy, a paradigm shift that places knowledge and intellectual capital at the core of economic development. The knowledge economy emphasizes the importance of innovation, research and development, technology, and the effective use of information and knowledge in driving economic growth. The study analyzes key components of the knowledge economy structure, including education and human capital development, technological advancements, research and development investments, and the role of information and communication technologies. By understanding the structure of the growth of the knowledge economy, policymakers and businesses can foster an environment conducive to innovation, competitiveness, and sustainable economic advancement.

KEYWORDS: *Business, Decision-Making, Economy Structure, Macroeconomics, Management.*

INTRODUCTION

The knowledge economy and the expansion of knowledge management as an organizational competence provide new possibilities for librarians and information specialists to broaden their current responsibilities and use their polished abilities to achieve organizational goals. Through collaboration and partnership, it is possible to more effectively achieve the key information management roles that both internal and external information play in fostering organizational excellence, customer benefit, and competitive advantage[1], [2]. These roles also contribute to information competence and the ability to contextualize information. For librarians and libraries, the new Knowledge Economy represents a time of fast transformation and a paradigm shift. The rapid advancements in digital computer and telecommunication technologies, as well as the networking power of the Internet, intranets, and other systems, can be seen as either the beginning of a new "golden age" for the profession or as the point when librarians and information professionals became marginalized, and perhaps made irrelevant. Librarians and information professionals are in a position to transform themselves into knowledge professionals who add value. But this will need a fundamental shift in how people see their positions and responsibilities

in knowledge-based businesses. It will be necessary for students to picture a world where change happens quickly, communications happen instantly, and companies move from being ones with well-defined borders to networks of commercial ties. The difficulty the profession is experiencing is this.

Education and Human Capital Development

This section focuses on the role of education and human capital development in the growth of the knowledge economy. It examines the importance of quality education, lifelong learning, skill development, and entrepreneurship in fostering a knowledgeable and adaptable workforce. Education and human capital development are vital for nurturing innovation, enhancing productivity, and driving economic growth.

Technological Advancements and Digital Transformation

This section delves into technological advancements and their impact on the growth of the knowledge economy. It explores the rapid evolution of information and communication technologies, automation, artificial intelligence, and digital platforms. Technological advancements enable businesses to streamline processes, access global markets, and leverage data for informed decision-making [3]–[6].

Research and Development Investments

This section addresses the significance of research and development (R&D) investments in the growth of the knowledge economy. It examines the role of R&D in driving innovation, fostering collaboration between academia and industry, and creating new knowledge. R&D investments contribute to the development of cutting-edge technologies, new products and services, and sustainable economic growth.

Role of Information and Communication Technologies (ICT)

This section focuses on the role of information and communication technologies in the growth of the knowledge economy. It explores the power of ICT in facilitating the exchange and dissemination of knowledge, enabling remote collaboration, and promoting digital connectivity. ICT infrastructure and digital platforms play a pivotal role in fostering innovation, knowledge sharing, and economic integration.Because of a greater understanding of the importance that information and technology play in economic development, the phrase "knowledge-based economy" has emerged. Knowledge has always been essential to economic growth in the form it takes on in both human beings (as "human capital") and technology. However, its relative relevance has just recently come to light, despite the fact that importance has been increasing. The creation, sharing, and use of knowledge today rely more than ever on the OECD economies. High-tech sectors like computers, electronics, and aerospace are seeing the biggest growth in output and employment.

How to Build a Knowledge Economy

Even though the pertinent policyactions were part of broader development strategies and an explicit knowledge economy (KE) approach was only recently identified and named, it is useful to look at countries that have succeeded in setting their growth processes on a knowledge and innovation-based track. Numerous situations worldwide need special consideration. Many people believe Finland to be the most competitive nation in the world. Australia and Canada both have

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robust economies. Beginning from a low-income basis to take the lead in the global economy, the Republic of Korea and Ireland launched clear KE policies in recent decades.

Middle-income nations

A few decades ago, countries like Mauritius and Botswana in Africa, Malaysia in East Asia, Tunisia in the Middle East, and Chile and Costa Rica in Latin America implemented multi-sector reforms to draw in foreign investment and foster an atmosphere that was KE-oriented. economy in transition. Over the last several decades, the Baltic nations, particularly Estonia, have implemented KE changes that are now beginning to bear fruit. economies with low incomes. Vietnam has quickly prospered by using globalization. Mauritania, Mozambique, Uganda, and Rwanda are African nations that are actively implementing KE reforms (even if in a fragmented manner) and have had some economic success. India and China. The examples of China and India are the last ones. These are the two up-and-coming titans of our day, and the judicious application of the KE strategy has contributed to their ascent. The problems of what to do and how to establish a knowledge economy are answered by the experiences of these nations. This study goes into great length into the examples of Finland, Ireland, and the Republic of Korea. Despite the fact that their economies are already quite developed, they nevertheless provide helpful and universally relevant insights[7]–[10]. The strategy, which was coordinated by the ministry of finance, included changes to the educational system at all levels, incentives to encourage R&D (to make up for the slowdown in the business sector), the support of venture enterprises, and the creation of a vibrant information society. The establishment of an advanced information infrastructure (as measured by Internet access, e-applications, and other metrics) backed by a highly active information technology (IT) sector was the consequence of the last and most successful phase of the plan.

i. A New Mindset for Government involvement: The KE development demands for government involvement that goes beyond the usual initiatives of market liberalization and selective, modernizing reforms. The modernization and liberalization viewpoints are enhanced by the new strategy rather than replaced by it.

ii. Key Attitudes: The broad attitudes of tenacity, vision, openness, and pragmatism should drive knowledge-based methods. The successful initiatives of other nations are also supported by the same attitudes:

Determination KE-based strategy requires determination. Adherence to the so-called Washington Consensus on policy change, which advocates for privatization, trade liberalization, deregulation, and macroeconomic stability, is insufficient in and of itself. In order to promote and use knowledge across the economy, policies must take into account all intangible assets and sources of development, including education, research, information, communication, and entrepreneurship. It takes determination to think big. Knowledge-based initiatives that are effective need for concerted effort across industries and disciplines. Concentrating efforts on a single policyplank is acting narrowly. Determination refers to the strategies and tactics used to carry out the fundamental policy measures required in a nation's stage of development. Although moving from one stage of growth to another is challenging, it is still feasible to use contemporary methods to accomplish the goals that are relevant to that stage. For instance, even in the most impoverished nations, education goals may be met via the employment of cutting-edge communication systems and distant learning. Similar to this, using simple telephone and Internet services in nations that are farther along in their development may drastically and quickly change

the business environment for businesses, including farmers and fishers. Government initiatives may be used to successfully encourage the use of these methods. Clear-cut industrial policies designed to promote the growth of a robust manufacturing sector show determination. These actions enhance the climate in which enterprises develop generally. Vision: Those nations that have advanced have a vision that, in some way or another, identifies them and guides them in the direction of a goal.

A clear vision provides expression to a person's resolve. A vision often takes the long view, with objectives occasionally coming to fulfillment 20 years in the future. Small groups of individuals, local or regional leaders, and perhaps even the head of state, are the sources of vision. Visionaries must explore for resources across a range of societal domains, including business and education. This is required to ground the idea in reality and win the public's support. It is essential to immediately translate a concept into actionable initiatives, no matter how little. Thus, the vision gains credibility and boosts confidence and investment throughout the country. Openness. The requirement for openness to the outside world is another lesson to be learned from the Korean, Irish, and Finnish experiences as well as from other successful transitions to a KE strategy. The chance to draw FDI and use it effectively is one of the many possibilities that globalization presents. Each nation must set up tools and avenues to methodically track down foreign technology and information that could be pertinent to its endeavors and objectives.

A thriving knowledge economy depends on exposure to policy, which may be attained via international exchange, study abroad trips, and pilot projects based on successful policy initiatives from other countries. Realistic pragmatism, determination, vision, and openness are essential. In order to moderate their aspirations and aims and to tailor their efforts to their nation's capabilities and resources, policymakers must properly comprehend the requirements and limitations of their economy. In order to put the nation on a successful KE track, they must make the greatest use of their competitive edge, whether it be in agriculture, tourism, or natural resources. They must also focus their efforts initially on the areas with the biggest leverage. Building a knowledge economy is a gradual process, as shown by the experiences of the Republic of Korea, Finland, and Ireland. At each stage of development, efforts, investments, and policy actions are adjusted in accordance with an understanding of the nation's unique needs, capabilities, and comparative advantages.

Policy Actions That Take Development Levels Into Account

The three case studies of Finland, Ireland, and the Republic of Korea provide policy recommendations suitable for varied phases of development. The World Bank's phases of development and corresponding degrees of advancement are used to gauge progress toward a knowledge economy. Low-income nations are in the early stages of KE and must lay the groundwork; lower-middle-income nations are in the upgrading stages of KE and must increase their KE assets before launching a broad KE strategy for growth; upper-middle-income nations are in the emerging stages of KE; and high-income nations are prepared to launch a full-fledged KE strategy.

Low Income Nations

Early-stage KE low-income nations must have strong foundations in governance and the business environment. Governments may decide to create special economic zones (SEZs) with minimal transaction costs and bureaucratic red tape. This draws in foreign investment, which brings new management and technology and generates employment. The development of core competence in

cutting-edge technology, engineering, and science via the strengthening of a select group of technical and academic institutions. Low-income nations should first develop a rudimentary telephone infrastructure that utilizes mobile technology before establishing fixed-line Internet connections (at least 10% of the population needs to be connected for the knowledge economy to take off). They should also effectively use TV and radio networks for the promotion of education and culture, particularly to reach rural regions. To serve the population's basic needs (for food, healthcare, and housing), they should use national and international knowledge as effectively as possible. They should also build the foundational infrastructure for quality control, metrology, and other services necessary to support technology diffusion and adaptation across the country, especially in rural areas. If it is feasible to capitalize on a literate labor pool and entrepreneurial people with strong connections to global markets, investments may be focused toward specific IT niches.

DISCUSSION

Countries with Lower Middle Incomes

Lower-middle-income nations that are transitioning to knowledge economies should concentrate on the financial and labor markets and facilitate the reallocation of both financial and human resources to a developing formal private sector in order to further enhance their business environments. Administrative and governmental barriers to growth should be eliminated. The economy should create additional SEZs, and via targeted policies and incentives, more FDI should be drawn in. complete access to basic education and better standards of quality are required, as well as access to secondary and vocational education, in order to attain complete literacy and strengthen the higher education base by joining networks of advanced institutions throughout the globe. To enhance governance, logistics, commercial services, and the provision of social services, internet access should be increased. Increased global development awareness is necessary for innovation in order to find and import relevant technology. Extension programs aimed at boosting industry and agricultural production have to be expanded. Private R&D may be promoted, but the current public R&D infrastructure has to be improved. Both must be backed up by initiatives to improve management and technical proficiency. Selective university-industry collaboration should be promoted with the right resources and incentives.

Countries with Upper-Middle Incomes

Upper middle-income nations should improve their business climate as they get closer to a strong knowledge economy. By supporting the mobilization of development and venture capital, they must pay special attention to the financial and stock markets. An educated workforce and better administration should increase the effectiveness of tax collection and spending by the government. The availability of higher education should be expanded, and the quality of instruction should rise. It is important to create systems for lifelong learning that include a variety of providers and paths. In order to further cut transaction costs and boost economic efficiency, Internet-based technologies should be used and used more often. With the aim of boosting R&D investment to 2 percent of GDP, domestic inventive capability should be promoted via suitable incentives (reimbursable subsidies, tax incentives, etc.), especially for expanding private sector R&D. Expanding the protection of intellectual property rights (IPR) is also necessary, however it is less crucial for low-income nations.

Advanced Nations

A quickly adaptable and flexible environment is necessary for advanced economies to create and maintain a real knowledge economy. Incentives should be tailored for a service-based economy and should be focused on intangibles like R&D, education, software, and marketing. Increasing access to and the quality of higher education should be a top goal in the field of education. In exchange, this joins a wider, seamless system of lifelong learning that includes a sizable number of tertiary students, including adults. With the widespread growth of specialized applications, including specialized software and multimedia, ICT becomes the fundamental infrastructure of the economy. Growth now relies heavily on innovation. Government assistance promotes international strategic collaborations for R&D, manufacturing, and marketing.

Controlling the Reform Process

Timeline and Reforms' Effects

Although persistent activity across the four pillars is necessary for the Knowledge Economy reforms to have their full impact, they may nevertheless have a big influence in a short period of time. In sectors like company growth and the attraction of FDI, the effects of policies that enhance the business climate may be felt in one or two years and sometimes in as little as a few months. Similar to this, ICT-related expenditures or activities may have noticeable results in as little as a few years just look at how quickly mobile phones have taken off. While education policy changes won't fully take effect for one to two decades at most, innovation policy takes a minimum of five years to significantly increase technological diffusion, job creation, company development, and international competitiveness. However, initiatives to retrain employees and more broadly, to create spaces for lifelong learning should increase job opportunities for a large portion of the population much more quickly. Processes for KE development are not linear. Unexpected occurrences, such as a crisis that necessitates quick action or a restructure of a company or industry that results in unexpectedly rapid industrial development, may result in a significant shift in course.

Dynamics of Knowledge: Incremental Change

Building faith that a new and better period in national development is near requires resolve and vision. Even in nations that have experienced a severe crisis, the requirements for a significant reform in the institutional framework are often not met. Policymakers may encounter both market failure and government failure when efficient market processes and government organizations are still in their infancy. Knowledge strategies should be based on pragmatism, which is the adoption and adaptation of what works, under such circumstances. It is not necessary to completely overhaul the public sector in order to build institutional solutions for knowledge-based growth. Policies that build institutional shortcuts may be useful when time and resources are scarce. The realities of a nation and the difficulties of transformation may be functionally matched by imperfect and peculiar institutions.

For instance, the astounding success of town and village companies in China has baffled many observers. Local governments owned and managed these businesses. Their competitive advantage over private businesses is not explained by standard theory. It seems that the current public framework takes into account the unique characteristics of the Chinese economy and society. China is not the only nation that use gradual change. India's economy looked to have grown as a result of small changes, which allowed the country to develop faster than its historical average of 3%. Rajiv Gandhi's administration liberalized industrial restrictions, promoted the importation of

capital goods, and streamlined the tax code throughout the 1980s. Even though the changes were small, they managed to tilt the scales by promoting rather than inhibiting entrepreneurial endeavors. Both a key entry point into the world's information flows and a key player in turning knowledge into riches are entrepreneurship. These developing titans' recent development spurt may be attributed to their approach of amassing information that can later be converted into money. The reforms in China and India are examples of bottom-up, gradual improvements that provide a favorable balance of risks and rewards by encouraging first moves at many, varied entrance points. The likelihood of starting the cycle of institutional change and knowledge-based growth is increased by this gradual process.

Initiatives from the Bottom-Up and the Top-Down for Sustaining Knowledge Dynamics. Since fundamental changes must be implemented by the majority of emerging nations if they are to advance. It may be difficult to build agreement for reform agendas as it is to get rid of institutional barriers to change. Finland and the Republic of Korea are two countries that have successfully implemented knowledge-based economies as a result of deliberate efforts to develop agreement. A national economic crisis forced the affected parties in both situations to create and carry out a new agenda via an explicit or tacit national agreement on objectives and procedures for progress. The time frame for outcomes from the enacted policies was extended by decision-makers and business executives. In both situations, preexisting systems anticipated change and the need to implement or modify necessary improvements. These examples demonstrate the need for a mix of top-down and bottom-up strategies in order to get over institutional rigidities and bottlenecks.

Arrangement Reforms

To enable the coordinated efforts that are essential to the success of reforms, transitions are necessary. One might suggest a three-stage plan that is motivated by effective procedures: The following items are on the immediate agenda: spread awareness, devise logical metrics to track progress toward a knowledge economy, and assess existing pilot projects. Creating a shared vision led by the private sector, establishing a national monitoring system connected to budgetary priorities, and combining micro level "rapid results" projects and/or pilot projects into visible initiatives across regions and sectors are all on the short- and medium-term agendas. Budgetary priorities are likely to shift significantly as a consequence of the priorities of a national monitoring system. Set a comprehensive reform program that will abolish or transform significant entrenched interests and create a new incentive system for powerful agents as part of a longer-term plan.

Driving Sectors and Cities: Exploiting Entry Points

After a sufficient amount of talent, resources, and entrepreneurship have been accumulated in a certain area or industry, innovation and development often occur there. A sufficient and functional infrastructure (electricity, transportation), as well as a permissive if not supportive environment, must be in place for entrepreneurial endeavors. Competitive industries or clusters form when these factors come together. The Irish Shannon-Limerick region and Finnish cities are two instances of this phenomenon in developed nations. Additionally, there are several instances in low-income nations. Government's job is to encourage innovation and development by bringing people and resources together who can make a difference. China's pragmatic approach resulted in the deliberate creation of growth areas known as export processing zones (EPZs) and technology parks inside special economic zones (SEZs), which provide financial and regulatory incentives,

along with training facilities, to local and international businesses eager to migrate. An effective clustering process starts with well-equipped government labs or state schools run by inspirational leaders and supported by a vibrant private sector.

CONCLUSION

The structure of the growth of the knowledge economy is essential for fostering innovation, competitiveness, and sustainable economic advancement. By comprehending the components of education and human capital development, technological advancements, research and development investments, and the role of information and communication technologies, policymakers and businesses can create an environment conducive to the growth of the knowledge economy. The growth of the knowledge economy drives economic diversification, enhances productivity, and promotes inclusive and sustainable development. By leveraging the insights gained from the structure of the growth of the knowledge economy, societies can harness the power of knowledge, innovation, and technology to thrive in an increasingly interconnected and knowledge-driven global economy.

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DEVELOPMENT PATHWAYS AND POLICY OBJECTIVES: NAVIGATING TOWARDS SUSTAINABLE ECONOMIC GROWTH

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

Development pathways and policy objectives play a crucial role in shaping the trajectory of countries and organizations towards sustainable economic growth. This section introduces the purpose of the paper, which is to analyze the structure of development pathways and policy objectives and their implications for fostering sustainable development. The importance of comprehending the key components of development pathways and policy objectives is emphasized in guiding effective decision-making processes. This paper explores development pathways and policy objectives, examining the strategies and goals that guide countries and organizations in their pursuit of sustainable economic growth. Development pathways encompass various approaches, policies, and actions aimed at achieving social progress, economic prosperity, and environmental sustainability. The study analyzes key components of development pathways, including inclusive growth, poverty reduction, environmental conservation, technological advancement, and institutional reforms. By understanding the structure of development pathways and policy objectives, policymakers and organizations can make informed decisions to foster sustainable development and improve the well-being of societies.

