नवोदय विद्यालय समिति

प्रज्ञानं ब्रह्म

ECONOMICS PROJECT

DEMAND & IT'S DETERMINANTS

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CERTIFICATE

This is to certify that Miss Dharati Suthar is a Student of Class XII Commerce has success-fully completed the reserch on the project title DEMAND & IT'S DETERMINANTS under the guidance and Supervision of MR. SANTLAL KUMAR, PGT ECONOMICS, during session 2018-19 in partial fulfilment of Economics Project Work Conducted by Central Board of Secondary Education [CBSE].

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INDEX

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INTRODUCTION

refer to different possible quantities of a commodity that the consumer is ready to buy at different possible price of that commodity.

For example :- If person want to buy LED TV, and person have enough money to spend on LED TV, and he ready to purchase at possible price of the LED TV then it is the demand for LED TV.

DEMAND SCHEDULE & CURVE......

Demand schedule is a table showing the relation between different quantities of the commodity to be purchase at different prices of the commodity. And curve refer to graphical presentation of demand schedule.

Concepts of demand Schedule & curve :-

i) individual Demand schedule and curve &

ii) Market Demand Schedule and curve

i) INDIVIDUAL DEMAND SCHEDULE & CURVE :- is a table showing different quantities of a commodity that one particular buyer in the market is ready to buy at different possible price of the commodity at a point of time and curve represent demand for ~~invidual~~ individual person in the Market. Shown in (Fig. a)

ii) MARKET DEMAND SCHEDULE & CURVE :- is a table showing different quantities of a commodity that all the buyers in the market are ready to buy at different possible price of the commodity at a point of time. And curve presentation of graph at which all buyer ready to buy commodity at different possible price of the commodity. Shown in (fig. b)

P_x (Price of Good-x) (₹)	Q_x (Consumer A) (units) (1)	Q_x (Consumer B) (units) (2)	Q_x [Consumer A + Consumer B = Market Demand] (units) (3) = (1+2)
1	4	5	4+5 = 9
2	3	4	3+4 = 7
3	2	3	2+3 = 5
4	1	2	1+2 = 3

LAW OF DEMAND...

It is states that other things remaining constant, there is an inverse relationship between quantity demanded and own price of the commodity. Shown in (fig. c).

EXPLANATION :- The schedule shows that quantity demanded increases from 100 to 150 units when own price of the commodity reduce from ₹ 10 to ₹ 9 per units, likewise further also. In fig. c demand curve DD shows that demand for commodity-X extends from OQ to OQ1 when its price fall from OP to OP1. Downward slope of demand curve itself is an expression of the law of demand.

ASSUMPTIONS :-

i) Tastes & preferences of the consumer are assumed to remain constant.
ii) There is no change in income of buyers.
iii) price of the related goods do not changes
iv) consumer do not expect any significant change in the availability of the commodity in the near further. And so others.

