

# PRINCIPLES OF ECONOMICS

B. Com Hons Part-I

TOPIC -

Utility Meaning And  
Characteristics

By - DEEPA KUMARI

P. G. Dept. of Commerce & BUSINESS  
MANAGEMENT

H. D. JAIN COLLEGE, Ara, Bhojpur,  
Bihar - 802301

# Utility - Meaning And Characteristics

## \* Meaning of Utility :-

A rational consumer will make demand for a commodity only when it provides utility to him. Utility is not concerned with the usefulness of a commodity. It is only related to its want satisfying power.

Utility means 'want satisfying power', or when a commodity has a capacity to satisfy human wants, the commodity has utility. Utility is a relative concept. Desire to a consumer is the cause of utility.

Utility is a function of intensity of want. More utility of want provides higher utility of a commodity.

'Utility' and 'satisfaction' both are psychological concepts. The term 'utility' should be differentiated from 'satisfaction'. Utility means 'expected satisfaction' whereas 'satisfaction' means 'realized satisfaction'.

## \* Characteristics of utility :-

- (1) 'Utility is a psychological concept - Same amount of satisfaction from the consumption of a given commodity will not get everyone.

- ② 'utility is a subjective concept' -  
different persons derive different amount of satisfaction from the consumption of given commodity.
- ③ Relative Concept -  
utility is a relative concept, it means that it differs from person to person, place to place and situation to situation.
- ④ utility is not linked with moral values -  
utility carries no moral or legal significances.
- ⑤ utility is associated with expected satisfaction and not the realized satisfaction -  
utility is associated with 'expected satisfaction' whereas satisfaction is associated with realized satisfaction.  
Both the terms are not same.
- ⑥ utility is measurable -  
utility is measured by two concepts  
(i) cardinal approach (Given by Marshall)  
(ii) Ordinal approach (Given by Pareto, Hicks, Allen)