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| Research Article

Consumer Choice Theory Utility Function

Shakarov Allaior Baratovich
Samarkand Institute of Economics and Service, PhD in Economics,
Department of Economic Theory, Associate Professor

Kuliboev Fakhriddin Tolkinovich
Samarkand Institute of Economics and Service, specialty "Economics (by networks and industries)", postgraduate student of group MI-124

Abstract: In this article, the Theory of Consumer choice analyzes the topic of the function of attractiveness and explores the place of this theory in social, economic and cultural processes. Choice theory, in particular, explains how consumers act in the process of making economic decisions. The utility function (or profit) is considered as one of the factors shaping consumer choice, since each consumer strives for the optimal allocation of their resources. The article focuses on determining the role of the naphthalene function in social analysis and economic model. Understanding how consumers meet their needs, how they justify their choices, and how they evaluate efficiency in the process has a great impact on the effective functioning of the economy.

Keywords: consumer choice, utility function, economic decisions, profit, resource allocation, economic theory, needs, choice theory, social analysis, effective economics.

Introduction. In economic theory, consumer choice theory explains how people allocate resources and make decisions based on this. Each consumer chooses different products and services to satisfy their needs, but economic theories and concepts are used to understand how this choice is made. The utility function is one of the most important factors determining this choice. The utility function determines the decisions made by consumers and their level of well-being. In this article, we analyze how consumer choice theory is related to the utility function, how it affects the process of making economic decisions and allocating resources.

Main part. Consumer choice theory consists of a number of models aimed at explaining consumer demand for goods and services in the economy. According to this theory, each consumer tries to satisfy his needs with limited resources (income and time). Consumers strive to maximize profits in satisfying their needs. Their choice mainly depends on two main factors:

1**. Needs and preferences.** Consumers choose different goods or services to satisfy their needs. The benefits of each product or service for them will be different. This choice is based on individual preferences, cultural, psychological and social factors.

2**. Limited Resources**. Since consumers have limited income, time, and other resources, they try to allocate their expenses in an optimal way. This choice is aimed at ensuring the most profitable use of resources.

The utility function in economic theory shows how much profit the consumer will receive from his choice. Utility is expressed as the level of satisfaction and well-being derived from a particular product or service for consumers. In consumer choice theory, the utility function is often described as follows: when a consumer makes a choice between different goods or services with limited resources, he tries to maximize his benefit from each choice. The utility function mainly has the following properties:

1. Incremental Utility. When a consumer consumes more of a product, his utility may increase at first. This phenomenon can be called short-term fertility growth. However, with moderate consumption, the rate of increase in cravings for food may slow down and eventually stop.

2. Limited Resources. The utility function is associated with limited resources, and the consumer is forced to make only one choice from several alternatives. If resources are abundant, the consumer will be able to make more choices, but if these resources are limited, utility will be distributed optimally.

3. Marginal Utility. Marginal utility, the amount of utility you get from each additional unit of output, often decreases. This economic concept is called the "law of diminishing marginal utility." For example, the first few well-chosen products may provide greater satisfaction, but the next one will be less useful.

The main purpose of the utility function is to help consumers make the best choice when making economic decisions. Consumers strive to achieve maximum utility by studying the advantages of each product in satisfying their needs. The utility function helps consumers make the following economic decisions:

1. **Optimal allocation**. The consumer tries to spend resources where it will bring the greatest profit. For example, depending on his limited income, he directs them to the most profitable products.

2. **Satisfaction of needs**. The consumer chooses the most effective goods to satisfy his needs. The convenience function helps him choose the product that will satisfy him.

3. **Correlation between choices**. Consumers, choosing between different products or services, evaluate the utility of each of them. They prefer more profitable options.

The formation of market demand is based on personal demand, that is, the demand of an individual consumer, each person must buy some product to satisfy his physiological needs and have a certain amount of money to buy it. However, the consumer's funds are limited. The consumer always faces a choice: how much of what product to buy? When making decisions, the consumer tries to satisfy his needs as much as possible, to increase the level of well-being. The level of satisfaction of needs or the level of well-being is called utility.

The usefulness of a blessing is the ability of a blessing to satisfy human needs. In consumer theory, a product is any consumer item that can satisfy a consumer need.

In most cases, goods are not consumed individually, but by a group or a "basket".

In consumer theory, consumers have certain tastes and desires, and their income is limited in satisfying these desires and tastes. In this case, they try to choose the set that brings the maximum benefit from the set of blessings. In consumer theory, the consumer's income is limited; the price of the good purchased by consumers does not depend on its quantity; it is assumed that consumers are fully aware of their usefulness and choose a set of goods that provide maximum utility. Consumer theory is based on the following postulates:

1. Consumers can classify and compare all goods. In other words, given two bundles of goods A and B, the consumer may want bundle A more than bundle B, or bundle B more than bundle A, or believe that both bundles have the same utility: if bundle A is better than bundle B (if it is more desirable), A>B. If B is more desirable than A, then B>A. If both have the same level of profit, A=B. It should be noted that this choice does not depend on the cost of the bundles. The consumer may want oranges more than tangerines, but since tangerines are cheaper, the consumer will buy tangerines.

2. Consumer desire is transitive. If the consumer wants to set A more than B, and to set B more than bundle C, that is:

A>B; B>C; A>C

3. Satiation factor. Consumers always want more of each good, not less.

Utility function: representatives of the Austrian school of economists K. Menger, E. Böhm-Bawerk, F. Wieser were among the first to try to establish a connection between demand and price, inventory and its quantity. According to them, in conditions of limited resources, their size is one of the important factors influencing the price. They defined the law according to which the benefit from a certain good consumed in a row tends to decrease. For example, a thirsty person drinks a glass of mineral water with great desire, the second glass of water does not bring him as much benefit as the first glass of water, the third is less useful than the second, etc. This continues until the benefit from the last glass of water becomes zero. Here, the total utility increases, but the private utility that you get from each subsequent glass of water decreases, which leads to a decrease in total utility.

We use the utility function for a more accurate analysis of consumer behavior. The utility function is the level of utility that the consumer receives as a result of consuming a given product, taking into account the volume of goods consumed by the consumer. The more blessings we have, the less valuable one additional unit of blessings is to us. Consequently, the price of a good is determined not by its total utility, but by its marginal utility. Thus, the utility function expresses the dependence of the level of utility on the volume of goods consumed.

The utility function can express not only total utility, but also final utility, which is the additional increased amount of utility obtained as a result of consuming one additional unit of the subsequent good. Marginal utility is a special derivative of the utility function with respect to some variable benefit.

Conclusion

The theory of consumer choice and the utility function are complementary concepts. When a consumer makes a choice to satisfy his needs, the utility function is the main factor shaping his decisions. In the process of making economic decisions, distributing resources and achieving maximum utility, consumer choice is aimed at maintaining utility at the highest level. Analysis of the utility function helps consumers make decisions and serves the efficient functioning of the economy.

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