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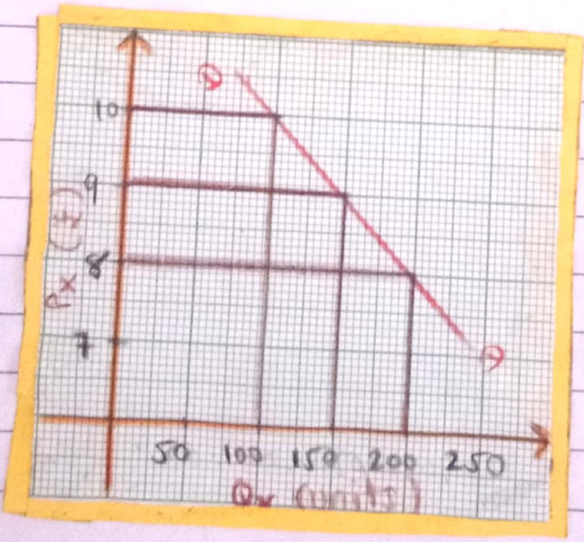
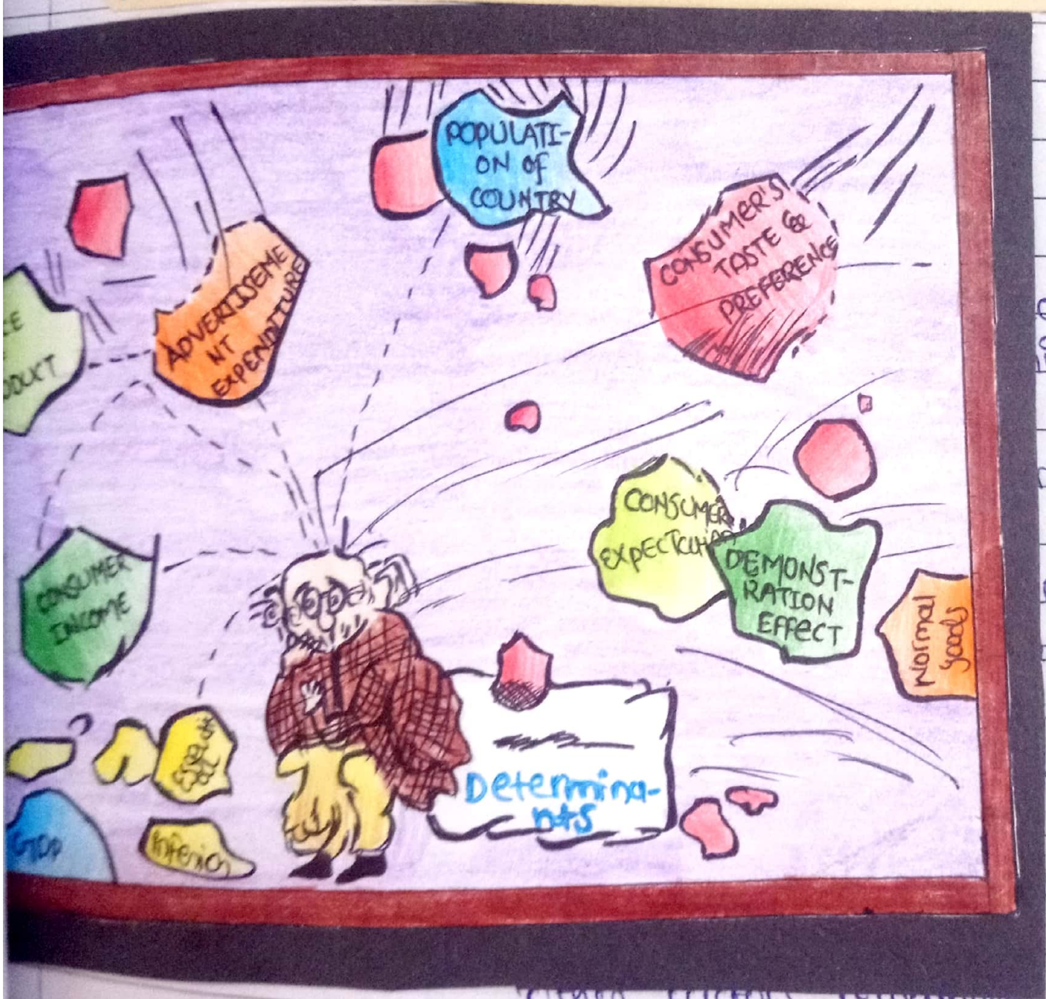
v) No change in Advertisement expenditure.
vi) No effect of demonstration effect.

P_x (₹)	Q_x (units)
10	100
9	150
8	200



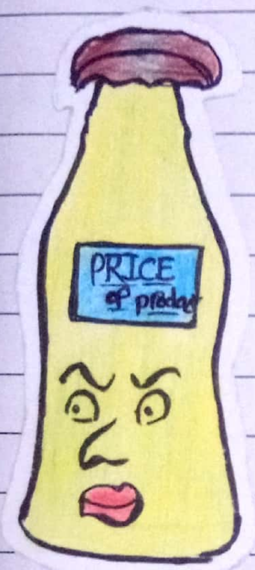
DETERMINANTS OF DEMAND



...ct is one of the ...inant of its de... and the only ...t ner. The price ... quantity deman...ted. The law ... the quantity ... which its con...y per unit of ... price falls & ... increases, other... The assumption 'other factors remaining constant' implies that income of the consumer, price of the substitutes and complementary goods, consumer's taste and preference and number of consumers remain unchanged.

