Monopolistically or monopolistic and perfectly competitive markets affect various factors of the economy such as supply, demand, and prices in different ways. But in reality, there is no market that is either purely monopolistic or perfectly competitive. Hence every market combines elements of both monopolistically or monopolistic and perfectly competitive markets. Which have some similarity and also differences at the same time and a good example of a monopolistic organization is kenya power and lighting company (KPLC) while Banking industry is an example of perfectly competitive

**Monopolistic Markets**

Here firms are price makers since they control prices of goods and services that they are offering since there is lack of any competition against them. Which truly leads to high prices, for goods and services because they have total control of the market, meaning Firms have total market share, leading to a difficult entry and exit points to these kind of markets for any other organization that could not bring a stiff competition. Since barriers to entry in a monopolistic market are high, firms that manage to enter the market are still often dominated by one larger firm.

A monopoly refers to situation in where goods and services are being provisioned by a single producer or seller to all the available consumers. A monopolistic market is the scope of the monopoly in its entire. For example Kenya power and lighting company in kenya. May be a monopoly in the supply of electricity in kenya since it’s the only company offering that service in kenya. It control a monopolistic market share over all the electricity supply in the republic of kenya whereby no other firm supplies electricity in the entire republic.

These makes kenya power and lighting company to freely enjoy almost the entire market share in the electricity supply sector where by it is truly hard for a new entrant into that sector since they have already heavily invested in the supply infrastructure. Making easy for them to choose the kind of electricity rates which are truly high but its consumers have no other option but to bear with those rates. Which is due to lack of competition in that sector which the company has fully dominate.

A monopolistic market generally involves one seller the provision of either goods or services of a certain kind, and it consumers do not have a choice on a firm where they can purchase their goods or services. But to only purchase from the only one firm in the market that is providing those goods and services.

Hence its extremely rare and perhaps even impossible in the absence of absolute barriers to entry for Purely monopolistic markets to exist, but could exist only when barriers of entry such as a ban on competition or sole possession of all natural resources are not in place. Sometimes, a government will create a monopolistic market for the sake of national interests or where services or goods involved requires critical infrastructure. For example, critical utilities such as power companies (KPLC) may be granted a monopoly status due to the degree to which critical for the smooth running of a countries day to day economic generating activities.

In the absence of such barriers, governments often have policies and enforcement techniques to promote competition by preventing or breaking up monopolies. This is due to reason that a monopolistic market can often become inefficient, ineffective, higher prices on good and services they provide than would due to lack of competition, and can prevent new firms from entering that market. Hence, there are various regulations have been put in place to keep monopolies at bay. Hence increasing chances of having only one seller in the market who could choose to exploit its consumers.

## Perfect Competition market

Perfectly competitive market is where by, prices of goods and services are dictated by supply and demand by its producers and consumers. These creates room for many firms to participate in filling the gap that exist in the market. A good example is like the banking industry where there are many players on these sector of the market share. Firms in a perfectly competitive market are all [price](https://www.investopedia.com/terms/p/pricetaker.asp) determinants because none of them has enough market control hence leading to fair prices for goods and services that they all offer. Unlike a monopolistic market, firms here have a larger market share that they are the only one required to fill. Also barriers to entry are very minimal since the market gap is freely open to anyone who feels the desire of filling it and has all the required resources to enter into that venture, and firms can enter and exit the market easily with very minimal restrictions from either government or other stake holders involved. Contrary to a monopolistic market where entry and exit restrictions are so many, In perfectly competitive market has many buyers and sellers hence no restrictions, and consumers can choose where they buy their goods and services, like in kenya we already have so many banks that are offering so many services which gives the consumers a privilege of having to look for the good bank that best suits his or her needs. Hence leading to better goods and services being offered due to stiff competition, which is due to firms competing to have at least a share of the already available market that is open to anyone.

