PROJECT WORK ON DEMANDS AND ITS DETERMINANTS

Submitted by:

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Class:11 D

Submitted to:

Economics Department

Economics Class 11 Project on Demand

Project Guidelines

Points to be kept in mind while preparing the Economics Project for Grade - 11

1. Always try to choose the interesting Economics project topics

2. Always keep your project short and precise. Add topics only related to your project

topic.

3. Try to Add Diagrammatic/Graphic Presentation. Add Diagrams, Pie-Charts, Bar Charts,

and Graphs (If Possible)

4. If you have any doubts ask with your project guide for project guidelines

5. Submit your project report on time.

Important points that should be included in the project.

1. Title of the project

2. Problem being discussed in the project

3. The main reason for selecting this project topic

4. Literature Review

5. The objective of the project

6. Scope of the project

7. Limitations of the project

8. Working methodology of project

9. Acknowledgement

10.Preface

11.Contents of the project

12.Observations and findings

13.Conclusion

14.References (reference books. journals, magazines, websites, etc.)

Steps to be kept in mind while writing the project

1. Identifying the Project Statement

2. Setting the Project Objective and Scope of the Project

3. Defining the Project Tasks and Responsibilities (Creating the Work Flow Structure)

4. Monitoring the Project and Finding the Important Resources Required

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Economics Project - Class 11

(Name of the Project)

Submitted by:

Name:

Roll no:

School Name:

Acknowledgement

I would like to convey my sincere thanks to ……… (Teachers name), my Economics teacher who always gave me valuable suggestions and guidance during the project. She/he has a source of inspiration and helped me understand and remember important details of the project. She/he gave me an amazing opportunity to do this wonderful project '(name of the project)'. I also thank my parents and friends for their help and support in finalizing this project within the limited time frame.

…………………. (Name of the student)

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Certificate

This is to certify that …………………... (Name of the student) of class 11 has successfully completed the Economics Project on …………………………………………. (Name of the project) as per the guidelines of class 11 Board examination conducted by CBSE.

Teacher's Signature: ___________________

Teacher's Name: ___________________

An Example is given below the topic being discussed here is "Demand"

List of Content

10 Bibliography X

Economics Class 11 Project on Demand

Meaning of Demand

What is Demand? Not, what you wish to have! What you wish to have is simply your wishful

thinking or desire. Demand refers to that quantity of a commodity that a consumer is willing

and able to purchase at various prices and particular period of time.

Ask your mother: How much fruit (say apples) she wishes to buy? Pat should come to the

reply: It depends on the price of apples. Higher the price of the commodity, lower the purchase

of the commodity. It is a standard relationship between price and purchase, on the assumption

that other things (other than price and purchase of the commodity) do not change.

A Standard Relation between Price and Purchase

It is that higher the price, lower the purchase of the commodity on the assumption that other

things do not change

Individual Demand

It refers to demand for a commodity by an individual buyer in the market? Ram buying 10

shirts at a price of Rs. 500 per shirt? is an example of individual demand.

Market Demand

It refers to total demand for a commodity by all the buyers in the market. If Ram and Shyam are the only two buyers in the market, and both of them are buying 25 shirts at a price of (say)

Rs. 500 per shirt, market demand would be: 25 shirts at a price of Rs. 500 per shirt. Or it could

be 30 shirts at a price of (say) Rs. 400 per shirt, and so on.

Note: Both in case of individual demand and market demand, the inverse relationship between

price and purchase holds goods. In fact, buying more at a lower price and buying less at a

higher price is a phenomenon related to human psychology. We shall discuss more about it in

the subsequent sections.

Determinants of Demand

Price of the Commodity: Price, of course, is the prime determinant of demand for a

commodity. Higher the price, lower the purchase? Operates like a law in the market. Often this

relationship is referred to as the Law of Purchase or Law of Demand. But there are other

determinants of demand as well, as under:

Income of the Consumer: Higher the income (implying purchasing power), higher the

purchase.

Tastes and Preferences: A South Indian buys more rice while a North Indian buys more

wheat. Why? Because of the difference in tastes and preferences.

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Price of the Related Commodity: Demand for a commodity also depends on price of the

related commodity. It is called Cross-Price-Effect.

Cross Price Effect

It refers to the effect of a change in price of one commodity on the demand for the other

commodity.

