

# A Project Report on Law of Demand Theory Impact on Customers Buying Attitude with Reference Cooking Oil

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## INTRODUCTION

Recently, we have observed extraordinary oil price increases from 2021 to 2022 and during these relatively short periods, the oil prices became a double. We investigate what cause these extreme events in term of the supply and demand-based price decision mechanism. Demand factors in the oil markets are categorized into the real demand and strategic demand. If there is inflation effect on economy, the price of the entire FMCG products price increase eventually oil price also.

In contrast, if the economy is booming, companies may increase their investment, which will increase the oil demand and oil price. On the other hand, if the Mideast political environment is unstable, people may expect the oil price increase soon. Based on this rational expectation, some people may buy the oil more than their real demand in a strategic aspect, which leads to oil price risings. Meanwhile, the OPEC production and Shale oil development have been interesting supply factors in the recent oil markets. To find out which factors are more significantly influence the oil price falls, lag-differenced time-series regression models with various input variables (supply and demand factor) were evaluated in the aspect of out-of-sample forecasting performances. In particular, monthly spot prices of WTI, Brent, and Dubai were implemented due to the availability of input variables. Impacts of supply and demand factors between two oil price falling periods were evaluated and compared. The law of demand is a fundamental principle of economics that states that at a higher price consumers will demand a lower quantity of a good. Demand is derived from the law of diminishing marginal utility, the fact that consumers use economic goods to satisfy their most urgent needs first.

Law of demand: The law of demand states that a higher price leads to a lower quantity demanded and

that a lower price leads to a higher quantity demanded. Demand curves and demand schedules are tools used to summarize the relationship between quantity demanded and price

## NEED FOR THE STUDY

Law of Demand Need to Determination of price When setting prices and determining the level of demand for their products Consumers use the law of demand in deciding the number of goods to buy.

How consumers react to prices as their utility or satisfaction changes.

## REVIEW OF LITERATURE

- Law of Demand states that people will buy more at lower prices and buy less at higher prices, if other things remaining the same.”- Prof. Samuelson.
- The Law of Demand states that amount demanded increases with a fall in price and diminishes when price increases.” – Prof. Marshall
- “According to the law of demand, the quantity demanded varies inversely with price.” –Ferguson
- Marshall:-“The greater the amount to be sold the smaller must be the price”
- Benham:-“Usually a larger quantity of commodity will demand at lower price than a higher price”.

Michael Jerison, John K.-H. Quah(2020), defines several laws of individual and market demand and describe their relationship to neoclassical demand theory. The laws have implications for comparative statics and stability of competitive equilibrium. We survey results that offer interpretable sufficient conditions for the laws to hold, and we refer to related empirical evidence. The laws for market demand are more likely to be satisfied if commodities are more

substitutable. Certain kinds of heterogeneity across individuals make the laws more likely to hold in the aggregate even if they are violated by individuals.

**OBJECTIVES OF THE STUDY**

1. To describe the Law of demand.
2. The first and foremost objective is to know Law of demand is applicable on FMCG products.
3. To analyze the Exceptions of law of demand working on it.
4. To identify the Law of Demand impact on Consumers buying behavior.
5. To know Speculation working on Consumer minds.

**RESEARCH METHODOLOGY**

For the present research, the study is based on exploratory research. The major emphasis of exploratory research is on the discovery of ideas. Through exploration, the researcher develops concepts more clearly, establish priorities, develop operational definitions and improve the final research design. This research is based on the data collected through structured questionnaire. The methodology used in the present study is as follows:

Sources of Data: The source of data has been grouped into two main categories i.e., primary and secondary data. The secondary data has been compiled from the books, newspaper, journals, magazines, and websites. The Primary data is collected through well - structured questionnaire of 100 respondents in Medchal District. The questionnaire is developed according Open. The respondents are asked to select the response for each statement in multiple item scales ranging from ‘Yes’ or No. The questionnaire developed for the respondents questions regarding the factors of Law of Demand adoption that affect customers’ Buying behavior.

Type of Sample: The current study is a survey - based research, using non-probability sampling technique. The sample frame is limited Medchal District Telangana State.