DETERMINANTS OF DEMAND

PRICE OF THE PRODUCT:



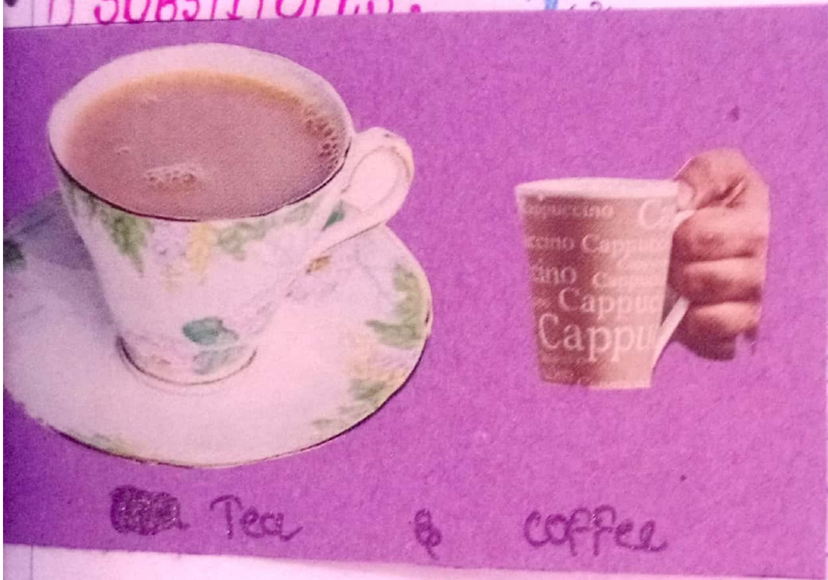
The price of a product is one of the most important determinant of its demand in the long run and the only determinant in the short run. The price of a product and its quantity demanded are inversely related. The law of demand state that the quantity demanded of a product which its consumer would like to buy per unit of time, increases when its price falls & decreases when its price increases, other factor remaining constant. The assumption 'other factors remaining constant' implies that income of the consumer, price of the substitutes and complementary goods, consumer's taste and preference and number of consumers remain unchanged.

PRICE OF RELATED GOODS :

The demand for a commodity is also affected by the changes in price of its related goods. related goods may be substitutes or complementary goods.

i) SUBSTITUTES :

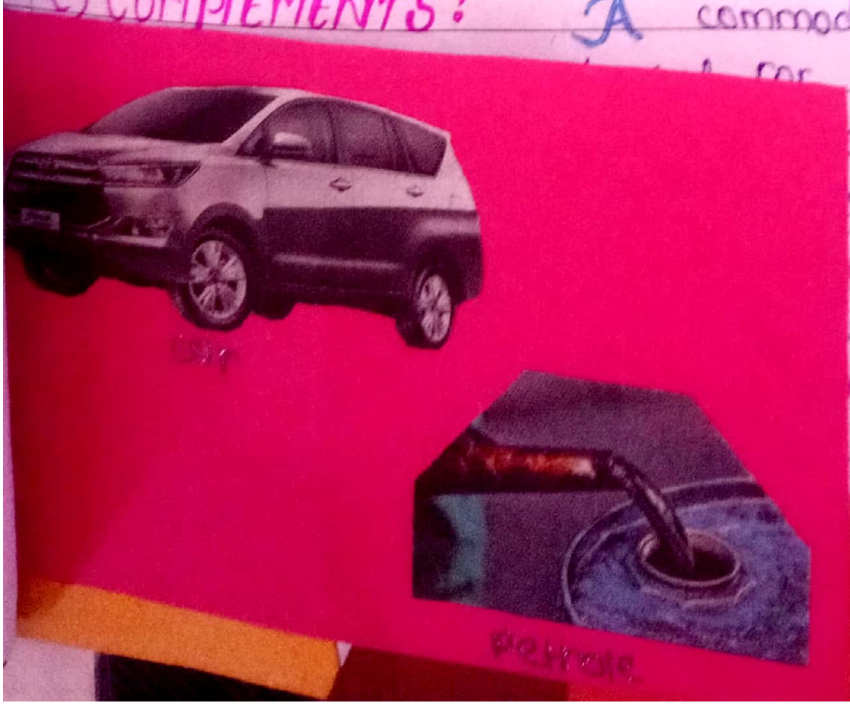
T... ...ities are deemed to be sub... ...e an other if change in ...ction. for instance, commodit... ...e considered as substitutes ...then if rise the price of x ...nd for y and vice-versa. ...Tea and coffee, hamburgers ...alcohol and drugs etc. ...hen price of substitute good ...lls, the demand for the product fall.



