



[Summary]

Dummy Variables

Subject:	Business Economics
Course:	B.A., 3 rd Semester, Undergraduate
Paper No. & Title:	Paper – 304 Basic Econometrics
Unit No. & Title:	Unit - 5 Dummy Variables
Lecture No. & Title:	Lecture – 1 Dummy Variables

Summary

When qualitative variables are used in the regression model as an explanatory (independent) variable, a dummy variable is defined for such qualitative variable and this dummy variable is used in the regression model. We have discussed the technique of creating the dummy variable based on the category of a qualitative variable. We may use dummy variables for the qualitative variables like: gender, Education status, region for job, profit-loss category etc. We may use both qualitative and quantitative variables as independent variables in the regression model. Here we assume dependent variable as quantitative variable. When dependent variable is qualitative then logistic regression model are used. Dummy variables have many applications in the different fields. In economics important application of dummy variable is to test the presence of seasonal trends in the given time series and make it desisonalized.