KEYWORDS: *Business, Decision-Making, Development Pathways, Macroeconomics, Management.*

INTRODUCTION

The World Bank has acknowledged the necessity to modify development plans and legislative initiatives to fit the unique environment of each nation. Different industrial strategy stances must be taken into account while determining the growth trajectory that is best suitable for a nation. With the aid of foreign technology, Korea's industries have flourished thanks to its systematic OEM agreements and licensing strategy[1]–[3]. The main chaebol business entities were family-run. For instance, Korea needs now increase its capacity for domestic innovation while also addressing the tendencies toward division in its economy and culture. Ireland needs to expand its research infrastructure and broaden the scope of its innovation hubs. Finland should continue to lead the world in technical innovation and competitiveness by identifying new market niches. A government must concentrate its policy actions on removing these systemic obstacles rather than using the customary laundry list of measures that touch all areas (trade, investment, finance, governance, labor, and so on) in recognition of the significant differences between countries. The World Bank recently tested a growth diagnostics methodology based on the identification of binding constraints. First and foremost, Brazil's economic process is impacted by restrictions on

entrepreneurs, notably the dearth of development capital. As a result, the circumstances call for completely diverse approaches to policy.

Social and Cultural Problems

In the development process, sociocultural issues are of the utmost significance. Efforts, investments, and economic trajectories will be influenced by slowly shifting socio-cultural specificities, regardless of the governmental actions and reform initiatives. The many layers of a "culture tree" may be used to examine cultural impacts on and consequences for economic systems and policies of nations, especially their knowledge and innovation facets. Between Eastern and Western cultures, there are noticeable distinctions. These may be partially attributed to various cognitive processes, which has ramifications for how people relate to the outside world as well as how societies are organized. There are two distinct stances that may be seen: in the West, thinking often implies removing oneself from reality, whereas in the East, reality is immersed. These distinct modes of thought indicate variations in a range of human endeavors, such as law, science, human rights, and international affairs. In the fields of science and technology, the Western perspective on reality favors the use of science to understand the causes of natural events, while the Eastern viewpoint favors the use of holistic combinations of already existent materials as the foundation for technological advancement. Regarding the establishment and observance of the rule of law as the fundamental means of protecting the individual, Western societies are focused on these issues, while Eastern societies tend to place more emphasis on informal relationships that govern collective groupings, such as the Chinese guanxi. This results in two distinct economic systems with some striking differences.

Nation's geographic location and historical experiences are also important factors in determining its collective attitudes and behaviors. History has a significant impact on behavior and thought patterns at the national level. The consequences of colonization are especially significant for emerging nations. When trauma has been minimized or the interaction has been successfully assimilated, the situation is improved. Japan, for instance, has preserved its integrity throughout the course of its history and has been able to incorporate contemporary elements into its customs. Another recent example on a continent with specific problems is Botswana. Geographically speaking, an island seems to have a unique sense of identity that aids in mobilizing the resources available, provided that the nation is open enough to external influences and possibilities. All value judgements should be erased[4]–[6]. It is important to comprehend how deeply ingrained factors which through time have molded attitudes and behaviors and produced the genuine riches of humanity in all its astounding diversity have a positive or negative impact on development processes. It is possible that the globalization process drives civilisations and countries to increase their specificities, rather than leading to uniformity, and so contributes to a healthy variety. Cultures and related mindsets and behaviors are extremely hard to change. The policy implications are clear: capitalize on one's inherent talents while being aware of one's flaws. Cultural characteristics provide both strengths and drawbacks.

Limitations to the Development of the Knowledge Economy

Opportunities and Challenges

The phrase "knowledge economy" (KE) has been coined for all of these reasons. Its definition is considerably larger than the often used information society and goes beyond concepts like high technology or the new economy, which are both intimately related to the Internet. The production,

transfer, and application of knowledge serve as its cornerstones. A knowledge economy is one in which the amount and complexity of information permeating economic and social activity reaches extremely high levels and in which knowledge assets are purposefully given higher prominence than capital and labor assets.

Competing in a Knowledge-Based Economy

Industrialized nations, for whom the term "KE" was first used (OECD 1996), are adjusting to the new circumstances in varying degrees. The countries of North America seem to have profited immediately from the increased possibilities provided, as seen by the region's recent increases in growth rate and productivity. The disparities between North America and Europe's per-capita income have widened. Small, competitive economies in Europe, like Finland and Ireland, have emerged as role models for knowledge-based development and competitiveness, whereas bigger continental countries, like France and Germany, which once led the scientific and industrial revolution, have struggled to adapt. Meanwhile, Japan has experienced a difficult decade, with slow growth caused bya variety of factors, but has continued to build KE assets (by increasing spending on basic research. There is a strong correlation between innovation performance, total factor productivity, and economic growth in OECD countries. Nordic and English-speaking countries have, as a whole, performed better than others. The transition economies of Eastern Europe have had difficulty coping with the new knowledge-based competition, although they benefited from considerable past investments in education and science.

DISCUSSION

Smaller economies such as Hungary, Slovenia, and Estonia have coped well and taken advantage of European enlargement. Estonia, in particular, has adopted an aggressive KE approach. However, a number of other new EU members and candidates are undergoing a more painful adjustment process. The Russian Federation and other countries of the former Soviet Union have yet to demonstrate their capacity to make use of a knowledge potential that was considerable at the time when the Berlin wall fell but eroded rapidly owing to the emigration of highly educated people. Among medium- and low-income countries, Chile, Malaysia, and Tunisia have clearly taken a knowledge-based approach to increasing competitiveness and growth. According to a recent World Bank study on economic growth, countries with successful growth-defined as those that both caught up with advanced countries and sustained growth over time-did so by combining three important factors: capital accumulation, efficient resource allocation, and technological catch-up. The 18 successful countries were China, Vietnam, Republic of Korea, Chile, Mauritius, Malaysia, Lao People's Democratic Republic, India, Thailand, Bhutan, Sri Lanka, Bangladesh, Tunisia, Botswana, Indonesia, Arab Republic of Egypt, Nepal, and Lesotho. The report underscores the importance of technological catch-up and its translation into economic growth through increases in total factor productivity, which accounted for between one-half and three-quarters of economic growth in all countries listed.

The report also affirms that productivity gains should be viewed broadly, including institutional innovations as well as technological advancements, which are just as important for productivity as advances in science and technology. Productivity gains are also influenced by internal competition, market openness to the outside world, and the role of foreign direct investment (FDI), in particular. In the course of expansion, each of the 18 governments named performed a distinct role. China started along the path of knowledge-based economy by drawing significant FDI and then creating a domestic knowledge base via significant spending in research and

education. India has achieved success by making the most of its top universities and seizing global IT-related possibilities, in part via the skillful use of knowledge resources. For nations at various stages of development, there is a unique KE model and procedure[7]–[9].

For developing nations, the effects of globalization and the information revolution are both possibilities and difficulties. On the one hand, there is the potential for the current knowledge gap with industrialized nations to become even wider. Indeed, industrialized nations tend to have higher concentrations of research and innovation capabilities as shown by the standard measures of R&D expenditures (expenditures, researchers), outputs (scientific publications, patents), and so forth. On the other hand, the digital divide differences between telephone and internet use is gradually closing, though this does not account for the significant disparities in access to the internet between the rich and the poor in developing nations, nor does it take into account the subpar quality of Internet infrastructures in terms of bandwidth and soon.

Easy access to global information and technology is essential for emerging nations. Relevant information and cutting-edge technology may make a significant difference in helping these nations achieve some of the eight Millennium Development Goals at a very cheap cost. However, there are many more requirements for a knowledge economy to flourish than there were for conventional industries. Competition back then was determined by capital investments in natural resources or by the availability of cheap, unskilled labor. Climbing up the value chain is now necessary to compete globally, and success in this climb depends on modernizing the work force and maintaining effective communications and logistics. Not only a population with a basic education, but a sizeable portion of highly educated individuals, is needed for a knowledge economy. Low labor costs have the potential to attract foreign direct investment (FDI) and stimulate economic development, but they also carry the danger of trapping economies in the manufacturing stage of the production process.

Global Concerns

Globalization and the most recent technology revolution are two factors contributing to the growing number of significant difficulties confronting the economies of the globe. These issues include a more fragile global community, worsening economic imbalances (which are harder to address as China and India emerge as important economic powers), unsustainable urbanization, and more obvious resource and environmental restrictions on economic development. These obstacles, some of which are listed below, may be overcome by countries with the use of knowledge and creativity.

Fragility. The global community is more vulnerable due to a number of circumstances, increasing the likelihood of systemic propagation effects and paralysis. These include unchecked pandemics like the avian flu, global financial speculation on linked markets, terrorist assaults on strategic locations (such important commerce or oil lines), the spread of WMDs, and more. These hazards are caused, in part, by the faster economic and social integration brought on by ICTs. However, these technologies also support the monitoring and management of possible risks.

Imbalances. Production has been redistributed as a result of outsourcing and offshoring in conjunction with economic globalization. China and Eastern Europe have seen the majority of foreign direct investment (FDI) since the collapse of the Berlin Wall. This has caused significant and long-lasting disruptions in the global job landscape for lower-skill sectors. Low- to medium-income nations have lost export and employment prospects, while high-income countries have

lost jobs. Due to India's fast economic development, this tendency will probably intensify over the next several years and continue to have an impact on the service sector. The consequences are severe for places that really need work, like the Middle East, where it is predicted that 90 million new jobs would need to be generated over the next 20 years in order to stop the unemployment rate from rising higher. More than 30% of young people and 15% of the general population are now jobless[10].

Finally, it's critical to acknowledge that the world economy cannot continue to use energy and natural resources at the present pace due to the fast rise of China and India and global warming. Both in emerging and industrialized nations, the systems of production and consumption will need to undergo significant adjustment. As growth limits approach, global innovation is threatened possibly to a degree never previously seen. To sum up, society's evolution has always been influenced by knowledge. But during the last two decades, successful economies throughout the world—in both industrialized and developing nations have started to exhibit a distinctive Knowledge Economy model and process. Insofar as such nations adhere to effective economic patterns, globalization and the rapidly advancing digital era provide new chances for emerging nations. The investments and changes necessary for emerging nations to create knowledge-based economy must be implemented immediately. The three main demands are to create employment, compete with China and India, and address environmental issues.

Inclusive Growth and Poverty Reduction

This section focuses on the importance of inclusive growth and poverty reduction as key objectives of development pathways. It examines strategies such as equitable distribution of resources, access to quality education and healthcare, and social safety nets to reduce poverty and inequality. Inclusive growth aims to ensure that the benefits of economic progress are shared by all segments of society.

Environmental Conservation and Sustainability

This section addresses the significance of environmental conservation and sustainability in development pathways. It explores strategies for mitigating environmental degradation, promoting renewable energy sources, and adopting sustainable practices in sectors such as agriculture, manufacturing, and transportation. Environmental conservation aims to ensure the long-term well-being of ecosystems and address climate change challenges.

Technological Advancement and Innovation

This section delves into the role of technological advancement and innovation in development pathways. It examines strategies for fostering research and development, promoting entrepreneurship, and adopting advanced technologies to drive productivity, competitiveness, and economic diversification. Technological advancement facilitates transformative changes and enhances the overall capacity for sustainable economic growth.

Institutional Reforms and Good Governance

This section focuses on the importance of institutional reforms and good governance in development pathways. It explores strategies for strengthening institutions, improving transparency, accountability, and the rule of law, and combating corruption. Institutional reforms create an enabling environment for sustainable economic growth, attracting investments and promoting efficient resource allocation.

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CONCLUSION

In conclusion, the structure of development pathways and policy objectives is essential for guiding countries and organizations towards sustainable economic growth. By comprehending the components of inclusive growth, poverty reduction, environmental conservation, technological advancement, and institutional reforms, policymakers and organizations can make informed decisions that foster sustainable development. Development pathways and policy objectives provide a framework for aligning social, economic, and environmental priorities to achieve long-term prosperity and well-being. By leveraging the insights gained from the structure of development pathways and policy objectives, societies can navigate the complexities of economic development, address societal challenges, and work towards a more sustainable and inclusive future.

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UPCOMING DIFFICULTIES FOR A KNOWLEDGE-BASED ECONOMY: NAVIGATING CHALLENGES IN THE DIGITAL ERA

Dr. Narayana Srikanthreddy*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-srikanthreddyn@presidencyuniversity.in

ABSTRACT:

The shift towards a knowledge-based economy has revolutionized economic landscapes, but it also brings forth new challenges and difficulties. This section introduces the purpose of the paper, which is to analyze the upcoming difficulties for a knowledge-based economy in the digital era. The importance of comprehending and addressing these challenges is emphasized in guiding effective decision-making processes. This paper explores the upcoming difficulties and challenges that knowledge-based economies may encounter in the digital era. As economies increasingly rely on knowledge, technology, and innovation as primary drivers of growth, new obstacles and complexities arise. The study examines key factors that can pose challenges to knowledge-based economies, including digital divide, data privacy concerns, skill gaps, disruptive technologies, and ethical considerations. By understanding and addressing these difficulties, policymakers and stakeholders can effectively navigate the path towards a resilient and inclusive knowledge-based economy.

KEYWORDS: *Business, Decision-Making, Knowledge-Based Economy, Macroeconomics, Management.*

INTRODUCTION

The Lisbon objectives of making Europe a more dynamic and competitive knowledge-based economy have not only not been met in general, but challenges are actually growing over time as a result of demographic shifts, rising competition from China in high value-added goods and from India in services, and the continued dominance of the United States in KBE sectors like ICT and biotechnology. Over the next few decades, a number of significant structural changes that are pertinent to knowledge-based economies will change the environment for innovation and competition. As a result, they will have an impact on the types of indicators that European policymakers and academics will need to be able to effectively assess and address future challenges. The location of comparative advantages has changed as a result of the more globalized manufacturing chains for commodities and services[1]–[3].

1. The creation of new knowledge centers and creative endeavors.
2. Changes in the population's demographics, such as a rise in life expectancy.
3. Changes in skilled worker stocks and flows.
4. Technological changes brought on by new technology or by demands of the environment.

This section looks at these five issues as well as the kinds of indicators needed to monitor structural changes over time. We also provide a short conversation of three linked situations involving the need for innovation, the availability of trained labor, and the environment. These scenarios aim to evaluate the applicability of current indicators and, if appropriate, propose new indicators.

Worldwide production networks

Major adjustments in the site of comparative advantage for the production of both manufactured products and services make up the first structural change. India is becoming more competitive in services like software development, clinical trials, and contact centers while China continues to dominate manufacturing. Businesses in industrialized nations are projected to react to cost competition from China and India during the next 20 years by increasing manufacturing delocalization, including the manufacture of high-tech goods like ICT or aerospace equipment. ICT, innovation in organizational structures and logistics, and affordable transportation have all made it feasible for such changes in the place of production. Due to globalization and the growing modularization of standard components, innovative businesses depend on cross-border manufacturing networks and get value from the effective use of global supply chains. There is a need for new categories of indicators to guide private investment choices and governmental alternatives. MNEs are significant players in the innovation process, but more research is needed to fully appreciate what they do.

Statistics on MNEs are often restricted to comparisons across nations and at the national level, resulting in a lack of detail and a hazy picture of their operations, including where they are investing in innovation globally[4]–[6]. The scope and true effects of industry delocalization are poorly understood due to a lack of public data. Additional research is needed to determine employment effects, including the types of employment impacted (e.g., knowledge creation vs. application); the occupations most impacted; and wage differences for the same occupation between the source country and the off-shored location, as well as rates of salary growth abroad. The fact that the present shift in the site of comparative advantage won't endure is a vital point to remember. The rising productivity and wealth of China, India, and other developing nations will eventually lead to currency realignments that will lessen wage and income disparities, which are what motivate offshoring strategies based on the search for lower wage costs in manufacturing and service provision. The benefits of far-off, inexpensive manufacturing are marginal, which is a point that is often overlooked. The economic advantage of making certain products in China may be eliminated with only a 10% increase in transportation expenses. If the sharp rise in petroleum product prices that began in 2006 is maintained, some production in China may move to regions closer to important markets.

DISCUSSION

The environment that innovation initiatives must adapt to is changing. Production is already being outsourced and produced locally. Data, however, indicate that nations like India and China are likely to compete more often based on their innovation skills, notably in knowledge-intensive industries like software, capital goods, and ICT manufacturing, rather than just their cheap wages. It seems that American FDI or suppliers to American enterprises in these two nations are also increasingly in charge of creating patented ideas for their parent company, indicating that both China and India are capable of using FDI as a tool for fostering inventive skills. One effect is that high-wage nations may find it more challenging to compete on the basis of "continualinnovation".

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The growth of inventive capacities in China and India may encourage businesses to establish more R&D centers in these two nations. First, businesses can take advantage of local labor markets that are both affordable and highly skilled. Next, they can look for specialized knowledge that is unavailable in their home countries. Finally, they can set up R&D labs in foreign markets to modify current products to local preferences or create new products that will satisfy local demand. The OECD's prediction that up to 20% of all employment in the EU may be offshored, including many of the 'knowledge jobs' of the future, causes one to stop[7]–[9]. This is already happening in several industries, such software development in India and the building of research facilities by telecom and biotech companies in China. We lack trustworthy data on the level of globalization of innovation activities like R&D as well as, more crucially, the innovation capacities of the research institutes that multinational corporations have created in developing nations. We don't know whether these centers do cutting-edge research or if they mostly modify items for regional markets.

As more businesses base their competitive strategies on innovation, driven by both growing innovation awareness among businesses in developed countries and growing innovation use among businesses in developing countries, the competitive advantages that innovation provides may start to erode. The potential of creative activities to offer the additional rents that fuel profitability and investment may decline as competition increases. This might lead to a contradiction where state initiatives to promote more innovative thinking, like the 3% R&D intensity objective for Europe, have the paradoxical effect of lowering private returns on innovation. Three elements, however, could be able to offset the decline in earnings brought on by increased rivalry over innovation. The location and expenses of innovative activities are the first consideration. R&D is increasingly becoming a commodity that may be bought from universities, start-ups, spin-offs, or less expensive R&D facilities in underdeveloped nations.

The second aspect is that businesses may manage intellectual property more aggressively to get returns on their investments in invention, such as by filing patents. Innovation productivity may increase as a result of improvements being made to the way it is organized. IT has lowered experimentation costs, while globalization has brought down outsourcing and research cooperation expenses. Businesses now leverage links like networks, partnerships, and formal and informal relationships more often than freestanding central laboratories. By reducing uncertainty, sharing resources and information, and hastening the introduction of novel goods and services to the market, these links may be causing fundamental structural changes that enhance research productivity. Policies that enable this experimentation while maintaining a competitive environment need indicators to monitor and comprehend these dynamics. The effectiveness of these three countermeasures to increase innovation profitability relies on favorable technical prospects or the balance between the R&D and engineering expenditures of producing new technologies and the anticipated profits from these advances. Although there are no solid statistics on technical opportunity, it is generally accepted that opportunities are greatest in the early stages of a new technology, decrease in the middle of its development, and grow as the technology develops.

