Monopoly

It is a market situation in which there is a single firm selling the commodity and there is no close substitute for the commodity. It is derived from two Greek words 'monos' meaning single, and 'poly' meaning seller.

Features of Monopoly

- Price Discrimination
- High Entry Barriers
- No close Substitutes
- Maximize Profits
- Single Seller
- Price setter
- Lack of Competition

1. Single seller and large number of buyers:

- There is a single seller of a commodity and it may be in the form of a firm, a group of firms, a joint stock company, or a state corp. or govt. undertakings.

- However, there are a large number of buyers who have weak bargaining power and no influence on the price.

2. No close substitute:

- The product sold by monopolists has no perfect substitute.
- The monopoly firm has no fear of competition from new or existing products. This feature helps monopolist to determine the price he likes.

3. Barriers to Entry:

- There are legal, natural or technical barriers to the entry of new firms so as to avoid competition and control the supply and hence the price of the commodity.
- Barriers can be in the form of patent rights, control over technique, or raw material, govt. laws etc.