

# INDEX NUMBERS

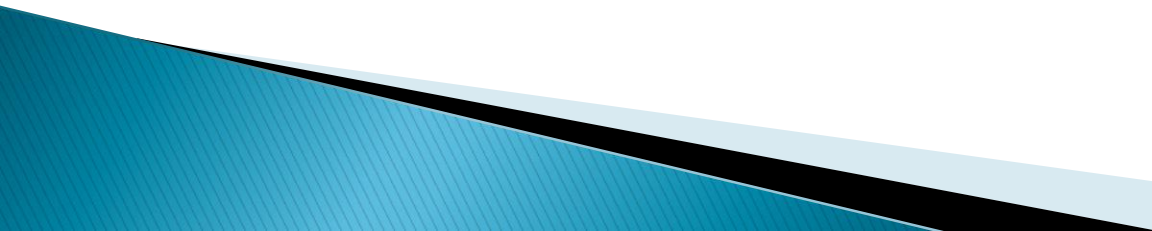
BY


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# INDEX NUMBERS


- ▶ Meaning and utility
  - ▶ Problems in construction of Index Numbers
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## Meaning and utility:


- ▶ Introduction by Italian economist **Gian Rinaldo Carli** in 1764.
  - ▶ Mostly used in Economics and business.
  - ▶ Most important use of Index number is in comparison of prices at different times
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- ▶ Definition– An Index Number is a statistical measure designed to show changes in a variable or a group of related variables with respect to time or geographical location or other characteristics such as income, profession etc.
  - ▶ An Index is the simplified name of Index Number
  - ▶ Computed from single variable is called a univariate index
  - ▶ Constructed for group of variables is called composite index.
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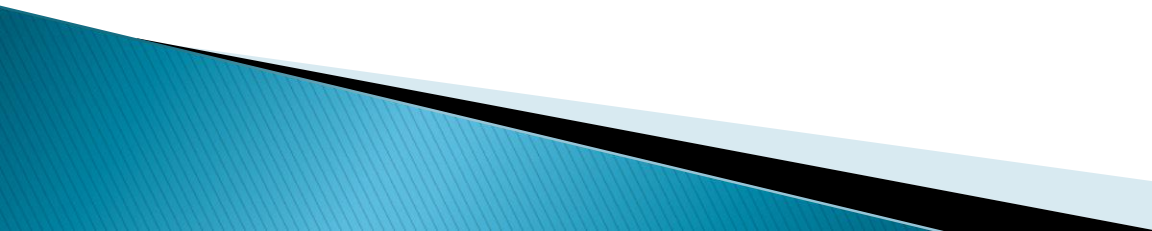
# Characteristics of Index Numbers

- ▶ What the index number is to measure and why?
  - ▶ Which commodities are selected?
  - ▶ How to collect prices of selected commodities?
  - ▶ Which year should be taken as base year ?
  - ▶ Which average should be used?
  - ▶ How to select the weights?
  - ▶ Which formula is to be used?
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# Problems in construction of Index numbers

- ▶ The purpose of index number
  - ▶ Selection of commodities
  - ▶ Collection of data
  - ▶ Selection of base year
  - ▶ Selection of averages
  - ▶ Selection of suitable weights
  - ▶ Selection of an appropriate formula
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# Classification of Index numbers

- ▶ Price Index Numbers– to measure relative changes in price of group of commodities or a single commodity
  - ▶ BSE and NSE are two important price index.
  - ▶ Quantity index numbers – to measure quantity of goods produced or consumed or purchased
  - ▶ Value Index numbers–show the changes in the values of commodities
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▶ THANK YOU