Changing demographics and demand

The third significant structural shift is the rising average age of the population in many wealthy nations. A KBE is affected by this development in two ways: first, by the market's need for creative goods, and second, by the availability of highly trained workers. Services have a negative

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relationship with age and a positive relationship with income. Aggregate domestic demand for innovative products and services may decrease as a result of demographic change that results in a significant rise in the population proportion of older age cohorts. An elderly population with low levels of interest in innovation might lower the creative capabilities of the domestic market, assuming that a sophisticated domestic market contributes to national innovative capabilities.

These elements could prompt businesses with headquarters in aging populations to look for markets and research resources in younger nations. User-centered innovation is another advancement that may be impacted by shifting demographics. Although it is uncertain to what extent user-centered innovation affects enterprises' innovation costs or influences the direction of innovation, the low internet connection rates among older age cohorts may be of concern if user-centered innovation happens online. On the other hand, businesses may use the internet to get worldwide feedback on their goods and services. Data on the value that innovation creates for consumers is required because consumer demand may function as a key motivator or restraint in influencing the inventive activity carried out by private enterprises. Additionally, the environment in which innovation occurs changes as user-centered innovation may rise. For this, organizational innovation is needed to combine consumer needs and ideas (customer-related operations are merged with sales, delivery, inventory management, and other processes). The function of suppliers, consumers, and relationships between them must be taken into consideration. This entails creating innovation process indicators that analyze such relationships while using new technologies[10].

Demand for innovation scenario

In the KBE, innovation has a significant role in both productivity and economic development. Along with competition, which helps businesses lower manufacturing costs, there are also more complicated elements that stimulate product innovation, such as market demand and technological push factors. Based on the need for novel products and services, businesses engage in product innovation. Innovation activities could be hampered in the absence of an existing or future market. Markets for exports, individual customers, governments, and business-to-business relationships are some examples of the market. One of the two primary forces behind innovation is demand, with the other being the availability of new technology options. Therefore, a number of policy activities, in addition to the development of a single European market, might have an impact on innovation. The demand for innovation scenario offers metrics that might be used to assess regional variations in demand determinants and determine how demand may be influenced by policy in a manner that would encourage inventive activity.

Emerging technologies

It is difficult to forecast significant technology developments. They could be brought about by the creation of novel, general technologies like biotechnology or nanotechnology in response to the world's fast rising need for food, minerals, fiber, and energy, or as a result of environmental pressures to stop the unsustainable use of the planet's resources. Whatever the reason, technological changes may raise the need for funding for research and the expertise needed to employ new technologies. To combat climate change and the rising demand for oil from nations like China and India, for instance, science and technology will need to advance on a number of energy-related fronts, necessitating innovation in the resource industries and in how energy is utilized across all sectors. Although its economic effect is probably going to be far lower than that of ICT, biotechnology is often seen as an emerging generic technology. However, in addition to

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having positive social and environmental implications, the application of biotechnology to business and agriculture might have significant economic consequences. Long-term research will be necessary to achieve these advantages, and this research may increasingly be conducted in important emerging nations rather than in the original biotechnology leaders, the US and Europe. Changes in public support for research can also influence the development of new technologies. For example, in the US, support for technology fields (engineering, physical sciences, math, and computer science) has decreased while support for the life sciences, including biotechnology, has increased. It takes a long time for life sciences R&D to produce commercial goods, which contributes to the controversy around this change in priority.

Materials and energy will be necessary for the expansion of all sorts of economic activities in the future. China has realized the value of resources and is presently spending significant sums of money in the exploitation and acquisition of natural resources across the globe, whilst developed nations are investing extensively in innovation. Future owners of commodities might expect to receive significant rents as a result of the growing scarcity of resources.

Knowledge-Based Economy Policies

The creation of a KBE is seen by policymakers in industrialized economies as being crucial for economic growth in light of the rising competition from lower cost nations in both basic manufacturing and highly skilled services and production. European nations continue to come under pressure from nations like the United States and Japan, two nations listed as the key rivals in European policy papers since 1995, in addition to the challenge provided by competition from these rising nations (such as China and India). A wide variety of policies are pertinent to the objective of supporting a KBE, in addition to those already in place to encourage ICT usage, R&D, and education. Policies to support organizational and "presentational" innovation as well as "soft" criteria like human creativity and human resource management are among them. The objective is to create policies based on verifiable data. The difficulties include the lack of empirical support for current KBE advancements as well as the necessity to deal with uncertainty and future tendencies. Political, economic, and cultural circumstances must all be considered when developing policies. There are a few obstacles to policy formation that must be considered.

First, since there are sufficient data and indicators readily accessible, policy often focuses on objectives and results that are simple to quantify, like the 3% R&D intensity target agreed upon in Lisbon and Barcelona. In contrast, several KBE targets have less data and indications. This discrepancy in the availability of data and indicators may prevent the policy community from pursuing other crucial measures for promoting KBE development. When many different variables might affect results, measuring how government programs affect policy objectives is a second difficulty for evidence-based policy. Many of the indicators needed to determine the impact of variables may not be accessible other than as one-time indicators gathered during a single survey at a specific moment in time. Such issues may arise when assessing a variety of KBE-relevant policies, including those that encourage the use of patents and other IPR, public sector innovation, and higher human capital standards.

Thirdly, policy formation must take into account how we want our economy and societies to develop in the future. As a result, indicators that are pertinent to medium- and long-term objectives are needed for determining policy. The lag in data and indicators used to assess policy results, as well as the time-lag between policy formation and implementation, is a major drawback of any conversation of policy. In many situations, policy is about using lessons from the

past to make plans for the future. We must think about policy from two angles in order to solve the issues posed by a KBE in terms of policy. First, what regulations already exist, and are they able to address the problems we have today? Second, can policies be created with enough flexibility to allow for future issues that may arise?

Data and indicators for emerging concerns, such as the effects of an aging workforce, globalization, increased imports, and rising job insecurity, are necessary for the implementation of effective policies to promote a KBE. Fears of more job losses have grown as a result of the fast entry of China and India into the global economic system, both of which have big populations of low-wage workers, as well as the recent expansion of the European Union. There are a variety of ways to respond to competition, including creating new goods, differentiating those products, branding, improving designs, and gaining efficiency via organizational and technical development. These strategies all need some level of inventiveness. The ability to innovate relies upon the health of the economic environment (availability of skilled labour, R&D funding, tools for commercialisation that is nurtured and facilitated by the policy environment, which in turn is informed and guided by indicators. Certain aspects of the KBE are already covered by a rich set of indicators from established surveys.

These include indicators of business performance, R&D activities, and patents. These and other indicators are used to evaluate causal relationships between investment and economic performance and growth. Other aspects of indicator development for a KBE are in their infancy, such as composite indicators based on summarising several component indices. Composite indices can be used to generate a ‘constellation’ of events. A group of indicators can ‘collectively’ give early warning signals, while also reducing complex data sets in a way that can help users to better understand the relationships among the factors in the KBE. The KBE characteristics and drivers points to the need to revisit existing composite indicators as well as the need to develop new composite indices. If we go back to the notion of a ‘constellation’ of indicators, we can consider the ‘night sky’ of a KBE.

Some ‘stars’ (indicators) are constant in illuminating a picture, others flare up and gain more attention while yet others burn out and no longer play an important role. In the KBE, several economic sectors experience growth or collapse, and various actors experience significance shifts, emergences, and disappearances. Knowledge production, exchange, and learning processes vary from those of earlier economies and are still evolving. Even if the contribution of ICT to the KBE is evident, indicators must be created to reflect the restructuring of economic, social, and political interactions. Indicators are often seen more as a collection of disconnected dots on a drafting board, or to extend our earlier analogy, the real constellation patterns in the night sky are not yet apparent, according to the interviews with policy analysts. Understanding the system of innovation's interconnections and process, as well as creating indications and metrics that may link together the individual stars or dots, are among the problems.

Digital Divide:

This section focuses on the digital divide as a critical challenge for knowledge-based economies. It examines the disparities in access to digital technologies, internet connectivity, and digital literacy across different regions and socioeconomic groups. Bridging the digital divide is crucial to ensure equal opportunities and inclusion in the knowledge-based economy.

Data Privacy Concerns

This section addresses the growing concerns surrounding data privacy and security. It explores the potential risks associated with the collection, storage, and use of personal data in knowledge-based economies. Effective data protection measures and privacy regulations are necessary to safeguard individuals' rights and maintain public trust in the digital economy.

Skill Gaps and Workforce Transformation

This section delves into the skill gaps and workforce transformation challenges faced by knowledge-based economies. It examines the rapid technological advancements that require individuals and organizations to adapt and acquire new skills. Upskilling and reskilling initiatives, lifelong learning programs, and collaboration between academia and industry are vital in preparing the workforce for the changing demands of the knowledge-based economy

Disruptive Technologies and Innovation Management

This section focuses on disruptive technologies and their impact on the knowledge-based economy. It explores emerging technologies such as artificial intelligence, blockchain, and robotics, and the potential disruptions they bring to industries and employment. Effective innovation management and adaptation strategies are essential to leverage the benefits of disruptive technologies while mitigating potential adverse effects.

Ethical Considerations and Digital Responsibility

This section addresses the ethical considerations in the knowledge-based economy. It explores issues such as algorithmic biases, data ethics, responsible AI deployment, and social implications of technological advancements. Ensuring ethical practices, transparency, and accountability in the knowledge-based economy are essential to build public trust and maintain societal well-being.

CONCLUSION

In conclusion, upcoming difficulties and challenges lie ahead for knowledge-based economies in the digital era. By comprehending and proactively addressing these challenges, policymakers and stakeholders can navigate the path towards a resilient and inclusive knowledge-based economy. Bridging the digital divide, addressing data privacy concerns, managing workforce transformation, embracing disruptive technologies responsibly, and promoting ethical practices are crucial for a sustainable and equitable knowledge-based economy. The upcoming difficulties should be viewed as opportunities for innovation, collaboration, and collective efforts to shape a knowledge-based economy that benefits all members of society. By leveraging the insights gained from understanding these challenges, knowledge-based economies can overcome obstacles and pave the way for a prosperous and inclusive future.

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KNOWLEDGE-BASED ECONOMY STRUCTURE: UNLEASHING THE POWER OF KNOWLEDGE FOR ECONOMIC TRANSFORMATION

Mr. Kunal Saxena*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-drkunal@presidencyuniversity.in

ABSTRACT:

The transition to a knowledge-based economy represents a fundamental shift in the drivers of economic growth. This section introduces the purpose of the paper, which is to analyze the structure of a knowledge-based economy and its implications for economic transformation. The importance of comprehending the key components of a knowledge-based economy is emphasized in guiding effective decision-making processes. This paper explores the structure of a knowledge-based economy, a paradigm where knowledge and intellectual capital are key drivers of economic growth and competitiveness. The study analyzes the components and key elements that underpin the structure of a knowledge-based economy, including human capital development, research and innovation, technology transfer, and knowledge-intensive industries. The paper examines the transformative potential of a knowledge-based economy in driving sustainable economic development, fostering innovation, and improving overall societal well-being. By understanding the structure of a knowledge-based economy, policymakers and stakeholders can formulate effective strategies to harness knowledge and drive economic transformation.

KEYWORDS: *Business, Economic Transformation, Knowledge-Based Economy, Macroeconomics, Management.*

INTRODUCTION

In terms of global economic restructuring, the knowledge economy is also seen as having reached its most recent stage. So far, the industrialized world has gone from an agricultural economy (pre-Industrial Age, predominately the agrarian sector to an industrial economy with the Industrial Age, predominately the manufacturing sector), a post-industrial/mass production economy (mid-1900s, predominately the service sector), and a knowledge economy (late 1900s-2000s, predominately the technology/human capital sector). This most recent stage has been characterized by changes in technical breakthroughs and the demand for innovation due to global competition, which has led to the development of new goods and processes from the research community (i.e., R&D factors, universities, laboratories, and educational institutions). The specialized labor force in the knowledge economy is described as computer literate, skilled in processing data, creating algorithms and simulated models, and innovative in procedures and systems. According to Harvard Business School Professor Michael Porter, the economy is much more dynamic now and competitive advantage, which is based on "making more productive use of inputs, which requires continual innovation," is more important than comparative advantage[1]–[3].

As a result, there will always be a need for technical, STEM vocations like computer scientists, engineers, chemists, biologists, mathematicians, and scientific innovators. In addition, well-located clusters interact locally with connected industries, manufacturers, and other organizations that are associated by talents, technologies, and other common inputs, which Michael Porter claims is important in global economies. Knowledge serves as both a catalyst and a connecting thread in contemporary economies.

Knowledge-Based Economy Definition

The use of knowledge to produce both physical and intangible assets is known as the knowledge economy. A portion of human information is converted into machine knowledge with the use of technology, particularly knowledge technology. Systems that enable decision-making in a variety of sectors may leverage this information to provide economic value. Without technology, a knowledge economy is also feasible. Drucker credited economist Fritz Machlup with writing The Age of Discontinuity (1969), whereas the notion of "scientific management" was created by Frederick Winslow Taylor. The global economy is transitioning to a "knowledge economy" as an extension of a "information society" in the Information Age driven by innovation, in addition to the agriculturally and labor-intensive economies. In a linked, globalized economy where intellectual resources like trade secrets and skill are equally important as other economic resources, the rules and practices that defined success in the industrial economy must be rewritten. In other words, a system of consumption and production centered on intellectual capital is the knowledge economy. In industrialized nations, the knowledge economy often accounts for a significant portion of total economic activity. In a knowledge economy, intangible assets like the value of a company's employees' expertise (intellectual capital) may make up a substantial portion of a company's worth, yet commonly accepted accounting procedures prohibit businesses from including these assets on balance sheets.

Knowledge economy concepts

Knowledge and education (commonly referred to as "human capital") may be seen as either of the following two things, according to a fundamental idea of the knowledge economy: An intellectual product or service that is new and instructional may be exported for a high value return. Production and services based on knowledge-intensive activities that hasten the progress of science and technology and hasten obsolescence[4], [5]. A knowledge economy's defining feature is its increased emphasis on intellectual talents as opposed to physical inputs or natural resources. The Effective Executive by Peter Drucker, published in 1966, laid the fundamental groundwork for the information economy. Drucker outlined the distinction between knowledge workers and manual workers in this book. He claims that a manual worker is someone who uses their hands to create products or provide services. A knowledge worker, in contrast, uses their heads rather than their hands to create ideas, knowledge, and information. The main issue in formalizing and modeling the knowledge economy is how knowledge, which is a very relative notion, is defined. For instance, it is improper to equate the information society with the knowledge society. Knowledge is not always the same as information. Their usage is also "economy-dependent" and relies on individual and group choices.

Moving Factors

1. Various interconnected driving factors, according to commentators, are altering the rules of business and affecting national competitiveness. These motivational factors are:

2. Globalization more international markets and goods.

3. Information technology is connected to the following three:

4. Intensity of Information/Knowledge: Knowledge and expertise are essential for effective production; many manufacturing employees utilize their minds rather than their hands.

5. New Media: New media boosts knowledge creation and dissemination, which leads to collective intelligence. Networked data bases that encourage online interaction between consumers and producers make it considerably simpler to access existing information.

6. Connectivity and computer networking: advancements like the Internet bring the "global village" closer than ever.

Characteristics of Knowledge Economy

As a consequence, products and services may be created, acquired, offered for sale, and in many instances even supplied over electronic networks. Any new technology's uses rely on how well it satisfies market demand. It may become dormant or achieve commercial success. One may argue that the knowledge economy is fundamentally different from the old economy in the following ways: The economy is based on plenty rather than scarcity. Information and expertise, in contrast to most resources, may be shared and even increase via use.

DISCUSSION

Location effects may be one of two ways

Diminished, in certain economic activities: With the right technology and techniques, it is possible to build virtual organizations and markets that have the advantages of speed, agility, 24/7 operation, and worldwide reach. Or, on the other hand, strengthened in certain other economic sectors by the development of commercial hubs around knowledge-based institutions like universities and research facilities. Clusters, however, were present prior to the knowledge economy[6]–[8].

It is challenging to implement laws, restrictions, levies, and measurement techniques just on a national level. Where demand is greatest and obstacles are smallest, knowledge and information "leak" to those areas. Items or services with higher levels of embedded knowledge or knowledge intensity may fetch higher prices than equivalent items with lower levels of knowledge. Value and pricing are greatly influenced by context. As a result, different individuals or even the same person at various times might place a very different value on the same information or expertise. The intrinsic worth of knowledge is greater when it is incorporated into systems or processes than when it can "walk out the door" in people's minds.

In a knowledge-based corporation, human capital abilities are a critical component of value, yet few businesses disclose competence levels in annual reports. In contrast, downsizing is often seen as a successful "cost-cutting" strategy. The importance of communication in the flow of information is rising. Knowledge economies consequently place a premium on social structures, cultural background, and other elements impacting social connections. Policymakers, managers, and knowledge workers must all adopt novel strategies in order to address these features. The knowledge economy may take many different forms, but projections suggest that it will grow dramatically and establish a pattern in which even ideas will be recognized and treated as a commodity. Although the specifics (i.e., the scope of the revolutionary approach, its applicability,

and its commercial value) are still hypothetical as of now, there is a clear path forward for this idea given the nature of "knowledge" itself and the fact that it is the driving force behind this new form of economy.

Structure of the Knowledge Economy

It is evident that it is necessary to reconsider nations' overall development strategy in light of the information revolution and the technical and economic changes it entails. These plans should be based on four pillars: the nation's education and training foundation, its information and telecommunications infrastructure, the innovation system, and the general business and governance framework. At their center should be knowledge- and innovation-related policies. A Four-Pillar Knowledge Economy Framework

Rationales

Knowledge is the primary driver of economic development in a knowledge economy (KE). It is an economy where information is obtained, produced, shared, and utilized in order to further economic growth. A dense and contemporary information infrastructure, a successful innovation system, and an institutional regime that provides incentives for the effective creation, dissemination, and use of existing knowledge would seem to be necessary for a knowledge-based development process. In order to effectively develop and apply information, the labor force should be made up of educated, competent people who can continually improve and adapt their abilities. Primary and secondary education, vocational training, higher education, and lifelong learning are all included in the education and training systems. Depending on a country's degree of development, the weight assigned to the various categories will vary slightly. For instance, because fundamental reading and numeracy are essential building blocks for more advanced abilities, basic education will get greater focus at low levels of development. Similar to how the contemporary environment of the knowledge revolution, which necessitates ongoing adaptation of information and know-how, has increased the necessity of lifelong learning. Additionally, it becomes more crucial as the population ages. While this is happening, globalization is bridging the gap between the demand for basic skills and the supply of advanced skills, compelling nations with low levels of development to catch up to advanced economies in order to stay competitive.

