



# SNS COLLEGE OF TECHNOLOGY

Coimbatore-35

An Autonomous Institution

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Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

## *DEPARTMENT OF MECHATRONICS*

# 16GE302 – ENGINEERING ECONOMICS AND COST ANALYSIS

## UNIT 1 – BASIC ECONOMICS

### CONSUMPTION - WANTS AND CLASSIFICATION

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# Syllabus

## Unit 1: Basic Economics

*Definition of economics - nature and scope of economic science - nature and scope of managerial economics - basic terms and concepts - goods - utility - value - wealth - factors of production - land - its peculiarities - labour - economies of large and small scale - **consumption -wants - its characteristics and classification** - law of diminishing marginal utility – relation between economic decision and technical decision.*





# Consumption

- ❑ *The satisfaction of human wants through the use of goods and services is called **Consumption**.*
- ❑ *The purchase of goods and services for use by households is called **Consumption Expenditure**.*
- ❑ *Consumption differs from consumption expenditure.*

**Consumption is the process of buying/using goods & services**

**An elephant's consumption of food is phenomenal.**

**Adults eat between 200-600 pounds of food a day.**

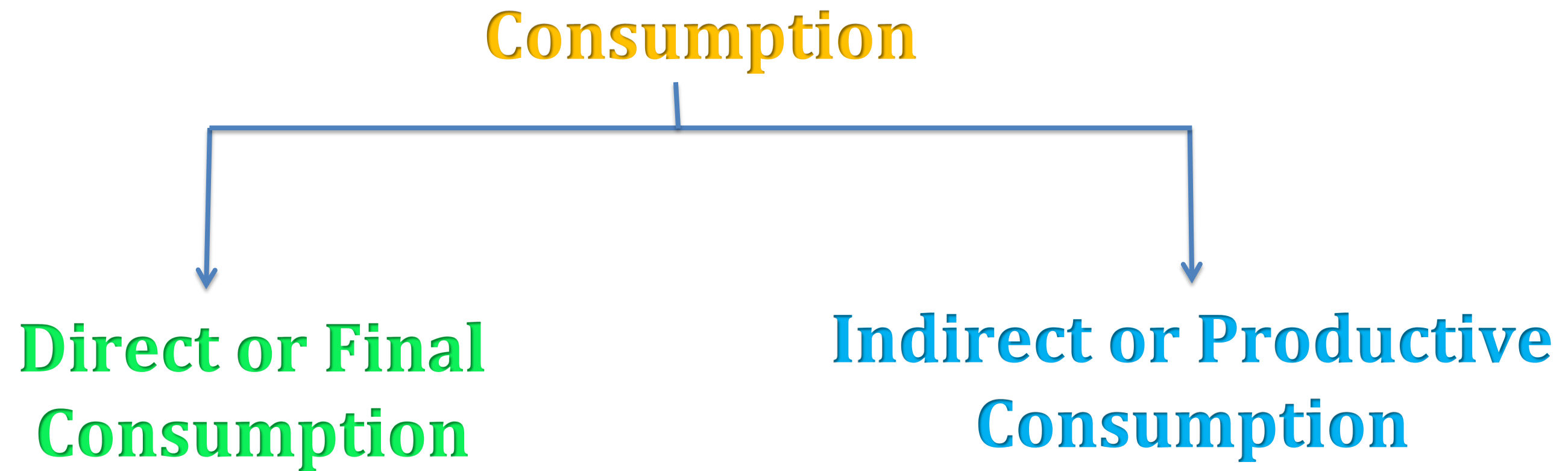
**These bananas are for export, not domestic consumption.**