Research Tools & Techniques: This research study is used applied Ms-Excel and Graphs

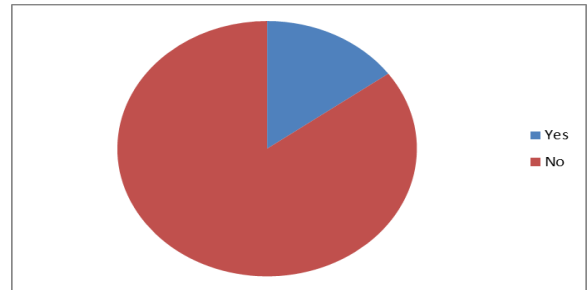
**DATA ANALYSIS**

**1. Inflation effect is more on Oil industry:**

Inflation effect is more on Oil industry; Opinions are collected from selected respondents and presented in table-

Table 1.1: Inflation effect is more on Oil industry

Defendants Response	No. of Respondents	Percentage of Respondents
Yes	88	88%
No	12	12%
Total	100	100



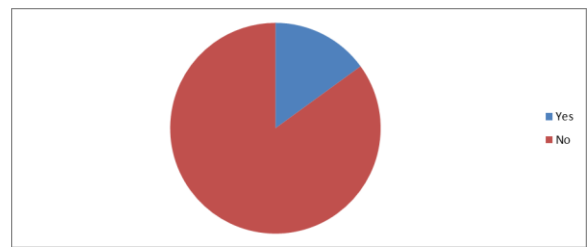
Interpretation: From the table 1.4, it is found that 44 respondents (88%) are agreed and 12% are not agreed that inflation affect on customers buying behavior finally, it is concluded from the table that maximum respondents are agreed Inflation effect is more on Oil industry.

**2. Law of Demand theory applicable on Oil Products**

Perception of select respondents are collected and presented in the table-1.2. This analysis is initiated to know that Law of Demand theory applicable on Oil Products.

Table 1.2: Law of Demand theory applicable on Oil Products

Response	No. of responses	Percentage
Yes	84	84
No	26	26
TOTAL	100	100.00



Interpretation: From the table 1.5, it is found that 84 respondents (84%) are said that Law of Demand theory applicable on Oil Products and 260 respondents

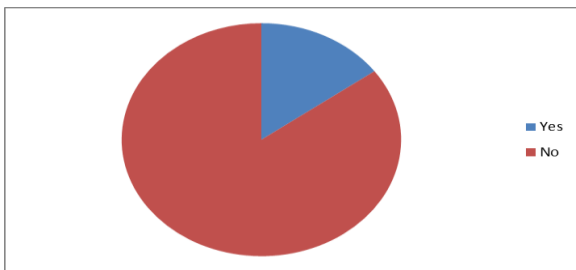
has felt no disturbance to them. Finally, from the table, it is concluded that Law of Demand theory applicable on Oil Products.

3. Inflation decreases usage of Oil Products?

Perception of select respondents are collected and presented in the table-1.3 on the statement, with the effect of Inflation Oil Products usage decreased.

Table 1.3: With the effect of Inflation Oil Products usage decreased

Response	No. of Responses	Percentage
Yes	35	35
No	65	65
Total	100	100.0



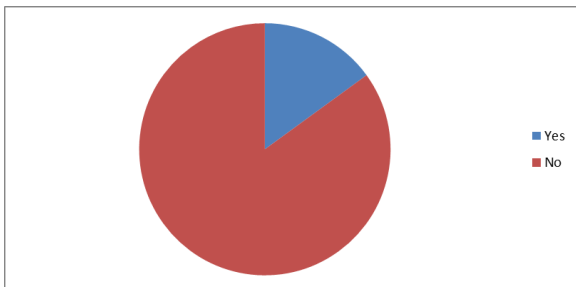
Interpretation: From the table 1.3, it is found that with the effect of Inflation Oil Products usage decreased. Out of 100 respondents, 35 respondents (35%) are agreed, 65 respondents (65%) are opposed. Finally, it is concluded from the analysis; with the effect of Inflation Oil Products usage decreased.

4. Law of Demand applicable on FMCG products.

Opinions of select Respondents are collected and presented in table -1.4. The objective of this table is to know Law of Demand applicable on Core needs of humans.

