

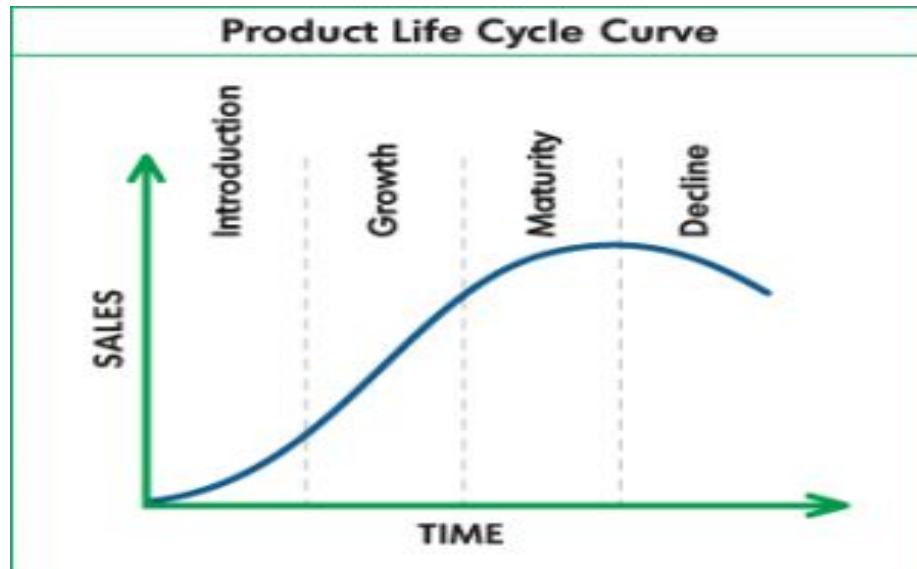
# Demand

Demand for a product refers to:

1. Desire of an individual for a product
2. Ability to pay for the product
3. Willingness to buy the good

# Factors determining Demand

1. Price of the product
2. Income level of the user
3. Price of related goods: Substitutes & Complementary goods
4. Advertisement expenditure
5. Tastes & preferences of the user
6. Climatic and weather conditions
7. Expectations
8. Size of the population
9. Other factors



# Law of Demand

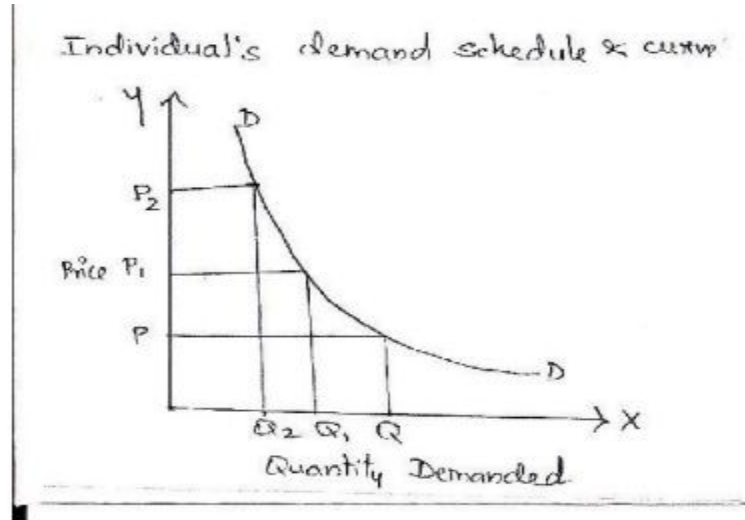
The law of demand states that other factors being constant, price and quantity demanded of a certain good/service are inversely related to each other.

In the words of *Marshall*, “The amount demand increases with a fall in price and diminishes with a rise in price”.

# Demand Schedule

Price of the good (in Rs)	Quantity Demanded (in Units)
10	1
8	2
6	3
3	4

# Demand Curve



The above diagram shows the demand curve which is downward sloping. Clearly when the price of the commodity increases from price  $P$  to  $P_1$ , then its quantity demanded comes down from  $Q$  to  $Q_1$  and vice versa.

# Exceptions to The Law of Demand

1. Giffen's Paradox
2. Veblen Goods
3. Necessities
4. Speculative Effect
5. Ignorance & Impulsive buying
6. Fear of Scarcity

# Increase and Decrease in Demand

Change in demand is due to the change in any other determinants except price.

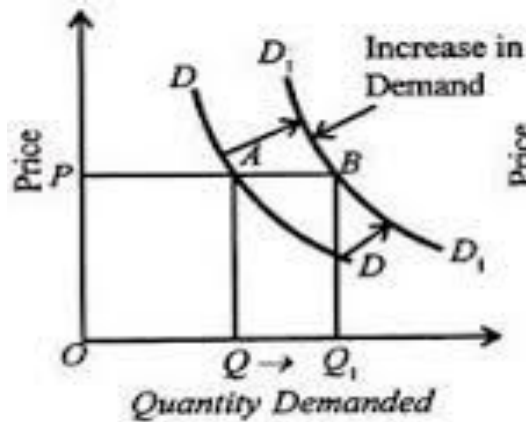


Fig. 4

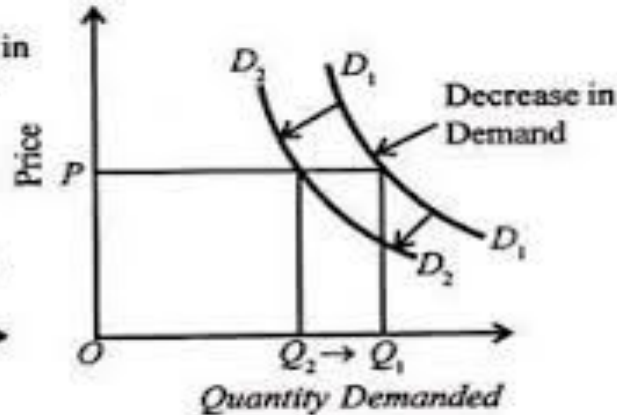


Fig. 5



# Extension and Contraction in Demand

Change in Demand is purely on account of changes in price of the commodity.

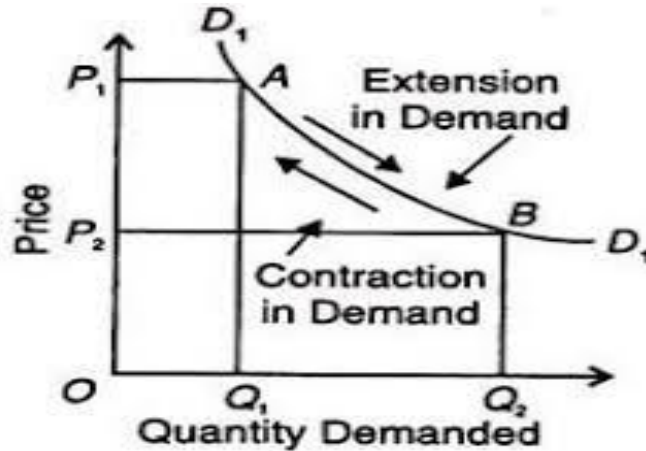


Fig. 6