There are various concepts of National Income. The main concepts of NI are: GDP, GNP, NNP, NI, PI, DI, and PCI. These different concepts explain about the phenomenon of economic activities of the various sectors of the various sectors of the economy.

Gross Domestic Product (GDP)

The most important concept of national income is Gross Domestic Product. Gross domestic product is the money value of all final goods and services produced within the domestic territory of a country during a year.

Algebraic expression under product method is,

GDP=(P*Q)

where,
GDP=Gross Domestic Product
P=Price of goods and service
Q=Quantity of goods and service
denotes the summation of all values.

According to expenditure approach, GDP is the sum of consumption, investment, government expenditure, net foreign exports of a country during a year.

Algebraic expression under expenditure approach is,

GDP=C+I+G+(X-M)

Where,
C=Consumption
I=Investment
G=Government expenditure
(X-M)=Export minus import

GDP includes the following types of final goods and services. They are:

1. Consumer goods and services.
2. Gross private domestic investment in capital goods.
3. Government expenditure.
4. Exports and imports.

Gross National Product (GNP)

Gross National Product is the total market value of all final goods and services produced annually in a country plus net factor income from abroad. Thus, GNP is the total measure of the flow of goods and services at market value resulting from current production during a year in a country including net factor income from abroad. The GNP can be expressed as the following equation:

GNP=GDP+NFIA (Net Factor Income from Abroad)
or, GNP=C+I+G+(X-M)+NFIA

Hence, GNP includes the following:

1. Consumer goods and services.
2. Gross private domestic investment in capital goods.
3. Government expenditure.
4. Net exports (exports-imports).
5. Net factor income from abroad.

Net National Product (NNP)

Net National Product is the market value of all final goods and services after allowing for depreciation. It is also called National Income at market price. When charges for depreciation are deducted from the gross national product, we get it. Thus,

NNP=GNP-Depreciation
or, NNP=C+I+G+(X-M)+NFIA-Depreciation

National Income (NI)

National Income is also known as National Income at factor cost. National income at factor cost means the sum of all incomes earned by resources suppliers for their contribution of land, labor, capital and organizational ability which go into the years net production. Hence, the sum of the income received by factors of production in the form of rent, wages, interest and profit is called National Income. Symbolically,

NI=NNP+Subsidies-Interest Taxes
or,GNP-Depreciation+Subsidies-Indirect Taxes
or,NI=C+G+I+(X-M)+NFIA-Depreciation-Indirect Taxes+Subsidies

Personal Income (PI)

Personal Income i s the total money income received by individuals and households of a country from all possible sources before direct taxes. Therefore, personal income can be expressed as follows:

PI=NI-Corporate Income Taxes-Undistributed Corporate Profits-Social Security Contribution+Transfer Payments

Disposable Income (DI)

The income left after the payment of direct taxes from personal income is called Disposable Income. Disposable income means actual income which can be spent on consumption by individuals and families. Thus, it can be expressed as:

DI=PI-Direct Taxes

From consumption approach,

DI=Consumption Expenditure+Savings

Per Capita Income (PCI)

Per Capita Income of a country is derived by dividing the national income of the country by the total population of a country. Thus,

PCI=Total National Income/Total National Population

1. GDP (Gross Domestic Product)

The value of final goods and services produced inside the boundary of nation during one year.

GDP= Value of gross domestic output- value of intermediate consumption

Different uses of GDP are :

1. Per annum percentage change in the growth rate of an economy.
2. It is a **quantitative** aspect and its size gives the estimate about the internal strength of economy. But it **DOES NOT** say about the **qualitative** aspect of the produced goods.
3. GDP is used by the IMF or the WORLD BANK to do comparative analysis of its members.

2.NDP (Net Domestic Product)

It is the *net* form of GDP.
NDP= GDP – Depreciation
Depreciation is a decrease in an asset's value caused by unfavourable market conditions.

Uses of NDP

1. Government announces the rate of depreciation in the economy. In domestic use, NDP is is used to understand the loss due to depreciation.
2. NDP is not used for the comparative economies since the rate of depreciation is different for different countries.

In India NDP is announced by the Ministry of Commerce and Industry.

3. GNP (Gross National Product)

It is the GDP of a country added with its **income from abroad**.

GNP= GDP + Income from Abroad
Or,
GNP = GDP – Income from abroad

Income from abroad= trade balance + interest on External Loans+ Private Remittance

Private remittance= inflows and outflows on account of private transfer e.g. NRI

Trade balance = net outcome at the year end of the total import and export.

Interest on external loans= balance of the inflow of interest payment (on money lend out of economy) – outflow of interest payment (on the money borrowed by the economy)

In case of India, GNP is negative. This is because of heavy outflows on account of Trade Deficit and interest payment on foreign loans.

Use of GNP:

GNP is the "national income" according to which IMF ranks nations based on PPP or Purchasing Power Parity. [India ranked 4^{th} after USA, Japan and China]

It is indicative of the qualitative as well as quantitative aspect of the economy.

4. NNP or Net National Product

NNP= GNP – Depreciation
Or,
NNP= GDP+ income from abroad- depreciation

NNP or Net National Product is the purest form of Income. It is the **National Income or NI.**

We can find the per capita income of a country if we know the NNP and total population.

e.g. (NNP/ total Population) = **per capita income**