The efficient transmission, diffusion, and processing of information and knowledge will be made possible through a contemporary and appropriate information infrastructure. Like railroads, roads, and utilities were in the industrial age, information and communication technologies (ICTs), such as telephone, television, and radio networks, are the foundation of today's global, information-based economy. By providing easy access to information, they may significantly lower transaction costs. The regulation of telecommunications as well as the investments required to develop and use ICTs across the economy and society via different "e-applications" such as e-government, e-business, and e-learning are covered by ICT-related regulations. Low-income nations should prioritize building up their ICT infrastructure before pushing cutting-edge solutions.

Companies, research facilities, academic institutions, consulting companies, and other organizations that keep up with new information and technology, draw on the expanding body of global knowledge, and integrate and adapt it to local requirements make up an efficient innovation system. Public support for innovation, science, and technology extends to a broad variety of institutional and infrastructural tasks, from the spread of fundamental technologies to

cutting-edge research endeavors. The former should be given a lot of consideration in emerging nations. For the majority of emerging nations, a large portion of the knowledge and technology that fosters innovation will come from outside the nation and be imported via foreign direct investment (FDI), the importation of machinery and other items, and licensing agreements. While imports must not be permitted to conceal or marginalize the nation's distinctive indigenous knowledge assets, such as traditional knowledge, imports are necessary when the economy is less developed. In emerging nations, there should be a lot of focus on the diffusion of fundamental technology. The institutional structure of the nation and the set of economic incentives it fosters should enable effective resource mobilization and allocation, encourage entrepreneurship, and promote the development, distribution, and efficient use of knowledge. The idea encompasses a wide range of topics and policy areas, including trade laws, financial and banking regulations, labor markets, and governance. It also includes components of the macroeconomic framework. The latter includes corruption levels, the quality of the bureaucracy as shown by metrics of government efficacy, and the rule of law and its implementations (judicial systems). The single biggest obstacle to economic and social progress in general, and knowledge-based development in particular, is mediocre governance that results in a bad business environment.

Interactions between the pillars and the circles of virtue

As we've seen, knowledge-driven development depends on the effectiveness of each of the four KE framework pillars. However, more is required: investments in the four pillars need to be balanced and coordinated so that they work together to provide advantages that go beyond what would be possible from their separate operation. The World Bank's Knowledge Economy framework aims to build successful knowledge economies that can compete in the global economy by assessing the quality, adaptability, and application of knowledge in an economy. The Knowledge Economy framework focuses on four pillars that it contends are necessary to enable a successful knowledge economy. A knowledge economy is one that harnesses knowledge to produce and maintain long-term economic development.

The first pillar of the framework is an economic and institutional framework that supports the production, dissemination, and use of knowledge. A regime that offers incentives to promote the effective use and distribution of both new and old information would support policy change. The economic climate must support market transactions and have sound policies, such as being open to free trade and foreign direct investment. To promote business and knowledge investment, the government should defend property rights. A knowledgeable and competent populace that effectively produces, distributes, and applies knowledge is the second pillar. To advance technology, education is essential, particularly in the sciences and engineering. The technical sophistication of a more educated society tends to increase demand for information.

A dynamic information infrastructure that makes it easier to communicate, disseminate, and process information and technology is the third pillar. The enhanced global exchange of information and expertise lowers the cost of transactions, improving communication, productivity, and production. The last pillar is an effective innovation system made up of businesses, research institutions, academic institutions, think tanks, consultancies, and other organizations that applies and customizes global knowledge to regional need to produce new technologies. Technical knowledge creation increases productivity. Countries may build a knowledge economy and maintain long-term economic development by putting these pillars in place.

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Since universities didn't do much research, an environment that was more conducive to innovation was required. Greater productivity would result from the specialization and information exchange among universities, local government, businesses, and research organizations. Information and communication technology was developing more quickly than anticipated. Therefore, there was no need to significantly upgrade the information infrastructure. However, it was found that education constituted a significant barrier to a knowledge economy. It was seen ineffective and improper because the nation only allocated 13 percent of its GDP on education. The Ministry of Education's authority over education was deregulated, outcome-oriented governance was implemented, public and private resources were reallocated, learning systems were integrated, and connections to the global education system were strengthened. Korea was able to transition to a knowledge economy by enacting sound economic policies, adopting a high-growth development strategy, building social capital, and upgrading the labor force via improved education. According to the Knowledge Economy concept, economies need to have four pillars in place if they are to be successful knowledge economies where information is generated, shared, and utilised effectively. In terms of proper policies, institutions, investments, and coordination, policy guidance would concentrate emphasis on which of the pillars is most in need. A tool called the Knowledge Assessment Methodology, created by the World Bank, may be used to determine what a nation requires in order to develop a knowledge economy.

Less developed nations often have economies based on agriculture and manufacturing, while emerging nations typically have economies based on manufacturing and services, and developed nations typically have economies centered on services. Each of these three key types of economic activity makes up the economies of the majority of nations, but in varying amounts depending on their relative wealth. Activities that fall under the knowledge economy umbrella include technical assistance, consultancy, and research. The global economy shifted toward the knowledge economy during the Information Age. In order to create an interconnected and globalized economy where sources of knowledge like human expertise and trade secrets are crucial players in economic growth and are considered as important as other economic resources, the transition to the Information Age incorporates best practices from the service-intensive, manufacture-intensive, and labor-intensive types of economies. As inventive and intellectual services and products may be sold and exported and can create profits for the person, the company, and the economy, the knowledge economy discusses how education and knowledge, which are typically referred to as "human capital," can function as a productive asset or a corporate product. Instead of relying on physical labor or natural resources, this sector of the economy heavily depends on intellectual capacity. The creation of information-based services and goods accelerates quickly in the technological and scientific disciplines of the knowledge economy, paving the way for increased innovation across the board.

Knowledge employees versus manual laborers

The distinction between a knowledge worker and a physical worker was covered in Peter Drucker's 1966 book "The Effective Executive," which introduced the idea of the knowledge economy. The manual worker, in Drucker's view, produces and offers services and other things using his hands and other physical talents. A knowledge worker, on the other hand, employs his or her intellect to create knowledge, information, and ideas that may be useful for the organization's overall system or that may have been the main inspiration for starting the business in the first place.

Problems with Developing Economies

In order for poor nations to effectively integrate ICTs and sustainable development and participate in the knowledge economy, the United Nations Commission on Science and Technology for Development study found that collective and strategic action is required. The establishment of effective national ICT policies that support the new regulatory framework, encourage the production of particular knowledge via the use of ICTs, and take advantage of their organizational changes in order to be in accordance with the Millennium Establishment Goals is the recommended collective intervention. The research also advises developing nations to create the necessary ICT strategies, laws, and regulations while taking into consideration the need to be responsive to convergence-related concerns.

Analysis of K-PROFIT

Some could argue that the knowledge economy is so obviously self-evident that a more specific description is superfluous, and that because knowledge is such a hard notion to define, any measurements are always going to be inadequate or even deceptive. The knowledge economy will, however, remain an ill-defined idea in the absence of quantifiable definitions. The knowledge economy's effects on institutional structures, employment, and society would continue to be more of a question of assertion and intuition than of measurable proof based on concrete evidence. Basic inquiries such as how many people work in the knowledge economy, whether it is expanding and at what pace, and how the UK compares with other OECD countries would not be able to be addressed. And it would be difficult, if not impossible, to provide policymakers in the private and public sectors with a set of useful evidence-based suggestions. It will be difficult to come up with better definitions of the knowledge economy, nevertheless.

We must identify distinguishing characteristics that we would not anticipate to find—or at least not in such abundance in the rest of the economy if the term knowledge economy is to be effective. The fundamental role of new information and technology in enabling knowledge and information to be utilised in ways that support the knowledge economy notion is an obvious distinguishing characteristic. A major underlying factor in the development of networked systems with the ability to store, analyze, and manage knowledge and information flows has been the quick decrease in cost and enormous growth in processing power. The following definitions of the knowledge economy that are quantifiable and thus, in theory, testable against hard data could be used: Industry sector definitions of knowledge intensive industries and services Occupational-based definitions of knowledge workers Innovation-related definitions of the share of innovating firms. The phrase "knowledge economy" is often used to refer to sectors with a large concentration of highly educated workers as well as to ICT production or use.

Initially focusing on manufacturing, industrial definitions often employed R&D intensity as a marker to differentiate between high-, medium-, and low-tech sectors. The term has gradually been broadened to include service businesses that make little R&D investments but make heavy use of ICT technology and/or have highly qualified workers who take advantage of technical advancements. Because it is cross-sectoral, defining the knowledge economy in terms of knowledge workers avoids the drawbacks of industrial definitions. The drawback of this is that there is no clear-cut definition of what a knowledge worker is. We can define knowledge workers in (at least) three ways: (1) those who work in the top three standard occupational classifications (managers, professionals, associate professionals); (2) those who possess high levels of skill as evidenced by degrees or equivalent qualifications (NVQ level 4); and (3) those who use

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computers to complete tasks that call for sophisticated reasoning and complex communication skills.

The shift occurring in advanced industrial countries from an economy based on physical inputs and natural resources to one based on intellectual assets has been extensively studied by social scientists. Our analysis of patent data demonstrates this transformation and demonstrates how the increase of knowledge is related to the emergence of new sectors, such as information and computer technology and biotechnology. However, the literature on the knowledge economy pays less attention to information diffusion and effect and places a greater emphasis on knowledge generation. This omission is regrettable since a central finding of the productivity debate is that large productivity increases can only be made when new organizational practices are combined with complementing technological advancements.

Information technology that enables the widespread dissemination of information cannot be effectively connected to a hierarchical control structure. Since modern information technologies provide unprecedented opportunities for both choice and control, it is thus incorrect to assume that there is a natural connection between knowledge creation and flexible labor. The examination of the skills mismatch thesis can also benefit from a focus on information distribution. Although it is obvious that older, less trained, and minority employees have bore the brunt of the shift to an economy focused on intellectual talents, the claim that certain groups of workers are severely disadvantaged by technological change is oversimplified. However, detailed examinations of how some less skilled people gained the technical abilities required to operate in new environments are uncommon and would be useful.The argument over talents also highlights the relative dearth of accepted measurements in this field of study. Patents have established themselves as a suitable signal of knowledge stocks, but we lack any similar indicators of abilities, and researchers much too often depend on professional designations or classifications.

CONCLUSION

The structure of a knowledge-based economy represents a transformative pathway for economic development and competitiveness. By comprehending the components of human capital development, research and innovation, technology transfer, and knowledge-intensive industries, policymakers and stakeholders can foster an environment conducive to knowledge-driven economic transformation. A knowledge-based economy harnesses the power of knowledge, innovation, and intellectual capital to drive sustainable economic growth, create high-value jobs, and enhance societal well-being. By leveraging the insights gained from the structure of a knowledge-based economy, societies can position themselves at the forefront of the global knowledge-driven era, driving innovation, and reaping the benefits of economic transformation.

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MEASURING NATIONAL INCOME STRUCTURE: UNDERSTANDING THE COMPONENTS OF A KNOWLEDGE-BASED ECONOMY

Dr. Ramalingam Mageshkumar*

*Assistant Professor,
Department of Management,
Presidency University, Bangalore, INDIA
Email Id-mageshkumar@presidencyuniversity.in

ABSTRACT:

Measuring national income is crucial for evaluating the economic performance and progress of a country. This section introduces the purpose of the paper, which is to analyze the structure of measuring national income within the context of a knowledge-based economy. The importance of comprehending the key components of measuring national income is emphasized in providing insights into the economic impact of knowledge-based activities.This paper explores the structure of measuring national income, particularly focusing on the components that contribute to the development of a knowledge-based economy. The study examines key indicators and methodologies used to measure national income, including gross domestic product (GDP), gross national income (GNI), and value-added contributions from different sectors. The paper also discusses the specific challenges and considerations in measuring national income within a knowledge-based economy, where intellectual capital and intangible assets play a significant role. By understanding the structure of measuring national income, policymakers and economists can gain insights into the progress and impact of a knowledge-based economy.

KEYWORDS: *Business, Economic Transformation, Knowledge-Based Economy, Macroeconomics, Management.*

INTRODUCTION

For the purpose of measurement and analysis, national income can be viewed as an aggregate of various component flows. The most comprehensive measure of aggregate income which is widely known is Gross National Product at market prices. Gross emphasises that no allowance for capital consumption has been made or that depreciation has yet to be deducted. Net indicates that provision for capital consumption has already been made or that depreciation has already been deducted. The term national denotes that the aggregate under consideration represents the total income which accrues to the normal residents of a country due to their participation in world production during the current year[1]–[3]. It is also possible to measure the value of the total output or income originating within the specified geographical boundary of a country known as domestic territory. The resulting measure is called "domestic product". The valuation of the national product at market prices indicates the total amount actuallypaid by the final buyers while the valuation of national product at factor cost is a measure of the total amount earned by the factors of production for their contribution to the final output.

GNP at market price = GNP at factor cost + indirect taxes - Subsidies. NNP at market price = NNP at factor cost + indirect taxes – Subsidies. For some purposes we need to find the total

income generated from production within the territorial boundaries of an economy irrespective of whether it belongs to the inhabitants of that nation or not. Such an income is known as Gross Domestic Product (GDP) and found as " GDP = GNP - Net Factor Income from Abroad Net Factor Income from Abroad = Factor Income Received From Abroad - Factor Income Paid Abroad The NNP is an alternative and closely related measure of the national income. It differs from GNP in only one respect. GNP is the sum of final products. It includes consumption of goods, gross investment, government expenditures on goods and services, and net exports.

GNP = NNP "Depreciation

NNP includes net private investment while GNP includes gross private domestic investment. Personal income is calculated bysubtracting from national income those types of incomes which are earned but not received and adding those types which are received but not currently earned. Personal Income = NNP at Factor Cost "Undistributed Profits "Corporate Taxes + Transfer Payments Disposable income is the total income that actually remains with individuals to dispose off as they wish. It differs from personal income by the amount of direct taxes paid byindividuals.

Disposable Income = Personal Income "Personal taxes

The concept of value added is a useful device to find out the exact amount that is added at each stage of production to the value of the final product. Value added can be defined as the difference between the value of output produced by that firm and the total expenditure incurred by it on the materials and intermediate products purchased from other business firms[4]–[6].

DISCUSSION

Methods of Measuring National Income

National income is the total money value of goods and services produced by a country in a particular period of time. The duration of this period is usually one year. National income can be defined by taking three viewpoints, namely production viewpoint, income viewpoint, and expenditure viewpoint. Based on these viewpoints, there are three different methods of estimating national income.

For calculating national income, an economy is looked upon from three different angles, which are as follows:

1. Production units in an economy are classified into primary, secondary, and tertiary sectors. On the basis of this classification, value-added method is used to measure national income.

2. Economy is also viewed as a combination of individuals and households owing different kinds of factors of production. On the basis of this combination, income method is used for estimating national income.

3. Economy is viewed as a collection of units used for consumption, saving, and investment. On the basis of this collection, final expenditure method is used for calculating national income.

Let us discuss the different methods of measuring national income (as shown in Figure-1).

Value-added Method

Value added method, also called net output method, is used to measure the contribution of an

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economy's production units to the GDPmp. In other words, value- added method measures value added by each industry in an economy. For calculating national income through value-added method, it is necessary to first calculate gross value added at market price (GVAmp), net value added at market price (NVAmp), and net value added at factor cost (NVAfc). Including output produced byproduction units for self-consumption in total output. All the production should be included whether u is sold in the market or not. In addition, the value of free services provided by government and non-profit institutions should also be taken into account. Non-inclusion of these will lead to underestimation of national income[7].Avoiding the inclusion of sales of pre-owned goods. This is because these goods are already counted when sold for the first time. The output of only newly produced goods is included in total output. However, the value of services provided by agents in selling pre-owned goods is fresh output and should be included in the total output.

Income Method

Income method, also known as factor income method, is used to calculate all income accrued to the basic factors of production used in producing national product. Traditionally, there are four factors of production, namely land, labor, capital, and organization. Accordingly there are four factor payments, namely rent, compensation of employees, interest, and profit. There is another category of factor payment called mixed income. These factor payments are explained as follows:

Rent

Refers to the amount payable in cash or in kind by a tenant to the landlord for using land. In national income accounting, the term rent is restricted to land and not to other goods, such as machinery. In addition to rent, royalty is also included in national income which is defined as the amount payable to landlord for granting the leasing rights of assets that can be extracted from land, for example, coal and natural gas.

Compensation of Employees

Refer to the remuneration paid to employees in exchange of services rendered by them for producing goods and services. Compensation of employees is divided into two parts, which are as follows:

Wages and salaries: Include remuneration given in the form of cash to employees on a daily, weekly, or monthly basis. It includes allowances, such as conveyance allowance, bonuses, commissions, rent-free accommodation, loans on low interest rates, and medical and educational expenses.

Social security contribution: Includes remuneration provided to employers in the form of social security schemes such as insurance, pensions, and provident fund.

Interest:

Refers to the amount payable bythe production unit for using the borrowed money. Generally, production units borrow for making investment and households borrow for meeting consumption expenditure. In national income accounting, interest is restricted to the payment by production units. If production units use their own savings, then the interest is payable to them in the form of imputed interest.

Profits:

Refers to the amount of money earned by the owner of a production unit for his/ her

entrepreneurial abilities. The profits are distributed by the production unit under three heads. First is by paying income tax, called corporate profit tax. Second is by paying dividend to shareholder. Third is the retained earnings called undistributed profits. Thus, profit Is the sum total of corporate profit tax, dividend, and retained earnings.

Mixed Income

Refers to earnings from farming enterprises, sole proprietorships, and other professions, such as medical and legal practices. In these professions, owners themselves assume the role of an entrepreneur, financier, worker and landlords. Mixed income also takes into account the income of those individuals who earn from different sources, such as wages rents on own property, and interests on own money. This is not related to the production of goods and services. However, national income includes the value of services rendered by the agents in selling these financial assets.

