The meaning of National income:— The total income of the nation is called National income. the aggregate economic performance of the whole economy is measured by the national income data. Actual, national income data provide a summary statement of a country's aggregate economic activity.

"national income is the flow of goods and services produced in an economy in a year or a particular period of time."

In national income accounting, the concept of National income has been interpreted in three ways: (I) Nation product
(II) National Dividend or income
(III) National expenditure

(National expenditure = National product = National income or dividend

[Output = income = Expenditure]

concept of National income

(I) GNP- Gross National product: GNP thus may be defined as the aggregate market value of all fine goods and services produced during a given year.

GNP at market prices, thus represents.

GNP = C+I+G+(X-M)+(R-P)

where C = consumption
I = Gross investment
G = Govt. services [Purchases]
X = Exports, M = imports
R = income Receipts &
P = income Paid.

for example, A measurement of GNP has been illustrated in table

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final output (GNP.)

Item	value at current market price Rs. crores
consumption (C)	654
Investment (I)	334
Govt. purchases (G)	123
Net exports (X-M)	+15
Net income from the rest of the world (R-P)	+02
	1128 crores ₹

(2). GDP - Gross domestic product : - is defined as the market value of all final goods and services produced in the domestic economy during a period of one year,

GDP = C+I+G

(3) NNP = GNP − D   where, D = depreciation allowence

(4) NDP = GDP − D.

Method of estimating National income :-

(1). The value added Method or production Method :-

In the value added Method a summation of the increase in value at each separate production stage, leading to output in final form, gives the value of GNP. for example-

value added Method.

production stage (1)	firm (2)	Sales Receipts (3)	cost of intermediate goods (4)	value added (Net-Income) (5)
1) wheat	farmer	500	0	500
2) flour	flourMill	700	500	+200
3) Bread	Baker	900	700	+200
4) Trading	Merchant	1000	900	+100
sum of value Added.				1000/=

first stage, a farmer cultivates wheat and sells it at Rs.500

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500 is the value added to the economy's output. for this ②
500 +200+200+100 =1000 Rs. is the final value

A symbolic expression of this method may be given as follows.

$$Y = (P-D) + (S+T) + [(X-M) + (R-P)]$$

Y = Total income of the nation
P = domestic output of all production sectors.
D = depreciation allowance
S = subsidies, T = indirect Taxes, X = exports, M = imports
R = receipt from abroad, and, P = payment made abroad.

② Census of Income Method :- In this method, the total of all money incomes such as wages, salaries, rent, profit received by persons and enterprises in the country during the year are totalled up.

The following classification of incomes is considered as comprehensive : ⓐ wages & Salaries ⓑ - supplemental labour income (social security) etc. ⓒ - Earnings of self-employed or professional incomes ⓓ dividends, ⓔ interest ⓕ Rent & profit of state enter-prises, tranfer payment like gifts, subsidies etc.

The symbolic expression of this method is as follows:-

$$Y = \Sigma (w+r+i+\pi) + [(X-M) + (R-P)]$$ where,

w = wages, r = rent, i = interest, π = profits.

③ Expenditure Method :-

National income on the expenditure side is equal to the value of consumption plus investment. In this method we have to (i) estimate private and public expenditure on consumer goods and services (ii) add the value of investment in fixed capital and stock, with due consideration for net positive or negative investories and (iii) add the value of exports and deduct the value of impots.

To express it is symbolic terms

$$Y = \Sigma (C+I+G) + [(X-M) + (R-P)]$$

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C = consumption expenditure
I = investment expenditure
G = Govt. purchases

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expenditure method

	Rs. crores
(i) consumer's expenditure - (C) -	1100
(ii) public authorities' current exp. on goods/services - (G) -	600
(iii) Gross capital formation (investment) at home, including increase in stock - (I) -	500
(iv) Total domestic expenditure at market prices	2200
plus: exports & income from abroad -	600
plus: imports and income paid abroad -	- 250
plus: taxes on expenditure -	-1000
plus: subsidies -	50
GNP at factor cost -	1600
Less: capital consumption	- 150
National income =	1450/-

> PCI - per capita income - PCI refer to the average per head in the country. It is measured by dividing the national income by the total population of the country.

Thus - इकोनॉमिक्स का डेटा-नाम
PCI = National income / Total population.

for example -
India's per capita income (2014-15) $\frac{104201}{67.8} = 1536.9$
at current prices.

> PI - personal income is the total money income received by individuals in the community.