In Perfectly competitive market firms only earn just enough profit to stay in business contrary to a monopolistic market where firms like kenya power and lighting company (KPLC) have room to make more profit without any worry since they are only competing with themselves. In perfect competitive market they were to earn excess profits, other companies would enter the market and drive profits down. As mentioned earlier, But it is impossible to have a purely perfect competition construct. As such, it is difficult to find real-life examples of perfect competition.

Pricing in perfect competition is based on supply and demand giving room for all firms to charge favorable prices that do not vary much from one firm to the other leading very minimal room for consumers exploitation while pricing in monopolistic competition is set by the seller hence a wider room for consumer exploitation could be create via introduction of very unfair rates. Which can be proved where by (KPLC) are free in increasing their electricity tariffs without any restriction since they are monopolies hence they will be exploiting their consumers with them having no other option

In a perfectly competitive market: all firms sell an identical product; all firms are [price-takers](https://www.investopedia.com/terms/p/pricetaker.asp); all firms have a relatively small market share; buyers know the nature of the product being sold and the prices charged by each firm, like in the banking industry the percentage they charge in let say in a product like interest in loan are almost similar across all various firms involved, with very minimal variation in their interest rates; the industry is characterized by freedom of entry and exit which creates a freedom of easy exit to also consumer from one firm subscription to another that is readily available with better off services.. In reality, some or all of these features are not present or are influenced in some way, leading to [imperfect competition](https://www.investopedia.com/terms/i/imperfect_competition.asp).

Based on special consideration according to the economic theory, when a perfect competition is witnessed, the prices of goods will approach their [marginal cost of production](https://www.investopedia.com/terms/m/marginalcostofproduction.asp) (which is the amount required to produce one more unit). Which is arrived at because any firm that tries to sell at a higher price in an order to earn excess profits will be forced out of the market by a competitor seeking to have a chunk of the market share. This also leads to need of improvement in technology applied in order to reduce the costs of production leading to an added advantage against the other competing firms and still be in a better position to earn a profit. But with time, however, the technology he has adopted would have reach all producers, hence forcing all producers to lower consumer prices even further, which will be of benefit to consumers but will lead to low profits for producers.

How between a monopolistic market and perfect competition you will find a [monopolistic competition](https://www.investopedia.com/terms/m/monopolisticmarket.asp). In monopolistic competition, involving many producers and consumers in the marketplace, and all firms only have given degree of market control. In contrast, a monopolist in a monopolistic market has total control of almost the entire market with tiny room for new entrant due to strict entry policies, monopolistic competition offers very few barriers to entry. All firms are able to enter into a market if they feel the profits are attractive enough. This makes monopolistic competition similar to perfect competition.

However, in a monopolist competitive market, there is [product differentiation](https://www.investopedia.com/terms/p/product_differentiation.asp). Products in monopolistic competition are close substitutes; the products have distinct features, such as branding or quality which leads to different products being offered on the same market but they serve almost similar needs. This is unlike both a monopolistic market, where there are no substitutes for products, and perfect competition, where the products are identical. Hence the product is almost similar to that of the other competitor which is something of challenge to both the buyer and seller since there is no room for them having different goods and services to choose from.

In reality, all markets will display some form of imperfect competition. That is because there will always be some barriers to entry, some [information asymmetries](https://www.investopedia.com/ask/answers/042415/what-theory-asymmetric-information-economics.asp), larger and smaller competitors, and small differences in product differentiation. Hence it is now clear that barriers to entry to any given market competition that you choose to enter of some given sort will be seen which varies from one market to the other which brings some similarity in some sort. These can be witnessed like in let’s say electricity where kenya power could be the leading monopolist but it still has small competition from firms that have bring a substitute in form of solar energy in as much they may be having a small differences in products and services but a competition is truly created. Also banking firms are facing with some challenges in terms of barriers to entry like tough government policies that regulate entry to that venture and also there is larget completion from other already established banking firms while still they face small completion from small firms like Sacco’s, mobile lending apps and small micro financing which are still readily available in the same market