

NATIONAL INCOME AND GDP CONCEPT BY KUSH PANDEY SIR

National income

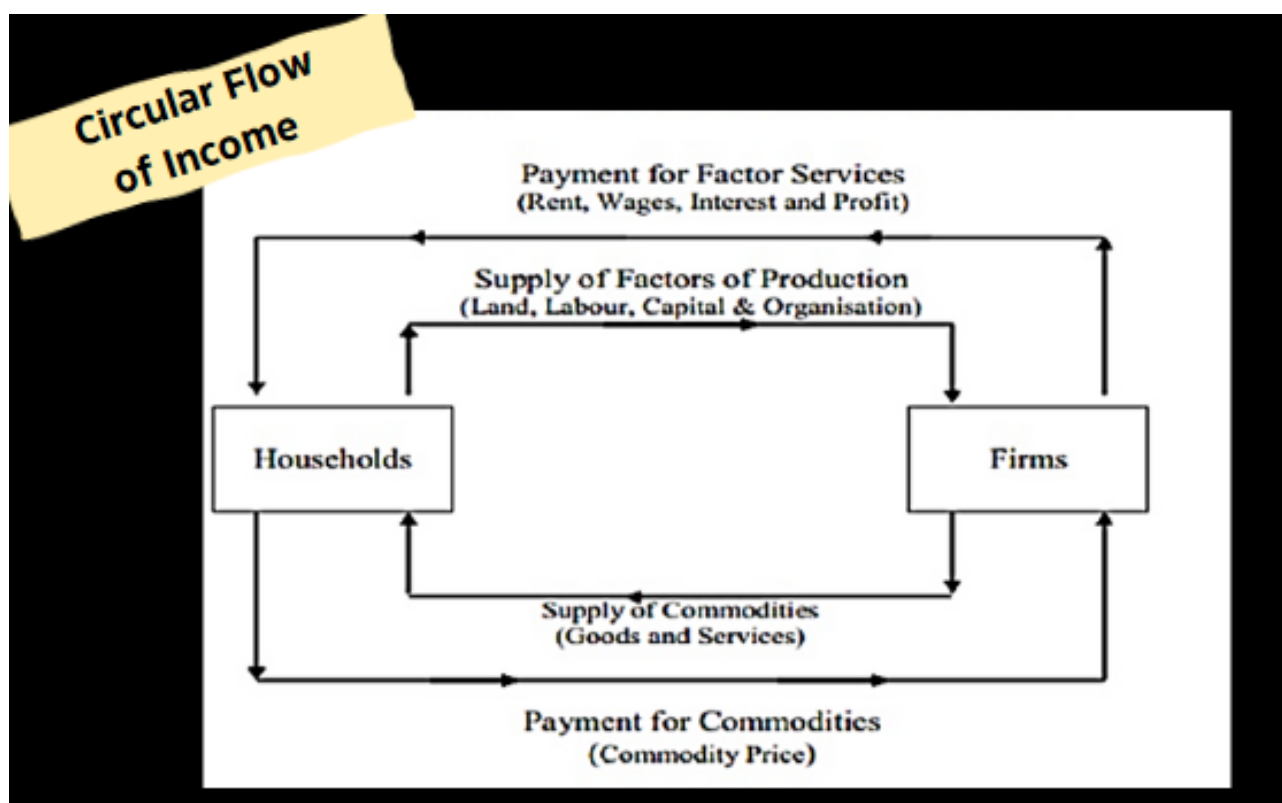
- Total amount of income accruing to a country from economic activities in a year.
- It includes payments made to all resources either in the form of wages, interest, rent, and profits.