①
②
③ > DPI - Disposable personal income is the sum of the consumption and saving of individuals, Thus, DI = C+S
④

Thus DI = PI - TD direct personal Taxes

PCI - National income / Total population.
India's per capita income (1980-81) = $\frac{104201}{67.8} = 1536.9$
at current price

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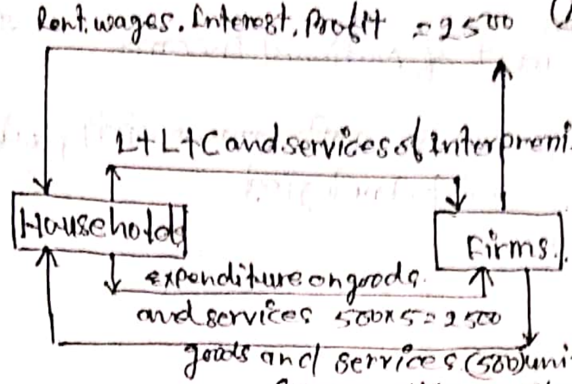
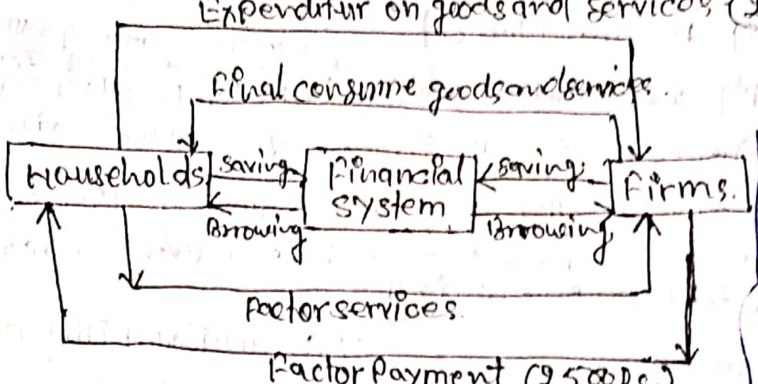


(Expenditure Flow)

For this - GNP = Total expenditure = Factors of Payment.
= (2500 Rs.)