**Fuel Consumption 40 mpg**

We Live in a Consumer Society



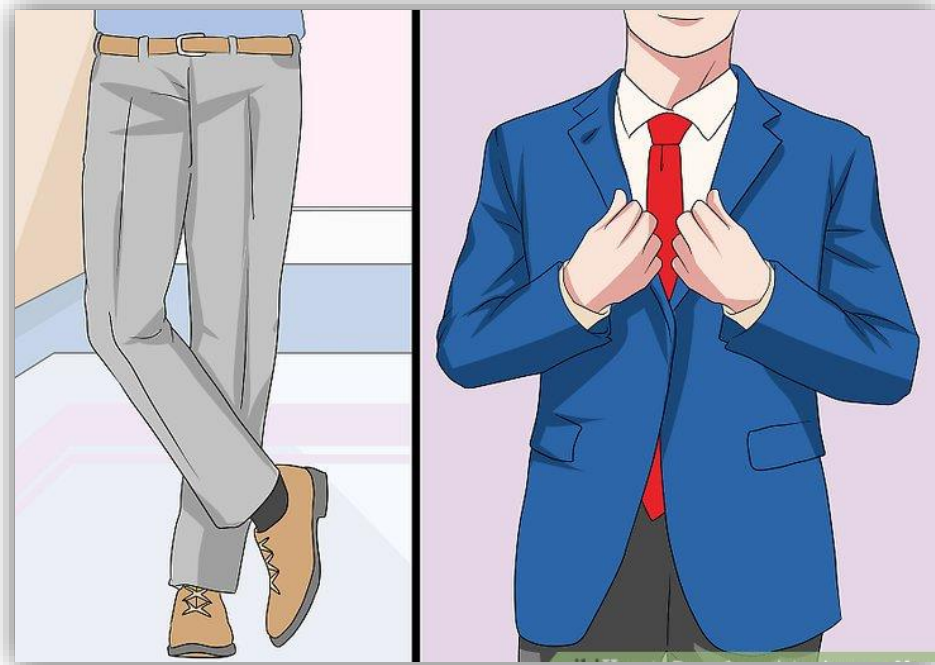
# Types of Consumption





## *Direct or Final Consumption*

- *Direct or Final Consumption is when the goods satisfy human wants directly and immediately. The goods have reached their final destination*





## ***Indirect or Productive Consumption***

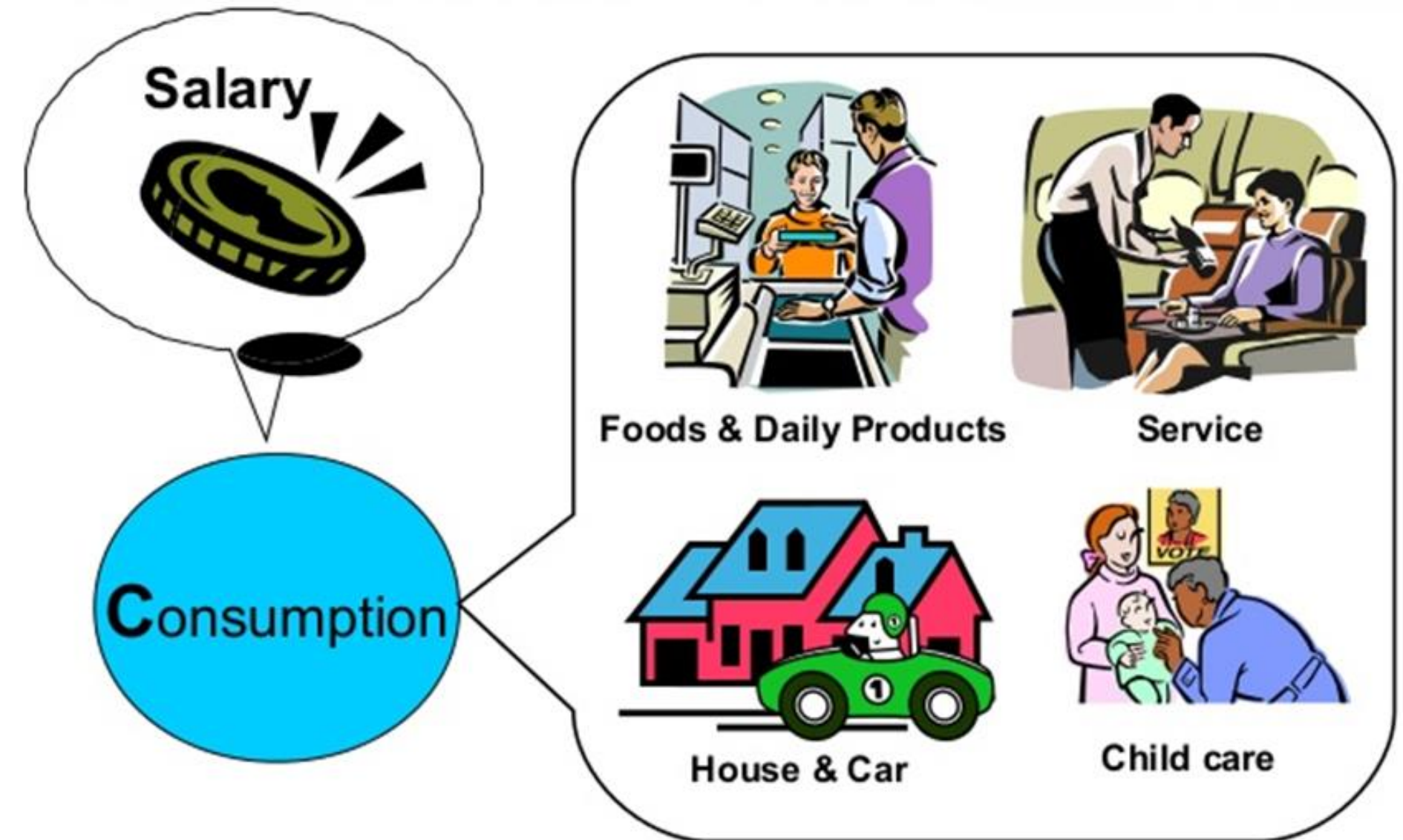
- *Indirect or Productive Consumption is when the goods are not meant for final consumption but for producing other goods which will satisfy human wants directly*