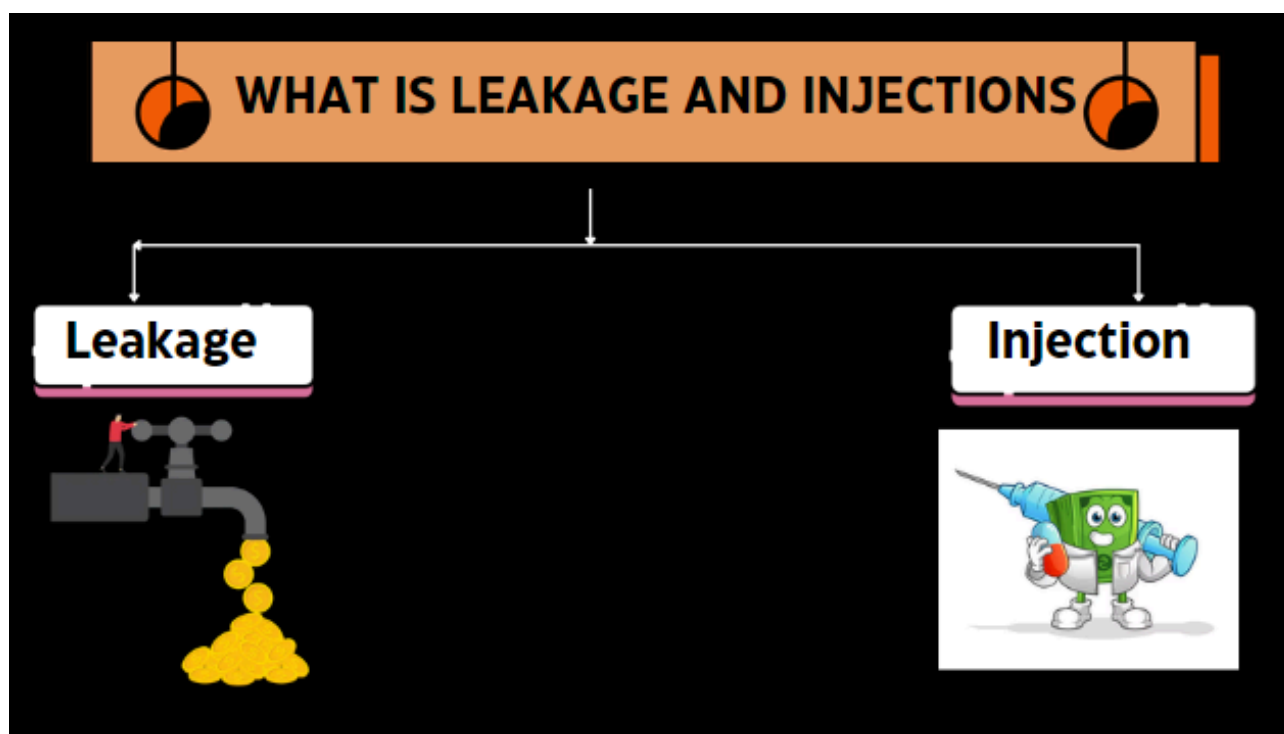
What is Circular Flow of Income?

- The circular flow of income is a model that shows how money, goods, and services flow between economic agents in a closed circuit

