

Why is national income?

- ❑ Measuring the level and rate of growth of national income is important to economics when they are considering.
 - ✓ Economic growth and where a country is in the business cycle
 - ✓ Changes to average living standards of the population
- ✓ Looking at the distribution of national income (i.e measuring income and wealth inequalities)

National Income Concepts

- Gross Domestic Product(GDP)

Is defined as “an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production.



GDP Gross Domestic Product

- GDP is the value of goods and services produced within a country in a given period of time .
- GDP per capita is often considered an indicator of a country's standard of living .
- GDP for the year 2012-13 is 18.24 trillion(i.e.18.24thousand crores)
- GDP for the year 2012-13 6.1-6.7 2012-13

Gross National Product

- It is the value of all the products and services in one year by labour and property supplied by the residents of a country.
- Unlike Gross Domestic Product (GDP), which defines production based on the geographical location of production. GNP allocates production based on ownership.

1. $GNP = GDP + NFIA$

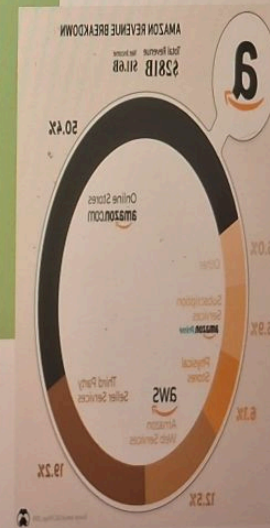
2. $GNP = C + I + G + (X - M) + NFIA$

Net National Product

- It represents the net book value of all goods and services produced within a nation's geographic borders over a specific period of time.

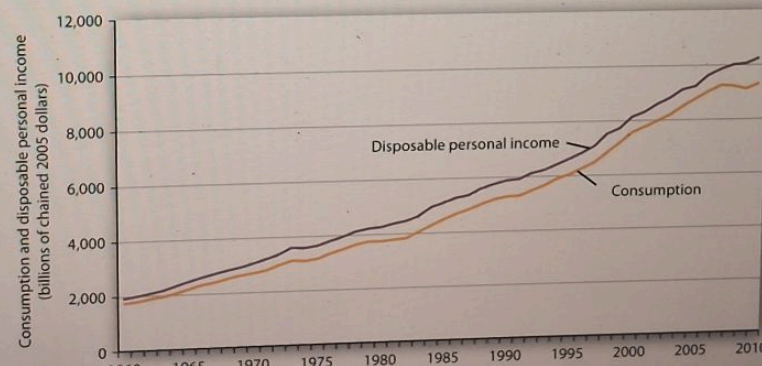
- $NDP = \text{Gross domestic product (GDP)} - \text{Depreciation}$
 - $\text{Net National Product (NNP)} = \text{GDP} - \text{Depn.} + \text{NFIA}$
- OR
- $= \text{GNP} - \text{Depreciation}$

05 July 2024



Personal Income

- Personal Income is the total income received by the individuals of country from all sources before direct taxes. Personal Income is not the same as National Income is not the same as National Income, because it includes 'Transfer payments' .



05 July 2024

Personal Income

Personal income is defined as total income received by the individuals of country from all sources before direct taxes. it also includes “Transfer payments”

Personal Income also includes:

1. Wages
2. Salaries
3. Interest and rent received by the individuals.

Disposable Income

- It is the actual income which can be spent on consumption by individuals and families.
- It refers to the purchasing power of the house hold.
- It whole of disposable income is not spent on consumptions ;a part of it is paid in the form of direct tax.

Disposable Income

- It is the actual income which can be spent on consumption by individuals and families.
- It refers to the purchasing power of the house hold.
- It whole of disposable income is not spent on consumptions ;a part of it is paid in the form of direct tax.

Methods of measuring national income

In equilibrium

Output=Income-Expenditure

Hence there are three approaches to the measurement of GDP.

Product(or OUTPUT) Method :National Income by industry of origin

– Final Product Method - Value Added Method

Income Method or NATIONAL INCOME By Distributive Shares

Expenditure Method

$$\text{Real Income} = \frac{\text{Money Income}}{\text{P.I}} * 100$$

Methods of Measuring National Income

*The national income of a country can be measured in three alternative ways

*Census of production method

*As a flow of income, and

*As a flow of expenditure

*Added to this, there is yet another method of estimating national income i.e, Value added method