

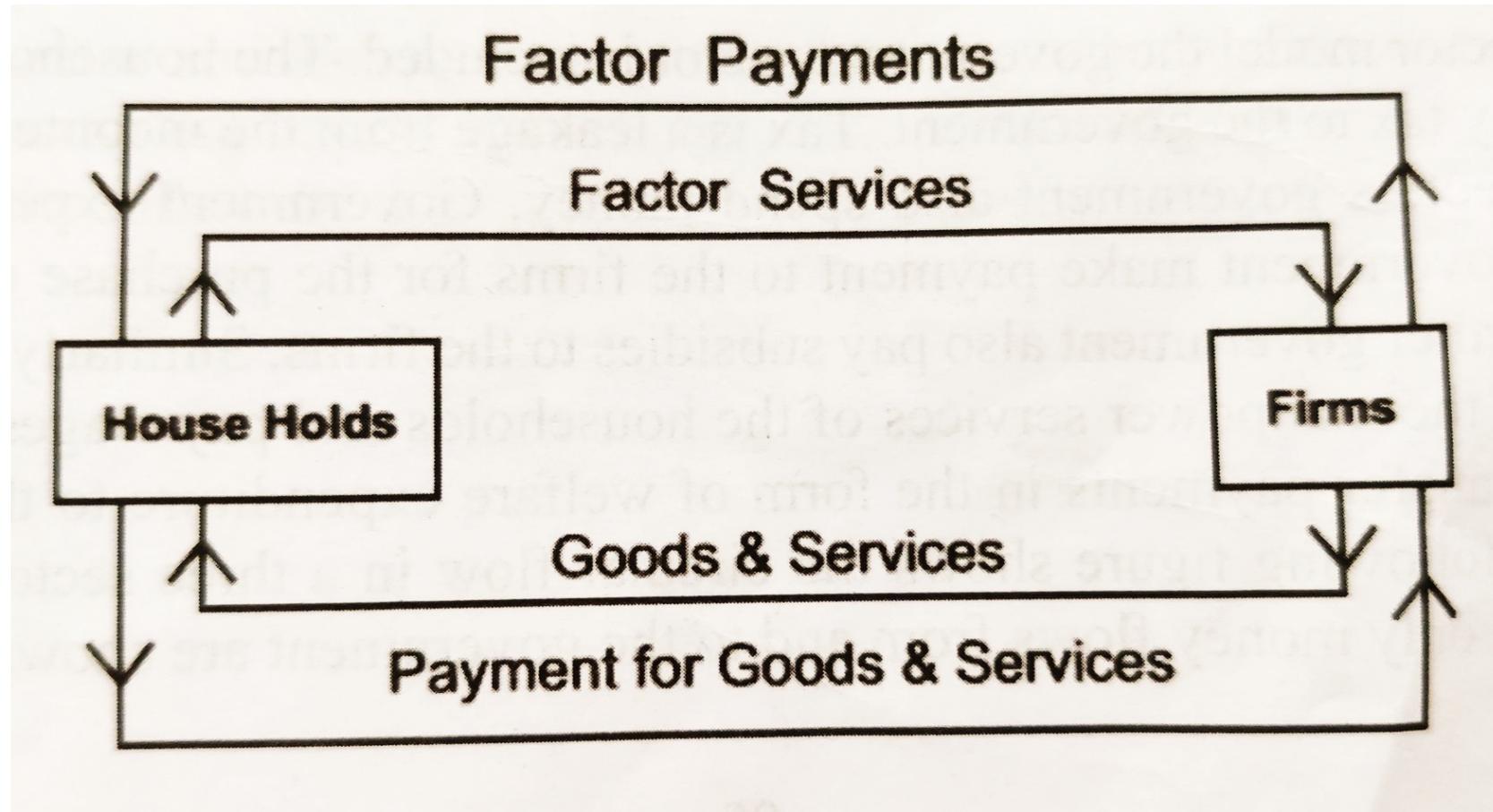
NATIONAL INCOME

Module 4

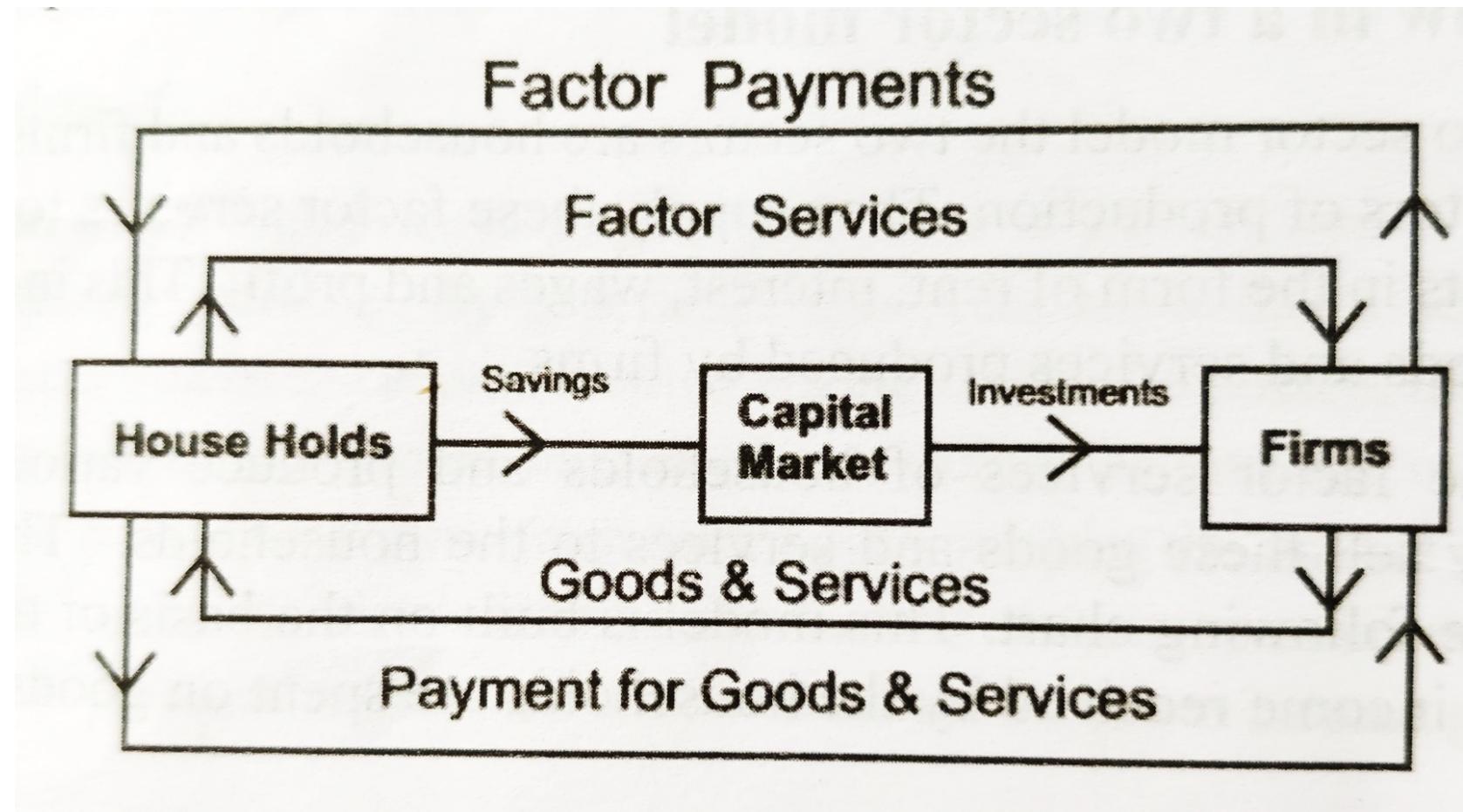
The Circular Flow of Income

- The circular flow of income and expenditure refers to the process whereby the national income and expenditure of an economy flow in a circular manner continuously through time.
- The various components of national income and expenditure such as saving, investment, taxation, government expenditure, exports, imports, etc. The following are the 3 models:
 - 1. Circular Flow in a Two Sector Economy
 - 2. Circular Flow in a Three- Sector Economy
 - 3. Circular Flow in a Four- Sector Economy
- An economy is divided into four sectors- i) Household sector ii) Business sector or firms i) government sector iv) Foreign sector.