Circular Flow of Income

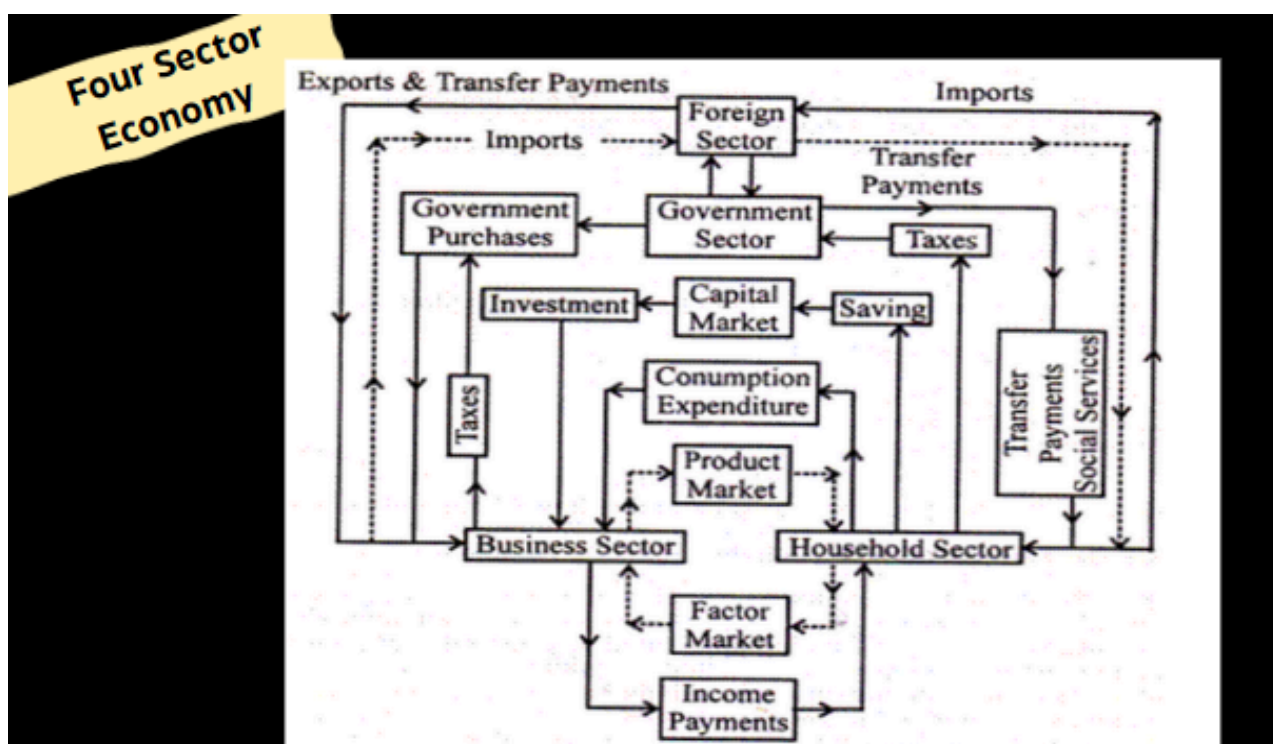
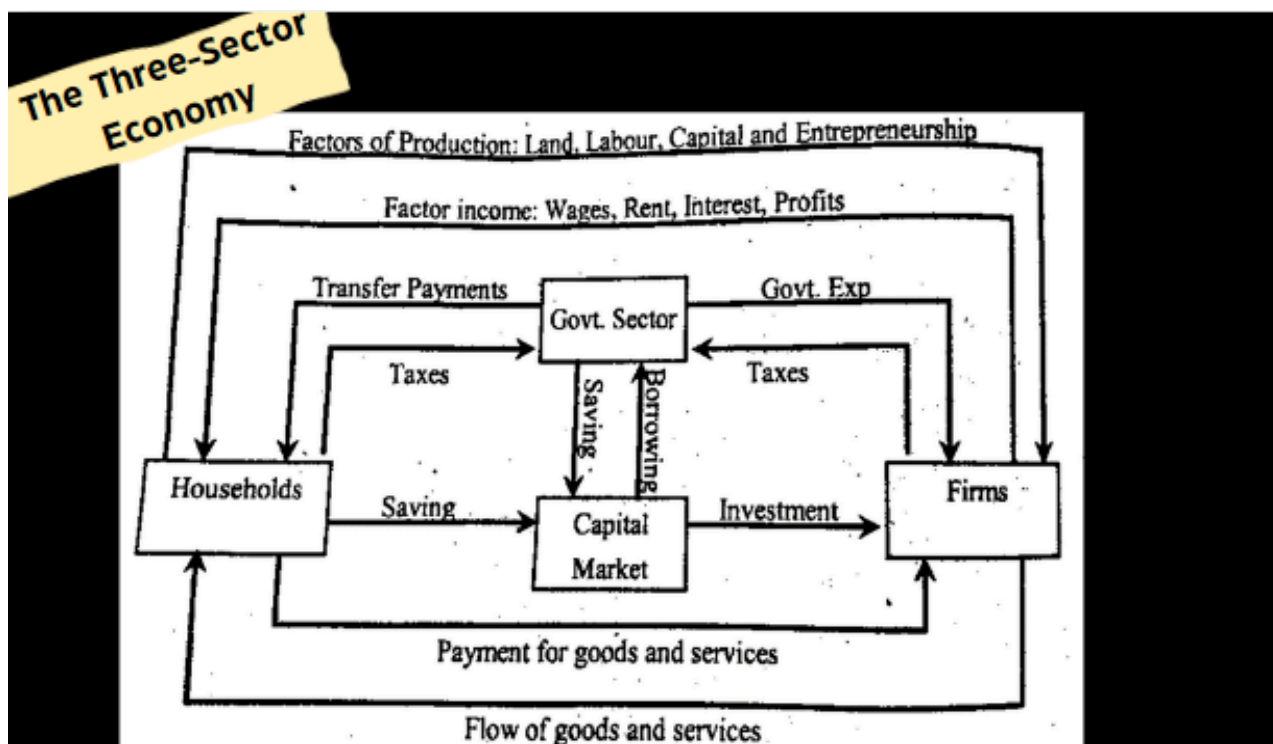


