Definition of Perfect Competition:

A Perfect Competition market is that type of market in which the number of buyers and sellers is very large, all are engaged in buying and selling a homogeneous product without any artificial restrictions and possessing perfect knowledge of the market at a time.

### Characteristics of Perfect Competition:

The following characteristics are essential for the existence of Perfect Competition:

#### 1. Large Number of Buyers and Sellers:

The first condition is that the number of buyers and sellers must be so large that none of them individually is in a position to influence the price and output of the industry as a whole. In the market the position of a purchaser or a seller is just like a drop of water in an ocean.

#### 2. Homogeneity of the Product:

Each firm should produce and sell a homogeneous product so that no buyer has any preference for the product of any individual seller over others. If goods will be homogeneous then price will also be uniform everywhere.

#### 3. Free Entry and Exit of Firms:

The firm should be free to enter or leave the firm. If there is hope of profit the firm will enter in business and if there is profitability of loss, the firm will leave the business.

#### 4. Perfect Knowledge of the Market:

Buyers and sellers must possess complete knowledge about the prices at which goods are being bought and sold and of the prices at which others are prepared to buy and sell. This will help in having uniformity in prices.

#### 5. Perfect Mobility of the Factors of Production and Goods:

There should be perfect mobility of goods and factors between industries. Goods should be free to move to those places where they can fetch the highest price.

#### 6. Absence of Price Control:

There should be complete openness in buying and selling of goods. Here prices are liable to change freely in response to demand and supply conditions.

#### 7. Perfect Competition among Buyers and Sellers:

In this purchasers and sellers have got complete freedom for bargaining, no restrictions in charging more or demanding less, competition feeling must be present there.

#### 8. Absence of Transport Cost:

There must be absence of transport cost. In having less or negligible transport cost will help complete market in maintaining uniformity in price.

#### 9. One Price of the Commodity:

There is always one price of the commodity available in the market.