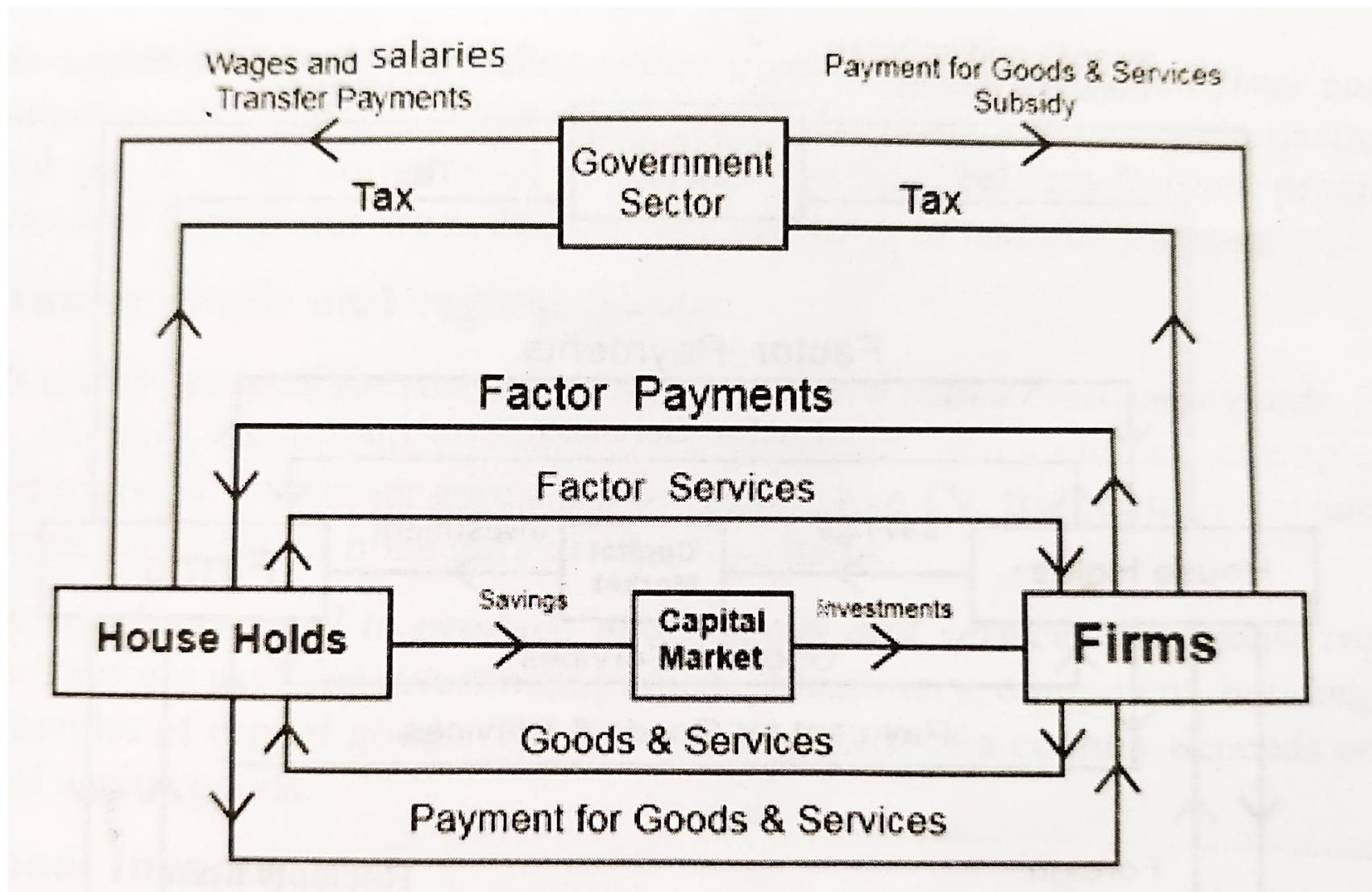
CIRCULAR FLOW IN A TWO SECTOR ECONOMY



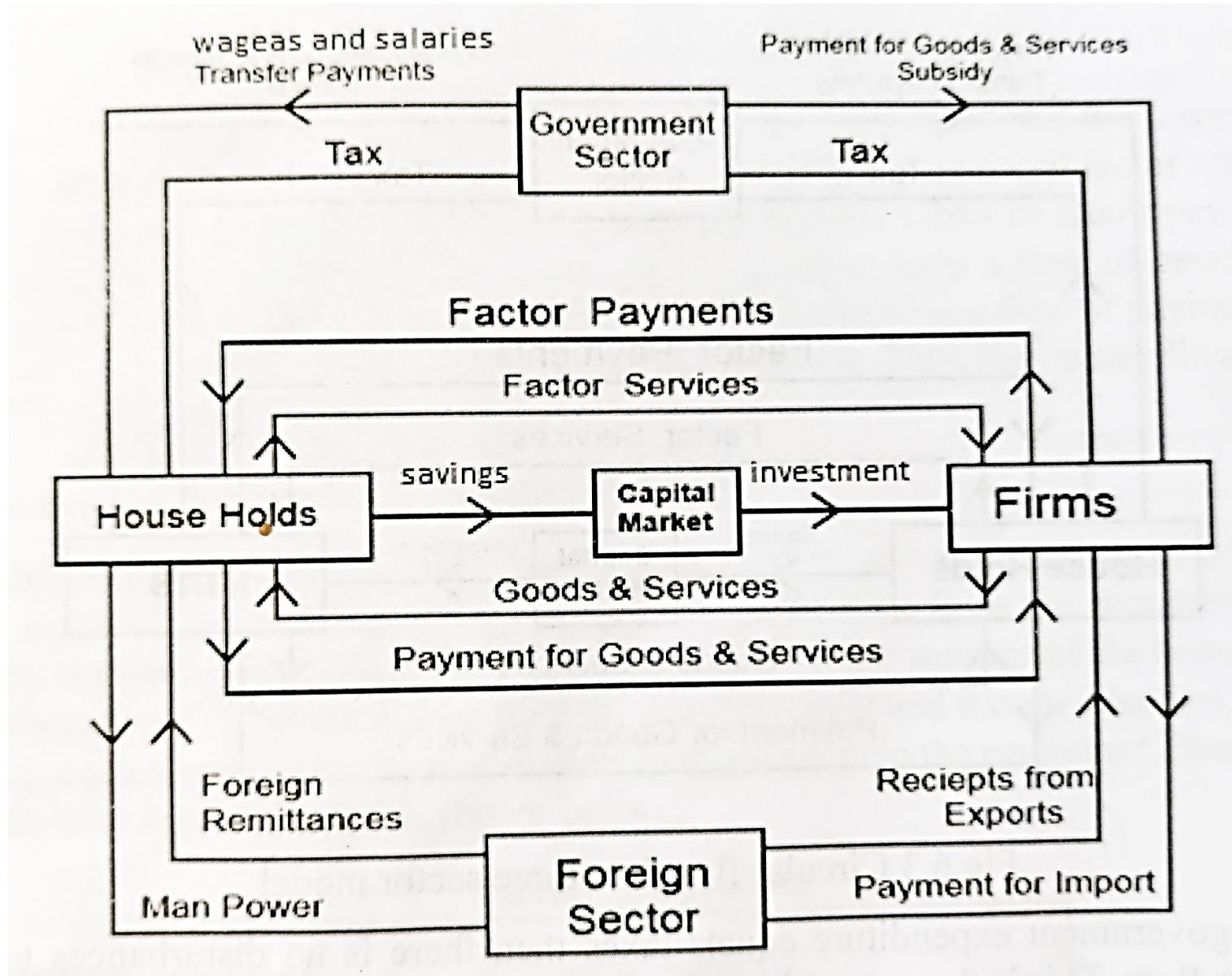
TWO SECTOR MODEL WITH CAPITAL MARKET



THREE SECTOR MODEL



FOUR SECTOR MODEL



Factor income

- ✓ Factor income is the income received for supplying a factor service.
- ✓ It can be in the form of rent, interest, wages or profit, When a factor payment is made either a product or service is produced.
- ✓ For estimating national income factor payments alone are taken into account.

Transfer income

- ✓ Transfer payments are unilateral one sided payments.
- ✓ They do not add anything to the current flow of goods and services.
- ✓ Donations to charity unemployment allowance, old age pension, gifts _etc. are examples of transfer payments.
- ✓ Tax is a Compulsory transfer payment. Transfer payments are excluded from national income accounting.

Intermediate Goods and Final Goods

- ✓ *Goods which are used in the production of other goods and services are called intermediate goods.*
- ✓ *Intermediate goods are not taken in to account for national income estimation.*

