Pinky Rani

Assistant Professor (Guest Faculty)

Department of Economics

Maharaja College

Veer Kunwar Singh University, Ara

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Topic: Market Structure

Market Structure

Market structure, in economics, depicts how firms are differentiated and categorised based on the types of goods they sell (homogeneous/heterogeneous) and how their operations are affected by external factors and elements. Market structure makes it easier to understand the characteristics of diverse markets.

The main body of the market is composed of suppliers and demanders. Both parties are equal and indispensable. The market structure determines the price formation method of the market. Suppliers and Demanders (sellers and buyers) will aim to find a price that both parties can accept creating a equilibrium quantity.

Market definition is an important issue for regulators facing changes in market structure, which needs to be determined. The relationship between buyers and sellers as the main body of the market includes three situations: the relationship between sellers (enterprises and enterprises), the relationship between buyers (enterprises or consumers) and the relationship between buyers and sellers. The relationship between the buyer and seller of the market and the buyer and seller entering the market. These relationships are the market competition and monopoly relationships reflected in economics.

Industry competition encourages companies to remain innovative and provide customers with fair prices. Market structure is a way to classify and understand businesses based on the degree of competition they have within their industry. Being able to understand market structure allows you to establish appropriate prices and effectively react to competitors' actions based on the demands and needs of the market.

A market structure is an economic environment where a business operates. The market structure can describe how competitive the industry is by considering factors like how challenging it is to enter the industry and how many sellers participate. It also considers relationships between companies and customers to show how prices fluctuate.

For instance, a market structure that permits several companies to participate provides users with many choices and keeps prices competitive. If an industry only features one company, it may be less competitive and require government regulations to maintain fair prices.

Features of market structures

Some of the features that go into market structure consideration include:

Seller entry barriers, or how hard it is for a new company to emerge within the market

Seller exit barriers, or how hard it is for a new company to leave the market

The degree to which company products are homogeneous or differentiated

Number of companies in the market

Number of customers who participate in the market

Product prices