Two = $Y = C+I$

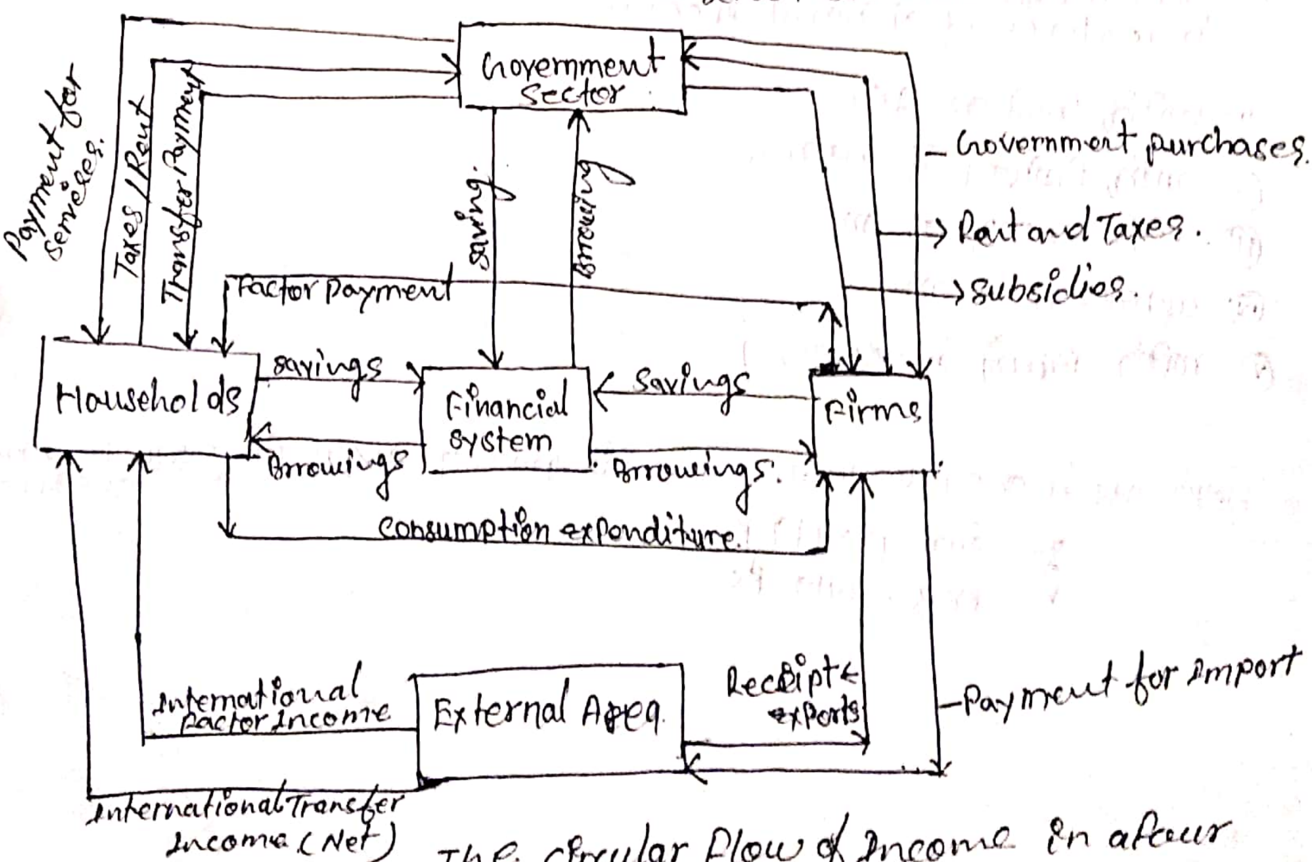
Three sector
$Y = C+I+G$

four = $Y = C+I+G+(X-M)$

$2500 - 2000 = 500$

For this $GNP = C+I$

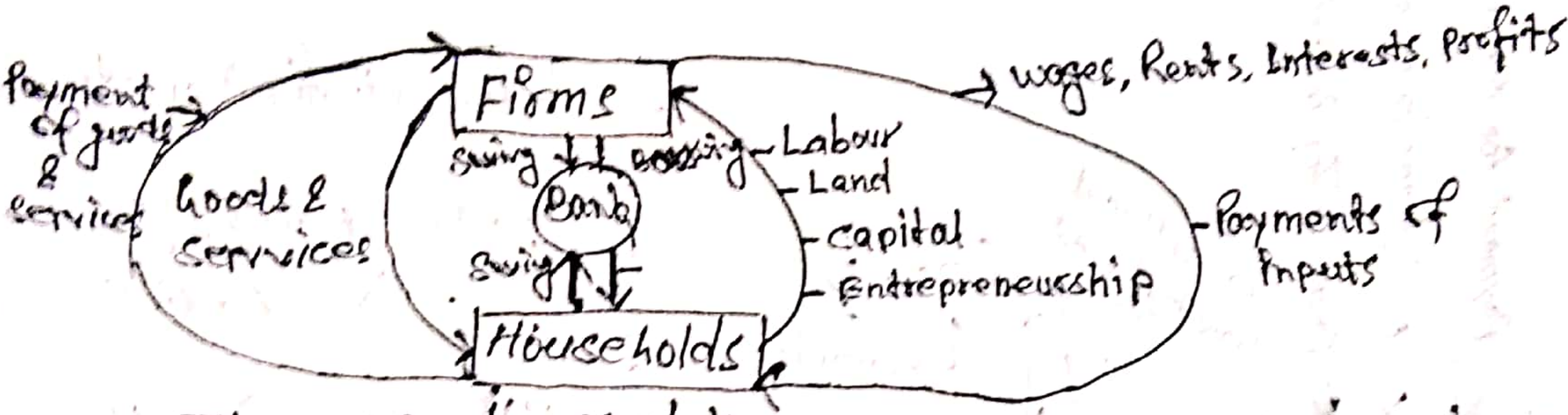
$GNP = 2000 + 500 = 2500$ Rs.



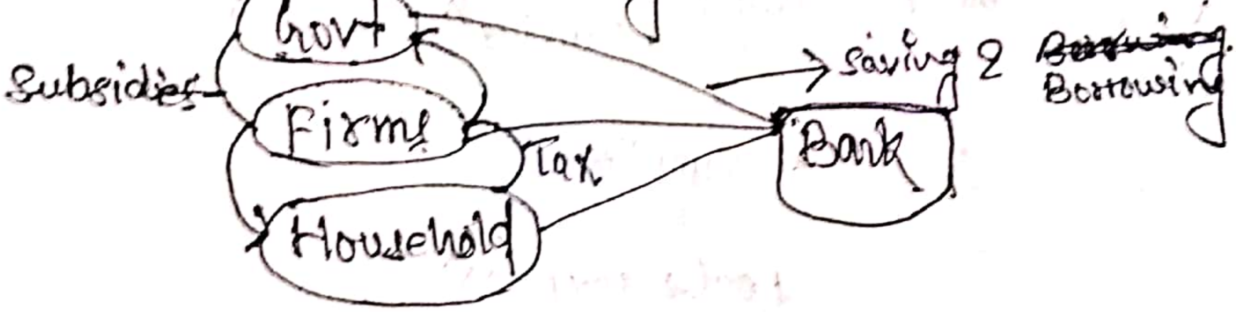
The circular flow of income in a four and Three sector Economy.