Final Expenditure Method

Final expenditure method, also known as final product method, is used to measure final expenditures incurred by production units for producing final goods and services within an economic territory during a given time period [8]–[10]. These expenditures are incurred on consumption and investment. This method is the opposite of the value-added method. This is because value-added method estimates national income from the sales side, whereas the expenditure method calculates national income from the purchase side. Final expenditure of an economy is divided into consumption expenditure and investment expenditure, which are explained as follows:

(a) Consumption Expenditure: Includes the following:

i. Private Final Consumption Expenditure (PFCE):

Includes expenditure incurred by households and expenditure incurred by private non-profit institutions serving households (PNPISH). Thus, PFCE is divided into two parts, namely Household’s Final Consumption Expenditure (HFCE) and PNPISH Final Consumption Expenditure (PNPISH-FCE). HFCE is defined as expenditures, both actual and imputed, incurred by a country’s households on final goods and services for satisfying their wants. In addition to actual money expenditure, HFCE includes imputed value of goods and services received without incurring money expenditure, for example, self-consumed output and gifts received in kind. Expenditure by non-residents of a country is not included in HFCE. However, the expenditure incurred by the national residents in foreign countries is included in HFCE. Thus, imports are the part of HFCE. In addition, HFCE excludes the receipts from the sale of pre-owned goods, wastes, and scraps.

Product Method

According to this method, the total value of final goods and services produced in a country during a year is calculated at market prices. To find out the GNP, the data of all productive activities, such as agricultural products, wood received from forests, minerals received from mines, commodities produced by industries, the contributions to production made by transport, communications, insurance companies, lawyers, doctors, teachers, etc. are collected and assessed at market prices. Only the final goods and services are included and the intermediary goods and services are left out.

Gross Domestic Product (GDP) and Gross National Income (GNI)

This section focuses on GDP and GNI as fundamental measures of national income. It explores how GDP represents the total value of goods and services produced within a country's borders, while GNI includes income generated by domestic and foreign residents. These measures provide a broad understanding of the economic output and income generation within a country.

Knowledge-Based Economy and Intellectual Capital

This section addresses the specific challenges in measuring national income within a knowledge-based economy. It examines the increased significance of intellectual capital, intangible assets, and knowledge-based activities that are not adequately captured by traditional economic indicators. The paper discusses methods and frameworks used to quantify the contributions of knowledge-based sectors, research and development, and intellectual property.

Sectoral Contributions and Value-Added Analysis

This section delves into sectoral contributions to national income and value-added analysis. It explores how different sectors, such as technology, research, innovation, and creative industries, contribute to the overall economic output and value creation. Value-added analysis provides insights into the specific contributions of each sector and their impact on national income.

Challenges and Considerations

This section discusses the challenges and considerations in measuring national income within a knowledge-based economy. It addresses issues such as data availability, intangible asset valuation, cross-border transactions, and the measurement of non-market activities. The paper highlights the importance of developing robust methodologies and indicators to capture the evolving nature of a knowledge-based economy.

CONCLUSION

In conclusion, measuring national income within a knowledge-based economy requires a nuanced understanding of the specific components and challenges associated with intellectual capital and intangible assets. By comprehending the structure of measuring national income, policymakers and economists can assess the economic impact of knowledge-based activities and the progress of a knowledge-based economy. Enhancing measurement methodologies and frameworks is essential for capturing the contributions of knowledge-based sectors and intellectual capital, enabling more accurate evaluations of economic performance and facilitating informed policy decisions. By leveraging the insights gained from measuring national income, countries can effectively monitor and shape their transition towards a thriving and sustainable knowledge-based economy.

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DIFFICULTIES AND PROBLEMS IN MEASURING NATIONAL INCOME: OVERCOMING CHALLENGES IN ECONOMIC ASSESSMENT

Dr. Mounica Vallabhaneni*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-mounicav@presidencyuniversity.in

ABSTRACT:

Measuring national income is crucial for evaluating the economic well-being and progress of a nation. This section introduces the purpose of the paper, which is to analyze the difficulties and problems encountered in measuring national income. The importance of comprehending these challenges is emphasized in guiding efforts to improve economic assessment and policy-making. This paper explores the difficulties and problems encountered in measuring national income, shedding light on the challenges faced by economists and policymakers in accurately assessing the economic performance of a country. The study examines various factors that pose challenges to the measurement of national income, including data limitations, informal sector activities, non-market transactions, quality adjustments, and the valuation of intangible assets. By understanding these difficulties, policymakers and economists can work towards improving measurement methodologies and addressing the limitations to obtain a more comprehensive and accurate assessment of national income.

KEYWORDS: *Business, Economic Assessment, Macroeconomics, Management, Policymakers.*

INTRODUCTION

There are many difficulties in measuring national income of a country accurately. The difficulties involved in national income accounting are both conceptual and statistical in nature. The six major difficulties faced in the measurement of national income are problems of definition i.e. What should we include in the National Income? Ideally we should include all goods and services produced in the course of the year, but there are some services which are not calculated in terms of money, e.g., services of housewives.

Lack of Adequate Data

The lack of adequate statistical data makes the task of estimation of national income more acute and difficult. Non-availability of Reliable Information: The reason of illiteracy, most producers has no idea of the quantity and value of their output and do not follow the practice of keeping regular accounts. Choice of Method: The selection of method while calculating National Income is also an important task. The wrong method leads to poor results.

Lack of Differentiation in Economic Functioning

In all the countries the occupational specialisation is still incomplete so that there is a lack of differentiation in economic functioning. An individual may receive income partly from farm ownership and partly from manual work in industry in the slack season. (6) Double Counting:

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Double counting is also an important problem while calculating national income. If the value of all goods and services totalled, the total will overtake the national output, because some goods are currently consumed being used in the making of others. The best way to avoid this error is to calculate only the value of those goods and services that enter into final consumption. There are many more conceptual and statistical problems involved in measuring national income by the income method, product method, and expenditure method. We discuss them separately in the light of the three methods:

Problems in Income Method

The following problems arise in the computation of National Income by income method:

Owner-occupied Houses

A person who rents a house to another earns rental income, but if he occupies the house himself, will the services of the house-owner be included in national income. The services of the owner-occupied house are included in national income as if the owner sells to himself as a tenant its services. For the purpose of national income accounts, the amount of imputed rent is estimated as the sum for which the owner-occupied house could have been rented. The imputed net rent is calculated as that portion of the amount that would have accrued to the house- owner after deducting all expenses.

Self-employed Persons

Another problem arises with regard to the income of self-employed persons. In their case, it is very difficult to find out the different inputs provided by the owner himself. He might be contributing his capital, land, labour and his abilities in the business. But it is not possible to estimate the value of each factor input to production. So he gets a mixed income consisting of interest, rent, wage and profits for his factor services. This is included in national income.

Goods meant for Self-consumption

In under-developed countries like India, farmers keep a large portion of food and other goods produced on the farm for self-consumption. The problem is whether that part of the produce which is not sold in the market can be included in national income or not. If the farmer were to sell his entire produce in the market, he will have to buy what he needs for self-consumption out of his money income. If, instead he keeps some produce for his self-consumption, it has money value which must be included in national income.

Wages and Salaries paid in Kind

Another problem arises with regard to wages and salaries paid in kind to the employees in the form of free food, lodging, dress and other amenities. Payments in kind by employers are included in national income. This is because the employees would have received money income equal to the value of free food, lodging, etc. from the employer and spent the same in paying for food, lodging, etc.

Problems in Product Method

The following problems arise in the computation of national income by product method:

Services of Housewives:

The estimation of the unpaid services of the housewife in the national income presents a serious

difficulty. Housewife renders a number of useful services like preparation of meals, serving, tailoring, mending, washing, cleaning, bringing up children, etc. She is not paid for them and her services are not including in national income. Such services performed by paid servants are included in national income. The national income is, therefore, underestimated by excluding the services of a housewife. The reason for the exclusion of her services from national income is that the love and affection of a housewife in performing her domestic work cannot be measured in monetary terms. That is why when the owner of a firm marries his lady secretary, her services are not included in national income when she stops working as a secretary and becomes a housewife.

When a teacher teaches his own children, his work is also not included in national income. Similarly, there are a number of goods and services which are difficult to be assessed in money terms for the reason stated above, such as painting, singing, dancing, etc. as hobbies.

Intermediate and Final Goods

The greatest difficulty in estimating national income byproduct method is the failure to distinguish properly between intermediate and final goods. There is always the possibility of including a good or service more than once, whereas only final goods are included in national income estimates. This leads to the problem of double counting which leads to the overestimation of national income.

Second-hand Goods and Assets

Another problem arises with regard to the sale and purchase of second-hand goods and assets. We find that old scooters, cars, houses, machinery, etc. are transacted daily in the country. But theyare not included in national income because theywere counted in the national product in the year they were manufactured. If they are included every time they are bought and sold, national income would increase many times. Similarly, the sale and purchase of old stocks, shares, and bonds of companies are not included in national income because they were included in national income when the companies were started for the first time. Now they are simply financial transactions and represent claims. But the commission or fees charged by the brokers in the repurchase and resale of old shares, bonds, houses, cars or scooters, etc. are included in national income. For these are the payments they receive for their productive services during the year[1].

Illegal Activities

Income earned through illegal activities like gambling, smuggling, illicit extraction of wine, etc. is not included in national income. Such activities have value and satisfy the wants of the people but they are not considered productive from the point of view of society. But in countries like Nepal and Monaco where gambling is legalised, it is included in national income. Similarly, horse-racing is a legal activity in England and is included in national income.

Consumers' Service

There are a number of persons in society who render services to consumers but they do not produce anything tangible. They are the actors, dancers, doctors, singers, teachers, musicians, lawyers, barbers, etc. The problem arises about the inclusion of their services in national income since they do not produce tangible commodities. But as they satisfy human wants and receive payments for their services, their services are included as final goods in estimating national income[2]–[4].

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Capital Gains

The problem also arises with regard to capital gains. Capital gains arise when a capital asset such as a house, some other property, stocks or shares, etc. is sold at higher price than was paid for it at the time of purchase. Capital gains are excluded from national income because these do not arise from current economic activities. Similarly, capital losses are not taken into account while estimating national income.

Inventory Changes

All inventory changes (or changes in stocks) whether positive or negative are included in national income. The procedure is to take changes in physical units of inventories for the year valued at average current prices paid for them. The value of changes in inventories may be positive or negative which is added or subtracted from the current production of the firm. Remember, it is the change in inventories and not total inventories for the year that are taken into account in national income estimates.

Depreciation

Depreciation is deducted from GNP in order to arrive at NNP. Thus depreciation lowers the national income. But the problem is of estimating the current depreciated value of, say, a machine, whose expected life is supposed to be thirty years. Firms calculate the depreciation value on the original cost of machines for their expected life. This does not solve the problem because the prices of machines change almost every year.

Price Changes

National income by product method is measured by the value of final goods and services at current market prices. But prices do not remain stable. They rise or fall. When the price level rises, the national income also rises, though the national production might have fallen. On the contrary, with the fall in the price level, the national income also falls, though the national production might have increased. So price changes do not adequately measure national income. To solve this problem, economists calculate the real national income at a constant price level by the consumer price index.

DISCUSSION

Problems in Expenditure Method

The following problems arise in the calculation of national income by expenditure method:

(1) **Government Services**

In calculating national income by, expenditure method, the problem of estimating government services arises. Government provides a number of services, such as police and military services, administrative and legal services. Should expenditure on government services be included in national income?If they are final goods, then only they would be included in national income. On the other hand, if they are used as intermediate goods, meant for further production, they would not be included in national income. There are many divergent views on this issue[5].

One view is that if police, military, legal and administrative services protect the lives, property and liberty of the people, they are treated as final goods and hence form part of national income. If they help in the smooth functioning of the production process by maintaining peace and

security, then they are like intermediate goods that do not enter into national income. In reality, it is not possible to make a clear demarcation as to which service protects the people and which protects the productive process. Therefore, all such services are regarded as final goods and are included in national income.

Transfer Payments

There arises the problem of including transfer payments in national income. Government makes payments in the form of pensions, unemployment allowance, subsidies, interest on national debt, etc. These are government expenditures but they are not included in national income because they are paid without adding anything to the production process during the current year. For instance, pensions and unemployment allowances are paid to individuals by the government without doing any productive work during the year. Subsidies tend to lower the market price of the commodities. Interest on national or public debt is also considered a transfer payment because it is paid by the government to individuals and firms on their past savings without any productive work.

Durable-use Consumers' Goods

Durable-use consumers' goods also pose a problem. Such durable-use consumers' goods as scooters, cars, fans, TVs, furniture's, etc. are bought in one year but they are used for a number of years. Should they be included under investment expenditure or consumption expenditure in national income estimates? The expenditure on them is regarded as final consumption expenditure because it is not possible to measure their used up value for the subsequent years. The expenditure on a new house is regarded as investment expenditure and not consumption expenditure. This is because the rental income or the imputed rent which the house-owner gets is for making investment on the new house. However, expenditure on a car by a household is consumption expenditure. But if he spends the amount for using it as a taxi, it is investment expenditure.

Public Expenditure

Government spends on police, military, administrative and legal services, parks, street lighting, irrigation, museums, education, public health, roads, canals, buildings, etc. The problem is to find out which expenditure is consumption expenditure and which investment expenditure is. Expenses on education, museums, public health, police, parks, street lighting, civil and judicial administration are consumption expenditure. Expenses on roads, canals, buildings, etc. are investment expenditure. But expenses on defence equipment are treated as consumption expenditure because they are consumed during a war as they are destroyed or become obsolete. However, all such expenses including the salaries of armed personnel are included in national income.

Uses of National Income Data

Modern Governments take unusual pains in the collection of national income data for a number of reasons. Raising national income is the important goal of all economic activity. Economic welfare of a country depends upon what goods and services are made available for the consumption of its people. The following are the main uses of national income statistics: National income data are used to measure economic welfare of the community. Other things being equal, economic welfare is greater if national income is greater. National income figures give us an idea as to the standard of living of a community. The national income figures are further useful in helping us to assess

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the pace of economic development of a country. If they do not measure progress precisely, at least they will show us the trends.The study of national income statistics is also useful in diagnosing the economic ills of a country and suggesting remedies.The national income data are used to assess the saving and investment potential of the community. The rate of saving and investment is ultimately dependent on the national income. We can make inter-temporal comparisons, i.e., comparisons between two periods of time in the country in order to form an idea of the economic conditions prevalent in the respective periods. We can also make inter-country comparisons by taking the national income data of two countries. This will help us to know where we stand among the world economies. National income data also enable us to assess inter-sectoral growth of an economy. This information is useful in planning development of the various sectors. The national income data also offer a reasonable basis for forecasting future economic events. This will enable a country to foresee the probable results of a particular economic policy[6], [7].

Another use of the national income estimates is that they throw light on inter-class distribution of national income. One can judge the standard of welfare of the various sections of the community. All modern societies aim at reducing inequalities of incomes and this is not possible without the aid of national income data. Above all, the national income data are used for planned economic development of the country. In their absence all planning will be a leap in the dark. By means of statistics of national income, we can chart the movements of a country from depression to prosperity, its steady long-term rate of economic growth and development, and finally, its material standard of living in comparison with other nations."

Limitations of National Income Accounts

There is no doubt that the national income data are highlyuseful and even necessary for a modern society. But we should take care not to attach to them exaggerated importance. They cannot be taken as absolutely reliable nor can they be taken as an infallible guide to economic policy.

They suffer from certain limitations

(i) They are only rough approximations with all the care taken and the expense incurred in their preparation. We have, therefore, to be very careful in their use.

(ii) The national income figures measure moneyincomes rather than real income. Any attempt at inflating or deflating money incomes in order to ascertain real income will create a host of other uncertainties.

(iii) Inter-temporal comparisons, i.e., comparisons between two differ-ent periods in the country are not possible. This is due to the fact that a number of changes must have occurred in the meantime to render the comparison meaningless.

(iv) Inter-country comparisons too are also not very fruitful. This is due to the fact that economic conditions of the two countries as well as the nature of goods and services that have entered into calculation may be widely different.

(v) The national income estimates do not justify any forecasting owing to a large measure of approximation in their calculation. On their basis we cannot say that a certain policy will produce the desired results.

The national income estimates serve a very useful purpose and improvement both in the data and in the techniques no doubt has added to their validity. The three alternative methods used for

measuring national income are as follows:

1.Value Added Method, 2. Income Method, 3. Expenditure Method.

Since factor incomes arise from the production of goods and services, and since incomes are spent on goods and services produced, three alternative methods of measuring national income are possible.

Value Added Method

This is also called output method or production method. In this method the value added by each enterprise in the production goods and services is measured. Value added by an enterprise is obtained by deducting expenditure incurred on intermediate goods such as raw materials, unfinished goods (purchased from other firms from the value of output produced by an enterprise. Value of output produced by an enterprise is equal to physical output (Q) produced multiplied by the market price (P), that is, P.Q. From the value added by each enterprise we subtract consumption of fixed capital (i.e., depreciation) to obtain net value added at market prices (NVAMP). However, for estimating national income (that is, Net National Product at factor cost (NNPFC) we require to estimate net value added at factor cost (NVAFC) by each enterprise in the economy. NVAFC can be found out by deducting net indirect taxes (i. e. indirect taxes less subsidies provided by the Government).

Under this method, the economy is divided into different industrial sectors such as agriculture, fishing, mining, construction, manufacturing, trade and commerce, transport, communication and other services. Then, the net value added at factor cost (NVAFC) by each productive enterprise as well as by each industry or sector is estimated. This method of calculating national income can be used where there exists a census of production for the year. In many countries, the data of production of only important industries are known. Hence this method is employed along with other methods to arrive at the national income. The one great advantage of this method is that it reveals the relative importance of the different sectors of the economybyshowing their respective contributions to the national income.

Income Method

This method approaches national income from distribution side. In other words, this method measures national income at the phase of distribution and appears as income paid and or received by individuals of the country. Thus, under this method, national income is obtained by summing up of the incomes of all individuals of a country. Individuals earn incomes by contributing their own services and the services of their property such as land and capital to the national production. Therefore, national income is calculated by adding up the rent of land, wages and salaries of employees, interest on capital, profits of entrepreneurs (including undistributed corporate profits) and incomes of self-employed people. This method of estimating national income has the great advantage of indicating the distribution of national income among different income groups such as landlords, owners of capital, workers, entrepreneurs.

Expenditure method arrives at national income by adding up all expenditures made on goods and services during a year. Income can be spent either on consumer goods or capital goods. Again, expenditure can be made by private individuals and households or by government and business enterprises.Further, people of foreign countries spend on the goods and services which a country exports to them. Similarly, people of a country spend on imports of goods and services from other

countries. We add up the following types of expenditure byhouseholds, government and by productive enterprises to obtain national income.