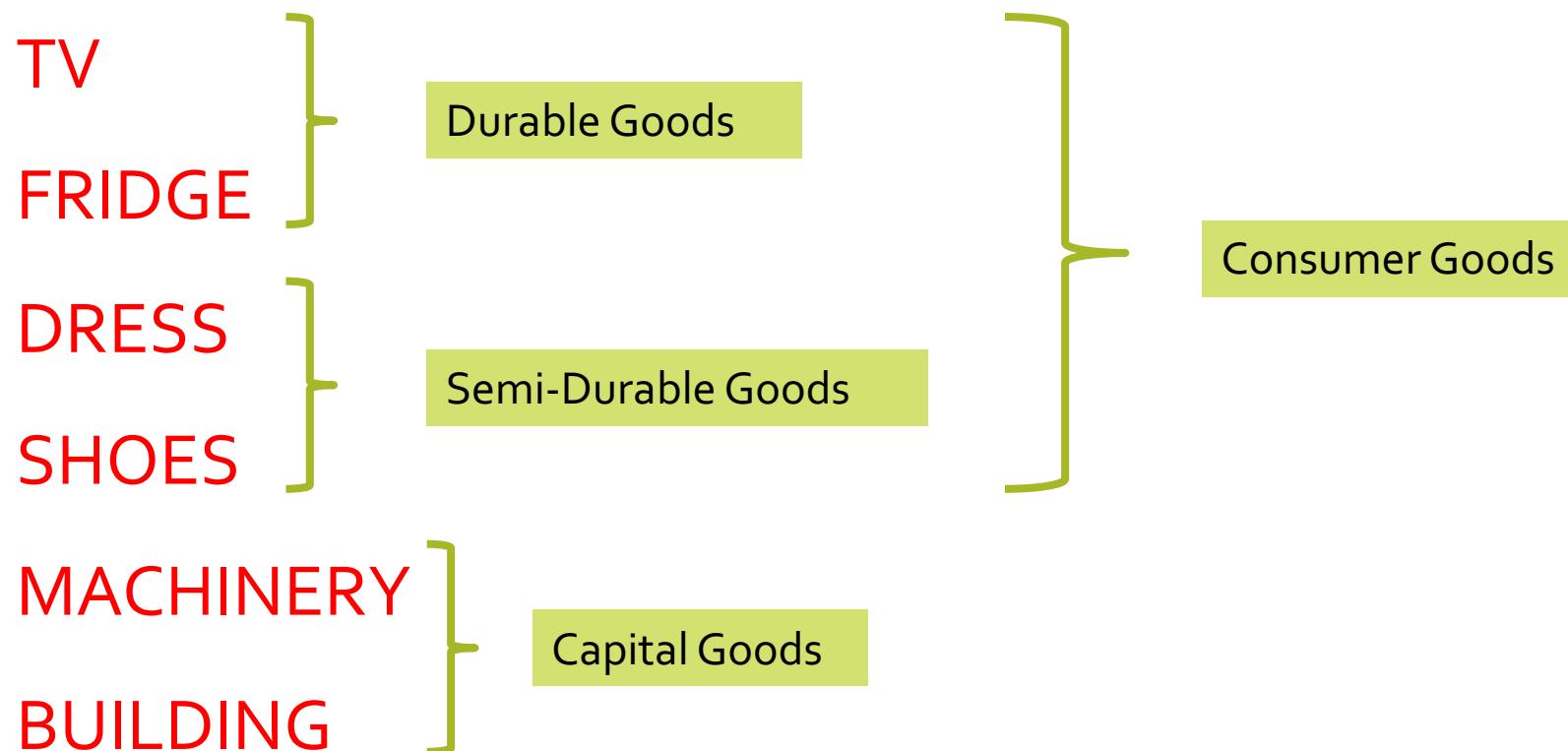
Raw Materials, Fuel, Electricity etc....

- ✓ *Goods which are ready for consumption are called Final goods.*
- ✓ *Final goods are taken in to account for national income estimation.*

Dress, Vehicles, Machinery etc....

Consumer goods and capital goods

- ✓ Goods which are used for consumption purpose are called consumer goods
 - ✓ Goods which are used to produce other goods and services are called capital goods.
 - ✓ Economic growth of a country depends on the stock of capital goods.



National Income

It is the sum total of the factor incomes received by the residents of a country in the form of rent, interest, wages and profit over a period of one year.

It is the total money value of all final goods and services produced in an economy during an accounting year.

*In India, it is **central statistical organization** (CSO) who is responsible for national income accounting*

Gross Domestic Product at Market Price(GDP_{mp})

It is the money value of all final goods and services produced **within the domestic territory** of a country during a financial year.

Net Domestic product at market price(NDP_{mp})

$$\text{NDP}_{\text{mp}} = \text{GDP}_{\text{mp}} - \text{Depreciation}$$

Net National Product at market price (NNP_{mp})

$$\text{NNP}_{\text{mp}} = \text{NDP}_{\text{mp}} + \text{NFIA}$$

Net National Product at factor cost (NNP_{fc})

$$\text{NNP}_{\text{fc}} = \text{NNP}_{\text{mp}} - \text{NIT}$$

$$\text{NIT} = \text{Indirect tax} - \text{subsidy}$$

National Income



NNP_{fc}

GNP = GDP + NFIA

Equations

$NDP_{mp} = GDP_{mp} - \text{Depreciation}$

$NNP_{mp} = NDP_{mp} + NFIA$

$NIT = \text{Indirect tax} - \text{subsidy}$

$GNP = GDP + NFIA$

NNP_{fc} --- National Income

$NNP_{fc} = NNP_{mp} - NIT$

$GNP_{fc} = GNP_{mp} - NIT$

From the data given below estimate GNP_{mp} , GNP_{fc} , NNP_{mp} and National income.

$GDP_{mp} = 5000$ (in 100 billion)

$NFIA = -50$

Indirect Tax = 70

Subsidy = 20

Depreciation =30

Equations

$NDP_{mp} = GDP_{mp} - \text{Depreciation}$

$NNP_{mp} = NDP_{mp} + NFIA$

$NNP_{fc} = NNP_{mp} - NIT$

$NIT = \text{Indirect tax} - \text{subsidy}$

$GNP = GDP + NFIA$

NNP_{fc} --- National Income

$GNP_{fc} = GNP_{mp} - NIT$

Answer

1. GNP_{mp}

$GNP = GDP + NFIA$

$GNP_{mp} = GDP_{mp} + NFIA$

$$= 5000 + -50$$

$$= 4950$$

From the data given below estimate GNP_{mp} , GNP_{fc} , NNP_{mp} and National income.

