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CORE CONCEPT OF

## BUSINESS ECONOMICS & ENVIRONMENT

1. What is Inductive Method?
2. Point out the demerits of inductive Method.
3. Briefly explain the Uncertain Conclusions of inductive Method.
4. What is Costly Method?
5. What do you mean by Lacks Concreteness?

### Demerits of Inductive Method

However, the inductive method is not without its weaknesses which are discussed below.

**(1) Mis interpretation of Data:** Induction relies on statistical numbers for analysis that “can be misused and misinterpreted when the assumptions which are required for their use are forgotten.”

**(2) Uncertain Conclusions:** Boulding points out that “statistical information can only give us propositions whose truth is more or less probable it can never give us certainty.”

**(3) Lacks Concreteness:** Definitions, sources and methods used in statistical analysis differ from investigator to investigator even for the same problem, as for instance in the case of national income accounts. Thus, statistical techniques lack concreteness.

**(4) Costly Method:** The inductive method is not only time-consuming but also costly. It involves detailed and painstaking processes of collection, classification, analyses and interpretation of data on the part of trained and expert investigators and analysts

**(5) Difficult to Prove Hypothesis:** Again the use of statistics in induction cannot prove a hypothesis. It can only show that the hypothesis is not inconsistent with the known facts. In reality, collection of data is not illuminating unless it is related to a hypothesis.



**(6) Controlled Experimentation not Possible in Economics:** Besides the statistical method, the other method used in induction is of controlled experimentation. This method is extremely useful in natural and physical sciences which deal with matter. But unlike the natural sciences, there is little scope for experimentation in economics because economics deals with human behaviour which differs from person to person and from place to place.

Further, economic phenomena are very complex as they relate to man who does not act rationally. Some of his actions are also bound by the legal and social institutions of the society in which he lives. Thus, the scope for controlled experiments in inductive economics is very little. As pointed Out by Friendman, “The absence of controlled experiments in economics renders the weeding out of unsuccessful hypo-these slow and difficult.”

**Conclusion:** The above analysis reveals that independently neither deduction nor induction is helpful in scientific enquiry. In reality, both deduction and induction are related to each other because of some facts. They are the two forms of logic that are complementary and co-relative and help establish the truth. Marshall also supported the complementary nature of the two methods when he quoted Schmoller: “Induction and deduction are both needed for scientific thought as the right and left foot are needed for walking.” And then Marshall stressed the need and use of integrating these methods.

Now-a-days, economists are combining induction and deduction in their studies of economic phenomena in various fields for arriving at generalisations from observed facts and for the indirect verification of hypotheses. They are using the two methods to confirm the conclusions drawn through deduction by inductive reasoning and vice versa. Thus true progress in economic enquiries can be made by a wise combination of deduction and induction.