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WHAT IS LEAKAGE AND INJECTIONS	
<i>Leakages</i>	<i>Injections</i>
1. These flow variables have a negative impact on the process of production (or the process of income generation).	These cause positive impact on the process of production or income generation.
2. These are withdrawals from circular flow of income.	These are additions to the circular flow of income.
3. Effect on economy : Leakages ■ Reduce flow of income/production. ■ Reduce demand of goods and services.	Effect on economy : Injections ■ Add to the production capacity of the economy. ■ Generate demand of goods and services.
4. Examples, saving, taxation and imports.	Examples, investment, exports, consumption exp.

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Need for the Study of National Income

- Measure the size of the economy
- Speed of the economic growth in relation to previous years as well as to other countries.
- Formulation of suitable development plans and policies to increase growth rates.
- Forecasting future demand for products

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Gross Domestic Product

- Monetary value of product & Services produced within the country during a specific period.
- Used to estimate the size of an economy and growth rate
- Calculated in three ways, using expenditures, production, or incomes

The GDP refers to all goods and services which are produced to be sold



Examples: Goods: manufacturing of cars, Services: going to the hair dresser

GDP also includes goods which are produced by households for own use



Example: Growing vegetables

NOT included in GDP : services done without pay



Examples: Cleaning, cooking...

Uses and Limitations of Gross Domestic Product (GDP)