$$GDP_{mp} = 5000 \text{ (in 100 billion)}$$

$$NFIA = -50$$

$$\text{Indirect Tax} = 70$$

$$\text{Subsidy} = 20$$

$$\text{Depreciation} = 30$$

Equations

$$NDP_{mp} = GDP_{mp} - \text{Depreciation}$$

$$NNP_{mp} = NDP_{mp} + NFIA$$

$$NNP_{fc} = NNP_{mp} - NIT$$

$$NIT = \text{Indirect tax} - \text{subsidy}$$

$$GNP = GDP + NFIA$$

$$NNP_{fc} \text{ --- National Income}$$

$$GNP_{fc} = GNP_{mp} - NIT$$

Answer

2. GNP_{fc}

$$GNP_{fc} = GNP_{mp} - NIT$$

$$= 4950 - [\text{Indirect tax} - \text{subsidy}]$$

$$= 4950 - [70 - 20]$$

$$= 4900$$

From the data given below estimate GNP_{mp} , GNP_{fc} , NNP_{mp} and National income.

$$GDP_{mp} = 5000 \text{ (in 100 billion)}$$

$$NFIA = -50$$

$$\text{Indirect Tax} = 70$$

$$\text{Subsidy} = 20$$

$$\text{Depreciation} = 30$$

Equations

$$NDP_{mp} = GDP_{mp} - \text{Depreciation}$$

$$NNP_{mp} = NDP_{mp} + NFIA$$

$$NNP_{fc} = NNP_{mp} - NIT$$

$$NIT = \text{Indirect tax} - \text{subsidy}$$

$$GNP = GDP + NFIA$$

$$NNP_{fc} \text{ --- National Income}$$

$$GNP_{fc} = GNP_{mp} - NIT$$

Answer

3. NNP_{mp}

$$NNP_{mp} = NDP_{mp} + NFIA$$

$$= GDP_{mp} - \text{Depreciation} + NFIA$$

$$= 5000 - 30 + (-50)$$

$$= 4920$$

From the data given below estimate GNP_{mp}, GNP_{fc}, NNP_{mp} and National income.

$$GDP_{mp} = 5000 \text{ (in 100 billion)}$$

$$NFIA = -50$$

$$\text{Indirect Tax} = 70$$

$$\text{Subsidy} = 20$$

$$\text{Depreciation} = 30$$

Equations

$$NDP_{mp} = GDP_{mp} - \text{Depreciation}$$

$$NNP_{mp} = NDP_{mp} + NFIA$$

$$NNP_{fc} = NNP_{mp} - NIT$$

$$NIT = \text{Indirect tax} - \text{subsidy}$$

$$GNP = GDP + NFIA$$

$$NNP_{fc} --- \text{National Income}$$

$$GNP_{fc} = GNP_{mp} - NIT$$

Answer

4. National income

$$\text{National Income} = NNP_{fc}$$

$$\begin{aligned} NNP_{fc} &= NNP_{mp} - NIT \\ &= 4920 - [\text{indirect tax} - \text{subsidy}] \\ &= 4920 - [70 - 20] \\ &= 4870 \end{aligned}$$

1. From the following information, calculate a) GDP at market price, b) NNP at factor cost and c) Per Capita Income. (All figures in Rs.000 crores). NDP Mp = 25,21,700, Net Indirect Taxes = 3,06,087, NFIA = -41,842, Depreciation = 33,873, Total Population (million) = 987.

a) We have, **NDP at market price = GDP at market price - Depreciation**

$$\text{GDP}_{\text{mp}} = \text{NDP}_{\text{mp}} + \text{Depreciation} = 2521700 + 33873 = \textcolor{red}{2555573}$$

b) **NNP at Factor Cost = NNP at Market Price - Net indirect taxes**

NNP at Market Price = GNP at Market Price - Depreciation

$$\begin{aligned}\text{GNP at Market Price} &= \text{GDP}_{\text{MP}} + \text{Net factor income from abroad} \\ &= 25,55,573 + (-41,842) = 25,13,731\end{aligned}$$

$$\text{NNP at Market Price} = 25,13,731 - 33,873 = 24,79,858$$

$$\therefore \text{NNP}_{\text{fc}} = 24,79,858 - 30,60,87 = \textcolor{red}{21,73,771}$$

$$\text{c) Per Capita Income} = x = \frac{\text{NI (NNP at Factor Cost)}}{\text{Total Population}}. = \frac{21,73,771}{987}. = \textcolor{red}{2203}$$

Equations

$$\text{NDP}_{\text{mp}} = \text{GDP}_{\text{mp}} - \text{Depreciation}$$

$$\text{NNP}_{\text{mp}} = \text{GNP}_{\text{mp}} - \text{Depreciation}$$

$$\text{NNP}_{\text{mp}} = \text{NDP}_{\text{mp}} + \text{NFIA}$$

$$\text{NNP}_{\text{fc}} = \text{NNP}_{\text{mp}} - \text{NIT}$$

$$\text{NIT} = \text{Indirect tax} - \text{subsidy}$$

$$\text{GNP} = \text{GDP} + \text{NFIA}$$

$$\text{NNP}_{\text{fc}} \text{ --- National Income}$$

$$\text{GNP}_{\text{fc}} = \text{GNP}_{\text{mp}} - \text{NIT}$$

Estimate NDP_{MP} , NNP_{MP} and the NI. (All figures in Rs.000 crores) $GDP_{MP} = 850$,

Depreciation = 50, NFIA = 210, Indirect tax = 50, Subsidy = 40.