Table 1.4: Law of Demand applicable on FMCG products

Response	No. of Responses	Percentage
Yes	20	20
No	80	80
Total	1000	100.0



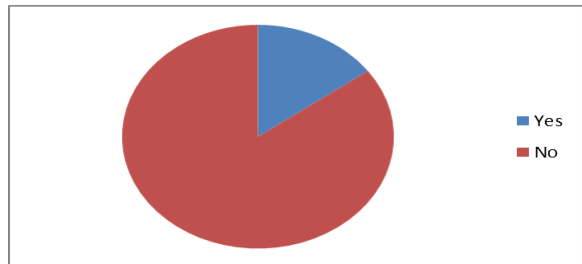
Interpretation: From the table 1.4, it is Law of Demand applicable on FMCG products. Out of 100 respondents, 20 respondents (20%) are agreed, 80 respondents (80%) are opposed. Finally, it is concluded from the analysis; Law of Demand applicable on FMCG products.

5. Law of Demand applicable on Speculation.

Opinions of select Respondents are collected and presented in table -1. The objective of this table is to know Law of Demand applicable on Speculation.

Table 1.5: Law of Demand applicable on Speculation

Response	No. of Responses	Percentage
Yes	15	15
No	85	85
Total	1000	100.0



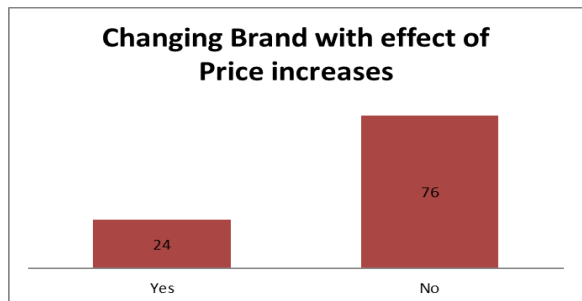
Interpretation: From the table 1.5, it is Law of Demand applicable on Speculation. Out of 100 respondents, 15 respondents (15%) are agreed, 85 respondents (85%) are opposed. Finally, it is concluded from the analysis; Law of Demand applicable on Speculation.

6. Changing Brand with effect of Price increases?

Opinions of select Respondents are collected and presented in table -1.6 The objective of this table is to know Changing Brand with effect of Price increases.

Table 1.6: Changing Brand with effect of Price increases

Response	No. of Responses	Percentage
Yes	24	24
No	76	76
Total	100	100.0

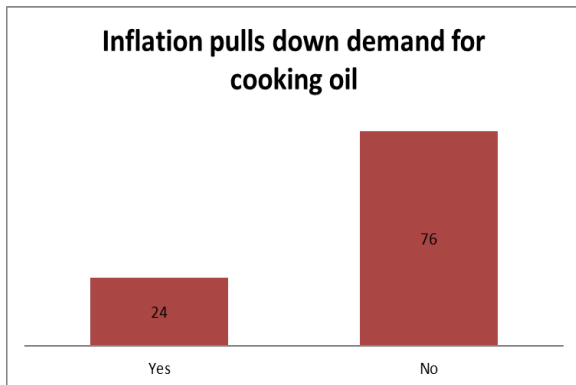


Interpretation: From the table 1.6, it is Changing Brand with effect of Price increases. Out of 100 respondents, 24 respondents (24%) are agreed, 76 respondents (76%) are opposed. Finally, it is concluded from the analysis; Changing Brand with effect of Price increases.

7. Inflation pulls down demand for cooking oil  
Opinions of select Respondents are collected and presented in table -1.7 The objective of this table is to know Inflation pulls down demand for cooking oil.

Table 1.7: Inflation pulls down demand for cooking oil

Response	No. of Responses	Percentage
Yes	24	24
No	76	76
Total	100	100.0



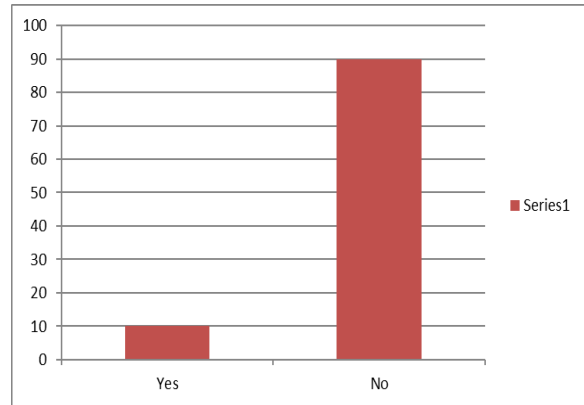
Interpretation: From the table 1.6, it is Changing Brand with effect of Price increases. Out of 100 respondents, 24 respondents (24%) are agreed, 76 respondents (76%) are opposed. Finally, it is concluded from the analysis; Inflation pulls down demand for cooking oil

8. As per Law of Demand Price decreases oil consuming is increasing.

Opinions of select Respondents are collected and presented in table -1.8 the objective of this table is to know Inflation pulls down demand for cooking oil.