Tea & coffee

2) COMPLEMENTS :

A commodity is deemed to be a ... for another when it comple... ...of the other or when the ...o goods goes together so ...and change simultaneously ...nse, two goods are term... ...ntary to each other if



car

petrol

PA
DATE:

PRICE OF RELATED GOODS:

The demand for a commodity is also affected by the changes in price of its related goods. related goods may be substitutes or complementary goods.

i) SUBSTITUTES:

Two commodities are deemed to be substitutes for one an other if change in the same direction. for instance, commodities x and y are considered as substitutes for one an other if rise the price of x increases demand for y and vice-versa.
For example :- Tea and coffee, hamburgers and hot-dog, alcohol and drugs etc...
When price of substitute good of product falls, the demand for the product fall.

2) COMPLEMENTS:

A commodity is deemed to be a complement for another when it complement the use of the other or when the use of the two goods goes together so that their demand change simultaneously. In economics sense, two goods are termed as complementary to each other if

an increase in the price of one causes a decrease in demand for the other. There is an inverse relation b/w the demand for goods and the price of its complement.
For example :- petrol is complement to car or scooter, butter and jam to bread, milk and sugar for tea and coffee mattress to cot etc....

Income is the basic determinant of quantity of a product demanded since it determines the purchasing power of the consumer. That is why people with higher current disposable incomes spend a larger amount on consumer goods and services than those with lower income. Income demand relationship is of a more varied nature than that between demand and its other determinants. While other determinants of demand, e.g product's own price and the price of its substitutes are more significant in the short-run income as a determinant of demand is equally important in both short run & long run.

For the purpose of income demand analysis, consumer goods and services may be grouped under:-

a) essential consumer goods,
b) inferior goods,
c) normal goods,
d) prestige or luxury goods.

Let us look into the relationship between income and different kinds of goods.

i) ESSENTIAL GOODS: The goods and services in this category are called 'basic needs' and are consumed by all persons of a society. For example: food grain, salt, vegetable, matches, clothing and housing, etc... quantity demanded of this category of goods increases which increase in consumer's income but only upto a certain limit.

ii) INFERIOR GOODS: Inferior and superior goods are widely known to both consumer and sellers. A commodity is deemed to be inferior its demand decrease with the increase in consumer's income beyond a certain level of income. Demand for such goods rises only upto a certain level of income and decline an income increases beyond this level. For example :- cigarette of bidi, coarse textiles, kerosene, travelling by bus is inferior to travelling by taxi.

iii) NORMAL GOODS: Are those which are demanded in increa

iv) LUXURY & PRESTIGE GOODS: All such goods that add to the pleasure and prestige of consumers

DATE:

iii) NORMAL GOODS: Are those which are demanded in increasing quantities as consumers' income rises. for example :- clothing, household furniture, automobiles, an so other. The demand for such goods increases with increase in income of the consumer but at different rates at different levels of income demand for normal goods increases rapidly with the increase in the consumer income but slow down with further increase in income.

iv) LUXURY & PRESTIGE GOODS: All such goods that add to the pleasure and prestige of consumer without enhancing his earning fall in the category of luxury goods. for example :- stone studded jewellery, costly brands of cosmetics luxury car etc. A special category of luxury goods is that of prestige goods. For example :- precious stones, diamond-studded jewellery and watches etc. Demand for such goods arise beyond a certain level of consumer's income.

CONSUMER'S TASTE & PREFERENCE

It play an important role in determining demand for product. generally depend on life-style, social customs, habit of people etc. As a result, consumer reduce or give up consumption of some goods and Add new ones in their consumption pattern. For example :- Following the change in fashion, people switch their consumption pattern from cheaper old fashioned goods over to costlier 'mod' goods. So long as price differential are commensurate with their preference, consumers are prepared to pay higher price for 'mod goods' even if their virtual utility is virtually the same as that of old-fashioned goods.

ADVERTISEMENT EXPENDITURE: Advertisement costs are incurred with the objective of promoting sale of the product. It help in increasing demand for the product in at least four ways. Firstly by informing potential consumer about availability of product, 2) showing its superiority over rival product 3) by influencing consumers' choice against rival product; and by setting new fashion and changing tastes. shift the demand upward to the right.