# Importance of Consumption

- The beginning of all economic activity*
- End of economic activities*
- Consumption drives production*
- Economic theories*
- Government theories*
- Income and employment theory*





# Wants

- ❑ *Want* refers to a wish or desire to own goods and services that give satisfaction.
- ❑ Thus wants have been increasing because of the addition of more and more wants as also because of rise in population and new inventions and discoveries. Therefore, human wants are 'ever growing and never ending'.







# Wants Vs Needs

- ❑ **Wants** are desires for goods and services we would like to have but do not need. Many wants may seem like needs.



- ❑ **Needs** are a special kind of want, and refer to things we must have to survive, such as food, water, and shelter.



# Characteristics of Wants

- Human wants are unlimited*
- A particular want is satiable*
- Wants are recurring*
- Wants are complementary*
- Wants are competitive*
- Wants are alternative*
- Wants tends to become habit*





# Types of Wants





# Types of Wants

## **Necessaries**

*These are the human wants absolutely essential for living and surviving. These include food, water, clothing, shelter, etc.*

## **Comforts**

*These are the extra wants of the human after necessities. They are not as essential or urgent as necessities. Comforts are the wants that make the life of the human comfortable and satisfying. So items such as fans, furnished houses, special clothing for occasions, etc fall under this category of human wants.*

## **Luxuries**

*These are goods that give humans pleasure and prestige in society. They are not needed for existence or comfort but provide happiness and acceptance in the world. And such items tend to be expensive.*

*Some examples of luxuries are cars, diamond jewelry, expensive designer clothing, ACs. As you will notice all these items are not essential to our living. They are items of prestige.*



## References

1. <https://study.com/academy/lesson/what-is-consumption-in-economics-definition-theory.html>
2. <https://www.economicdiscussion.net/articles/consumption-meaning-types-and-importance-of-consumption/1455>
3. <http://www.economicwebinstitute.org/glossary/cons.htm>
4. <https://www.economicdiscussion.net/articles/human-wants-characteristics-and-classification-of-human-wants/2016>
5. <https://www.toppr.com/guides/business-economics/theory-of-consumer-behavior/nature-and-classification-of-human-wants/>

*Thank You*