

Chapter -3

National Income and Related Aggregates

3.1 Background: Performance of an economy depends on the amount of goods and services produced in that economy. In monetary terms its measure is the Gross Domestic Product (GDP), Gross National Income (GNI), and Net National Income (NNI). Apart from these macro-economic aggregates, the other important indicators to measure health of economy are capital formation and saving. Thus, measurement of these macro-economic indicators is an extremely important exercise, which requires collection and analysis of large volume of data. The conceptual framework guiding such an exercise has tuberous and evolve with the time to keep pace with the dynamics of the manifested world.

3.2 Concepts & Definitions:

- **Domestic Product:** Domestic product by definition is a measure in monetary terms of the volume of all goods and services produced by an economy during a given period of time, accounted without duplication. The measure obviously has to be in value terms as the physical units of production and different measures of services are not capable of simple addition. In the case of a closed economy, this measure amounts to domestic product.
- **National Income:** National income is the sum of all incomes of all the economic activities. Since the production of goods and services is the result of the use of primary factors of inputs, namely, capital and labour, along with the raw materials, the process automatically generates income. This income is in the form of return to capital and labour used in the production process. National income includes only those incomes which are derived directly from the current production of goods and services.
- **National Expenditure:** The production within the economy over a given period of time is spent either for consumption of its members or for addition of fixed assets or for addition to the stock of existing productive assets within the country. Hence, production can also be measured by considering the expenditure of those who purchase the finished or final goods and services. The national expenditure is the sum of expenditure of all spending of institutional sectors viz., government, Households and enterprises. The expenditure on final goods and services may be purely for consumption purposes like consumption of food, clothing, shelter; services, etc. or for capital formation such as addition to buildings, plant, machinery, transport equipment, and the like. Some goods may not be immediately sold and may be kept aside as stocks. These goods which are added to stocks are also accounted for as final expenditure.

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Source & References:

Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation.