

ON MEASURING THE VARIABILITY OF BUSINESS AND ECONOMIC DATA

AMANULLAH AWAN

Dept. of Business Administration, Gomal University, D.I.Khan.

ABSTRACT

Variability is a fact of life. This article tries to explain the variability concept in clear terms and brings out the practical significance of the measures used to assess the extent of variation observed in business and economic data.

INTRODUCTION

A person considering a career in the field of business needs to have some idea of what quantitative techniques are, what businessmen do, what methods they use, what education they need and what opportunities for employment are available in the field. In teaching quantitative techniques we often concentrate on the application of theoretical formulas without interpreting the results. So far so good. Here is a formula, use it and forget to interpret the result:

The interest in this article originated in a classroom discussion while demonstrating the variability of business and economic data. If there is one thing we can count on, then it is variability which is a fact of life. The volume of stock market transactions fluctuate from day to day, our moods shift like drifting sands, the prices of precious metals swings like a pendulum in response to world crises etc. Things do not remain the same and fluctuations are the rule rather than the exception. Once we have variability, we lose the security that comes with knowing and event is consistent and, therefore, predictable. Variability introduces uncertainty. As a result, we can no longer rely on our carefully designed production schedule.

However, on the other hand, variability also opens the doors to opportunity. For example, during periods of widely fluctuating changes in the market, an astute investor will take advantage of this variability; (s)he will buy when prices are low and hope to cash in when prices are on the upswing.

In this article, measures of variability (also called measures of dispersion) considered are the deviation measures which includes the variance and standard deviation. Other approach is based on range measures. see for detail [1]. Our choice is due to the fact that deviation measures provide precise quantitative measures of variability and hence