

ASSIGNMENT



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1) a) Write a short note on "Elasticity of Demand".

Elasticity of demand is a measure of how responsive the quantity demanded of a good or service is to a change in price. It quantifies the sensitivity of consumer demand to fluctuations in price and is a crucial concept in economics. The formula for elasticity of demand is:

$$\text{Elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in Price}}$$

The key types of elasticity of demand are:

1. Elastic demand :-

- If the percentage change in quantity demanded is greater than the percentage change in price (i.e. elasticity > 1), the demand is elastic.
- For elastic demand, consumers are highly responsive to price changes and a price increase leads to a proportionately larger decrease in quantity demanded (and vice versa).

2. Inelastic Demand :-

- If the percentage change in quantity demanded is less than the percentage change in price (i.e. elasticity < 1), the demand is inelastic.
- In inelastic demand, consumers are not very responsive to price changes. Changes in price have a relatively smaller impact on the quantity demanded.

3. Unitary Elasticity :-

- If the percentage change in quantity demanded is equal to the percentage change in price (i.e. elasticity = 1), the demand is unitary elastic.
- For unitary elastic demand, the percentage change in quantity demanded is exactly proportional to the percentage change in price.

Factors influencing the elasticity of demand include the availability of substitutes, the necessity of the good, the time horizon (long-run vs. short-run), and the proportion of the consumer's income spent on the good.

Understanding elasticity of demand is crucial for business and policymakers. For businesses, knowledge of demand elasticity helps in pricing strategies, while policymakers use it to predict the impact of taxes or subsidies on

consumer behavior. Elasticity of demand provides insights into how changes in price affect market dynamics and consumer choices.

1) b) Write a short note on Sources of Public Revenue.

Public revenue refers to the funds that a government collects to finance its various activities and provide public goods and services. These revenues are crucial for the functioning of a government and are derived from various sources. Here are some primary sources of public revenue:

1. Taxation :-

- Income Tax: Governments often levy taxes on the income earned by individuals and businesses.
- Corporate Tax: Tax imposed on the profits of corporations.
- Sales Tax and Value Added Tax (VAT): Taxes imposed on the sale of goods and services.
- Property Tax: Tax levied on the value of real estate owned by individuals or businesses.
- Customs Duties and Excise Taxes: Taxes on imported and domestically produced goods.

2. Non-Tax Revenue :-

- Fees and User charges: Governments collect fees for specific services or licenses, such as vehicle registration fees or licensing fees for businesses.
- Fines and Penalties: Revenue generated through fines imposed for violations of laws and regulations.
- Asset Sales: Governments may sell assets like land or state-owned enterprises to raise fund.
- Interest and Dividends: Income generated from government investments or holdings in various enterprises.

3. Borrowing :-

- Governments may borrow money by issuing bonds or taking loans to finance projects or cover budget deficits. The borrowed amount is repaid over time with interest.

4. Grants and Aid :-

- International aid and grants provided by foreign governments or international organizations can contribute to a country's public revenue.

5. Monetary Seigniorage :-

- This refers to the profit a government makes by issuing currency. The difference between the face value of the currency and the cost of production contributes to public revenue.

6. Natural Resource Revenues :-

- Countries with significant natural resources may generate revenue through the extraction and sale of minerals, oil, gas or other natural resources.

7. Lotteries and Gambling :-

- Some governments operate lotteries or allow gambling, and the revenue generated from these activities contributes to public dividends or funds.

8. Dividends from State-Owned Enterprises :-

- Governments may own shares in various enterprises and receive dividends as a source of revenue.

9. Voluntary Contributions :-

- Donations and voluntary contributions from individuals or organizations can also contribute to public revenue.

Governments often use a combination of these sources to ensure a diversified and stable income stream. The choice of revenue sources can impact economic efficiency, equity and the overall fiscal health of a nation.