Example: If the price of diesel decreases, it is very likely that the demand for petrol also

decreases. Some people may shift from petrol cars to diesel Cars. Implying a fall in demand

for petrol when price of diesel has fallen, even when price of petrol continues to be the same

Market Expectations: Expectations about the market include (a) behaviour of price in the

near future and (b) availability of commodity in the near future. If a curfew is clamped in an

area (like in the city of Jammu these days) owing to social unrest, people expect prices of

essential goods to increase; also they expect overall shortage of these goods owing to

problems of transportation. Consequently, the tendency would be to buy more essential goods

at their existing price. People will like to store these goods for use in the near future.

Credit Facility: Credit facility through bank loans and credit cards has emerged to be an important determinant of demand, particularly of consumer durables like Cars, TVs,

Televisions, etc. A check on credit (during inflation) tends to lower demand while liberal

availability of credit (during deflation) tends to raise it.

Population Size: China and Indian are the emerging demand centres for consumer goods.

Why? Simply because of their population size. Demand expands when the population

expands. However, population size as a determinant of demand, is to be considered only in

the context of market demand. This determinant of demand is Not Valid in the context of

individual demand.

Size and Distribution of Income: This is yet another determinant of market demand only.

When national income of a country increases, market demand tends to rise and vice versa.

Likewise, if the distribution of income is skewed (or unequal) and a large number of people in

the country are below poverty line, market demand for luxury goods (big cars or LCD TVs) is

likely to be low. However, the students are advised not to consider this determinant in the

context of individual demand.

Individual Demand Schedule and Curve

What is your demand for Good-X?

Lower the price, higher the purchase is the standard expression of demand. Thus, demand for

a commodity is invariably expressed in terms of a schedule showing the inverse relationship

between price and purchase of a commodity. It is like the following:

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Table 1. Individual Demand Schedule

PX

(Rs.)

QX

(Units)

Individual Demand Schedule is a table showing different amounts of a

commodity that an individual consumer is ready to buy corresponding to

different possible prices of that commodity, at a point of time.

10

9

8

7

6

5

100

120

140

160

180

200

Individual Demand Curve

Demand curve is a graphic presentation of demand schedule, showing an inverse relationship

between price and quantity demanded of a commodity.

Fig. 1.

Economics Class 11 Project on Demand

Note: Demand curve, as in Fig. 1, generally slopes downward. Its downward slope points to

the inverse relationship between price of commodity and purchase of a commodity.

Market Demand Schedule and Curve

We know market demand refers to demand for a commodity by all the buyers in the market.

Accordingly, the market demand schedule is a table showing different amounts of a commodity

that all the buyers in the market are ready to buy corresponding to different possible prices of

that commodity.

Table 2 is an example of market demand schedule.

Table 2. Market Demand Schedule

Price(Rs.) Quantity

Demanded by A

Quantity

Demanded by B

Market

Demand

← Market demand

schedule refers to

a table showing

different amounts

of a commodity that all

buyers in the

market are ready to

buy

corresponding different

possible

prices of that

commodity, at a point

of time.

6 0 5 5

5 5 10 15

4 10 15 25

3 15 20 35

2 20 25 45

1 25 30 55

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Market Demand Curve

Market demand curve is simply a graphic presentation of market demand schedule, showing

an inverse relationship between price and market demand of a commodity.

Fig. 2 is an example of market demand curve.

Fig. 2

Important points:

(a) Check carefully. You will find that the market demand curve is a horizontal summation

(also called lateral summation) of individual demand curves.

(b) Because, market demand curve is a horizontal summation of individual demand curves,

it is flatter than any individual demand curve.

(c) (c) Like individual demand curves, market demand slopes downward, showing an

inverse relationship between price and purchase of a commodity.

Difference between Demand and Quantity Demanded

We have understood that demand for a commodity generally finds expression of a schedule

showing higher purchase corresponding to a lower price.

Thus, your demand for chocolate may take the following expression:

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Demand

Demand often finds

an expression

of a schedule

showing different

quantities of a

commodity that the

consumer is ready to

buy

corresponding to

different possible

Prices of that

commodity.

→ Price of

Chocolate

(per unit)

(Rs.)

Purchase of

Chocolate

(units)

← Quantity Demanded

It refers to a specific

quantity

that the consumer is

ready to

buy against a specific

price of a

commodity.Thus, 5 units

against a price of Rs. 10

is

quantity

purchased/demanded.