Economic Performance Assessment

Policy Formulation and Implementation

International Comparative Analysis

Uses

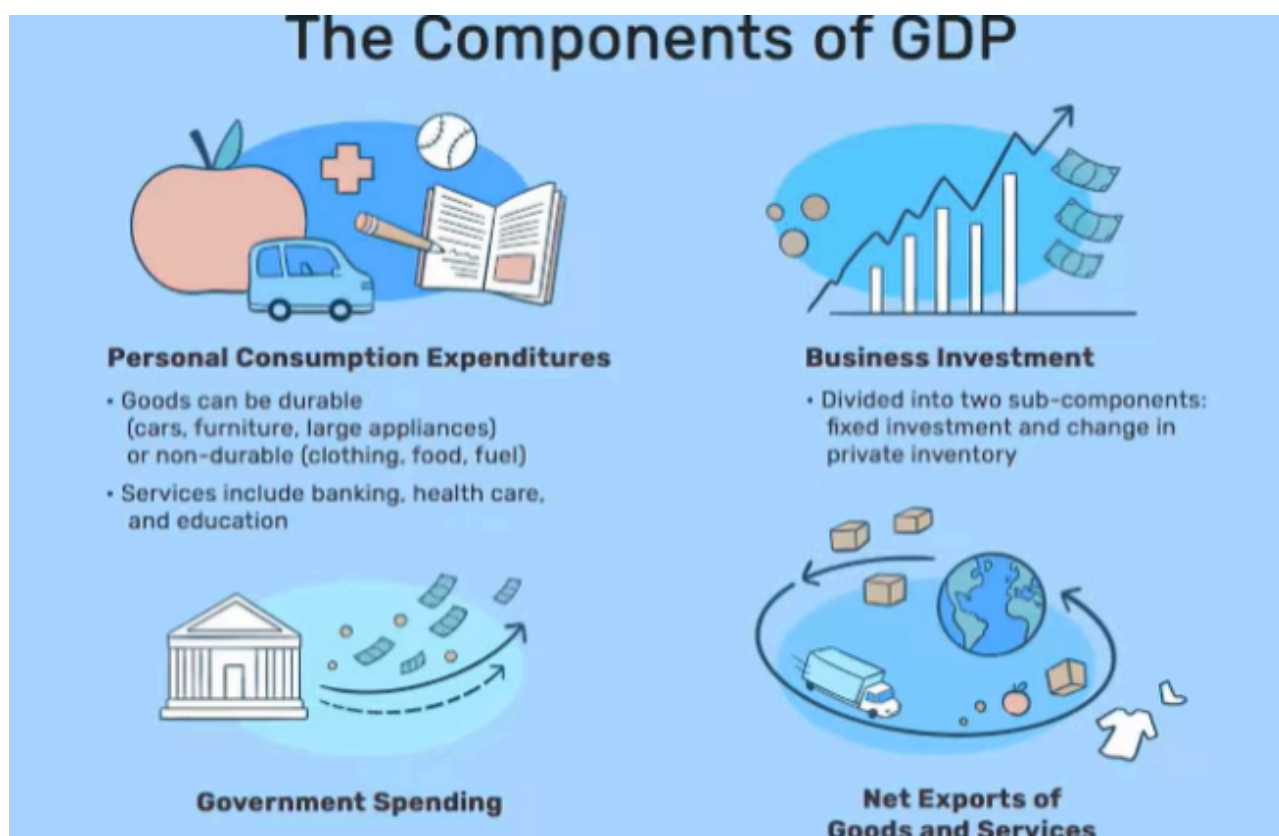
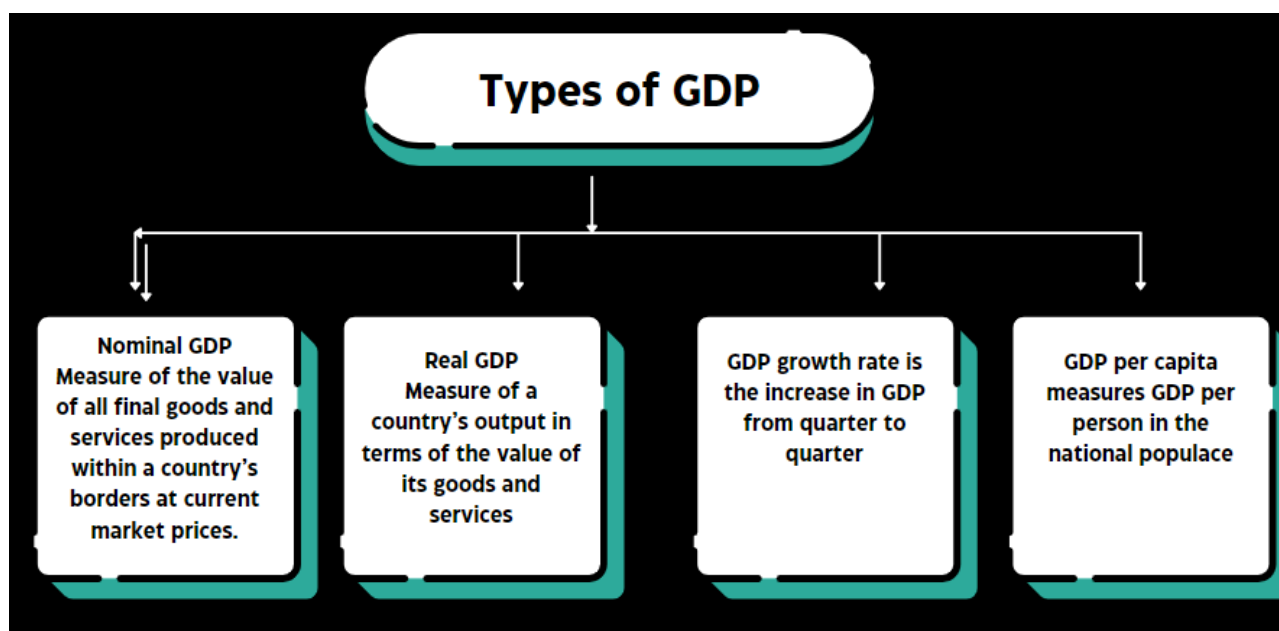
Limitations

