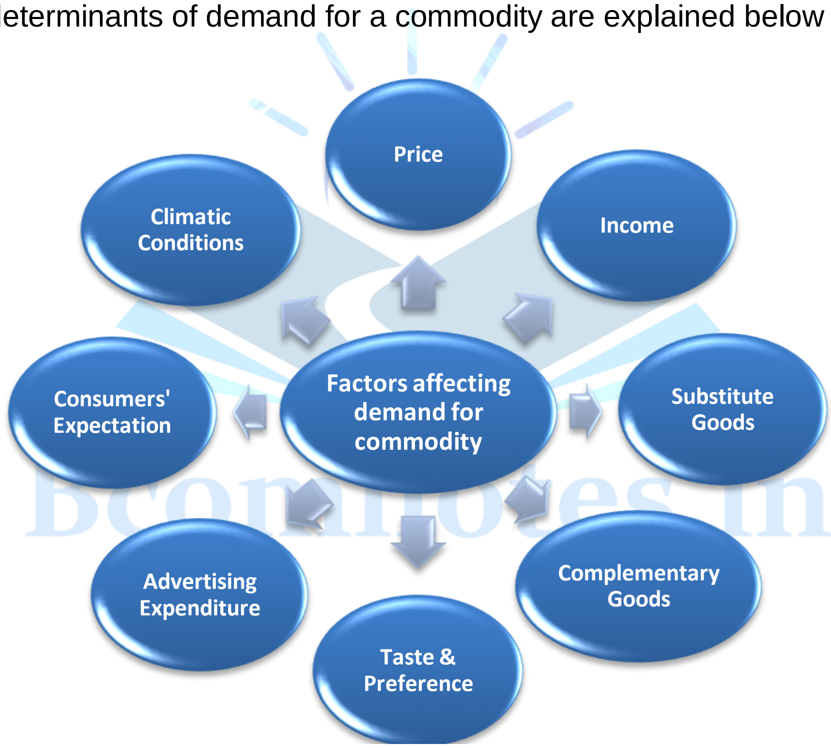
## Factors affecting demand for a commodity

The demand in economics means the desires to purchase the commodity backed by willingness and the ability to pay for it.

Demand= Desire + Willingness to buy + Ability to pay

The demand for a commodity depends on various factors which determines the quantity of a commodity demanded by various individuals or a group of individuals.

The important determinants of demand for a commodity are explained below




**Price of commodity ($P_x$):**

The price of commodity is very important determinants of demand for any commodity. Other things remaining same,

if the price of the commodity increases, then the demand will be low
and
if the price for the commodity decreases, then the demand will be high.

So, the quantity demanded and price shows an inverse relationship in the case of normal goods.

**Income (Y):**

Consumer's Income is another important determinant of demand for a commodity. Change in consumer's income influences demand for a commodities. The demand for normal goods increases with the increasing level of income and vice versa. it shows a direct relationship between income and quantity demanded.

**Price of related commodities:**

The demand for a commodity is also affected by the price of other commodities, especially of substitute or complementary goods.

**Substitute Goods -** Substitute Goods are those goods which can easily replace each other. For Instance Tea & Coffee.
When the rise in the price of Tea causes rise in demand for Coffee because there is no change in price of coffee such goods are called as substitute goods. In other words the relation between two substitute goods is positive. In case the price of one commodity increases the demand for other.

**Complementary Goods -** Complementary goods are those goods which one purchased together. For Instance Car & Petrol.
When there is a rise in price of Petrol leads to fall in demand for Car such goods are called complementary goods. In other words, the relation between two complementary goods is negative. An increase in price of one commodity leads to decrease in demand for other.

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**Taste and Preference (T):**

The demand for a commodity also depends on the consumer's taste and preferences such as change in fashion, culture, tradition etc. As the consumers taste and preference for a particular commodity changes the demand for that particular commodity also changes. Therefore, Taste and Preference of a consumer plays an important role.

**Advertising expenditure (A):**

Advertising expenditure by a firm influence the demand for a commodity. The advertisements by the manufacturer and sellers attract more customers towards the commodity. There is a positive relationship between advertising expenditure and demand for the commodity.

**Consumers' Expectations:**

Consumer expectation is another factor that determines the demand for goods.
If due to some reason, consumers expect that in the near future prices of the goods would rise, then in the present they would demand high quantities of the goods so that in the future they should not have to pay higher prices and vice versa.

**Climatic Conditions:**

The climatic conditions or weather of an area is also determines the demand for commodity. In colder season, there is high demand for woolen cloths and in hotter season, there is high demand for cotton cloths.

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