large Scale Economics:-

When the production is done on large scale the avg cost of a production reduces, it is called as economics of scale. It is two types, &

1) Internal economics
2) External economics

1) Internal economics:-

Internal economics refers to the benfits enjoyed when the firm increases its size and output.

→ Internal economics reduces the production cost if exists e with in a firm due to its own expansion or increase in scale of production.

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classification of internal Economics:-

a) Technical Economics:-

→ Technical economics can be achieved because of adopting better techniques of production.

→ Use of sophisticated machinery.

→ Use of new technology for production process.

→ They will increase the volume of production & reduces the wastage.

2) Managerial economics:-

→ These can be achieved from creating special departments.

→ In large scale production managers are required for seperate departments.

→ Their functional specifalization needs to minimize the wastage and optimum use of resource available by that, the cost of the production becomes low.

3) Commercial Economics:-

→ Commercial economics arise due to bulk purchase of materials, bargaining this can also be achieved from sale of goods.

→ When raw materials and saparates are purchased on large ~~of~~ quantities there is a huge savings in cost of materials, transparation & storage cost.

4) Financial economics:-

→ Financial economics arise from the fact that a big firm has better credit facility and they can borrow money at more favourable intrest rates.

→ By this the company will enjoy wide market.

5) Risk bearing economics:-

→ Risk can be spread by diverstifying the output.

→ Diversification of product gives strengths & stability to the firms.

→ Large companies can divide its risk by several ways such as insuring the plant, machinery, employees, by producing multiple products, by purchasing of raw materials from different suppliers.

~~6) M~~

6) Marketing Economics:-

→ A large company can maintain a professional marketing division for various related activities such as customer surveys, effective advertisement, sales production.

7) Research & development economics:-

Large companies can set up and spent money on separate research and development activities inorder to introduce new products into the market.

2) External economics:-

→ It refers to the benfit of the firm which are not dependent on size of the firm and also not on the products.

→ As a result of expansion in the industry the firm enjoys following benfits:

1) Availability of new & cheaper raw material.

2) Availability of better machinary.

3) Availability of trained labour.

Availability of credit facilities.

classification of external economics:-

1) Economics of concentration.

2) Economics of information and.

3) Economics of ~~dist~~ disintegration.

1) Economics of Concentration:

→ Economics of concentration will enjoy by the firm due to availability of skilled labour better transport facilities, credit facilities.

2) Economics of information:-

→ Economics of information refers to the firm by trade journals, advertisements, technical journals and attain technical information from research institutes.

3) Economics of disintegration:

→ When industry expands some process can be given to the other firms.

Eg: No. of steel companies & petroleum companies granites [crushing polishing].