Class : B.Com - 1

Subjects : Business Economics and Environment

Paper : 1

Unit : II

Topic : Shift in Demand.

Lecture sequence No : 6

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Shift in Demand Curve:

The amount purchased of a commodity may change not only because of a change in its own price, but also due to change in other factors like income, taste, price of other commodities, size of population.
When the amount purchase of a commodity rises or falls because of change in factors other than the own price of the commodity it ~~chang~~ is called change in demand. It should be noted that a change in demand implies that a larger or smaller quantity will be purchased at each price because of change in other factors.

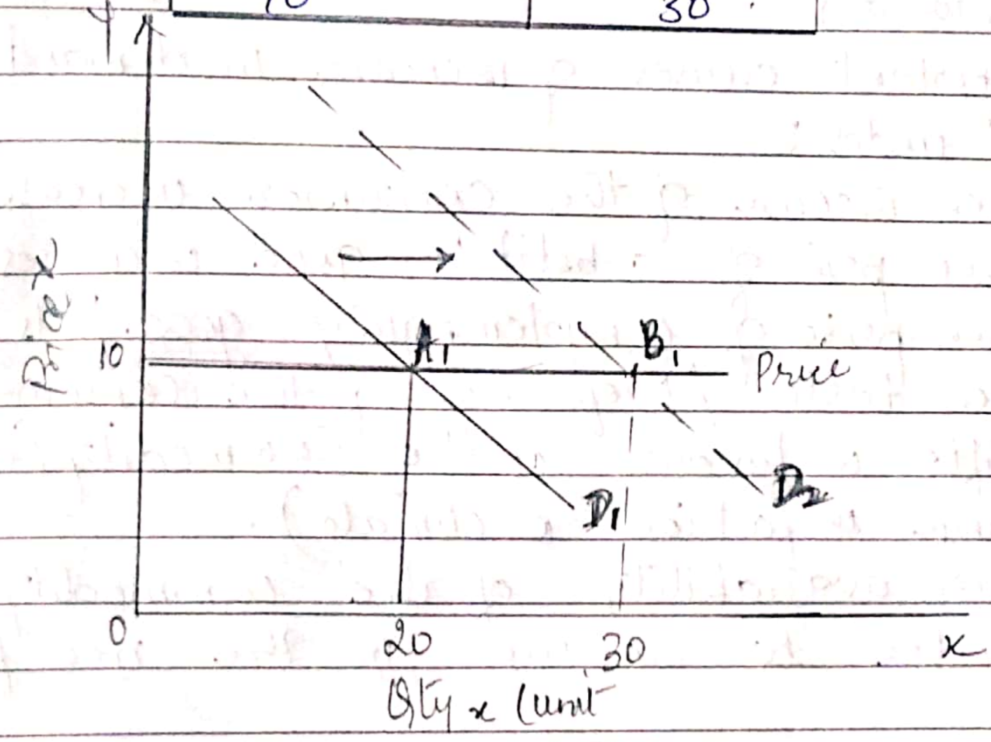
Change in demand may be of two types

(1) Increase in Demand:

Increase in demand refers to a situation when the consumers buy larger amount of a commodity at the same price because of change in factors other than the own price of the commodity. Increase in Demand may take place due to rise in income, a change in taste in favour of the commodity rise in the price of substitutes, a fall in price of complementary goods, increase in population, redistribution of income.
Increase in demand is illustrated in Table.

Increase in Demand.

P_x (Rs).	Q_x
10	20
10	30



As per the fig. show that when price of Good x is Rs10 per unit 20 units are demanded. Even when price remains constant, consumers start demanding 30 units. It may due to increase in their income or shift in taste in favour of the commodity or other such factors.

It is important to note that increase in demand is indicated by a shift in demand curve to the right also called forward shift in demand curve. Fig 8. shows demand curve shifting from D_1 to D_2 when the consumers decide to buy 30 units (instead of 20) even when own price of the commodity remains constant at Rs10 per unit. The consumers shifts from point A on D_1 to point

Causes of Increase in Demand:

(Situations when Demand Curve Shift Forward)

Important causes of increase in demand are as under :-

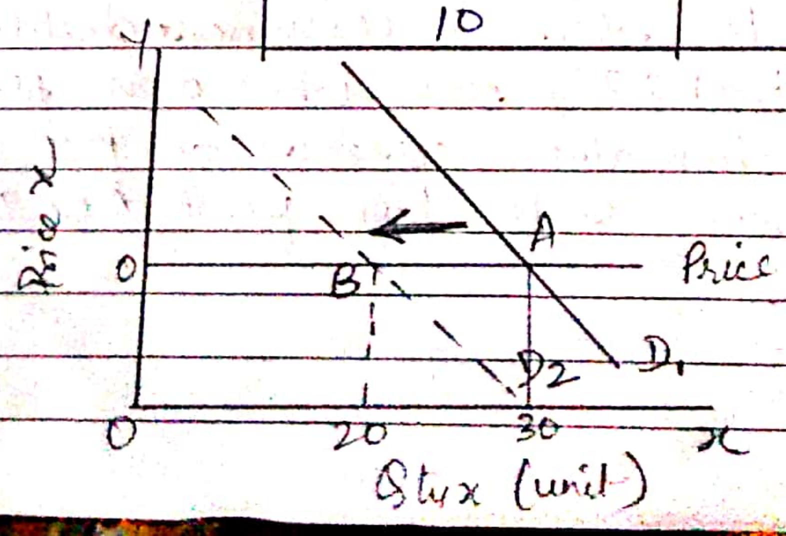
1. when income of the consumer increases.
2. when price of substitute good increases.
3. when price of complemanlary goods falls
4. when taste / preference of the consumers shifts in favour of the commodity (due to change in fashion or climate).
5. when availability of the commodity is expected to reduce in the near future.

Decrease in Demand:

Decrease in Demand refers to a situation when the consumers buy a smaller quatity of the commodity at the same price. Decrease in Demand takes place as a result of change in factors other than the own price of the commodity

Decrease in Demand.

Price x	Qx (unit)
10	30
10	20



As per fig. show that when price of Good-x is Rs 10 per unit 30 unit are demanded. Even when price remains constant, consumers decide to buy 20 units rather than 30 units of the commodity. It may be due to decrease in their income or loss of taste for the commodity or other such factors.

Decrease in demand is indicated by a shift in demand curve to the left also called backward shift in demand curve Fig-9 shows demand curve shifting from D_1 to D_2 when the consumers decided to buy only 20 units (instead of 30) even when own price of the commodity remains constant at Rs 10 per unit. The consumers shifts from point A on D_1 to point B on D_2, ~~when the consumers decided to buy only 20 units~~

Causes of Demand in Demand.
(Situations when Demand Curve Shifts Backward)

Important causes of decrease in demand as p under

(1) when income of the consumer falls.
(2) when price of the substitue good decreases.
(3) when price of the complementary good increases
(4) when taste / preference of the consumer shift against the commodity (due to change in fashion or climate.
(5) when availability of the commodity is expected to rise in the near future.