$Y = C+I+G\ (X-M)$

Two Sector Model: Circular flow of income



Three-sector model: Saving & Investment



$GDP = \boxed{C+I+G}$

Circular flow in a four sector Economy

or, Circular flow in an open economy

Circular flow of income in a four-sector economy consists of economic sector:-

(i) Household

(ii) Firms

(iii) Government and

(iv) Foreign sector

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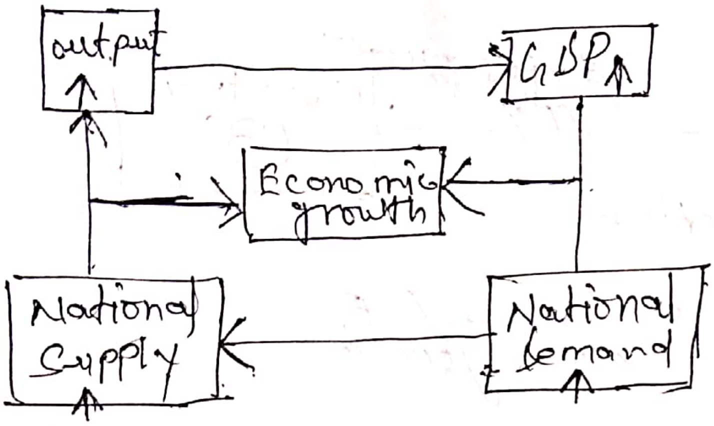
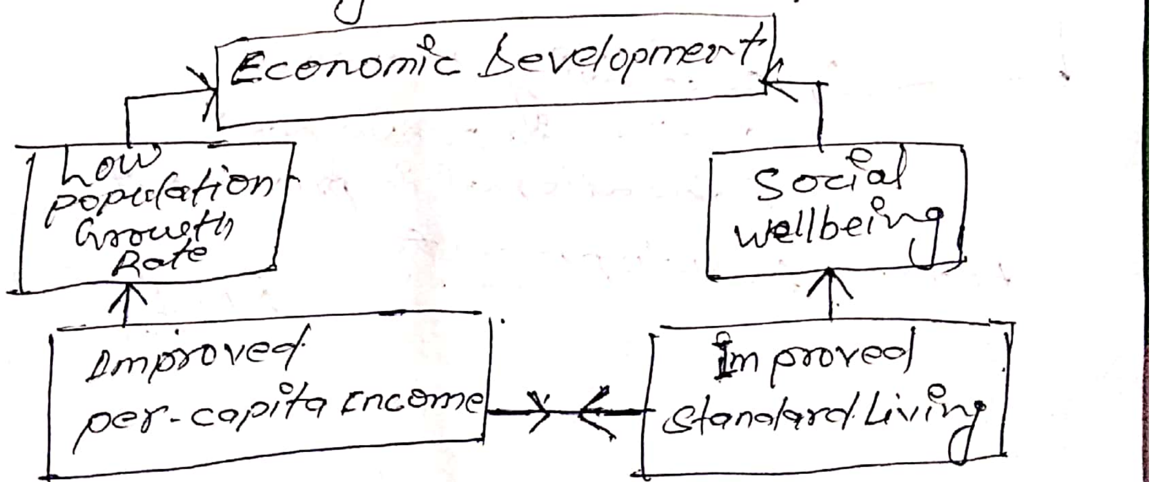
Economic Growth & Economic Development

① Economic Growth:– Economic growth is an increase in the real GDP (goods & services) of a nation over the period of time. which means an increase in the out put of a country from one period of time to an other period of time.



② Economic Development:– Economic development refers to progress and social well-being of a country. which includes improved living standard of the people, Education, Hospitalities an infrastructural changes in the country.



③ which come first ? Economic Development ~~growth~~ or, Economic growth.

It is necessary to achieve a high Level of Economic growth. So the economic growth come first and than a country moves ~~toor~~ towards the economic development.

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Growth. Development (2)

বৃদ্ধি বিকাশ

অর্থনৈতিক ক্রিয়াকলাপ –
- primary – Agri forestry
- Secondary – ~~manufacturing~~ manufacturing
- Tertiary – service.

Growth
output

Country A
production
Export goods
Supply
→ Country B

excess production
→ country - C, D, E
Exports goods

Impact →
- finance increase
- money inflow
- infrastructure
- ~~foregne~~ Foreign investment

→ S. of Living increase
social improvement
Educational improvement

than · Development

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