Exclusion of Non-market Activities

Quality of Life and Well-Being Considerations

Environmental and Sustainability Concerns

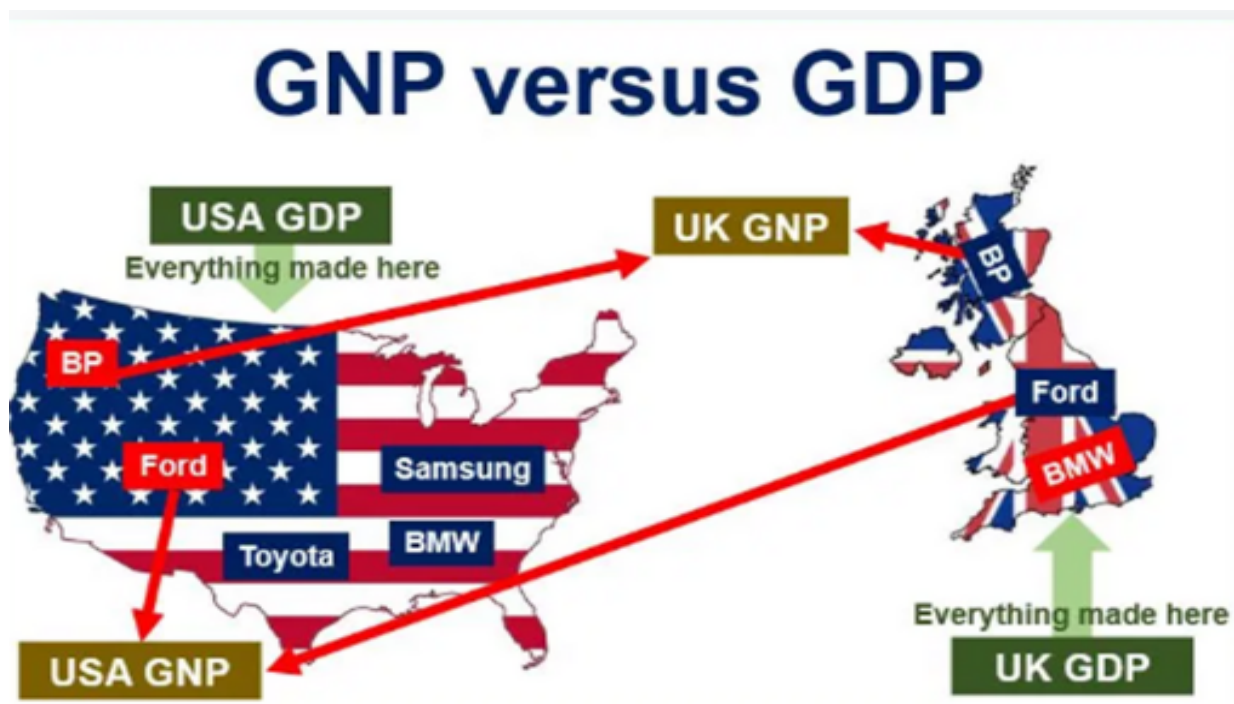
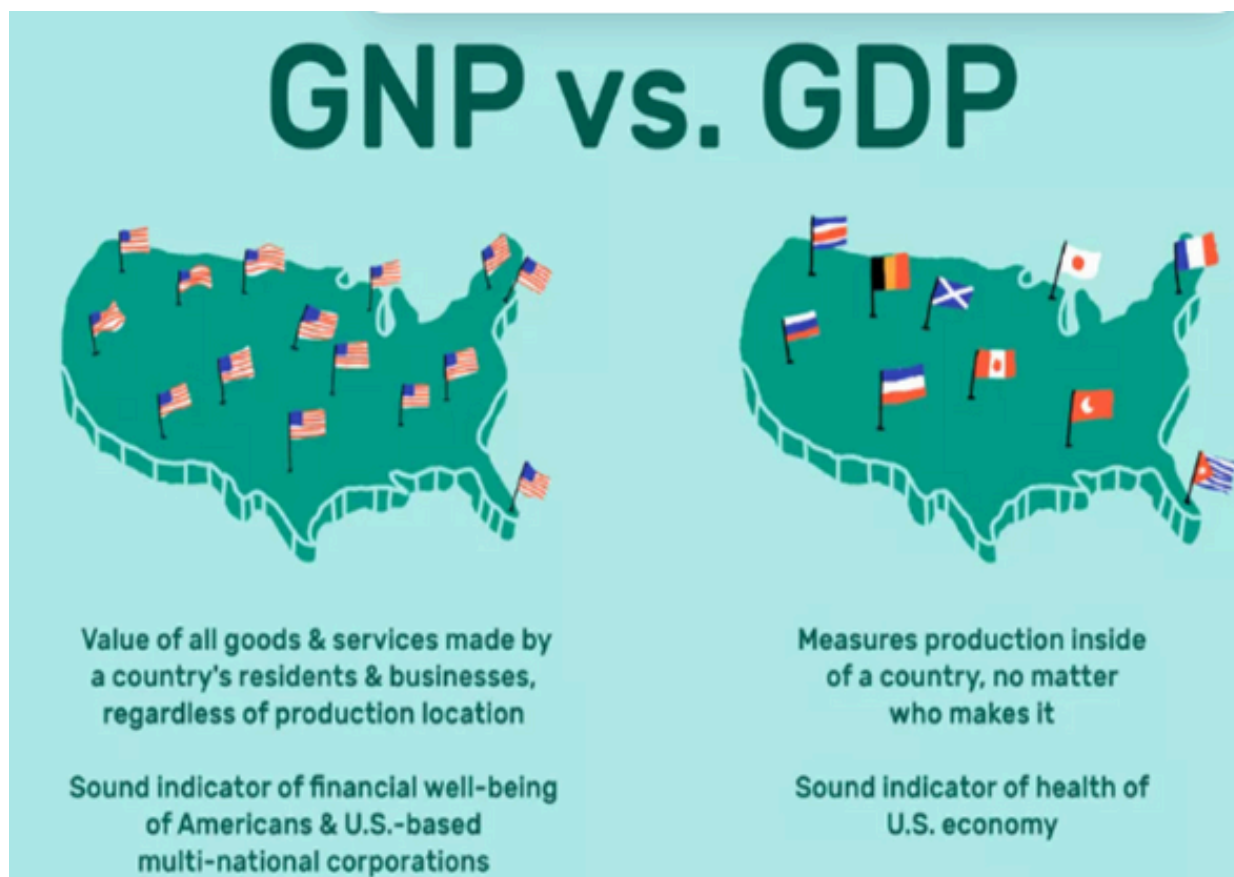
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Gross National Product