2) a) Maslow's Theory :-

Abraham Maslow (1908–1970) was an American psychologist who is best known for his theory of human motivation, often represented as Maslow's Hierarchy of Needs. His work in psychology focused on understanding what motivates individuals and the factors that drive human behavior. Here is a brief overview of Maslow's contributions:

Maslow's Hierarchy of Needs: Maslow proposed a five-tiered model of human needs, often depicted as a pyramid. According to his theory, individuals are motivated by a hierarchy of needs, and they progress through these needs in a sequential manner. The hierarchy, from the most basic to the highest, consists of :

1. Physiological Needs:- These are the basic survival needs, such as air, water, food, sleep and shelter. Until these needs are met, individuals are primarily motivated by the desire to fulfil them.

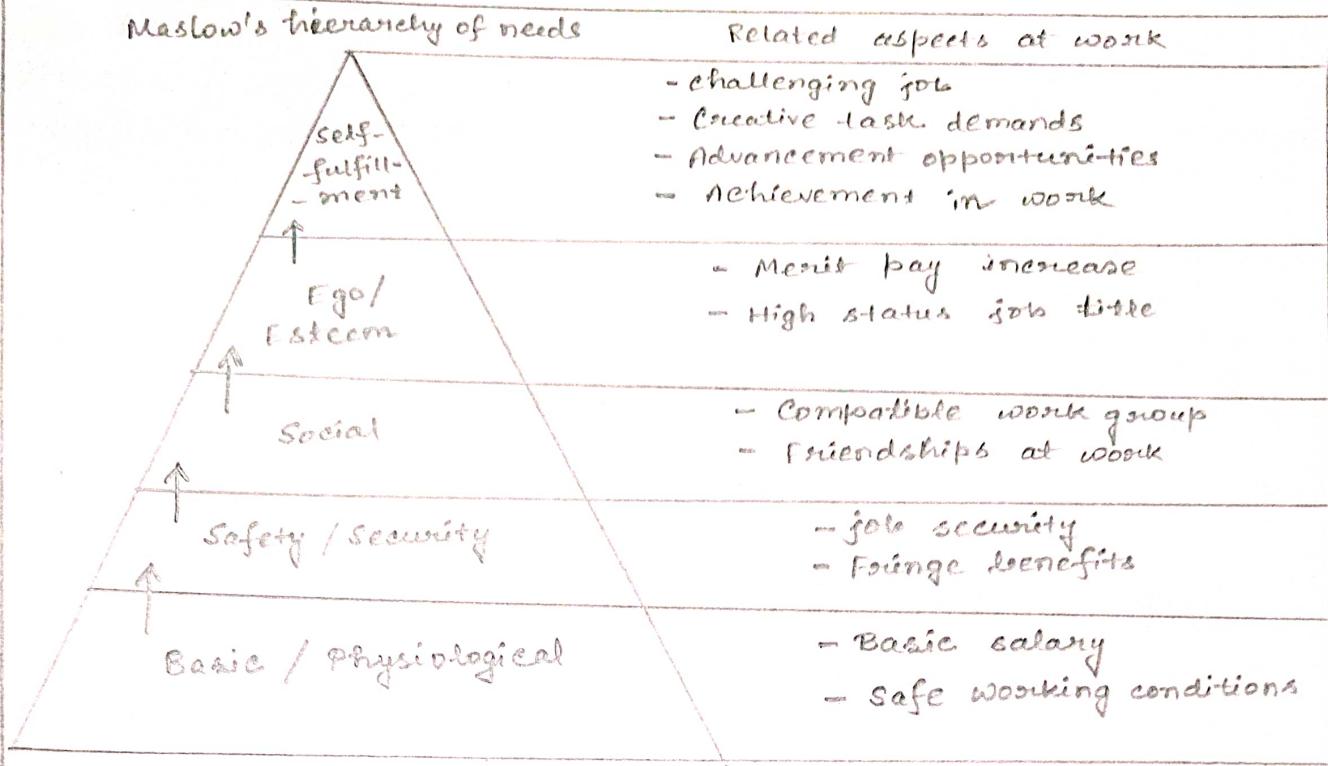
2. Safety Needs:- Once physiological needs are satisfied, individuals seek safety and security. This includes personal and financial security, health and a safe environment.

3. Love and Belongingness Needs:- After safety needs are met, individuals crave social connections, relationships and a sense of belonging. This involves both giving and receiving love and forming meaningful connections with others.

