Note what it was in 1969-70. similarly,

Note that, in this measure, to ensure that an increase in the numerical value of TTfrepresents an improvement in the terms of trade of H and vice versa, the index of volume of imports appears in the numerator and the index of volume of exports appears in the denominator.

In other words, when numerical value of TTf increases, Country H is able to get a larger quantity of imports per unit of its exports, or has to pay a smaller quantity of exploits per unit of its imports. Numerical Example 2: Thus data in the last row of this numerical example tell us that, per unit of its export-volume, volume of imports received by India in 1978-79 was 14. 2% less than what it was in 1969-70. In other words, per unit of its export-volume, import-volume received by India was only 85.

8% of what it was in 1969-70. Similarly, in 1989-90, its volume of imports, per unit of its export-volume, was 30. 2% higher than what it was in 1978-79; in 1995-96 it was 2. 9% more than what it was in 1989-90. In contrast, in 2001-02, it was 7. 8% less than what it was in 1995-96.

**Limitations of TTg:**

This measure, like that of net barter terms of trade, is not a perfect one and suffers from several limitations like the following: Problems of Compilation: Compilation of volume index numbers suffers from their own problems including those associated with the compilation of price indices.

Such problems include, for example, the choice of the base period, changes in quality and type of products, selection of weights, and so on. Another basic problem of a volume index number is that we cannot add up dissimilar items and have to use some common denominator, or a comparable measure for doing so. And it so happens that the prices of items under consideration provide the “ best” common denominator for this purpose. Total Gains from Trade: This measure concentrates upon gain per unit of export-volume, and fails to provide a measure for a change in the total gain. So Credit Sales: This measure assumes that all exports and imports, during a given period are payments for each other. There are no credit sales; and no spill-over of payments or receipts from one period to the other. But factually, this is not so.

Unilateral Transfers: This measure also ignores international flows of goose generated by unilateral transfers like gifts, charities, and remittances, etc. Financial and Technological Transactions: It ignores the fact that a part of international movement of goods and services is generated by international flow of loan capital, financial investments, technology transfers, royalties etc. It is noteworthy that with intensification of globalisation, the relevance of this component of flow of goods and services is also growing. Imports and Exports on Non-Economic Considerations: As in the case of net barter terms of trade, trade in defence items, essential drugs, and similar other categories are conducted primarily on non-economic consideration. In addition, it is nearly impossible to compile their volume index numbers. These facts adversely affect the representative character of this measure of terms of trade.