Expenditure on consumer goods and services by individuals and households. This is called final private consumption expenditure, and is denoted by C. Government's expenditure on goods and services to satisfy collective wants. This is called government's final consumption expenditure, and is denoted by G. The expenditure by productive enterprises on capital goods and inventories or stocks. This is called gross domestic-capital formation, or gross domestic investment and is denoted by I or GDCF. A greatest difficulty in the measurement of national income in the developing countries is general lack of adequate statistical data. Inadequacy, non-availability and unreliability of statistics is a great handicap in measuring national income in these countries. Statistical information regarding agriculture and allied occupations, and household enterprises is not available. Even the statistical information regarding the enterprises in the organized sector is sketchy and unreliable. There is no accurate information available regarding consumption, investment expenditure and savings of either rural or urban population. In under-developedcountries like India, weface some special difficulties in estimating national income.

Some of these difficulties are

The first difficulty arises because of the prevalence of non-monetized transactions in under-developed countries like India, so that a considerable part of output does not come into the market at all.Agriculture still being in the natureof subsistence farming in these countries, a major part of output is consumed at the farm itself. The national income statistician, therefore, has to face the problem of finding a suitable measure for this part of output. Because of illiteracy, most producers have no idea of the quantity and value of their output. They do not follow the practice of keeping regular accounts. This makes the task of getting reliable information from a large number of pettyproducers all the more difficult[8], [9].

Because of under-development, occupational specialization is still incomplete so that there is a lack of differentiation in economic functioning. An individual may receive income partly from farm ownership, partly from manual work in industry in the slack season, etc. There is a general lack of adequate statistical data and this makes the task of estimation all the more difficult. It is not easy to calculate the value of inventories, i.e., raw materials, semi-finished and finished goods in the custody of the producers. Obviously, any miscalculation on this score will vitiate the estimates of the output of productive enterprises. The calculation of depreciation on capital consumption presents another formidable difficulty. There are no accepted standard rates of depreciation applicable to thevarious categories of machines. Unless from the gross national income correct deductions are made for depreciation, the estimate of net national income is bound to go wrong. Then there is the difficulty of avoiding double counting. If the value of the output of sugar and sugarcane are counted separately, the value of the sugarcane utilized in the manufacture of sugar will have been counted twice. This must be avoided. The application of the expenditure method too is full of difficulties. It is difficult to estimate all personal as well as investment expenditure.

CONCLUSION

In conclusion, measuring national income encounters various difficulties and problems that affect the accuracy and comprehensiveness of economic assessment. Data limitations, informal sector activities, non-market transactions, quality adjustments, and intangible asset valuation pose

challenges to economists and policymakers. However, recognizing these challenges provides opportunities for improvement. Efforts to enhance data collection, develop frameworks for measuring informal sector activities, incorporate non-market transactions, improve quality adjustments, and refine methodologies for valuing intangible assets are essential for obtaining a more accurate representation of national income. Overcoming these difficulties will lead to more informed policy decisions, better understanding of economic trends, and improved strategies for sustainable development. By addressing the challenges in measuring national income, societies can strive towards more comprehensive and accurate assessments of economic well-being and progress.

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SKILL DEVELOPMENT: EMPOWERING INDIVIDUALS FOR ECONOMIC GROWTH AND SOCIAL PROGRESS

Mr. Yelahanka Lokesh*

*Assistant Professor,
Department of Commerce And Economics,
Presidency University, Bangalore, INDIA
Email Id-lokesh.yr@presidencyuniversity.in

ABSTRACT:

Skill development is essential for individuals to adapt to the changing needs of the labor market and contribute to economic growth. This section introduces the purpose of the paper, which is to analyze the structure of skill development and its implications for economic growth and social progress. The importance of comprehending the key components of skill development is emphasized in guiding effective policies and strategies.This paper explores the importance of skill development in fostering economic growth, enhancing productivity, and promoting social progress. Skill development plays a crucial role in equipping individuals with the knowledge, competencies, and capabilities required to thrive in a rapidly evolving labor market. The study examines the structure of skill development, including formal education, vocational training, lifelong learning, and the acquisition of both technical and soft skills. The paper highlights the significance of effective skill development policies and programs in driving economic competitiveness, reducing unemployment, and ensuring inclusive and sustainable development.

KEYWORDS: *Business, Economic Growth, Macroeconomics, Management, Skill Development*.

INTRODUCTION

Formal Education and Vocational Training

This section focuses on the role of formal education and vocational training in skill development. It examines the importance of providing quality primary, secondary, and tertiary education to build a strong foundation of knowledge and critical thinking. Vocational training programs equip individuals with specialized skills and competencies required for specific industries and occupations [1]–[3].

Lifelong Learning and Continuous Skill Upgrading

This section addresses the significance of lifelong learning in skill development. It explores the need for individuals to continuously update their skills and knowledge throughout their professional lives to remain competitive and adaptable. Lifelong learning initiatives, such as professional development programs and online courses, enable individuals to acquire new skills and stay relevant in a rapidly changing work environment.

Technical and Soft Skills Development

This section delves into the importance of both technical and soft skills in skill development. It examines the need for individuals to possess technical skills relevant to their chosen field or

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industry, as well as soft skills such as communication, teamwork, problem-solving, and adaptability. A well-rounded skill set enhances employability and facilitates career progression [4]–[6].

Effective Skill Development Policies and Programs

This section focuses on the significance of effective skill development policies and programs. It explores the role of government initiatives, public-private partnerships, and industry collaboration in promoting skill development. Effective policies and programs ensure access to quality education and training opportunities, alignment with industry needs, and support for entrepreneurship and innovation.A Chart for Approaches to Managerial Decisions. The below mention chart showing the decision making process in management:

Internal Factors:

Organizational Factors

Pricing decisions occur on two levels in the organisation. Over-all price strategy is dealt with by top executives. They determine the basic ranges that the product falls into in terms of market segments. The actual mechanics of pricing are dealt with at lower levels in the firm and focus on individual product strategies. Usually, some combination of production and marketing specialists are involved in choosing the price.

Marketing Mix

Marketing experts view price as only one of the many important elements of the marketing mix. A shift in any one of the elements has an immediate effect on the other three- Production, Promotion and Distribution. In some industries, a firm may use price reduction as a marketing technique. Other firms mayraise prices as a deliberate strategy to build a high-prestige product line. In either case, the effort will not succeed unless the price change is combined with a total marketing strategy that supports it. A firm that raises its prices may add a more impressive looking package and may begin a new advertising campaign [7]–[9].

Product Differentiation

The price of the product also depends upon the characteristics of the product. In order to attract the customers, different characteristics are added to the product, such as quality, size, colour, attractive package, alternative uses etc. Generally, customers pay more prices for the product which is of the new style, fashion, better package etc.

Cost of the Product

Cost and price of a product are closely related. The most important factor is the cost of production. In deciding to market a product, a firm may try to decide what prices are realistic, considering current demand and competition in the market. The product ultimately goes to the public and their capacity to pay will fix the cost, otherwise product would be flapped in the market.

Objectives of the Firm

A firm may have various objectives and pricing contributes its share in achieving such goals. Firms may pursue a variety of value-oriented objectives, such as maximizing sales revenue, maximizingmarketshare, maximizing customervolume, minimizingcustomer volume, maintaining

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an image, maintaining stable price etc. Pricing policy should be established only after proper considerations of the objectives of the firm.

External Factors:

Demand:

The market demand for a product or service obviously has a big impact on pricing. Since demand is affected by factors like, number and size of competitors, the prospective buyers, their capacity and willingness to pay, their preference etc. are taken into account while fixing the price. A firm can determine the expected price in a few test-markets by trying different prices in different markets and comparing the results with a controlled market in which price is not altered. If the demand of the product is inelastic, high prices may be fixed. On the other hand, if demand is elastic, the firm should not fix high prices, rather it should fix lower prices than that of the competitors.

Competition

Competitive conditions affect the pricing decisions. Competition is a crucial factor in price determination.Afirm can fix the price equal to or lower than that of the competitors, provided the quality of product, in no case, be lower than that of the competitors.

Suppliers

Suppliers of raw materials and other goods can have a significant effect on the price of a product. If the price of cotton goes up, the increase is passed on by suppliers to manufacturers. Manufacturers, in turn, pass it on to consumers. Sometimes, however, when a manufacturer appears to be making large profits on a particular product, suppliers will attempt to make profits by charging more for their supplies. In other words, the price of a finished product is intimately linked up with the price of the raw materials. Scarcity or abundance of the raw materials also determines pricing.

Economic Conditions

The inflationary or deflationary tendency affects pricing. In recession period, the prices are reduced to a sizeable extent to maintain the level of turnover. On the other hand, the prices are increased in boom period to cover the increasing cost of production and distribution. To meet the changes in demand, price etc.

Several pricing decisions are available:

(a) Prices can be boosted to protect profits against rising cost,

(b) Price protection systems can be developed to link the price on delivery to current costs,

(c) Emphasis can be shifted from sales volume to profit margin and cost reduction etc.

Buyers:

The various consumers and businesses that buy a company's products or services may have an influence in the pricing decision. Their nature and behaviour for the purchase of a particular product, brand or service etc. affect pricing when their number is large.

Government

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Price discretion is also affected by the price-control by the government through enactment of legislation, when it is thought proper to arrest the inflationary trend in prices of certain products. The prices cannot be fixed higher, as government keeps a close watch on pricing in the private sector. The marketers obviously can exercise substantial control over the internal factors, while they have little, if any, control over the external ones. Prepare a survey report on the demand forecasting ofany product.

Solution

Demand forecasting is the art and science of forecasting customer demand to drive holistic execution of such demand by corporate supply chain and business management. Demand forecasting involves techniques including both informal methods, such as educated guesses, and quantitative methods, such as the use of historical sales data and statistical techniques or current data from test markets. Demand forecasting may be used in production planning, inventory management, and at times in assessing future capacity requirements, or in making decisions on whether to enter a new market. Demand forecasting is predicting future demand for the product. In other words, it refers to the prediction of probable demand for a product or a service on the basis of the past events and prevailing trends in the present.

DISCUSSION

Discuss the process of business decision making with the help of case study.

CASE PROBLEM

Decisions about whether, when and how to downsize (restructure). Company Southwest Airlines Southwest Airlines Co. ("Southwest") is a major domestic airline that provides primarily short haul, highfrequency, point to point, low fare service. Founded in 1971 and headquartered in the US, Southwest is a large low-cost airline. Airlines rely on key inputs such as aircraft, fuel and labour in order to operate. Like any airline it is sensitive to jet fuel prices and other operating costs. FORTUNE has listed Southwest Airlines among. America's Top Ten most admired corporations and previously ranked SouthwestAirlines in the top five of the "Best Companies to Work For" in America. Today Southwest operates over 500 Boeing 737 aircraft in 66 cities. Southwest has among the lowest cost structures in the domestic airline industry and consistently offers the lowest and simplest fares. Southwest also has one of the best overall.

Customer Service records. The company is committed to provide its employees with a stable work environment with equal opportunityfor learning and personal growth; there are more than 35,000 employees throughout the Southwest system. The airline is unionized (heavilyunionizedwhen compared with other US airlines). In 1995, Southwest became one of the first airlines to have a web site. In 2006, 70 percent of flight bookings and 73 percent of revenue was generated from bookings on southwest.com. The best way to become acquainted with Managerial Economics is to come face to face with real world decision problems[10]. Many companies have applied established principles of Managerial Economics to improve their profitability. In the past decade, a number of known companies have experienced successful changes in the economics of their business by using economic tools and techniques. Some cases as discussed below.

CASE1:

For P&G7, the 1990s was a decade of "value-oriented" consumer. The company formulated

policies in view of emergence of India as "value for money" product market. This means that consumers are willing to pay premium price only for quality goods. Customers are "becoming more price-sensitive and quality conscious…more focused on self-satisfaction. It can, therefore, be said that consumer preferences and tastes have come to play a vital role in the survival of companies.

CASE2:

Leading multinational players like Samsung, LG, Sony and Panasonic cornered a large part of Indian consumer durables market in the late 1990s. This was possible because of global manufacturing facilities and investment in technologies. To maintain their market share, they resorted to product differentiation. These companies introduced technologically advanced models with specific product features and product styling.

CASE3:

Apple, the companythat began the PC revolution, had always managed to maintain its market share and profitability by differentiating its products from the IBM PC compatibles. However, the introduction of Microsoft's Windows operating system gave the IBM and IBM compatible PCs the look and ease of use of the Apple Macintosh. This change in the competitive environment forced Apple to lower its prices to levels much closer to IBM compatibles. The result has been an erosion of profit margins. For example, between 1991 and 1993, Apple's net profit margins fell from 5 to 1 per cent.

CASE4:

Reliance Industries has maintained top position in polymers by building a world- scale plant and upgrading technology. This has resulted in low operating costs due to economies of scale. Reliance Petroleum Ltd. registered a net profit of Rs. 726 crores on sales of Rs. 14,308 crores for the six months ended September30, 2000. Of these, exports amounted to Rs 2,138 crores, which make RPLIndia s largest manufacturer and exporter. The overall economies of scale are in favor of expansion. This expansion will further consolidate the position of RPL in the sector and help in warding off rivals.

CONCLUSION

In conclusion, skill development is a crucial driver of economic growth and social progress. By comprehending the structure of skill development, policymakers and stakeholders can design effective policies and programs that foster a skilled workforce, enhance productivity, and drive economic competitiveness. Skill development initiatives encompass formal education, vocational training, lifelong learning, and the acquisition of technical and soft skills. By investing in skill development, societies can reduce unemployment, bridge skills gaps, and ensure inclusive and sustainable development. Skill development empowers individuals to adapt to the evolving demands of the labor market, contribute meaningfully to the economy, and improve their overall quality of life. By leveraging the insights gained from the structure of skill development, societies can unlock the potential of individuals, foster economic growth, and promote social progress.

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PROMOTIONAL PROGRAM SITUATION ANALYSIS

Dr. Vankadari Gupta*

*Associate Professor,
Master In Business Administration (General Management),
Presidency University, Bangalore, INDIA
Email Id: - chithambargupta@presidencyuniversity.in

ABSTRACT:

The promotional program situation analysis is a crucial step in developing effective marketing communication strategies. This study explores the significance of conducting a comprehensive situation analysis for promotional programs and examines how it enables marketers to understand the internal and external factors that impact promotional efforts. Examines the theoretical foundations of situation analysis in marketing communication. It explores the key components typically included in the analysis, such as market analysis, target audience analysis, competitor analysis, internal capabilities assessment, and environmental scanning.The scenario analysis is the next phase in creating a promotional plan after the examination of the overall marketing strategy. The scenario analysis in the IMC program focuses on the variables that affect or are pertinent to the creation of a promotional plan. The promotional program scenario analysis involves both an internal and an external analysis, much as the overall marketing situation analysis.

KEYWORDS: *Consumer Behavior, Market Research, Marketing Objectives, Product Analysis, Promotional Goals, Sales Analysis*.

INTRODUCTION

Internal Evaluation

The internal analysis evaluates pertinent aspects of the product/service offering and the company as a whole. It is important to examine the firm's capacities for creating and implementing effective promotional programs, the structure of the promotional department, and the accomplishments and shortcomings of prior initiatives. The research should look at the relative benefits and drawbacks of executing internal promotional tasks vs contracting with an outside company. For instance, the internal study may show that some aspects of the promotional campaign cannot be planned, implemented, or managed by the company. If so, it might be prudent to seek aid from a marketing firm or another promotional intermediary. The effectiveness of the agency's work and the outcomes of previous and/or current campaigns will be the main points of discussion if the company already employs an advertising agency[1]–[3].

Assessing the firm's or the brand's image-related strengths and shortcomings is another component of the internal study. The way a company presents itself to the public often has a big bearing on how it can advertise and sell itself as well as its numerous goods and services. Companies or brands that are new to the market or for whom there are unfavorable impressions may need to focus on their images rather than simply the advantages or features of the particular product or service. But when it comes to selling its goods or services, a company with a solid reputation and/or image is already one step ahead. For instance, a national poll revealed that Johnson & Johnson, Coca-Cola, Hewlett-Packard, Intel, Ben & Jerry's, and Wal-Mart had the

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greatest overall reputations among American customers. In terms of social responsibility, which takes into account opinions of the business as a good neighbor in its interactions with locals, workers, and the environment, Wal-Mart received extremely high ratings. By sponsoring a variety of causes on a local and national level, Wal-Mart strengthens its reputation as a socially conscious business.The internal study also evaluates the relative benefits and drawbacks of the item or service, its advantages and disadvantages, any special features or benefits, its pricing, packaging, and design, among other things. The creative team members who are responsible for creating the brand's advertising message will find this information to be of particular importance.

Process Analysis of Communication

This step in the planning process for promotions looks at the company's ability to effectively interact with customers in its target markets. The process that consumers will go through while reacting to marketing messages must be considered by the promotional planner. In contrast to low-involvement or regular purchase choices, the response process for goods or services is often different for those for which customer decision making is defined by a high degree of interest. These variations will affect the marketing plan.It's also important to think about how to leverage different sources, messages, and channels when making communication choices. The promotional planner has to be aware of the varied impacts that different sorts of advertising messages may have on customers and determine whether or not they are accep for the brand or product. It may also be investigated if using a famous spokesman is appropriate and at what expense. At this time, there may also be a preliminary discussion of media-mix choices and their financial consequences.

Budget Determination

Following the determination of the communication goals, focus shifts to the promotional budget. At this time, two fundamental inquiries are made: How much will the promotional program cost? How will the funds be distributed? The amount of money a business should invest in marketing should ideally be based on what is required to meet its communication goals. In fact, the amount of money available or a proportion of a company's or brand's sales income are often used to calculate promotional budgets. The budget is often a rough estimate at this point. Until certain promotional-mix techniques are created, it could not be completed.

procedure for preparing promotions. Each component of the promotional mix has benefits and limits, as was previously described. At this step of the planning process, judgments must be taken on the function, significance, and coordination of each piece. Each component of the promotional mix has its own set of goals, as well as a budget and plan for achieving them. For the promotional initiatives to be put into action, decisions must be taken and tasks must be completed. It is vital to create procedures for assessing performance and implementing any required adjustments.

For instance, the advertising campaign will have its own set of goals, which will often include reaching out to a target population with a message or appeal. The advertising manager and the agency will establish a budget so they can obtain a rough estimate of how much money is available for creating the ad campaign and buying media to spread the message.The creation of the message and the media plan are two key components of the advertising campaign. Finding the fundamental appeal and message the marketer wants to deliver to the target audience is known as message development, also known as creative strategy. Many students find this procedure and the ensuing advertisements to be the most exciting part of marketing. Choosing the communication

channels that will be utilized to reach the target audience for an advertisement is known as media strategy. The categories of media that will be utilized, as well as the precise media choices, must be decided. The pros and disadvantages, prices, and effectiveness of the media alternatives in reaching the target audience must all be carefully considered for this assignment.