$GNP = GDP + \text{Net factor income from abroad} = 850 + 210 = 1060$

$NDP_{MP} = GDP - \text{Depreciation} = 850 - 50 = 800$ (Rs.000. crores)

$NNP_{MP} = GNP - \text{Depreciation} = 1060 - 50 = 1010$ (Rs.000. crores)

$NI = NNP - \text{Indirect taxes} + \text{Subsidies} = 1010 - 50 + 40 = 1000$

(Rs.000. crores)

Equations

$NDP_{mp} = GDP_{mp} - \text{Depreciation}$

$NNP_{mp} = GNP_{mp} - \text{Depreciation}$

$NNP_{mp} = NDP_{mp} + NFIA$

$NNP_{fc} = NNP_{mp} - NIT$

$NIT = \text{Indirect tax} - \text{subsidy}$

$GNP = GDP + NFIA$

NNP_{fc} --- National Income

$GNP_{fc} = GNP_{mp} - NIT$

3. National income of a country is given as 2850. If the annual depreciation is 300, net factor income from abroad is -50 and net indirect tax 100. Estimate GDP_{MP} . All figures are given in Rs.000. crores).

$$NI = NNP_{Mp} - \text{Net indirect tax} = 2850$$

$$\therefore NNP_{MP} = 2850 + 100 = 2950$$

Also, $NNP_{Mp} = GNP_{Mp} - \text{Depreciation}$

$$\therefore GNP_{MP} = NNP_{MP} + \text{Depreciation} = 2950 + 300 = 3250 \text{ (8000. crores)}$$

$$GNP = GDP + NFIA$$

$$\therefore GDP = GNP - NFIA = 3250 - (-50) = 3300 \text{ (Rs. 000. crores)}$$

Equations

$$NDP_{mp} = GDP_{mp} - \text{Depreciation}$$

$$NNP_{mp} = GNP_{mp} - \text{Depreciation}$$

$$NNP_{mp} = NDP_{mp} + NFIA$$

$$NNP_{fc} = NNP_{mp} - NIT$$

$$NIT = \text{Indirect tax} - \text{subsidy}$$

$$GNP = GDP + NFIA$$

$$NNP_{fc} --- \text{National Income}$$

$$GNP_{fc} = GNP_{mp} - NIT$$

Private Income

Private Income refers to income of non-governmental entities from all sources over a period of one accounting year.

Private Income = NNPfc – domestic product accruing to the government sector + transfer payments + Interest on public debt.

Personal Income

It is the income of the household sector from all sources before paying direct taxes in a financial year.

Personal income (P) = National Income -(Corporate tax + Undistributed corporate profits + social security contributions)+Transfer payments +interest on public debt

Personal Disposable Income

It is defined as the part of personal income left for consumption and saving after the payment of taxes.

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

Per capita income

It is the income per head. In other words it is the average income of the people of country in one year

$$\text{Per capita Income} = \frac{\text{National Income}}{\text{Population}}$$

The Three Sectors of an Economy

Primary Sector

Primary sector consists of activities related to the exploitation of natural resources. The main activities under primary sector are agriculture, mining and quarrying, forestry, fishing, animal husbandry, poultry farming etc.

Secondary Sector

Secondary sector is the manufacturing sector. Secondary sector includes registered and unregistered manufacturing.

Tertiary Sector

Tertiary sector provides various services like health, education, banking, insurance, transport and communication, trade and commerce, hotels and restaurants etc.

Measurement of National Income

There are three important methods of measuring national income. They are

1. Product method or output method
2. Final Expenditure method
3. Income method

Product method or output method

Under this method GDP is estimated as the sum of the money value of all final goods and services produced in the domestic territory of a country during a financial year. The following are the important steps involved in the estimation of GDP

- i) Identifying the production units and classifying them under respective industries and each industry under the corresponding sector.
- ii) Estimate the value of final output produced by each production unit, each industry and each sector.(Gross value of output of a production unit = $P \times Q$ where P is the price per unit and Q is the number of units of output produced in a year)

The sum of value of output produced by all the three sectors gives GDP_{mp}. That is

$$\Sigma GVO_{mp} = GDP_{mp}$$

Once GDP_{mp} is estimated we have to derive NNP_{fc} (NI)

However this method has the problem of double counting. Double counting means counting the value of a product more than once. This difficulty arise because final product of one firm becomes the intermediate product of another producer. Double counting leads to overestimation of national income.

This problem can be solved by using the value added method.

Under the value added method instead of taking the value of output the gross valued added by each production unit is estimated. Gross value added is the difference between the Gross value of output and intermediate consumption.

Gross Value Added at market price(GVAMP)= GVOMP - Intermediate Consumption

$$\Sigma GVAMP = GDPMP$$

Final Expenditure Method

This method estimate GDP by adding the final expenditures in the economy. There are four major components of final expenditure

- i) **Private final consumption expenditure(C)**
- ii) **Investment Expenditure (I)**
- iii) **Government consumption expenditure (G)**
- iv) **Net exports (X-M)**

When these four items are added we get GDPMP. That is

$$C+I+G+X-M = GDPMP$$

Once GDPMP is estimated we find NNPfc or national income.

Income Method

Income method take the sum of the factor incomes in the economy. Factor incomes are

- i) Rent(R) –
- ii) ii) Interest(I) –
- iii) iii) Wages (W) –
- iv) Profit (P) –.
- v) Mixed income of the self employed.

When these five items are added we get NDPfc.

$$R + I + W + P + \text{Mixed income} = \text{NDPfc}$$

$$\text{NNPfc} = \text{NDPfc} + \text{NFIA}$$

Items excluded from national income estimation

- 1. Buying and selling of shares and securities.
- 2. Value of intermediate goods used.
- 3. Prize money from lottery.
- 4. All transfer payments.
- 5. Purchase and sale of second hand
- 6. Income from illegal activities like smuggling, gambling etc

From the data given below estimate national income according to value added method, expenditure method and income method.

Gross Value of Output at market price	8000
Intermediate consumption	2000
Private consumption expenditure	3000
Investment expenditure	2000
Government expenditure	700
Exports	600
Imports	300
Wages and salaries	2000
Rent	500
Interest	500
Profit	1500
Depreciation	1000
Indirect tax	800
Subsidy	300
Net factor income from abroad	-500

A bicycle manufacturing company in India produced and sold 100 bicycles at a price of Rs.2500 per unit in the market. Out of this Rs.300 has gone to the government as tax per unit. The owner of this company is a foreigner and he got a Profit of Rs.500 per bicycle and the entire profit has gone to the country to which he belongs. Because of the production of 100 bicycles there was a depreciation of Rs.20,000 to the company. How much is the contribution of this company to GDPmp as well as national income of India?

