



Govt. Degree College For Women Gadwal.

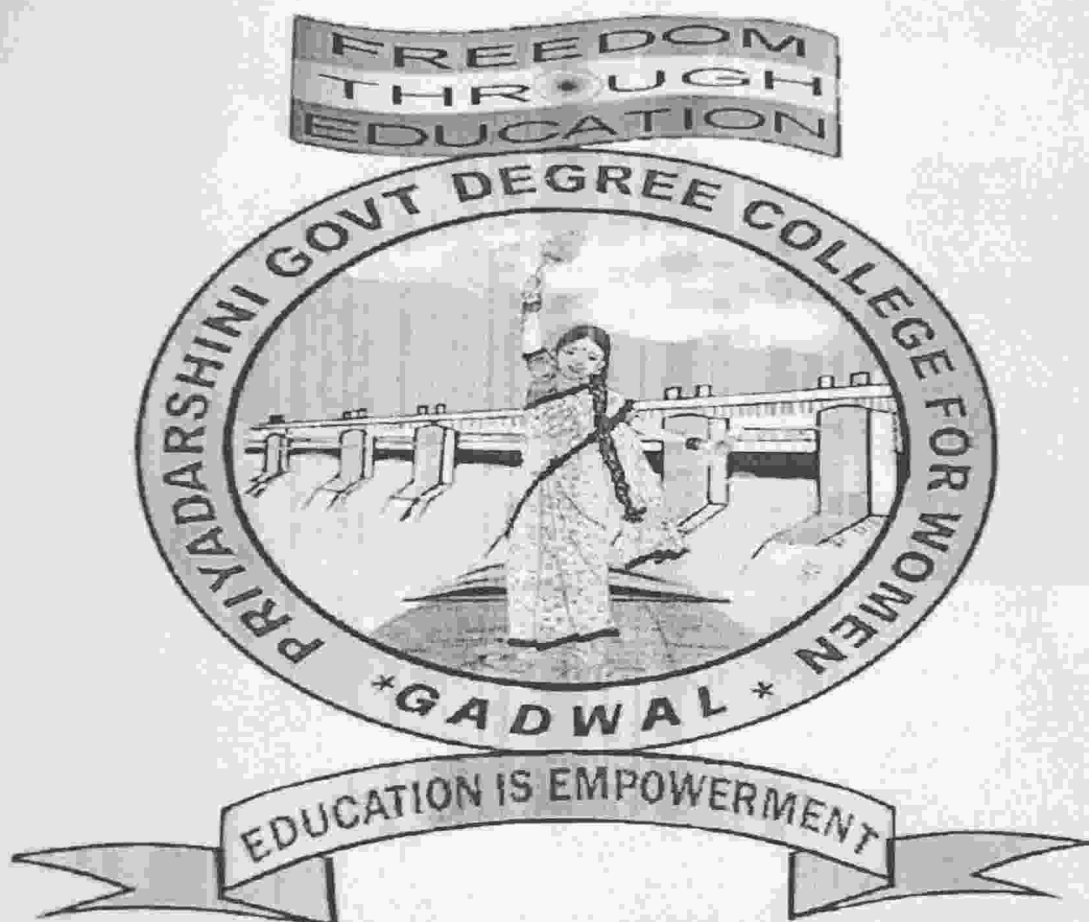
DEPT: OF ECONOMICS

TOPIC : Extension lecturer

GOVT DEGREE COLLEGE FOR WOMEN

GADWAL-509125

JOGULAMBA GADWAL(DIST)



DEPARTMENT OF ECONOMICS

TOPIC : *Extension lecturer*

Raghu lect in Economics



Characteristics of oligopoly market :-

An oligopoly is a market structure in which a few firms dominate. When a market is shared between a few firms, it is said to be highly concentrated. Although only a few firms dominate, it is possible that many small firms may also operate in the market. Oligopoly as a market structure is distinctly different from other market forms. Its main characteristics are discussed as follows:

1) **Interdependence** :- The foremost characteristic of oligopoly is interdependence of the various firms in the decision making. This fact is recognized by all the firms in an oligopolistic industry.

2) **Advertising** :- Under oligopoly a major policy change on the part of a firm is likely to have immediate effects on other firms in the industry. Therefore, the rival firms remain all the time vigilant above the move of the firms which takes initiative and makes policy changes. Thus, advertising is a powerful instrument in the hands of an oligopolist.

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③ Group Behaviour \div In oligopoly, the most relevant aspect is the behaviour of the group. whatever the number, it is quite small so that each firm knows that its action will have some effect on other firms in the group.

④ Competition \div This leads to another feature of the oligopolistic market, in the presence of the competition. Since under oligopoly, there are a few sellers, a move by one seller immediately affects the rivals. So each seller is always on the alert and keeps a close watch over the moves of its rivals in order to have a counter-move.

⑤ Barriers of entry of firms \div As there is keen competition in an oligopolist industry, there are no barriers to entry into or exit from it. However, in the long run, there are some types of barriers to entry which tend to restrain new firms from entering the industry.

⑥ Lack of uniformity \div Another feature of oligopoly market is the lack of uniformity in the size of firms. Firms differ considerably in size. Some may be small, other very large. Such a situation is asymmetrical.

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⑦ Existence of price Rigidity: In oligopoly situation, each firm has to stick to its price. If any firm tries to reduce its price, the rival firms will retaliate by a higher reduction in their prices. This will lead to a situation of price war which benefits none. On the other hand, if any firm increases its price with a view of to increase its profits; the other rival firms will not follow the same. Hence, no firm would like to reduce the price or to increase the price. The price rigidity will take place.

⑧ Indeterminateness of Demand curve: usually in market structures, the demand curve faced by a firm is determined. However, due to mutual interdependence in oligopoly, it is impossible to draw the demand curve for sellers. This demand curve is therefore indeterminate.