Table 1.8: As per Law of Demand Price decreases oil consuming is increasing

Response	No. of Responses	Percentage
Yes	10	10
No	90	90
Total	100	100.0

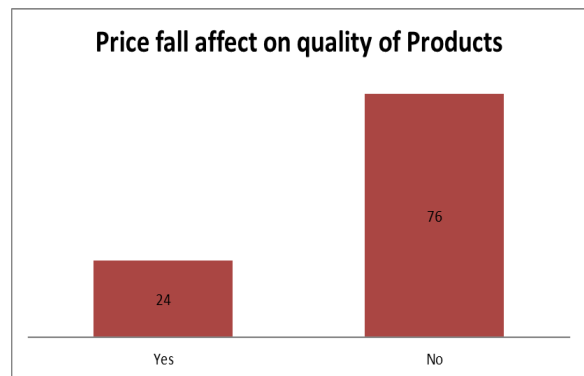


Interpretation: From the table 1.8, it is As per Law of Demand Price decreases oil consuming is increasing. Out of 100 respondents, 10 respondents (10%) are agreed, 90 respondents (90%) are opposed. Finally, it is concluded from the analysis; As per Law of Demand Price decreases oil consuming is increasing.

9. Price fall affect on quality of Products.  
Opinions of select Respondents are collected and presented in table -1.9 the objective of this table is to know Price fall affect on quality of Products.

Table 1.9: Price fall affect on quality of Products

Response	No. of Responses	Percentage
Yes	23	23
No	77	77
Total	100	100.0



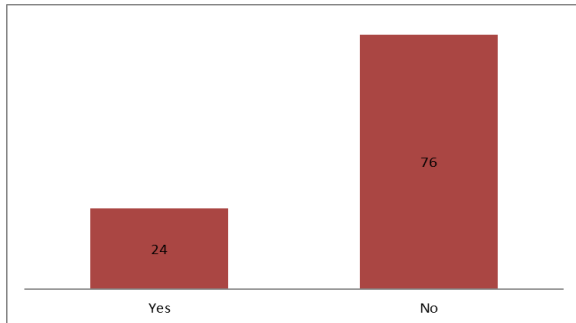
Interpretation: From the table 1.9, it is Price fall affect on quality of Products. Out of 100 respondents, 23 respondents (23%) are agreed, 77 respondents (77%) are opposed. Finally, it is concluded from the analysis; Price fall affect on quality of Products.

10. Many consumers are giving priority to quality oils.

Opinions of select Respondents are collected and presented in table -1.10 the objective of this table is to know Price fall affect on quality of Products.

Table 1.10: Many consumers are giving priority to quality oils

Response	No. of Responses	Percentage
Yes	80	80
No	20	20
Total	100	100.0



Interpretation: From the table 1.10, it is Many consumers are giving priority to quality oils. Out of 100 respondents, 80 respondents (80%) are agreed, 20 respondents (20%) are opposed. Finally, it is concluded from the analysis; 10. Many consumers are giving priority to quality oils

#### FINDINGS OF THESTUDY

1. It is found that Oil Industry is more affected through Inflation
2. It is found that most of the Customers are following the Law of Demand theory
3. It is found that Law of Demand theory not applicable daily needs.
4. It is found that Speculation effect is more on Law of Demand theory.
5. It is found that Law of demand very useful to common man.

#### LIMITATIONS OF THE STUDY

The study is restricted to the selected sample of Medchalt District and hence the result of the study cannot be generalized. The statistical methods used to analyze the data have their own limitation.

#### CONCLUSION OF THE STUDY

The law of demand is an important concept in economics. It explains the relationship between the quantity of goods and services demanded and other factors including price, preferences, income and number of buyers. The Law of demand theory exceptional for FMCG products like as oil products but Consumers are giving priority for their health, so they will buy high quality products.