Inflation- Meaning and Types

Inflation is a situation in which there is a persistent rise in the general price level.

According to Coulborn it is a situation in which “too much money chasing too few goods.
When there is inflation value of money decreases persistently.

. Based on the rate, inflation can be classified as Creeping, Walking, Running and Galloping Inflation.

Demand Pull Inflation and Cost Push Inflation

Demand pull inflation is the result of an increase in aggregate demand in the absence of an increase in aggregate supply or a relatively less increase in aggregate supply.

Once the economy reaches in full employment level any further increase in aggregate demand will lead to price rise without any increase in output.

Cost push inflation is the result of increase in cost of production.

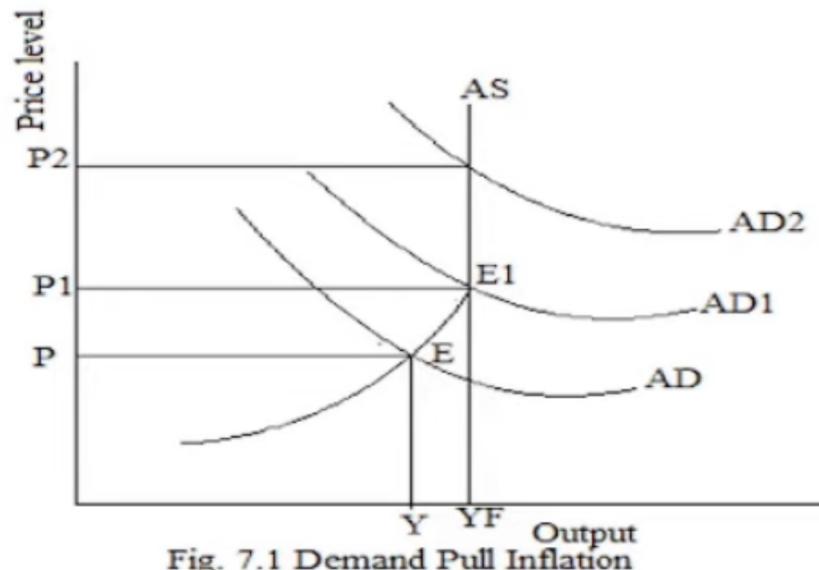
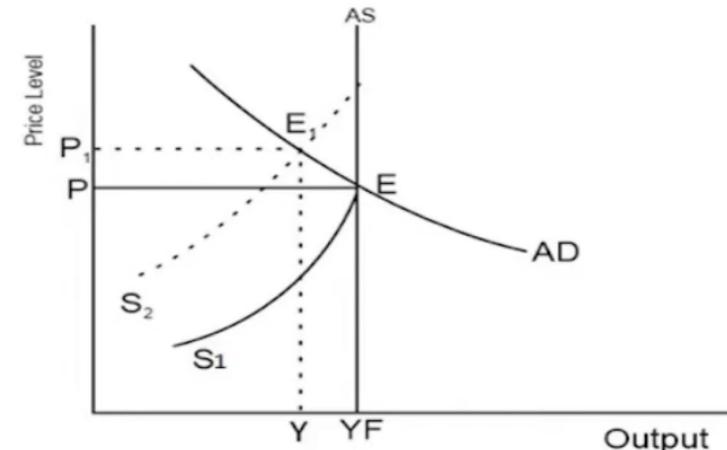


Fig. 7.1 Demand Pull Inflation



Causes of Inflation

Causes of inflation can be classified under demand side causes and supply side causes.

Demand side causes

- i) Increase in money supply –**
- ii) Increase in disposable income –**
- iii) Increase in government expenditure –**
- iv) Deficit financing –**
- v. Cheap money Policy –**
- vi) Increase in population**

Supply side causes

- i) Shortage of capital and other complementary factors**
- ii) Increase in wages – iii) Speculative hoarding – iv) Natural calamities – v) Increase in exports –**
- vi) Industrial disputes**

Effects of Inflation

Effects of inflation can be studied under

1. Effects on distribution of income
2. Effects on investment and production
3. Social and political effects.

1. Effects on distribution of income and wealth

- a) Debtors and Creditors- b) Salaried classes and wage earners c) Investors d) Businessmen

2. Effects on investment and production

3. Social and Political impact

Measures to control inflation

There are three important ways in which inflation can be controlled.

1. Monetary policy measures
2. Fiscal policy measures
3. Other measures

1. Monetary policy measures

These are the measures adopted by the central bank of a country to control credit and money supply in an economy.

Price stability and economic growth are the two main objectives of monetary policy. Monetary policy measures can be classified as

- a) Quantitative credit control measures b) Selective or qualitative credit control measures

Quantitative credit control measures

Quantitative controls aim at regulating the overall volume of bank credit, without considering purpose for which credit is used .

i) **Bank Rate Policy –** *The Bank rate is the rate at which the central Bank rediscount approved bills of exchange.*

ii) **Reserve Ratio** There are two types of reserve ratios:

Cash Reserve Ratio(CRR)-*Every commercial bank should keep a certain percentage of their total deposits(net demand and time deposits) in the central bank in the form of cash reserve. This is mandatory and this percentage is called CRR.*

Statutory liquidity ratio (SLR) – *A commercial bank should keep a certain percentage of their total deposits in the form of safe and liquid assets such as unencumbered government securities, cash and gold*

While reserves under CRR is kept in the Central Bank, under SLR it is kept in the commercial bank itself. Further, while CRR is cash reserves, SLR can be in the form of cash, gold or securities.

iii) **Open Market Operations -***Open market operations means the sale and purchase of government securities and bonds by the central bank.*

Selective or Qualitative credit control measures

Under this method, extension of credit to essential purposes is encouraged and to non-essential purposes is discouraged.

- i) Margin Requirements –
- ii) Regulation of Consumer Credit –
- iii) Moral suasion –
- iv) Direct action

2. Fiscal Policy measures

These are the measures taken by the government to control the aggregate demand in the economy. The main instruments of fiscal policy are i) public revenue ii) Public expenditure iii) Public borrowing

- i) Public revenue –
- ii) Public expenditure –
- iii) Public borrowing –

3. Other measures

Other measures include the measures taken by the government to

- a. increase the supply of goods and services
- b. price control
- c. wage control etc.

