





WBBCS 2022



ECONOMICS

**NATIONAL
INCOME**



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National income means the value of goods and services produced by a country during a financial year. Thus, it is the net result of all economic activities of any country during a period of one year and is valued in terms of money.

PRE INDEPENDANCE

No paper concept or a scientific methods for calculating national income. Also no official body to calculate national income initially.

In 1876- Dadabhai Naoroji very first time estimated the NI without using any scientific method.

In 1931- Dr V K RV Rao became the 1st person to calculate NI on basis of scientific data with combination of census of income method and census of output.

AFTER INDEPENDENCE

P C Mahalanobis was the 1st person to make a committee for appointment of NI committee in 1949.

In 1951 CSO was established in new Delhi which is an official organization for calculating NI in the country.

In India NI is calculated with the help of following methods:

- 1) Production method
- 2) Income method
- 3) Expenditure method

PRODUCTION METHOD

- In India we use production and Income method to calculate NIs.
- According to production method Indian economy divided into 3 sectors:
 - 1) *Primary sector (Agriculture , Forestry, animal husbandry Fishing, mining and extracting of raw materials,) (15.87%),)*
 - 2) *Secondary sector (production, manufacturing , Gas supply, water supply, Automotive industry, Electrical industry, Chemical industry, energy industry, construction industry, food industry, Glass industry, Textile, Consumer goods.) (29.73%)*
 - 3) *Tertiary sector/service (Telecom, Hospitality, Mass media, Health Care, IT, Retail sales, Education, Financial services) (54.40%)*
- Outcome from first two sector is called goods where as last sector is called services.

- It is also called value added method because we take the value of final goods (which is no more go for production) not intermediately.
- Highest contribution coming from service sector with lowest people engagement.

INCOME METHOD

IT IS THE COMBINATION OF 4 FACTOR INCOME:

Factor Income

LAND	- A) RENT
LABOUR	- B) WAGES
CAPITAL	- C) INTEREST
ENTREPRENEUR	- D) PROFIT

$GNI = RENT + WAGES + INTEREST + PROFIT + (X - M)$

EXPENDITURE METHOD

$GNI = GNE = C(\text{CONSUMPTION EXPENDITURE}) + I(\text{INVESTMENT}) + G(\text{GOV T EXPENDITURE}) + (X - M)$

IT IS NOT USED IN INDIA

GDP

Its stands for Gross Domestic Product.

It is sum market value of all final goods and services rendered within the domestic boundary of a country during a given period of time which is generally 1 year.

Further, GDP is calculated at market price and is defined as GDP at market prices. Different constituents of GDP are:

- Wages and salaries
- Rent
- Interest
- Undistributed profits
- Mixed-income
- Direct taxes
- Dividend
- Depreciation

GNP

- It stands for gross national product.
- It is the sum market value of all final goods and services rendered within the national boundary of a country during a given period of time which is generally 1 year.
- $GNP = GDP + (X - M)$
- $GNP = GDP + NET\ INCOME\ FROM\ ABROAD$

Gross National Product

- For calculation of GNP, we need to collect and assess the data from all productive activities, such as agricultural produce, wood, minerals, commodities, the contributions to production by transport, communications, insurance companies, professions such (as lawyers, doctors, teachers, etc). at market prices.

NNPMP

- $NNPMP = GNP - DEPRECIATION$
- Depreciation is decline in the price of assets because of usage over a period of time.
- $NDP = GDP - DEP$

NNPFC

- $NNPFC = NNPMP - \text{INDIRECT TAX} + \text{SUBSIDIES}$
- $IDT = \text{GST} [0\% , 5\% , 12\% , 18\% , 28\%]$
- $\text{PER CAPITA INCOME} = [NNP@MP / \text{TOTAL POPULATION}]$

INSTITUTE INVOLVED IN NI CALCULATION

- CSO central Statistical Office
- NSSO national sample survey office
- On 23rd may 2019 CSO AND NSSO merger approved by Govt and became NSO(national statistical office.)
- NSO comes under MOSPI (ministry Of statistics and planning implementation).

- The NSC is currently headed by Prof. Bimal K. Roy who was appointed as Chairperson of the Commission on 15th July 2019 for a period of three years.
- Autonomous Body executive: Bimal Kumar Roy, (Chairperson)
- Formed: July 12 2006
- Headquarters: New Delhi
- Parent department: Ministry of Statistics and Programme Implementation