It is necessary to take action to put the message and media strategy into action once they have been chosen. The majority of big businesses use advertising firms to design and produce their messaging as well as to assess and buy the media that will run their advertisements. However, since the advertiser ultimately accepts the creative work and media strategy, the majority of agencies work extremely closely with their clients as they produce the commercials and choose media.

The process of establishing goals, creating an overall strategy, deciding on message and media strategies, and moving forward with their implementation is the same for the other components of the IMC program. While some of the other IMC tasks may be handled by the marketer's advertising agency, the marketer may also work with other communication experts including direct-marketing, interactive, and/or sales promotion agencies, as well as public relations firms.

Evaluation, Monitoring, and Control

Monitoring, assessing, and regulating the promotional campaign is the last step in the promotional planning process. It's critical to assess how well the promotional campaign is achieving the company's overall marketing objectives and communications goals. The promotional planner is interested in learning why the promotional campaign is doing as well as how well it is. For instance, issues with the advertising campaign might be caused by the message's content or a media strategy that fails to successfully reach the target audience. To make the proper adjustments to the program, the management must be aware of the causes of the outcomes.This last step of the procedure is to provide management ongoing feedback on the success of the promotional campaign, which can then be utilized as input during the planning stage.

The different components of the promotional mix have traditionally been addressed as independent activities whether teaching advertising, promotional strategy, or marketing communications courses. As a consequence, many individuals in the fields of advertising, sales promotion, direct marketing, or public relations often approach challenges relating to marketing communications from the standpoint of their own field. A marketing communications professional may argue that media advertising is the best way to achieve marketing communications goals; a promotional specialist may support a sales promotion program as a way to spur consumer action; and a public relations specialist might support a PR campaign as a way to address the issue. Since each individual has been taught to approach marketing communications difficulties largely from one standpoint, these orientations are not unexpected.

However, in today's corporate environment, those working in marketing, advertising, and other promotional fields are required to comprehend and apply a number of marketing communications tools, not just the one in which they are experts. Advertising companies no longer limit their services to the field of advertising. Many people work in marketing communications, public relations, direct marketing, event sponsorship, and sales promotion. People who work for clients or advertisers, such as brand, product, or promotional managers, are creating marketing plans that make use of a range of marketing communications techniques.

Approaches advertising and promotion from the standpoint of integrated marketing

communications. We'll look at every component of the promotional mix and how it contributes to an organization's integrated marketing communications strategy. Even though media advertising may be the most prominent component of the communications strategy, understanding its function in modern marketing necessitates paying attention to other promotional fields like direct marketing, interactive marketing, public relations, sales promotion, and personal selling as well as the Internet and other technologies. The advertising or marketing communications manager does not have direct authority over every aspect of the promotional-mix. For instance, personal selling is often a specialist marketing task outside of the advertising or promotion division. Similar to how publicity and public relations are sometimes allocated to a different department. To coordinate the organization's marketing communications strategies, all of these divisions should nonetheless communicate.

DISCUSSION

Goal is to thoroughly explain the field of advertising, together with other components of a company's promotional mix, and to demonstrate how they work together to create an integrated marketing communications program. The people involved must comprehend marketing, customer behavior, and the communications process in order to design, create, and execute a successful IMC programwhich looks at how advertising and other types of promotion fit into the marketing process, is meant to provide the groundwork for this. We look at the positioning and market segmentation processes and how they contribute to creating an IMC strategy. We also go over how businesses arrange for IMC and choose advertising agencies and other businesses that provide marketing and promotional services [4]–[6].

IMC's Function in the Marketing Cycle

Alternative market opportunities for current product lines in existing or new markets, new goods for existing markets, or new products for new markets should result from a thorough research of the market. prospects in the market are those where there are favorable demand patterns, where the firm feels there are unmet consumer demands and prospects, and where it can successfully compete. Since more people are exercising, for instance, the market for athletic footwear has grown to over $13.5 billion.Companies that make athletic shoes, like Nike, Reebok, and others, see this as an opportunity to increase their domestic and global customer bases. Some businesses spend millions of dollars on advertising alone to take advantage of this development. Reebok spent $49 million, Nike nearly $155 million, while New Balance "only" spent $13 million in 2001. The market for trail, running, basketball, and "lifestyle" shoes like slip-ons has changed as a result of changes in lifestyles. In all, athletic footwear makers spent over $5.9 billion on advertising and celebrity endorsements in 2001.2.

Typically, a corporation finds market possibilities by carefully analyzing the marketplace, keeping track of demand patterns, and observing competition in different market categories. Rarely can a market be thought of as one big homogenous group of consumers; instead, it is made up of several heterogeneous groupings, or segments. Numerous businesses have recently realized how crucial it is to customize their marketing to satisfy the demands and trends of various market groups.For instance, the residential, education, scientific, and commercial sectors are only a few examples of the many market segments in the personal computer industry. These divisions are still possible. The education market may include anything from primary schools through colleges and universities, whereas the business market includes both small businesses and major enterprises. A business that markets its goods to the automotive sector must choose which specific

market segment or markets it wants to compete in. This choice is based on the level and kind of competition the brand will see in a certain market. For instance, some businesses that have had success in the premium automobile market have lately unveiled SUVs. These vehicles are currently available from Lincoln, Cadillac, Lexus, BMW, and Mercedes. In 2004, Porsche, a well-known player in the sports car market, will unveil its SUV. The construction of a marketing plan includes a competitive analysis, which merits more thought.

Competitive Research

The management must thoroughly assess the marketplace competition while creating the company's marketing strategy and plans for its goods and services. This may include both direct brand rivalry and more subtly competitive forms, including product alternatives. For instance, when Lay's released Baked Lay's low-fat chips, sales of the original Lay's potato chip brand were negatively impacted. At the same time, other potato chip manufacturers attracted new customers.In addition to direct rivals in the potato chip market, Lay's is up against rivals in the pretzel and cracker markets. One may argue that Lay's is rivaled by other low-fat goods that provide consumers a choice. Since rivals began offering breakfast bars and snacks like Chex Morning Mix, the sale of bagels has decreased.

More generally, marketers need to be aware that they are vying for consumers' discretionary cash, thus they need to be aware of the many ways that prospective customers spend their money. For instance, the United States had a sharp fall in motorcycle sales in the late 1980s and early 1990s. The aging baby boomers are less likely to ride motorbikes, and there are fewer men between the ages of 18 and 34, which is reflected in this reduction. The lack of other products people might buy with their extra money, such as Jet Skis, dirt motorcycles, home gym equipment, spas, and home entertainment systems like large-screen TVs and stereos, may also be blamed for the decline in sales. As a result, motorcycle marketers like Honda and Harley-Davidson had to persuade prospective customers that, in comparison to other purchasing alternatives, a motorbike was worth a significant amount of their available cash. The industry was successful in turning around the slump via excellent marketing methods, and by the late 1990s, sales had increased by over 25%.

Finding a competitive advantage—something unique a company does or possesses that offers it an advantage over rivals—is a crucial component of developing a marketing plan. Having high-quality items that attract a premium price, offering exceptional customer service, having the lowest manufacturing costs and pricing, or controlling distribution networks are all ways to get a competitive edge. A long-running ad campaign for Michelin tires, which placed an emphasis on both performance and security, is an example of how advertising can establish and sustain brand identity and product distinctiveness to provide businesses a competitive edge. For instance, Colgate toothpaste, Campbell's soup, Nike shoes, Kodak, and McDonald's all enjoy competitive advantages in their respective marketplaces thanks to their strong brand identities.

There has recently been worry that some marketers are not investing enough money in advertising to support the competitive edge of top companies. Advocates of advertising have urged businesses to spend more money on advertising rather than pricey trade promotions in order to safeguard their brand value and franchises. Some businesses have been increasing their investments in strong brands as a result of realizing the crucial competitive advantage they provide. Just two of many instances are Capital One and McDonald's. Capital One developed a new branding effort to highlight the safety provided by its credit cards using public relations,

direct marketing, and $96 million in media investment.

Businesses need to be worried about the dynamic competitive climate. Analysis and monitoring of competitors' marketing initiatives is necessary since they have a significant influence on a company's marketing strategy. Another crucial factor is how rivals respond to a company's marketing and promotion plan. Competitors may lower prices, spend more on promotions, create new brands, or wage comparative advertising wars against one another. The conflict between Coca-Cola and Pepsi is one of the most heated rivalries in sports. Other fierce rivalry in the market includes those between Ford and GM, Hertz and Avis, and a number of others.

The increasing number of international businesses that are entering the American market and competing with local businesses is a last facet of competitiveness. Imports are becoming a more potent kind of competition that U.S. businesses must deal with in a variety of items, from electronics to vehicles to beer. As our economy becomes increasingly globalized,U.S. businesses must learn how to successfully compete in the global market in addition to defending their own markets [7]–[9].

Selection of the target market

The business may decide to choose one or more market categories as its target markets after analyzing the potential offered by each one and doing a thorough competition study. The firm's marketing strategy is centered on this target market, and goals and objectives are established in accordance with the company's aspirations for this market. These goals and objectives are defined in terms of certain performance factors, such as sales, market share, and profitability. The choice of the target market in which the company will compete is a crucial component of its marketing plan and directly affects its advertising and promotional initiatives. Remember that the scenario analysis is carried out at the start of the promotional planning process from our discussion of the integrated marketing communications planning program. The scenario analysis yields specific goals, including those for marketing and communications, which are then translated into promotional-mix plans. Rarely do marketers use one product, brand, or service offering to target the whole market. Instead, companies use a variety of techniques, segmenting the market and concentrating their marketing and advertising efforts on one or more of these categories. Accordingly, depending on the chosen market strategy, several goals may be set, various budgets may be used, and various promotional-mix techniques may be employed.Few, if any, items can satiate all customer wants, hence businesses often use several marketing tactics to address various consumer needs. Target marketing, the method used by marketers to do this, entails four fundamental steps: finding markets with unmet requirements, segmenting the market, focusing on specific groups, and presenting one's product or service via marketing methods.

Identifying Markets

When using a target marketing approach, the marketer determines which groups of individuals have particular requirements, chooses one or more of these segments as a target, and creates marketing campaigns tailored to each. For a variety of factors, including as market shifts, more segmentation by rivals, and the fact that more managers have received segmentation training and are aware of its benefits, this method has found greater use in marketing. The strongest justification, however, may be found in the fundamental idea that in order to create marketing initiatives that best serve customers, it is essential to have a thorough understanding of their requirements.By separating out customers with comparable demands, lifestyles, and other

characteristics, target market identification helps us better understand their unique requirements. Marketers will be more successful in addressing these demands in their communications campaigns and educating and/or persuading prospective customers that the product or service offering will fulfill their needs the more they can build a common ground with consumers.

Consider the beer business as an example. Beer used to be simply beer back then, with no distinction, many of regional distributors, and few genuinely national brands. The business started to consolidate, and many brands either vanished or were taken over by the bigger brewers. Competition among the main brewers intensified as the number of rivals shrank. Brewers started examining the various preferences, lifestyles, and other characteristics of beer consumers in order to compete more successfully. They then utilized this knowledge in their marketing techniques. Numerous market segments were identified as a consequence of this approach, each of which is related to a certain customer's demands, way of life, and other traits.

Market division

It is impossible to create marketing plans for each and every customer. Instead, the marketer looks for sizable groups of consumers that have the same demands and will react similarly to marketing efforts. Market segmentation is defined as "dividing a market into distinct groups that have common needs and will respond similarly to a marketing action," according to Eric N. Berkowitz, Roger A. Kerin, and William Rudelius.4 There are five different phases in the segmentation process:

1. Finding strategies to classify customers based on their demands.

2. Finding methods to organize the organization's marketing initiatives—typically the items provided—into groups.

3. Creating a market-product grid to link the various market groups to the products or activities of the company.

4. Deciding which target markets the company would focus its marketing efforts on.

5. Using marketing strategies to connect with target demographics.

The more precisely marketers understand the market, the more segments there are. There are, however, fewer customers in each sector the more the market is segmented. Therefore, deciding how far to go with segmentation is crucial. Where does the action come to an end? The beer industry's approach shows how effective it can be.Managers think about whether the target group is big enough to enable personalized techniques while organizing the promotional campaign. They specifically take into account accessibility for this population. Can you communicate with it via a program? For instance, you'll notice in 10 that there are sometimes no media that may be utilized to reach certain specific target audiences. Or the promotions manager could be able to pinpoint a few segments but fail to create the necessary programs to reach them. The company could not have enough money to invest in the necessary advertising campaign, not enough salespeople to cover all regions, or other promotional shortcomings. The marketer must decide how to target the market after it has been determined that segmentation is necessary. The following examines some of the fundamentals of market segmentation and provides examples of uses for advertising and promotions.

It seems that American marketers have at last learned about the Hispanic market. It hasn't exactly

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been here for a while, but it has. Not that it isn't a sizable object; it is. What then has jolted Madison Avenue into seeing the possibilities of this market? many different things.First, take into account the million-person size of the Hispanic market. Second, think about the growth rate for the previous ten years, which was 58%. Third, add the anticipated $400 billion in purchasing power, which, in the words of Marci McDonald of U.S. News & World Report, "seems impervious to the Nasdaq's swoons." The outcome is a market that is quite appealing. And unlike in the past, several major marketers have now started to pay attention to this sector [10].

CBS has taken note. The network has launched a Spanish-language simulcast of The Bold and the Beautiful called Belleza y Poder in the hopes that the Hispanic market can aid in reversing the falling trend in the size of its soap opera viewership. The American Association of Retired Persons especially targeted the over-50 Hispanic demographic with a $3 million campaign, while Liz Claiborne Cosmetics launched their new fragrance, Mambo, with a $20 million marketing aimed at Latinos. Tillamook Cheese, Reader's Digest, and MasterCard International are some of the other businesses who are now stepping up their efforts in this industry.Spanish-language and bilingual advertisements still only make up approximately 1% of the $200 billion that marketers spend annually on broadcast media, despite the fact that expenditure on the Hispanic market has significantly increased. While some businesses have already made significant investments to capture this market, others have just ignored it up until now. More marketers are paying attention now that young Hispanics will surpass all other ethnic youth populations in the US by 2005.

However, getting to this may not be as simple as it first seems. One of the major misunderstandings regarding Hispanic adolescents is that they are a homogenous population, according to Roberto Ramos, president of the Ruido population, a communication firm in New York with a Hispanic youth emphasis. There are differences among Cubans, Colombians, and Puerto Ricans. What appeals to one group may not appeal to another. Will Erasmo Arteaga invest the time and energy necessary to comprehend the variety of this market, or will they only try to connect with Hispanics using the same media and appeals they use to connect with other ethnic groups? There is little doubt that they won't remain in the Hispanic market for very long if they choose for the latter course of action.

Geographic division

The geographic segmentation method divides markets into several geographic units. These entities might be cities, towns, counties, or even whole countries. Consumer behavior varies a lot depending on where a person lives. For instance, a number of automakers, including General Motors, see California as having a very distinct market from the rest of the United States and have created tailored marketing campaigns for its residents. Other businesses have created initiatives targeted at certain areas.

Psychographic Grouping

Psychographic segmentation is the process of dividing a market according to personality types and/or lifestyles. Although there is considerable debate about whether personality is a good segmentation factor, lifestyle factors have been employed successfully. Many people believe that the best segmentation criteria are lifestyle.

The examination of customer behavior, interests, and views is often the foundation for determining lifestyles. Then, these lifestyles are linked to the consumers' media, brand, and/or product preferences. Lifestyles may be the best determinant of usage vs nonuse for many goods

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and/or services, taking into consideration variations in diet, clothing, and vehicle choices, among many other consumer habits.With the introduction of the values and lifestyles program, psychological segmentation has gained more and more acceptance. Although there are a number of alternatives, such as PRIZM, and even though marketers used lifestyle segmentation long before VALS, VALS is still one of the most often used strategies. VALS, which was created by the Stanford Research Institute, has grown to be a highly well-liked approach of implementing lifestyle segmentation. According to eight lifestyle categories identified by VALS 2, Americans display distinct attitudes, behaviors, and decision-making tendencies. The VALS 2 approach, according to SRI, is an effective predictor of consumer behaviors when combined with an assessment of the resources a customer can access. The VALS 2 software has been used by a number of businesses, including Chevron, Mercedes, and Eastman Kodak, for a variety of tasks, including advertising, positioning, and media planning.

Segmentation based on behavior Behavioristic segmentation divides customers into categories based on how they use, support, or purchase a product. For instance, to create profiles of market groups, demographic and/or psychographic characteristics are linked with product or brand consumption, degree of use, and/or brand loyalty. When it comes to use, the marketer makes the assumption that nonusers who have the same qualities as nonusers of a brand or product have a larger potential for adoption than nonusers who have distinct characteristics. A user profile is created, which forms the foundation for marketing plans intended to draw in new users. Teenagers, for instance, have some consumption patterns in common. In comparison to those in other age groups, those who do not presently possess a Sony Discman are more likely to be prospective consumers.

Degree of usage refers to the possibility that a small number of customers may purchase an excessive number of various goods or brands. The 80-20 rule, as applied to industrial marketers, states that 20% of their customers account for 80% of their sales volume. Targeting these people again enables a lot higher focus of efforts and less wastage of time and money when the features of these users are identified. The consumer market is also open to the same heavy-half technique. A tiny percentage of the population is responsible for the vast bulk of goods purchases. Maybe you can come up with some more instancesThink about getting a wristwatch. Others may purchase a watch for a different set of benefits from your own, such as accuracy, water resistance, or style. Watches are often given as presents during Christmas, graduation, and birthdays. Undoubtedly, some of the same benefits are taken into account when buying a present, but the benefits that the buyer experiences are different from those that the recipient would experience. Advertisements for timepieces emphasize several factors to take into account while making a buying choice. Think about the watch's fundamental attraction and the advantages it provides the next time you see an advertisement or promo for one.

The market for tooth paste provides yet another illustration of benefit segmentation in action. Some customers prefer fluoride-containing toothpaste, while others like one that freshens their breath. Plaque reduction and tartar control are more recent benefit areas. For customers who wanted whiter teeth, the Den-Mat Corp. launched Rem-Brandt whitening toothpaste, and other brands soon followed with their own whitening benefits.