Repo rate and Reverse repo rate

Repo rate is the rate at which RBI provides overnight liquidity to banks against the collateral of government and other approved securities.

Reverse repo is the rate at which the RBI absorbs liquidity on an overnight basis from commercial banks. In other words, when a commercial bank has excess funds, they can deposit the same in central bank and earn interest in the form of reverse repo rate.

Sources of Capital

- i) Internal Self-Finance ii) Equity, Debentures and Bonds: iii) Public Deposits:
 - iv) Loans from Banks: v) Indigenous Bankers: vi) Development Finance Institutions:

Shares and Bonds

When companies want to raise capital, they can issue Shares or bonds.

A share is a stake in the ownership of a company. Bonds are a loan agreement that a company enters into with the investor.

<p>Bonds</p>	<p>Shares.</p>
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The investor lends money to the company	The investor owns part of the company
The issuers of bonds are Govt. institutions, financial institutions, companies, etc.	Shares are issued by corporate enterprises
Risk is relatively low	Risk is very high
Bond holders get interest, as a fixed payment	Shareholders get dividend, which is not guaranteed
Return is certain	Return is uncertain
As bondholders have a higher claim on assets, investors may still recover some of their initial capital	When a company is declared bankrupt Stocks will become worthless and investors may lose 100% of their capital
The capital is paid back in full to the investor at maturity	The amount of capital the investor gets back depends on the share price when the stocks are sold. <small>Activate Windows Go to Settings to activate Windows</small>
Maturity period is fixed	No maturity period for shares

Money market and Capital market

A financial market deals with financial assets such as stocks, bonds, treasury bills, currencies etc.

Money market

Money market deals with short term financial assets, that is, assets up to a maturity period of one year.

Functions of money market

The following are the important functions performed by the money market.

- 1. Financing trade –**
- 2. Financing Industry –**
- 3. Profitable Investment -**
- 4. Financial Mobility**
- 5. Economic growth**

Capital Market

A capital market deals with long term financial assets. In other words a ***capital market is a financial market in which long-term financial assets are bought and sold.*** A capital market is broadly divided into two major categories: Primary Market and Secondary Market. A market where fresh securities are offered to the public for subscription is known as Primary Market whereas a market where already issued securities are traded among investors is known as Secondary Market.

Functions of capital market

- 1. Allocative function-**
- 2. Encourages Saving-**
- 3. Encourages Investment –**
- 4. Promotes Economic growth.**

- 5 Indicative Function–**
- 6. Liquidity function –**

Major differences between Money Market and Capital Market

The following are the important difference between money market and capital market

1. The place where short-term marketable securities are traded . Capital Market, long-term securities are created and traded.
2. Capital Market is well organised which Money Market lacks.
3. The instruments traded in money market carry low risk, but capital market instruments carry high risk.
4. Capital Market Instruments give higher returns as compared to money market instruments.
5. Maturity of Money Market instruments is one year or less, but Capital Market instruments have a life of more than a year as well as some of them are irredeemable in nature.
6. Money market is unsystematic in nature where as a capital market is systematic in nature.

Stock market

The stock market refers to the collection of markets and exchanges where regular activities of buying, selling, and issuance of shares of publicly held companies take place. Stock market is an institution which provides a platform for buying and selling of existing securities.

A stock market is a similar designated market for trading various kinds of securities in a controlled, secure and managed environment. Since the stock market brings together hundreds of thousands of market participants who wish to buy and sell shares, it ensures fair pricing practices and transparency in transactions.

The following are some of the important functions of stock market.

- **Providing Liquidity and Marketability to Existing Securities:**
- **Pricing of Securities:**
- **Safety of Transaction:**
- **Contributes to Economic Growth:**
- **Spreading of Equity Cult:**
- **Providing Scope for Speculation:**

NSE

The National Stock Exchange of India Limited (NSE) is the leading stock exchange of India, located in Mumbai. NSE was established in 1992 as the first dematerialized electronic exchange in the country. It is [the world's 10th-largest stock exchange](#) according to May 2021 data. It was recognised as a stock exchange by SEBI in April 1993 and commenced operations in **1994**. In February 2000, the NSE started an Internet trading system.

BSE

BSE (formerly known as Bombay Stock Exchange) was started in 1875. However, in 1850s, five stock brokers gathered together under a Banyan tree in front of Mumbai Town Hall. The brokers group became an official organization known as "The Native Share & Stock Brokers Association" in 1875. BSE is Asia's first & the Fastest Stock Exchange in world with the speed of 6 micro seconds and one of India's leading exchange groups.

STOCK EXCHANGE INDICES

Stock market indices are the barometers of the stock market. They mirror the stock market behaviour. With some 7,000 companies listed on the Bombay stock exchange; it is not possible to look at the prices of every stock to find out whether the market movement is upward or downward.

NIFTY

NIFTY is a market index introduced by the National Stock Exchange. It is a blended word – National Stock Exchange and Fifty coined by NSE on 21st April 1996. NIFTY 50 is a benchmark based index and also the flagship of NSE, which showcases the top 50 equity stocks traded in the stock exchange out of a total of 1600 stocks.

SENSEX

The BSE SENSEX (also known as the S&P Bombay Stock Exchange or Sensitive Index or simply the SENSEX) is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange. These 30 companies are known as Blue chip companies.

Demat Account

Demat account is used to hold the shares purchased in digital or electronic form. During online trading, shares are bought and held in a Demat account. A Demat account holds all the investments an individual makes in shares, government securities, bonds and mutual funds in one place. In other words, it is a storage space to hold the shares and securities purchased.

Trading Account

A trading account is used to buy and sell shares and securities in the stock market. A trading account provide an interface to buy and sell shares from the stock market. Previously, the stock exchange functioned on the open outcry system.