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Business Economics

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Business Economics is that the integration of theory with business practice for the aim of facilitating deciding and forward planning by management. Business Economics, also mentioned as Managerial Economics, generally refers to the mixing of theory with business practice. While the theories of Economics provide the tools, which explain various concepts like demand, supply, costs, price, competition etc., Business Economics applies these tools in the process of business decision making. Business Economics is playing an important role in our daily economic life and business practices. Organisation face many problems on each day to day basis. For example, organisations are always concerned with producing maximum output within the most economical way. To solve problems of such nature, managers are required to use various economic concepts and theories. The application of economic concepts, theories, and tools in business decision making is called business economics or managerial economics. The branch of managerial economics or business economics has established links between business and economics. Business economics is, thus, an applied economics. Economics is that the study of citizenry (e.g., consumers, firms) in producing and consuming goods and services within the midst of scarcity of resources. Managerial or business economics is an applied branch of organising and allocating a firm's scarce resources to realize its desired goals. Managerial economics or business economics is economics applied in decision-making. Business economics, thus, interweaves economic principles and business. Business managers apply economic laws and principles while presenting business problems and their ways of solutions. Thus, business economics can be defined as the application of economic analysis to business problems faced by an enterprise. It provides a link between theory and therefore the decision sciences within the analysis of managerial decision-¬making. It relies heavily on traditional economics and decision sciences. Identification of the problems and the solving of the problems are the two crucial elements of decision-making of a business firm. Business economists help business managers in making sound business decisions. Business success, in fact, greatly depends on appropriate business decisions. However, appropriate decision-making is not an easy job in this changing world. On the idea of past knowledge and knowledge , business managers take business decisions and make future plans. But decision-makers are constrained by the 'uncertainty' of the important world where changes occur either during a hidden way or in an open way. In this changing but uncertain world, an accurate decision-making is impossible albeit talents of high quality business economists are employed. It is thanks to this uncertainty, prediction or estimation relating to the quantity of sales of a product, cost of production, profit, etc., is more likely to be imperfect. In other words, against the backdrop of uncertainty and a changing world, business managers will need to anticipate changes in order that the impact of unfavorable situations becomes insignificant. Thus, business decision-making is an art. Cultivation of this art is made through economic principles. In this sense, managerial economics is an applied economics. It is concerned with the appliance of economic concepts and analytical tools to the method of decision-making of a commercial enterprise .Thus, managerial economics or business economics may be a ‘special branch of economics that bridges the gap between abstract economic theory and managerial practice. Through a process of application of the principles, concepts and tools of economics to solve the managerial problems of a business enterprise, business economists have greatly minimised the problem of uncertainty arising in business. The application field of economic theory is popularly known as business economics or managerial economics. Can theory be applied in business practice efficiently? Fritz Machlup, in answering this question, gave an analogy between the behaviour of a motorist deciding whether or to not overtake on a two-lane highway and therefore the behaviour of a profit- maximising firm. Overtaking decision of the motorist involves construction of a really complex set of equations. While overtaking, the motorist must have a knowledge about the load , power, speed of the vehicle being driven, the condition of the road, weather, information about the number of vehicles plying on the highway, and a set of assumptions about the behaviour and objectives of other drivers. Unfortunately, even the foremost expert and cautious drivers don't have of these information.