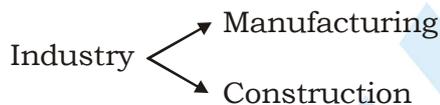


2. National Income

- Father of Accounting of National Income is Simon Kuznets.
- In 1868, the first attempt was made by Dada Bhai Naoroji. He in his book 'Poverty and Un-British Rule in India', estimated India per capita annual income at a level of Rs. 20.
- Dr. V.K.R.V. Rao was made the first scientific estimate of National Income.
- After Independence, the Government of India appointed the National Income Committee in August, 1949 under the chairmanship of prof. P.C. Mahalanobis to compile authoritative estimates of national income.
- The government established central statistical organization (CSO) which now regularly publishes national income data.
- National income includes the contribution of three sectors of the economy.
 1. **Primary Sector:** Agriculture, Forest, Fisheries, Mining.
 2. **Secondary Sector:** Industry :



3. **Tertiary Sector:** Trade, Transport, Communication, Banking, Insurance, Real estate, Community and Personal Services.

Concepts of National Income

- **Gross National Product (GNP) :** Gross National product refers to the money value of total output or production of final goods and services produced by the Nationals of a country during a given period of time, generally a year.
- **Net National Product (NNP) :** NNP is obtained by subtracting deprecating value from GNP.

$$NNP = GNP - \text{Depreciation}$$
- **National Income :** National Income is calculated by subtracting net indirect taxes from NNP at market prices. When NNP is obtained at factor cost, it is known as National Income.

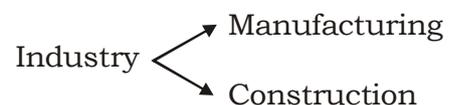
$$= NNP_{MP} - \text{Indirect Taxes} + \text{Subsidy}$$
- **Per Capita Income :** Per capita income level is obtained from dividing national income by the total population of the country.
 According to CSO per capita income has crossed Rs. 50,000 level and reached Rs. 52835 per annum in 2010-11.
 During 2010-11, country's per capita income registered

17.9% growth.

- **Foreign Exchange Reserves:** Foreign exchange reserves of a country includes foreign currency. Assets and interest bearing bonds held by it. In India it also includes SDR and value of gold.
- **Free Trade:** It implies absence of any protective tariffs or trade barriers by any economy with respect to export and import.
- **Laissez – Faire:** It is an economic doctrine which emphasizes superiority of 'free trade' and 'free markets over state's interference in economics affairs.
- **Budget Deficit:** When the expenditure of the government exceeds the revenue, the balance between the two is budget deficit.
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