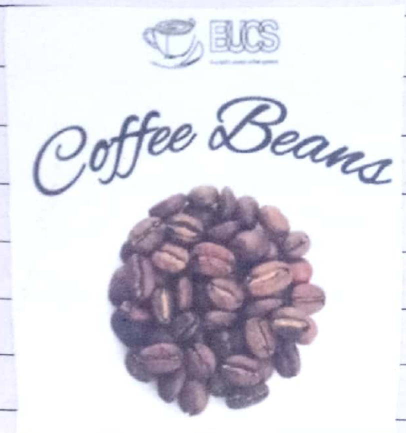
DISTRIBUTION OF NATIONAL INCOME: It is basic determinant of the market demand for a product the higher the national income, higher the demand for all normal goods and services. Apart from its level, distribution pattern of national income is also important. If it is unevenly distributed, i.e if a majority of the population belongs to the lower income group, market demand for essential goods including inferior ones, will be largest whereas the demand for other kinds of goods will be relatively lower.

CONSUMERS' EXPECTATION: Regarding the future prices, income and supply position of goods etc.. play important role in determine the demand for goods and services in short run, If consumer expect a high rise in the prices of storable commodity, they would buy more of it at its high current price with a view to avoiding the pinch of a high price rise in future. on the contrary, if consumer expect a fall in the price of certain goods, they postpone their purchase of such goods with view to taking advantage of lower price in future, mainly in the case of non-essential goods. This behaviour of consumer reduce the current demand for goods whose prices are expected to decrease in the future.

POPULATION OF THE COUNTRY: The total domestic demand for a product of mass consumption depend also on the size of the population given the price, per capital income, taste and preference etc.., the larger the population the larger the demand for a product. With an increase in the size of population and with the employment percentage no remaining the same, demand for the product tends to increase.

DEMONSTRATION EFFECT: When new commodities or new models of existing ones appear in the market, rich people buy them first, for instance, when a new model of a car appears in the market. Some people buy goods and new models of goods because they have genuine need for them or have excess purchasing power, some other do so because they want to exhibit their affluence. The purchase made by the latter category of buyers arise out of such feeling as jealousy, competition and equality in peer group, social inferiority and desire to raise their social status. purchase made on account of these factors are the result called 'demonstration'. These effects have a positive effect on demand.

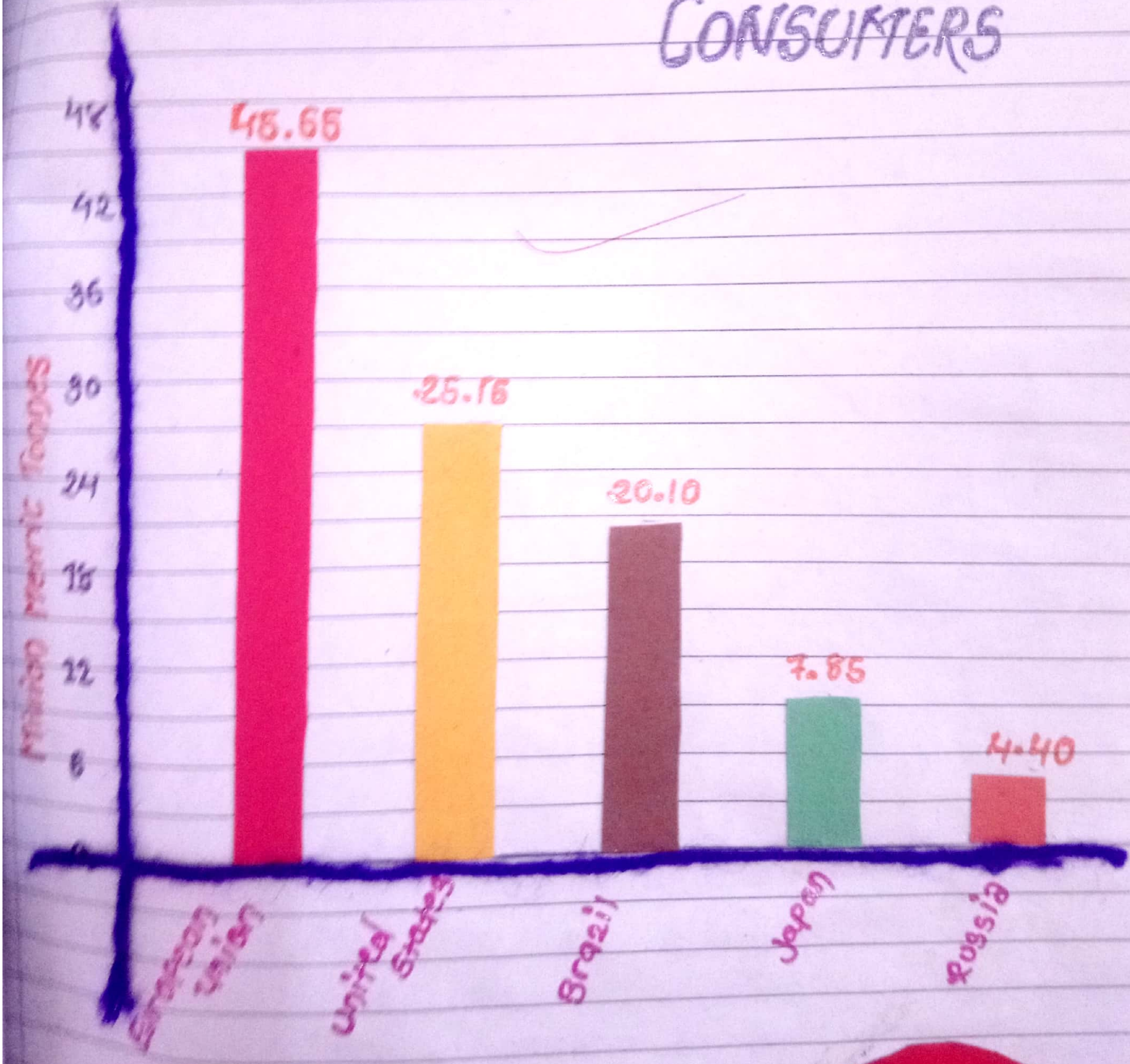
CASE STUDY ON MARKET-...