- Estimate of total value of all the final products and services turned out in a given period by the means of production owned by a country's residents
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Factor cost and Market Price

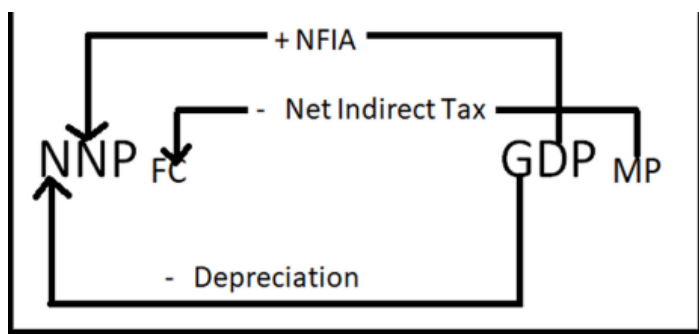
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Factor cost

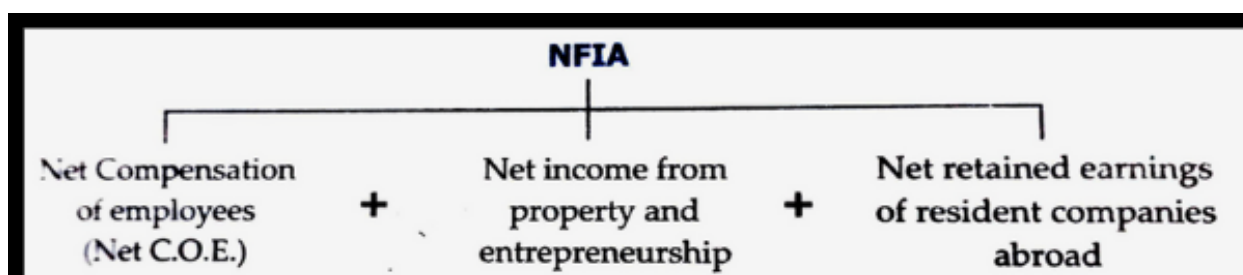
- It is input cost that producer has to incur in the process of production
- It includes capital, loan interest, rent, labour etc.

Market Price

- Price at which a commodity sold in the market



NFIA	Net Exports
It is the difference between factor income earned by normal residents of a country from abroad and factor income earned by non-residents in a country.	It is the difference between value of exports and imports of goods and services related to domestic territory of a country.
It is a part of national income.	It is a part of domestic income.
Its components are : ■ Net C.O.E. ■ Net O.S. (Net income from property and entrepreneurship) ■ Net retained earnings of resident companies abroad.	Its components are : ■ Exports and imports of goods. ■ Exports and imports of services.



NDP = GDP - Depreciation

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- An increase in NDP would indicate growing economic stagnation, while a decrease would indicate ongoing economic health.

Net National Product

- $NNP = GNP - \text{Depreciation}$
- $GDP (FC) = GDP (MP) - \text{indirect taxes} + \text{subsidies}$