National Income

Introduction

- National Income is a total value of produced goods and services in a country within the year. It denotes produced total values or expenditure values to produce.
- It is the total of factor income i.e. wages, interest, rent, profit, received by factors of production i.e. labour, capital, land and entrepreneurship of a nation.
- There are various concepts of National Income, such as GDP, GNP, NNP, PI, DI, which explain the facts of economic activities

Gross Domestic Product

- Gross Domestic Product (GDP) is the total money value of final goods and services produced in the economic territories of a country in a given year.
- GDP = C + I + G + NX
- Where= C = Consumption, I = Investment, G = Government Expenditure, NX = Net Export
- Nominal GDP - It is the market value of all final goods and services produced within the country.
- Real GDP - It is a measurement of the value of the output economy adjusted for price changes.

Gross National Product

- Gross National Product (GNP) is the total value of goods and services produced by the people of a country in a given year. It is not territory specific.
- If we consider the GNP of India, it can be seen that GNP is lesser than GDP.
- GNP = GDP + X – M.

Net National Product

- Net National Product (NNP) is market value of net output of final goods & services produced by an economy during a year and net factor income from abroad.
- NNP=GNP-Depreciation
- NNP is often examined on an annual basis as a way to measure a nation's success in continuing minimum production standards.

National Income

Personal Income

Personal Income (PI) is the total money income received by individuals and households of a country from all possible sources before direct taxes.

Personal income can be expressed as -

PI=NI-Corporate Income Taxes-Undistributed Corporate Profits- Social Security Contribution +Transfer Payments.

Disposable Income

Disposable Income (DI) is the income left with the individuals after the payment of direct taxes from personal income.

It is the actual income left for disposal or that can be spent for consumption.

It can be expressed as - DI=PI-Direct Taxes

Measurement of National Income

National Income can be calculated by three methods-

Product Method In this method, net value of final goods and services produced in a country during a year is obtained, which is called final product.

Income Method In this method, a total of net income earned by working people in different sector and commercial enterprises is obtained. By this method, NI is obtained by adding receipts as total rent, total wages, total interest and total profit.

Consumption Method It is also called expenditure method. Income is either spent on consumption or saving. Hence, NI is the addition of total consumption and total saving.