

** Degrees of price elasticity of Demand.

(i) Relative Elasticity demand ($e > 1$).

Proportionate change in demand is much greater than proportionate change in price.

$$\frac{\Delta Q}{Q} > \frac{\Delta P}{P}$$

(ii) Relatively inelastic Demand ($e < 1$).

Proportionate change in demand is lesser than the proportionate change in price.

$$\frac{\Delta Q}{Q} < \frac{\Delta P}{P}$$

(iii) Unit Elastic Demand ($e = 1$).

Proportionate change in demand is equal to proportionate change in price.

$$\frac{\Delta Q}{Q} = \frac{\Delta P}{P}$$

(iv) Perfectly inelastic Demand ($e = 0$)

change in price does not affect demand at all.

$$\frac{\Delta Q}{Q} = 0$$

(v) Perfectly elastic demand ($e = \infty$)
A small change in price causes an infinitely large change in demand.

$$\frac{\Delta P}{P} = 0$$

* Perfectly inelastic demand and perfectly elastic demand is very ~~rare~~ rare in actual life.

** Factors influencing elasticity of demand.

- Nature of goods like Necessaries, Comforts and Luxuries goods.
- Substitutes.
- Alternative uses.
- Postponement of consumption.
- Expenditure Amount and Savings.
- Income.
- Joint demand or complementarity of goods.
- Nature and Habits of consumers.