

**ST. Ann's Degree Collage For  
Women**

**Malkapuram, Visakhapatnam -11**

**Topic –  
National income**

**By**

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# INTRODUCTION

**National income is the most important concept in Macro Economics. It reflects the aggregate activities in the economy. National income implies the income received by the people of a country**

## DEFINITION OF NATIONAL INCOME

**According to Pigou national income “is that part of objective income of the community including the Income derived from abroad which can be measured in Money.”**

# Concepts of national income

- Gross National Product
- Gross Domestic Product
- Net National Product
- Net Domestic Product
- National Income At Factor Cost
- Personal Income
- Disposable Income
- Per Capita Income

# GROSS NATIONAL PRODUCT (GNP)

Gross national product is defined as the total Market value of all final goods and services Produced in a year including net income from abroad

$$\text{GNP} = C + I + G + (X - M) + R - P$$

C = Consumption

I = Investment

G = Govt Expenditure

X - M = Exports - Imports

R = Receipts From Abroad

P = Payments To Abroad

# GROSS DOMESTIC PRODUCTS

The market value of the total goods and services produced in a country in one year is the Gross Domestic Product. The difference between GNP and GDP can be explained as under.

$$\text{GNP} = C + I + G + (X - M)$$

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

If net foreign income is deducted from GNP we Get GDP. Under GDP place is important (meaning where it is produced is important and not 'who' produced it)

# NET NATIONAL PRODUCT

It is the net production of goods and services in an economy during the year. It is the GNP minus the value of capital consumed or depreciated during the year

**NNP at market prices = GNP – DEPRECIATION**

# NET DOMESTIC PRODUCT

Net domestic product at market prices is the Value of all final goods and services at prices prevailing in the market produced in the Domestic territory of a country during a given Year after making allowances per depreciation

$$\text{NDP} = \text{GDP} - \text{DEPRECIATION}$$



# NATIONAL INCOME AT FACTORS COST

National income at factors cost means the sum of all incomes earned by resource suppliers for their contribution of land, Labour, capital and Entrepreneurship during the years net Production. It is equal to net national product minus indirect taxes plus subsidies

$$\text{NI at factors cost} = \text{NNP} - \text{Indirect taxes} + \text{subsidies}$$



# PERSONAL INCOME

It is the sum of all incomes earned by all the Individuals or households from all sources during a given year

Personal Income = Net National Income –  
Undivided Corporate Profits – Corporate Income  
Taxes – Social Security Contributions + Transfer  
Payments

# DISPOSABLE INCOME

After personal income is paid to government in the form of personal taxes (such as income tax, Property tax, etc.) what remains of personal income is called Disposable Income

$\text{Disposable Income} = \text{Personal Income} - \text{Personal Taxes}$

# PER CAPITA INCOME

It is the income derived by every individual in the Economy. We can get the per capita income by Dividing the national income with population

**Per Capita Income = National Income/Population**

# IMPORTANCE OF NATIONAL INCOME

Today national income statistics are collected by all the countries of the world for a number of reasons. National income indicates the performance of the various sectors of the Economy. National income is the index which shows the growth and prosperity of a Nation. If the national income increases over years it means that the economy is growing.

THANK YOU