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Meaning Nature and Scope of Managerial Economics

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Abstract : The science of Managerial Economics has emerged only recently. With the growing variability and unpredictability of the business environment, business managers have become increasingly concerned with finding rational and ways of adjusting to an exploiting environmental change. The problems of the business world attracted the attentions of the academicians from 1950 onwards. Managerial economics as a subject gained popularity in the USA after the publication of the book "Managerial Economics" by Joel Dean in 1951. Managerial economics generally refers to the integration of economic theory with business practice. Economics provides tools 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 maximizing of profit. Hence, it becomes necessary to redesign economic ideas to the practical world. This function is being done by managerial economics.

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Introduction : Economics is usually divided into two parts, Macroeconomics and Microeconomics. Macroeconomics is the study of the whole of the economic system. Through the help of macroeconomic theories analysis of the total output, total employment, the unemployment rate, the consumer index and the exports and imports. Although, in the newspaper and the television it's the macroeconomic issues which are discussed the most, the microeconomic factors of the economy are also important. Managerial Economics should be thought of as applied microeconomics. It helps the manager of the firm recognize the different economic factors at play and their affect on the firm and the consequences on the managerial behavior. It also helps in linking different economic concepts together for building a better tool for the manager's decision making. Managerial economics applies economic tools and techniques to business and administrative decision making to achieve business goal by effectively using the given business resources. Though we study economics in theory it would be of no use if the art of practical application doesn't exist. Therefore, the subject of managerial economics helps us bridge the gap between the theory and its practical application in economies. Managerial economics lays down rules that help in taking effective managerial decisions and also assist managers to identify how economic forces affect organizations and what could be the economic consequences of managerial behavior. It is an essential managerial talent to understand the principles that govern the economic behavior of firms and individuals which finally result in better managerial decisions, higher profits, and an increase in the value of the firm. Managerial economics has a number of applications; it can be used both for profit and non-profit sectors. For instance, in a limited staff, equipments, resources if a hospital wants to provide the best facilities and care to its patients it can readily make use of the concepts of managerial economics. Thus, we can see that managerial economics helps in meeting with the organizational goals effectively and efficiently. Managerial economics relates traditional economics with the decision sciences to develop vital tools for managerial decision making and helps in identifying ways to efficiently achieve goals. For instance, suppose a small business of mineral water want to rapidly grow and reach a size that permits efficient use of national media advertising. In this case Managerial economics can help in achieving this short-run objective swiftly and effectively by identifying pricing and production strategies. The tools and concepts offered in this chapter will help in the decision making process of the firms managers and