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INTRODUTION

At first, let us understand the meaning of the terms like desire, want, and demand. Desire is just a wish on the part of the consumer to possess a commodity. If the desire to possess a commodity is backed by the purchasing power and the consumer is also willing to buy that commodity, it becomes want. The demand, on the other hand is the wish of the consumer to get a definite quantity of a commodity **at a given price in the** market backed by a sufficient purchasing power. There are three important points to remember about the quantity demanded:

First, the quantity demanded is the quantity desired to be purchased. It is the desired purchase. The quantity actually bought is referred to as actual purchase.

Secondly, quantity demanded is always considered as a flow measured over a period of time, like if the quantity demanded of oranges is 10, it must be per day or per week, etc.

Thirdly, the quantity demanded will have an economic meaning only at a given price. For example, the demand for oranges equal to 10 units per week at a price of Rs. 100 per dozen is a full and meaningful statement, as used in micro-economic theory.

DETERMINANTS OF DEMAND

The demand of a product is determined by a number of factors. Let us discuss them in detail. Supply Analysis

Determinants of Demand by a Consumer

The demand for commodity or the quantity demanded of a commodity on the part of the consumer is dependent on a number of factors. These are mentioned as follows:

1.Price of the commodity in question

2. Prices of other related commodities

3. Income of the consumers, and

4.Taste of the consumers.

Demand function refers to the rule that shows how the quantity demanded depends upon above factors. A demand function can be shown as:

$Dx = f (Px, Py, Pz, M, T)$

where, Dx is quantity demanded of X commodity, Px is the price of X commodity, Py is the price of substitute commodity, Pz is price of a complement good, M stands for income, T is the taste of the consumer.

If all the factors influencing the demand for a commodity X vary simultaneously, the picture would be highly complicated. Therefore, normally we allow only one of the

factors to change, assuming that all other factors remain unchanged (‘ceteris paribus’ other things remaining equal).

Demand Relationship:

Relationship of quantity demanded of a commodity to its various determinants can be stated as follows:

1. **Price of the commodity**:
   Normally, higher the price of the commodity, the lower the demand of the commodity. This is the law of demand.
2. **Size of the consumer’s income**:
   When the increase in income leads to an increase in the quantity demanded, the commodity is called a ‘normal good’. If an increase in income leads to a fall in the quantity demanded, we call that commodity an ‘inferior good’.
3. **Prices of other commodities**:
   A consumer’s demand for a commodity may also be influenced by the prices of some other commodities. Some are complementary goods, which are consumed along with the commodity in question while others may be used in place of this commodity. This category is called substitutes.
   Demand bears inverse relationship with prices of complements and direct relationship with prices of substitutes. Tea and coffee are substitutes and a car and petrol are example of a pair of complementary goods.
4. **Tastes of consumer:**
   If a consumer has developed a taste for a particular commodity, he/she will demand more of that commodity. Similarly, if a consumer has changed his taste against a particular commodity, less of it will be demanded at any

particular price. This development of tastes may be related to seasons of the year as well. In summer months, you may consume more cold drinks and ice creams, whereas in winters, the preference may shift towards hot or warm drinks like tea and coffee etc.

Determinants of Market Demand

The factors determining the demand for a commodity in a market are the same as those which determine the demand for the commodity on the part of a consumer. Besides that two additional factors are also to be included. These two factors are:

1) **Size of the population:**
   All other factors remaining unchanged, the greater is the size of the population, more of a commodity will be demanded.
2) **Income distribution:**
   People in different income groups show marked differences in their preferences. So if larger share out of national income goes to the rich, demand for the luxury goods may rise and a rise in income share of the poor will increase demand for the wage goods.