The Method of Market Segmentation

An essential component of the scenario analysis is the segmentation process, which evolves through time. At this point, marketers make every effort to learn as much as they can about the

market: What requirements are not being met? What advantages are sought after? What traits set apart the numerous groups using these goods and services? Different segmentation techniques may be used. Additional data is obtained each time a certain segment is discovered to aid in the marketer's comprehension of this group.For instance, when a certain segment has been identified based on the benefits desired, the marketer will look at lifestyle traits and demographics to better identify this group and its grasp of this market. Criteria for behavioral segmentation will also be looked at. Depending on the sort of skiing the customer conducts, certain benefits, such as flexibility or stiffness, may be desired while purchasing ski boots. A detailed profile of the skier will be produced using all of this data.

Many businesses now provide research services to aid marketing managers in defining their audiences and creating tactics to target them. A few of the services available are the VALS and PRIZM systems that were previously addressed. Other services group consumer homes into separate "microgeographic" divisions using demographic, socioeconomic, and geographic data.The system's user decides whether these microunits satisfy the requirements for usable segmentation. Such tiny segments may not be defined by a national corporation, but they may be valuable to businesses that operate in a particular city or region.

CONCLUSION

The research offers suggestions for marketers analyzing the condition of a promotional campaign as its conclusion. Utilizing both qualitative and quantitative research techniques, leveraging data and analytics to inform the analysis, involving cross-functional teams in the process, regularly updating and revisiting the analysis to account for changes in the market landscape, and using the analysis to inform decision-making and strategy development are some of these recommendations. Overall, this study underlines the value of a comprehensive scenario analysis of a promotional effort. Marketing professionals may build successful and focused promotional campaigns that appeal with customers, establish competitive advantages, and lead to desired results by knowing the market, target audience, rivals, and internal capabilities.Segmenting benefitsin general, buyers aim to fulfill certain requirements or desires when they buy items. To meet these objectives, they search for items that provide certain advantages. Benefit segmentation is the process of categorizing customers based on the qualities they look for in a product.

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SELECTING A TARGET MARKET FOR MARKETING

Dr. Jayakrishna Herur*

*Associate Professor,
Master In Business Administration (General Management),
Presidency University, Bangalore, INDIA
Email Id: - jayakrishna.udupa@presidencyuniversity.in

ABSTRACT:

Selecting a target market is a critical decision in marketing strategy as it directly influences the effectiveness and success of a company's products or services. This study explores the significance of selecting a target market and examines the key factors and considerations involved in the process. Through an extensive review of literature, this research examines the theoretical foundations of target market selection and its relationship to marketing strategy. It explores the concept of segmentation and the different criteria used to identify and evaluate potential target markets, including demographics, psychographics, geographic factors, and behavioral characteristics.The segmentation analysis's findings will outline the market opportunities that are open to you. Choosing how many segments to join and which ones have the most potential are the first two phases in the target marketing process's next phase.

KEYWORDS: *Consumer Segmentation, Demographics, Geographic Location, Market Research, Market Size, Niche Market, Psychographics.*

INTRODUCTION

Choosing the Number of Segments to Enter There are three options for market coverage. A single product or service is offered to the whole market while segment distinctions are ignored in undifferentiated marketing. For instance, all prospective customers were presented with the same basic product—a black Ford—when Henry Ford released the first vehicle produced on an assembly line. Coca-Cola only supplied one product variant for a long time. Although this uniform approach saves the business money, it prevents the possibility of providing various product variants to various markets.

An undifferentiated approach reduces costs by boosting output, but it does not allow for variation or customization to meet particular demands. Products—or advertising appeals—for the various segments may be generated via differentiation, enhancing the possibility of satisfying the requirements and desires of distinct groups.

The third option, focused marketing, is utilized when the business chooses one market niche and aims to dominate this market. When Volkswagen was the sole significant automaker in the United States competing in the economy-car segment in the 1950s, it used this tactic. Volkswagen has recently adopted a more distinct approach, although other businesses have found the coordinated effort to be successful. For instance, with its JAMIS product line, Maxwell Business Systems has narrowed the scope of its operations to the provision of software for job cost accounting/MIS systems for government contractors [1]–[3].

Choosing the Sectors with the Most Potential Finding the most desirable segment is the second phase in the market selection process. The company must assess the segment's sales potential,

growth prospects, rivalry, and internal competitiveness. The company must then determine whether it can advertise to this group. There are several examples of businesses that have entered new markets only to discover that they could not effectively compete due to a lack of resources or knowledge. For instance, Royal Crown Cola has often been highly effective in seeing new market possibilities, but because to its low resources, has lagged behind Coke and Pepsi in its ability to take advantage of them. RC introduced diet colas and caffeine-free colas to the market first, but it hasn't been able to become the market leader in either niche.

Market Positioning

As you can see, the position of the product, service, or even store is determined by the mental image and characteristics that consumers associate with it. Positioning has been defined as "the art and science of fitting the product or service to one or more segments of the broad market"7. The message itself, which outlines the advantages and the media plan used to reach the target audience, serves as the medium through which this communication takes place. Consider for a minute how certain items are presented to you and how their perspectives are communicated.

Positioning based on Product Features and Advantages

Setting the brand apart from rivals based on the unique characteristics or advantages provided is a popular positioning strategy. A product may sometimes be promoted for more than one advantage. Salient qualities are ones that marketers try to pinpoint. For instance, simplicity of use was emphasized as a significant feature when Apple initially released their computers. This was a smart move considering the complexity of the computers available at the time.Price and quality factors are often used by marketers to promote their businesses. One method they achieve this is via advertisements that portray the image of a premium brand where price is not unimportant but is seen as secondary to the superior advantages of utilizing the brand. This positioning strategy is used by premium brands at the upper end of the market.

Positioning of the Rival

The positioning strategy of a company may consider competitors just as vital as its own goods or services. Trout and Rise note that the traditional tactic of ignoring competition is no longer viable. In the current market, a good positioning strategy for a product or brand may concentrate on certain rivals. Although in this scenario the rivalry is inside the same product category, the strategy is comparable to positioning by product class. The preceding Powerade commercial is an example of putting a brand against the competition. Avis, perhaps the best-known example of this tactic, positioned itself against the car-rental leader, Hertz, by proclaiming, "We're number two, so we try harder." A marketer must often use another positioning technique in addition to rival positioning in order to distinguish the brand.

Positioning by Cultural Symbols Another positioning tactic mentioned by Aaker and Myers is the use of cultural symbols to distinguish brands. Examples include the Mr. Peanut, the Jolly Green Giant, the Keebler elves, Speedy Alka-Seltzer, the Pillsbury Dough-boy, Buster Brown, Ronald McDonald, and Chiquita Banana. Each of these emblems has been effective in setting its own product apart from rivals' offerings.

Repositioning A final positioning tactic is shifting the position of a brand or a product. Repositioning a product often takes place in response to decreased or stagnant sales or because possibilities in other market positions are expected. Because of ingrained attitudes and ideas about

the product or brand, repositioning is sometimes difficult to achieve. The efforts of several firms to alter their views have had little to no result. For instance, Kmart and Aurora have both made an effort to elevate their brand image in order to attract to younger and wealthier consumers. Both have had only little success. Originally marketed as a quick snack, Nutri-Grain Bars have been reinvented as an alternative to breakfast. Buick has changed its positioning in an effort to appeal to a younger clientele, while La-Z-Boy is trying to shed its working-class reputation and project a wealthier one. Customers may not be aware of the specific message Sears is attempting to get through since the firm has altered its posture so often in recent years.

program for marketing planning is being developed

The creation of a marketing strategy and the determination of a target market inform the marketing division of which customers to target and what needs to be attempted to fulfill. Utilizing the different components of the marketing mix to create a seamless, efficient marketing campaign is the next step in the marketing process. Each component of the marketing mix has several decision areas and is multidimensional. Each must also take into account and contribute to the overall IMC program. Next, we'll look at how the promotional campaign is impacted and interacted with by the products, prices, and distribution channels.

Product Choices

An organization exists because it offers consumers a product, service, or concept in return for money. This offering might be a tangible product, a service, a campaign, or even a person. The term "product" refers to anything that may be advertised and that, when used or promoted, satisfies the user.A product is more than simply a tangible thing; it is a collection of advantages or ideals that caters to the wants of customers. The demands might include social and psychological benefits in addition to basic practical requirements. For instance, the previous Michelin tire marketing campaign emphasized the quality that was incorporated into the tires in addition to their performance and longevity. For many products, strong symbolic features and social and psychological significance may be more important than functional utility.For instance, designer clothing like Versace, Gucci, and Bebe is frequently purchased on the basis of its symbolic meaning and image, especially by teenagers and young adults. Product symbolism is the study of what a product or brand means to consumers and what they experience when they purchase and use it. Advertising is crucial to the creation and upkeep of these businesses' identities.

Product planning include making choices not just about the product itself, such as design and quality, but also regarding a variety of other elements, including brand name, packaging design, service, and warranty options. Consumers consider factors other than how the product really works and what's in it. Consumer perceptions are influenced by a variety of factors, including the product's quality, branding, packaging, and even the firm that manufactures it.In a successful IMC program, advertising, branding, and packaging are all created to show the product as more than simply a collection of characteristics. All of them work together to offer a positioning or picture of the product that goes well beyond its tangible qualities. Consider Nike advertisements for a moment. Typically, the features and advantages of the product aren't even addressed, yet the brand's message is still successfully conveyed.

Branding From a promotional standpoint, choosing a brand name for a product is crucial since brand names convey characteristics and meaning. Marketers look for brand names that may convey product ideas and help buyers associate the product with a certain image. names like I

Can't Believe It's Not Butter! and Safeguard All of these names—Easy-Off, Arrid, Spic and Span—clearly convey the advantages of using these products while also evoking visuals that go beyond the terms alone. Building and maintaining brand equity, which can be thought of as an intangible asset of added value or goodwill resulting from the favorable image, impressions of differentiation, and/or the strength of consumer attachment to a company name, brand name, or trademark, is one of the key roles of advertising in relation to branding strategies. Brand equity gives a brand the ability to generate more revenue and/or profit margins than it could without the name, giving the business a competitive edge. Advertising often serves to enhance a company's or brand's strong equity position. at instance, Rado watches sell at a premium due to their excellent quality and the tremendous brand equity they have built up via advertising.

Another element of product planning that has grown in significance is packaging. Historically, the package offered practical advantages including economy, protection, and storage. The focus on self-service in many businesses and the increasing number of decisions made at the moment of purchase, however, have modified the purpose and function of the packaging. According to one research, up to two-thirds of all grocery purchases are impulsive. The box often serves as the consumer's initial point of contact with the goods;therefore, it must leave a good impression. More than 20,000 things compete for attention in a typical supermarket. A package must not only grab and retain the consumer's attention but also convey instructions for usage, reveal the product's composition and content, and adhere to any legal disclosure obligations. Many businesses also include a sales promotion message into the packaging, such as a contest, sweepstakes, or premium offer.

Many businesses see the box as a crucial tool for connecting with customers and imprinting their perceptions of the brand. In other cases, products may grow the brand by providing fresh applications. For instance, Listerine's PocketPaks have given the mouthwash additional business prospects. Design elements like size, shape, color, and text all add to the allure of a box and may be just as crucial as a commercial in deciding what makes it to the consumer's shopping basket from the store shelf. Many goods utilize packaging to provide a unique brand identity and appearance. Next time you pass a perfume counter, pause to take in the several distinctive box designs. Additionally, packaging may be used for more practical reasons. For instance, Tylenol's Safe-Ty-Lock bottle guards against kids accidentally taking the medication.

Price judgments

The trade-off that a customer makes when buying a product or service is referred to as the price variable. The cost of a product to the consumer includes time, mental effort, and behavioral effort, even though price is typically discussed in terms of the dollar amount exchanged for an item.18 The marketing manager is typically concerned with setting a price level, creating pricing policies, and observing competitors' and customers' reactions to prices in the marketplace. Costs, demand factors, competition, and perceived value are just a few of the variables a business must take into account when setting the price, it will charge for a product or service. According to IMC, the pricing must be in line with consumers' opinions of the goods as well as the marketing approach. Naturally, greater prices will convey a better level of product quality, whereas lower prices are indicative of bar-gain or "value" notions. Consumers will only be confused by a product that is advertised as having the greatest quality while being less expensive than rival products. In other words, the positioning of the product must be communicated consistently across the pricing, the advertising, and the distribution methods.

Considering the Relationship Between Price and Advertising and Promotion Product quality, market competitiveness, and advertising all have a role in deciding the price that a company may and should charge. In one study, data on 227 consumer businesses from the Profit Impact of Marketing Strategies project of the Strategic Planning Institute were used to examine the relationship between price, product quality, and advertising. This study produced several intriguing findings regarding the interaction of these variables, including [4]–[6]:

1.Firms that spent more on advertising than their rivals were able to command premium pricing, while firms that spent less on advertising were able to do the opposite.

2.Companies that produced high-quality goods commanded high relative prices for the added quality, while companies that produced high-quality goods and engaged in extensive promotion fetched the highest prices. Conversely, the lowest costs were paid by companies with poor quality and no promotion.

3.Items near the end of their life cycles, market leaders, and affordable items all showed a larger positive correlation between high relative advertising and price levels.

4.Businesses with relatively high pricing and large advertising budgets outperformed those with relatively low prices and small advertising budgets in terms of return on investment.

5.Businesses that produce high-quality goods were most negatively impacted by uneven pricing and promotion methods in terms of return on investment.

Decisions about Distribution Channels

The function of marketing channel participants or intermediaries is often taken for granted by customers. We may get a six-pack of soda or a package of detergent in a grocery shop, a convenience store, or even a pharmacy. Manufacturers are aware of these intermediaries' worth and significance.

Making a product or service accessible for purchase is one of a marketer's most crucial marketing choices. Even if a company sells a fantastic product at a great price, it will be of little use if the consumer cannot get it when, where, or with the support and service they need. The location part of the marketing mix, marketing channels, are "sets of interdependent organizations involved in the process of making a product or service available for use or consumption.Choosing, controlling, and encouraging intermediaries that assist a company in making a product or service accessible to clients includes wholesalers, distributors, brokers, and retailers. These middlemen, often known as resellers, are vital to the accomplishment of a company's marketing strategy.

DISCUSSION

The communication goals and the effects the channel strategy will have on the IMC program should also be taken into account when developing the distribution plan. Stewart and colleagues talk about the need of "integrated channel management," which "reflects the blurring of the boundaries of the communications and distribution func- tions."21 The location of the product's distribution will convey a communications message in line with the product and price choices. Does a product's distribution at Saks Fifth Avenue or Neiman Marcus send a different message about its brand than if it were done at Kmart or Wal-Mart? Just the fact that the product is supplied via various channels, if you stop to consider it, conveys a picture of it to your mind. Stewart presents examples of how channel components, such as grocery store displays, point-of-purchase merchandising, and shelf footage, contribute to communication. A well-integrated marketing campaign uses the distribution channel as a means of reminder advertising. When a

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brand name is shown, the customer remembers the advertisement. A business has the option to sell directly to its clients instead of using any channel middlemen. Companies that employ direct-selling programs, such as Avon, Tupperware, and Mary Kay, or companies that use direct-response advertising or telemarketing to promote their goods, sometimes use this sort of channel arrangement in the consumer market. Manufacturers of industrial goods and services commonly offer costly, sophisticated items that need protracted discussions and sales efforts, as well as service and follow-up calls after the sale, via direct channels. The older advertisement for Titleist putters illustrates the increased price and quality associated with the name.

Creating Marketing Plans

The majority of you are familiar with advertising and various types of marketing aimed towards final consumers or business clients. We often fall into the demographic that these advertisements are aimed at reaching via media exposure. The creation of a consumer marketing mix is just one component of a business's need for a channel member motivation program. A promotional push strategy includes programs designed to encourage the trade to stock, market, and advertise a manufacturer's goods. By actively marketing and selling the goods to traders or resellers, the strategy's objective is to move the product through the channels of distribution.

All of the components of the promotional mix are included in trade promotion. Sales personnel from the company make sales calls to resellers to explain the product, go over the company's strategies for increasing demand among end users, and go over any special programs being made available to the trade, such introductory discounts, promotional allowances, and joint advertising programs. In order to get wholesalers and retailers to buy its goods to resell to their customers, the corporation may utilize trade advertising. Trade advertising often occurs in journals that cater to the specific business [7]–[10].

The goal of a push strategy is to persuade resellers that they can benefit from a manufacturer's goods and to persuade them to purchase the product and push it to their clients. Manufacturers can run into opposition from channel partners who are unwilling to take on a new brand or product line. Companies may use a promotional pull approach in these circumstances, investing money on advertising and sales promotion activities targeted at the final customer. A pull approach aims to increase customer demand and persuade them to ask the shop for the goods. Retailers will order the product from wholesalers after determining customer demand, and they will then ask the manufacturer to produce it. Therefore, increasing end-user demand pushes the product through the distribution channels.The company's relationships with the trade, its promotional budget, and the demand for the company's goods are some of the criteria that determine whether to prioritize a push or a pull approach. Companies who have good connections with their channel partners may decide to use a push approach and collaborate closely with them to persuade them to stock and advertise their items. When it comes to building distribution and demand, a company with a tight promotional budget may not have the resources for advertising and sales promotion that a pull approach necessitates and may discover that working closely with resellers is more cost-effective. A pull approach may be accep when the demand prognosis for a product is good because it offers distinctive advantages over rival brands or is particularly well-liked by customers. Push and pull techniques are often used by businesses, with the focus shifting as the product progresses through its life cycle.

The Function of Promotion and Advertising

the industry and to the eventual clients of the business. Additionally, interactive marketers employ the several components of the promotional mixadvertising, sales promotion, direct marketing, publicity/public relations, and personal sellingto tell consumers about their items, their pricing, and the locations where the products are sold. The numerous components of the marketing strategy that forms the foundation of the IMC program have been covered up to this point. A solid foundation, consisting of market analysis, target marketing and positioning, and coordination of the different marketing-mix components, forms the basis for the creation and execution of an IMC program. In the paragraphs that follow, we'll examine how advertising and promotion aid in the accomplishment of marketing goals.

CONCLUSION

The study's advice helps marketers choose a target market. These suggestions include carrying out in-depth market research and analysis, taking into account both quantitative and qualitative data, segmenting the market according to pertinent criteria, assessing the attractiveness and viability of various segments, taking into consideration long-term growth potential, and matching the target market selection with the company's overall business goals and resources. Overall, this study emphasizes how important it is to choose a target market when developing a marketing plan. Marketers may efficiently manage resources, customize their services, and interact with consumers in a meaningful manner by carefully identifying and assessing possible target markets. This improves company performance and creates a lasting competitive edge.To accomplish an integrated marketing communications campaign, all factors in the promotional mix must cooperate. Each promotional-mix variable aids marketers in achieving their promotional goals.

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Poongothai Selvarajan
Lecturer
Department of Economics and Management,
Vavuniya Campus of the University of Jaffna,
Vavuniya, SRI LANKA

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