Introduction This coffee case study Assignment Help paper ~~does~~ describes impact of some events on price and quantity of coffee in the market. In addition, it also explain different determinants that can influence the elasticity of goods. This case study analysis paper suggests elasticity for coffee on the basis of determinants and depicts about impact of price of coffee on total revenue including concern of elasticity.

Impact on price and quality of coffee a). In this situation the demand of coffee will increases because people will be interested to buy coffee and drink it due to knowing advantages of drinking coffee as per Scientific Study.

WORLD COFFEE[GREEN] MAJOR CONSUMERS



The Hightower Report

In today's scenario, people are more concerned to their health issues. This advertising campaign highlights the finding of scientific studies that to drink coffee can be helpful in reducing weight gain. It will change the perception of the people regarding drinking coffee in health concerns.

Therefore, there will be an increase in demand of coffee in market. Along with this assignment help, increases demand will also raise the price of coffee in market because manufactures will make most of this situation by increasing price of coffee on higher demand. The higher price will lead to increase in the quantity supplied. This event will cause a right shift of demand curve that will cause are affected by shortage of the premium coffee beans known as Arabic coffee that increased the price of coffee in market. Demand of this coffee is increasing day by day in different contries. Dues to shortage of this coffee bean, starbucks started to increase the price in U.S and china. It affected the profit of the company that enforced it to stop price hike further Green mountain coffee rea rousters - also increased its price for coffee products in North America. Another companies such as J.M Smucker company, peet's coffee & Tea and Yuban and maxwell Houses coffee also raised price on their top coffee products due to increase in the price of green coffee beans due to shortage This price increase put a pressure on world coffee supplies.

fun fact for a coffee bean is a misnomer for the seed of a coffee plant. It is because for gourmet coffee outcomes of price increase are different rather than Arabica seeds. It means that when price go up for gourmet coffee, people will keep buying it. Due to inelasticity of coffee with respect to price, the shortage in coffee may not be eased in a quick manner with respect to rise in coffee prices. It is because high demand of coffee is expected to grow in future. coffee and Tea are substitutes that mean if there is an increase in price of one product, there will be raise in demand of another substitute product. In condition of decrease in price of Tea, the demand for coffee will go down that will put pressure on price of coffee to decrease in market. It is because consumer will prefer to drink tea due to low price that will decrease the demand of coffee in market. In order to increase the demand of coffee, companies will have to decrease the price of coffee to attract more consumers. Thus decrease in price of coffee will cause a decline in the quantity supplied. This condition will cause a left shift of the demand curve and lead to decrease in price and quantity of coffee. d) In condition of fair coffee, demand for coffee will be increased because of preference by the consumer to support a fair trade minimum price. It is like to pay more for coffee that allows the growers to meet their needs and preferences. This fair trade coffee will be different from tradition