10 5

9 7

8 10

With reference to your demand for Chocolate, you are stating that if price be Rs. 10 per unit,

you are buying only 5 units; if the price is Rs. 9, you are ready to buy 7 units, and if the price is

Rs. 8, you are ready to buy as many as 10 units of Chocolate. Thus, your demand for

Chocolate is as expressed in the entire demand schedule. Accordingly, you may define

demand in the following words:

Demand for a commodity refers to a schedule showing different amounts of a commodity that

the consumer is ready to buy corresponding to different possible prices of that commodity.

Quantity purchased on the other hand, refers to a specific amount of a commodity (like 5 units)

to be purchased against a specific price (Rs. 10)

With reference to the demand curve, we can say that any specific point on the demand curve

shows Quantity demanded, while the entire demand curve shows demand for a commodity.

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Movements along the Demand Curve

Fig. 3

Refer to Fig. 3. Moving from point a to b to c to d are the movements along the demand curve.

Moving from a to b, from b to c, from c to d shows:

(a) higher purchase in response to lower price.

(b) inverse relationship between price and purchase of a commodity.

(c) downward slope of demand curve.

Thus, movement along the demand curve may be defined as:

A situation of change in quantity (Qx) in response to change in price (Px) of a commodity

implying an inverse relationship between price and purchase or a situation of downward

sloping demand curve.

Moving along the demand curve, (or studying the inverse relation between price and purchase

of a commodity) we assume that other things remain constant. What are these other things?

These are other determinants of demand, other than price of the concerned commodity. You

know what the other determinants are. These are: (i) price of the related goods, (ii) consumer's

income (iii) consumer's tastes and preferences, (iv) market expectations, and (v) credit facility.

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Shift in Demand Curve

Fig. 4

Refer to Fig. 4. Consider a situation that initially you were at point a. Now there is no change in price of the commodity. It continues to be = OP. But you are moving from point a to b or from

point a to c.

What could it be due to? It could be due to change in any of the determinants of demand, other

than Px. To illustrate, while you are at point a, and Px is constant, your income may increase.

Consequently, you are buying more of X (OQ3 instead of OQ1), and you are shifting from point

a on dx1 to point c on dx3. It is a situation of forward shift in the demand curve. Your income

may decrease as well. Consequently, you may buy less of X even when Px is the same: you

are buying OQ2 instead of OQ1. You are shifting from point a on dx1, to point b on dx2. It is a

situation of a backward shift in the demand curve.

Thus, a shift in demand curve occurs when demand for a commodity changes (increases or

decreases) owing to change in other determinants of demand, other than price of the

concerned commodity(Px).

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A Shift in Demand Curve

A shift in demand curve is a situation when demand for a commodity (Qx) increases or

decreases owing to change in other determinants of demand, other than price of the

concerned commodity (Px).

Forward Shift in Demand Curve

It is a situation when demand for commodity (Qx) increases, even when price of the commodity (Px) remains constant, owing to change in other determinants of demand, other than (Px).

Example: Income of the consumer increases. Consequently (Qx) increases even when (Px) is constant.

Fig. 5

Backward Shift in Demand Curve

It is a situation when demand for a commodity (Qx) decreases, even when price of the commodity (Px) remains constant, owing to change in other determinants of demand, other than (Px).

Example: Income of the consumer decreases. Consequently (Qx) decreases even when (Px)is constant.

Fig. 6

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Law of Demand

Law of demand states that, other things remaining constant, quantity demanded (Qx) tends to rise when the price of the commodity (Px) falls, and vice versa.

Movements along the Demand Curve explain the Law of Demand

Fig. 7

Assumptions of the Law of Demand

A demand curve is drawn on the assumption that other determinants of demand (other than

Px) remain constant. These are therefore the assumptions of law of demand:

(a) that prices of related goods do not change.

(b) that consumer's income is constant.

(d) that there is no change in consumer's tastes and preferences.

(c) that there is no change in market expectations.

(e) that there is no change in credit facility to the consumer.

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Exceptions to Law of Demand

1. When a Consumer Judges Quality of a Commodity by its Price: It is not very uncommon

when we find ourselves in a dilemma of costlier the better. We feel that a thing of high

price is a thing of better quality. Accordingly, one tends to buy more of a thing at its high

price. Accordingly, the law of demand fails.

2. Articles of Snob Appeal: Articles like antique pieces of art are purchased simply

because their prices are very high. These articles carry a snob-appeal. These are

articles of social distinction. Law of demand fails in case of such articles.

3. Giffen Goods: These are not normal goods. These are highly inferior. So inferior that a

fall in their price causes a cut in their demand. Accordingly, the law of demand fails.

Bibliography

Government and other websites

Online and RBI links

News paper, magazines.