4. Esteem Needs:- Once social needs are fulfilled, individuals strive for self-esteem and the esteem of others. This includes feelings of accomplishment, recognition and competence.

5. Self-Actualization:- At the pinnacle of the hierarchy is the need for self-actualization. This refers to the realization of one's full potential, the pursuit of personal growth, creativity and the desire to become the most that one can be.

Maslow's theory suggests that individuals move up the hierarchy as lower-level needs are satisfied and higher-level needs become more salient. However, it's important to note that not everyone follows this progression in a rigid manner, and individuals may move back and forth between different levels of the hierarchy.



Maslow's work has had a significant impact on psychology, education and various fields related to human behaviour. While the specific structure of his hierarchy has been debated, his emphasis on the importance of human needs and motivation remains influential in understanding individual development and well-being.

2) b) ERG Theory :-

The ERG theory, proposed by psychologist Clayton Alderfer, is an alternative to Maslow's Hierarchy of Needs and stands for Existence, Relatedness and Growth. Alderfer condensed Maslow's five levels of needs into three more general categories, recognizing that individuals can be motivated by multiple needs simultaneously. Here's a brief overview of the ERG theory:

1. Existence Needs (E) :- This category corresponds to Maslow's physiological and safety needs. Existence needs encompass the basic requirements for human survival, including food, shelter and physical well-being. In a work context, this might include salary, working conditions and benefits.

2. Relatedness Needs (R) :- This category is akin to Maslow's social and belongingness needs. Relatedness needs involve interpersonal relationships, social connections and a sense of belonging. Individuals seek to establish meaningful relationships with family, friends and colleagues.

3. Growth Needs :- This category aligns with Maslow's esteem and self-actualization needs. Growth needs pertain to personal development, achievement, and the realization of one's potential. This includes opportunities for learning, advancement and challenging work assignments.

One of the key features of the ERG theory is the idea of frustration-regression. If a higher-level need is frustrated, an individual may regress to lower-level needs that can still be satisfied. For example, if someone is unable to fulfil their growth needs at work, they may focus more on relatedness or existence needs.

The ERG theory is valuable in understanding the complexity of human needs and motivations, acknowledging that individuals may pursue multiple needs simultaneously. It provides a more flexible framework than Maslow's Hierarchy particularly in the context of the dynamic and varied nature of human motivation in different situations.

2) c) Herzberg's motivation theory :-

Frederick Herzberg's Two-Factor Theory, also known as the Motivation-Hygiene Theory or Dual-Factor Theory, is a psychological framework that explores the factors that contribute to job satisfaction and dissatisfaction in the workplace. Herzberg conducted extensive research in the 1950s and 1960s and identified two sets of factors that impact employee motivation and job satisfaction:

1. Hygiene Factors (Maintenance Factors):

- These factors are related to the work environment and are essential for preventing dissatisfaction, but their presence does not necessarily motivate employees. Example includes :

- Working conditions
- Salary and benefits
- Company policies
- Quality of supervision
- Interpersonal relationships
- Job security

The absence of adequate hygiene factors can lead to job dissatisfaction, but their presence alone does not significantly contribute to increased motivation and job satisfaction.

2. Motivational Factors :-

- These factors are related to the nature of the work itself and are directly linked to job satisfaction and motivation.
- Examples include :

- Achievement
- Recognition
- Responsibility
- Advancement
- The work itself (challenging and interesting tasks)
- Personal growth and development

Herzberg argued that these factors, when present, can lead to increased job satisfaction and motivation. They are associated with intrinsic aspects of the job that provide individuals with a sense of achievement and personal fulfillment.

Herzberg's Two-Factor Theory suggests that the absence of dissatisfaction does not equate to satisfaction; rather, there are separate factors influencing each. To improve employee motivation and job satisfaction, organizations need to address both hygiene and motivational factors. While hygiene factors help establish a baseline for employee well-being, motivational factors contribute to a higher level of job satisfaction and intrinsic motivation.

Herzberg's theory has influenced organizational management practices, particularly in terms of recognizing the importance of factors that contribute to employee satisfaction beyond mere compensation and basic working conditions.