CBSE Class 11 Economics
Revision Notes
Chapter - 8
INTRODUCTION TO INDEX NUMBER

Introduction to index number: An index number is a statistical device for measuring changes in the magnitude of a group of related variables.

Features of Index Number

1. Index numbers are expressed in terms of percentages. However, percentage sign (%) is never used.
2. Index numbers are relative measurement of group of data.
3. Index numbers offer a precise measurement of the quantitative change in the concerned variables over time.
4. Index number show changes in terms of averages.
5. They are expressed in numbers.
6. Index number facilitates the comparative study over different time period.

Importance of Index number

1. It serves as a barometer for measuring the value of money.
2. Gives knowledge about change in standard of living.
3. It helps the business community in planning their decision.
4. Helpful to determine the rate of premium.

Limitation of Index Number

1. Limited applicability
2. International comparison is not possible
3. Limited coverage
4. Difficulty in the construction of index number

Types of Index numbers:

(i) Wholesale price index (WPI)