**Managerial economics** is the science of directing scarce resources to manage cost effectively. It consists of three branches: competitive markets, market power, and imperfect markets. A market consists of buyers and sellers that communicate with each other for voluntary exchange

Why to study managerial eco?

A business manager is essentially involved in the processes of decision making as well as forward planning. Decision making is an integral part of management. Management and decision making are to be considered as inseparable. It is the intellectual process and a purposeful activity which at varied times takes in hands all the managerial activities, such as, planning, organizing, staffing, directing and controlling. It is the process wherein an executive, by taking in to consideration several alternatives reaches at the conclusion about how it should be dealt successfully in a given situation. Thus, being a continuous activity, decision making is regarded to be the heart of management. Decision making is nothing but choice-making and the importance of choice-making emerges due to the fact that a business faces the changes in the conditions in which it operates and there arise unforeseen contingencies. The survival and the growth of a business in such situations is directly determined through decision making process. It can be defined clearly as selecting one of the best alternatives available - that entails being two or more alternatives. According to George Terry, “Decision making is the selection of a particular course of action, based on some criteria, from two or more possible alternatives.” Decision making is thus choosing the best course of action out of the available options while aiming at the achievement of particular organizational objectives. Since a business organization has the available resources, such as, capital, land and labor, a business manager needs to select the best alternative among others and employ in the most efficient manner so as to attain the desired results. After a particular decision is made relating to resources, plans about production, pricing and materials are to be implemented. In this way, decision making and forward planning go conjointly. The fact that a business entity is influenced by the conditions is uncertainty about the future and due to the changes in the business environment resulting complexities in business decisions. Since no information or the knowledge about the future sales, profits or the costs is available for a business executive, the decisions are to be made on the basis of past data as well as the approximations being forecasted. In order that the decision making process is carried out in such conditions in an efficient way, economic theory is of great value and relevance as it deals with production, demand, cost, pricing etc. This gives rise to understand the concepts of managerial economics for business manager so that he may apply the economic principles to the business and appraise the relevance and impact of external factors in relation to the business. Having been regarded as micro economic as well as the economics of the firm, managerial economics is related to the economic theory which is to be applied to the business with the objective of solving business problems and to analyze business situations and the factors constituting the environment in which a business is operated. Managerial economics has been defined by Spencer and Siegelman as, “The integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management.” Managerial economics is very much capable of serving various purposes and useful for managers in making decisions in relation to the internal environment. It aims at the development of economic theory of the firm while facilitating the decision making process with regard to sales and profits etc. Moreover, it enables to take decisions about appropriate production and inventory policies for the future. It is a branch of economics that is applied to analyze almost all business decisions. It is meant to undertake riskanalysis, production analysis that is useful for production efficiency. Likewise, it is of great use for capital budgeting processes as well. In the most positive form, it seeks to make successful forecasts with the objective of minimizing the risks involved. It deals with the aspects as how much cash should be available and how much of it should be invested in relation to a choice of processes and projects while making possible the economic feasibility of various production lines. A business produces goods which are in course of time to be sold in the market on the basis of demand of consumers. Demand can be defined in brief as the quantity of goods that the consumers are willing to buy at certain prices. In this pursuit, the decisions related to demand are of much significance for managers as the process entails making appropriate estimates with successful forecasts on sales before the activity of production is to be carried out. It is therefore demand analysis is essential part of managerial economics since it enables to analyze the demand determinants and forecasting with a deep involvement of value judgments. Above and beyond, by considering whether the competitions are likely to increase or decrease, a business manager with the help of managerial economics applications is able to asses demand prospects as well as the social behavior that can result in the expansion or the reduction of the sales of business products. As regards the pricing of products being produced by a business entity, it is one of the most critical decisions for a manager to fix the price of particular products as it is by means of pricing decisions taken by a manager, the inflow of revenue is determined. The areas that are to be covered through managerial economics application in this respect are, price methods, product line pricing and price forecasting. Further, Managerial economics deals with the cost estimates that are helpful for management decisions. More to the point, it is important for a manager to undertake production analysis and to determine economic cost with the objective of profit planning and cost control processes. Since the objective of a business entity in general is to generate profits, profit is the chief measure of success in this way. In respect of this, managerial economics cover the aspects, such as, Profit policies and the techniques of profit planning – Break Even Analysis – also called as cost volume profit analysis - that assists significantly in profit planning and cost control methods with a view to maximize profits of the business Managerial economics plays a significant role in the business organizations. It is very much effective to the management in decision making and forward planning in relation to the internal operations of a business as it gives clear understanding of market conditions as well as analytical tools through which the competitions prevailing in the markets can be studied, at the same time the market behavior can be predicted. It enables to analyze the information about the business environment in which a business is managed. It is meant to undertake systematic course of business plans by making possible forecasts. Managerial economics contributes to the profitable growth of business and effective solutions of the business problems by changing the economic scenario in to the feasible business opportunities for business organizations while enabling managers to optimize business decisions as well as involving them in the activity of forward planning efficient