Demand

It can be expressed in terms of quantity, Price and Time.

☆ Meaning:

Demand is that specific quantity of goods and services which the consumers are willing and able to buy at all possible prices during a specific time peroid. It is mainly depends on three elements that's Desire to buy a commodity, capacity to pay & willingness to spend.

"The demand for a particular good is the amount that will be purchased at a given price at a given time."

☆ Determinants of Demand:

[Demand Functions]

$$D_x = f(P_x, P_s, P_c, T, E_p, Y, D_E, W)$$

D_x = Demand for good x.
P_x = Price of good x
Y = Consumers income
P_s = Price of substitutes of x
P_c = Price of complimentary of x
T = Measure of customer Taste and Preferences
E_p = Consumers Expectation about future prices
D_E = Demonstration Effect
W = Wealth

1. Price of the commodity (P_x):

The most important factor affecting the demand for a particular commodity is the price of that commodity. There is inverse relationship between the ~~demand~~ price of a commodity and demand for it, ceteris paribus. If price is low, demand is high. On the contrary, when price is high, demand is low.

2. **Income of the consumer (Y):** I↑ D↑ I↓ D↓

The another important determinant of individual demand is the income of the consumer. There is positive relationship between the demand for a commodity and income of the consumer. If the income of the consumer is high, consumer's demand will also be high. On the contrary, if the income of the consumer is low, consumer's demand will also be low.

Coffee Tea

D↑

3. **Price of subsitute commodities (P_2):** P↑ D↓ D↑ P↓ D↓

Such commodities which can be used in place of one-another, are know as Substitute commodities. For example; Pepsi and coca cola, Tea and coffee, etc. are substitutes goods.

The rise in the price of one commodity leads to rise in the demand of another commodity. On the other hand, fall in the price of one commodity leads to fall in the demand of another commodity.

So, it can be says that, there is a positive relationship between price of the one commodity and demand for another commodity.

(e.g. in book Pg. 24)

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4. Price of complementary Commodities: Such commodities which are jointly used with one another are known as complementary commodities. The use of complementary commodities is not possible without one another. For example: Car and Petrol are complementary commodities.

In case of complematary commodities, there is negative relation between the price of one commodity and the demand for another commodity. The rise in the price of one commodity leads to the fall in the demand for another commodity and the fall in the price of one commodity leads to the rise in the demand for another commodity.

For example: with the rise in the prise of care, the demand for Petrol will fall because people's demand for car at a higher price will be low. On the contrary, with the fall in the price of car, the demand for petrol will rise because people's demand for car at a lower price will be high.

5. Consumer's Preferences: Every consumer has distinct habits, tastes, preferences and choice for fashion. Those commodities which are in accordance with the consumer's preferences have high demand. But those commodities, which aren't in accordance with the consumer's preferences have low demand. Hence, consumer's preferences are also an important determinant of individual demand.

6. Future Expectations: If consumer expects that the price of the commodity will fall in future, consumer's demand in present will be low because consumer will like to purchase the commodity in future at a lower price.

On the contrary, if consumer expects that the price of the commodity will rise in future, consumer's demand in present will be high because consumer will not like to purchase the commodity in future at a higher price. Hence, future expectations concerning price of the commodity also influence individual demand.

7. Demonstration Effect: Advertisement publicity, etc. also influence the individual demand of a consumer. If effective advertisement and publicity is done with the help of various means of communication like T.V., Ratio, Newspapers, etc. the choice of the individual consumer for a particular product can be influenced for a particular commodity.

8. Wealth: The quantum of wealth, which the consumer possesses, also influences the individual demand. The consumer who has more wealth, will spend more of his income on consumption. Hence, the demand made by that consumer will be high.

On the contrary, the consumer who has less wealth, will like to save more for the future and hence the demand made by that consumer will be low.