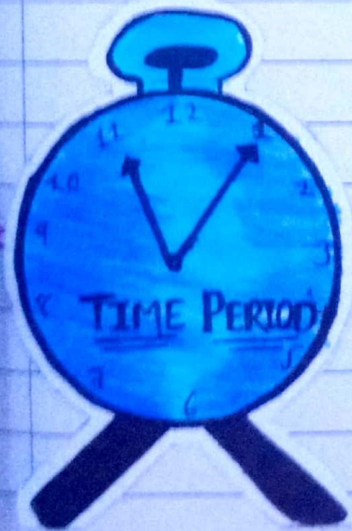
The fair trade label can be successful to attra[illegible] more customers in comparision of traditional coffee. The[illegible] fore, when consumer will select the fair trade label, demand for fair trade coffee will be increased. Highe[illegible] demand will have a positive influence on price of coff[illegible] as it will be also increased. The higher price will also in[illegible]crease the quality supplied because farmer will be inte[illegible]rested in increasing their supply of fair trade coffee on[illegible] This event will cause a right shift of the demand cu[illegible]ve that will cause price and quantity of coffee to increase.

MAJOR DETERMINANTS

Substitute Availability :- The number and proximity of substitute products is a major determinant the affect numerical value of elasticity. If there is availability of more close substitute in market, demand of good will be more elastic and vice versa. It means that a product having different close substitutes in market has greater price elasticity of demand. For example :- Tea and coffee are close substitute, so they have higher elasticity of demand, while salt or sugar don't have close substitute as their price elasticity is lower.

Nature of goods :- Goods can be categorized into luxuries, necessities and comforts. In this concern, elasticity of demand for luxuries commodity is more than necessities and comforts. It is because use of luxury goods can be delayed when their price rise. Along with this, use of necessities cannot be postponed as their demand is inelastic. Elasticity of demand for comfort is between both commodities. Durable goods elasticity more than nondurable goods.

Fraction of budget spent on commodity :- The proportion of budget spent on a commodity is another factor that affect the elasticity of demand. In this, if fraction of a buyer's budget on a particular good like petrol is large, its demand will be more elastic. In contrary to this, if the proportion of budget spent on a commodity such as toothpaste is small, it will have more elasticity of demand. Therefore, consumer continues to buy almost same quantity of these less proportion having goods even when their prices increase.



:- The price elasticity also depend on the time period needed for the customer to adjust their consumption pattern to price change. If there is more availability of time, the price elasticity will be greater. Short period of time does not permit buyers and sellers to analyze their consumption pattern and production decision for change in price. Time is needed for buyers to find substitute to consume, while seller need time to arrange

resources for production of substitutes.
For example :- if price of refrigerator decreases, demand will not increase instantly. with the time, people may be able to adjust their consumption pattern and can purchase refrigerator at new price.

Elasticity of Coffee & Impact of price on total revenue :- on the basis of determinants of price elasticity it can be stated that demand for coffee is elastic. It is because in perspective of availability of close substitute, coffee has a close substitute i.e tea. therefore, there is more possibility to switch from coffee to tea by the consumer on increase in price of coffee. It is comfort commodity that has elastic demand between necessities and luxury goods. proportion of budget spent on coffee is small that makes its demand more elastic. Total revenue decreases, when price of coffee is increased. coffee has elastic demand, therefore, % change in quantity demanded is greater than that in price.

CONCLUSION

In making demand determinants const and variable, allowing each to change one at a time, a more through understanding of the demand side of the m[illegible] [illegible] can be achieved. change in any of the determinants can cause either an increase in demand or a decrease in demand

An increase in demand means that for any price, For every price, buyers are willing and able to buy more of the good.

A decrease in demand means that for any price, for every price, buyers are willing and able to buy less of the good. This is a change in the specific amount of the good that buyers are willing and able to purchase. It is caused by a change in the demand price. and we also Demand and Determinant understand by Market for coffee.

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THANK

YOU