UNIT - 1 Gross Domestic Product and its Growth:

1. Define National Income

- 'National Income is a measure of the total money value of goods and services produced by an economy over a period of time, normally a year'.
- Commonly National Income is called as Gross National Product(GNP) or National Dividend.

2.What is meant by Gross domestic Product?

Gross Domestic Product (GDP)

- Gross Domestic Product (GDP) is the total value of output of goods and services produced by the factors of production within the geographical boundaries of the country.
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3.Write the importance of Gross domestic product.

Importance of GDP

1. Study of Economic Growth.
2. Problems of inflation and deflation.
3. Comparison with developed countries of the world.
4. Estimate the purchasing power.
5. Study of Public Sector.
6. Guide to economic planning.

4. What is Per Capita Income.

Per Capita Income (PCI)

- Per capita Income or output per person is an indicator to show the living standard of people in a country. It is obtained by dividing the National Income by the population of a country.
- Per capita Income = National Income / Population.

5. Define the Value added approach with example.

- The sum of the value added by all the intermediate goods used in production gives us the total value of the final goods produced in the economy.

- Example: A cup of tea served in a hotel is a “final good”. The goods used to produce it, tea powder, milk, and sugar, are “intermediate goods”.

6.Write the name of economic policies in India.

- Agricultural policy
- Industrial policy
- New Economic policy

7. Write a short note on

1. GROSS NATIONAL HAPPINESS (GNH)

- The term Gross National happiness includes an index which is used to measure the collective happiness and well –being of a population.
- It is the goal of Government.
- The UN General Assembly urged member nations to follow the example of Bhutan.
- It has said that happiness is a fundamental human goal.
- The four pillars of GNH's are
  1. sustainable and equitable socio-economic development
  2. environmental conservation
  3. preservation and promotion of culture
  4. good governance.

2. Human Development Index(HDI)

Human Development Index

- In 1990 Mahbub ul Haq, a Pakistani Economist at the United Nations, introduced the Human Development Index (HDI).
- The HDI is a composite index of life expectancy at birth, adult literacy rate and standard of living measured as a logarithmic function of GDP, adjusted to purchasing power parity.

PARAGRAPH

1. Briefly explain various terms associated with measuring of national income.

INTRODUCTION.

- ‘National Income is a measure of the total money value of goods and services produced by an economy over a period of time, normally a year’. Commonly National Income is called as Gross National Product(GNP) or National Dividend.

Various terms associated with measuring of National Income

1. Gross National Product (GNP)

- Gross National Product is the total value of goods and services produced and income received in a year by domestic residents of a country. It includes profits earned from capital invested abroad.

  GNP = C + I + G + (X–M) + NFIA)

  C = Consumption

  I = Investment

  G = Government Expenditure

  X-M = Export – Import

  NFIA = Net Factor Income from Abroad)

2. Gross Domestic Product (GDP)

- Gross Domestic Product (GDP) is the total value of output of goods and services produced by the factors of production within the geographical boundaries of the country.

3. Net National Product (NNP)

- Net National Product(NNP) is arrived by making some adjustment with regard to depreciation that is we arrive the Net National Product (NNP) by deducting the value of depreciation from Gross National Product. (NNP = GNP − Depreciation)

4. Net Domestic Product (NDP)

- Net Domestic Product (NDP) is a part of Gross Domestic Product, Net Domestic Product is obtained from the Gross Domestic Product by deducting the Quantum of tear and wear expenses (depreciation)

  NDP = GDP – Depreciation

5. Per Capita Income (PCI)

- Per capita Income or output per person is an indicator to show the living standard of people in a country. It is obtained by dividing the National Income by the population of a country.
- Per capita Income = National Income / Population

6. Personal Income (PI)

- Personal income is the total money income received by individuals and households of a country from all possible sources before direct taxes.

7. Disposable Income (DI)

- Disposable income means actual income which can be spent on consumption by individuals and families, thus, it can be expressed as DPI = PI − Direct Taxes
- (From consumption approach DI = Consumption Expenditures + Savings)

Conclusion

- An economic indicator is a statistical data used to determine the growth of the economy.

2.What are the methods of calculating Gross Domestic Product? And explain it.

INTRODUCTION

Gross Domestic Product (GDP)

- Gross Domestic Product (GDP) is the total value of output of goods and services produced by the factors of production within the geographical boundaries of the country.

Methods of GDP Calculating

- **1. Expenditure Approach:** In this method, the GDP is measured by adding the expenditure on all the final goods and services produced in the country during a specified period.

  $Y = C + I + G + (X - M)$

2. The Income Approach:

- This method looks at GDP from the perspective of the earnings of the men and women who are involved in producing the goods and services. The income approach to measuring GDP (Y) is Y = wages + rent + interest + profit

3. Value-Added Approach

- The sum of the value added by all the intermediate goods used in production gives us the total value of the final goods produced in the economy.
- Example: A cup of tea served in a hotel is a final food. The goods used to produce it, tea powder, milk and sugar are intermediate goods.
- Value of intermediate goods = value of final goods.

CONCLUSION

1. The importance of GDP is to estimate the purchasing power and to compare with developed countries of the world.

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3. Write about the composition of GDP in India.

INTRODUCTION

Indian economy is broadly divided into three sectors.

1. Primary Sector (Agricultural sector)
2. Secondary sector (Industrial sector)
3. Tertiary sector (Service sector)

Composition of Gross Domestic Product (GDP)

1) Primary Sector: (Agricultural Sector)

- Agricultural sector is known as primary sector, in which agricultural operations are undertaken. Agriculture based allied activities, production of raw materials such as cattle farm, fishing, mining, forestry, corn, coal etc. are also undertaken.

2) Secondary Sector:

- Industrial sector is secondary sectors in which the goods and commodities are produced by transforming the raw materials. Important industries are Iron and Steel industry, cotton textile, Jute, Sugar, Cement, Paper, Petrochemical , automobile and other small scale industries.

3) Tertiary: (Service Sector)

- Tertiary sector is known as service sector which includes Government, scientific research, transport communication, trade, postal and telegraph, Banking, Education, Entertainment, Healthcare and Information Technology etc..

CONCLUSION

- India is 2nd largest producer of agricultural products.
- In Industrial sector, India's world rank is 6 and
- In service sector, India's world rank is 8.

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4. Write any 5 differences between the growth and development.

INTRODUCTION:

- Economic growth is the "Narrower" concept.
- Economic development is the "Broader" concept.

Comparison between Economic Growth and Economic Development	Economic Growth	Economic Development
Definition / Meaning	It is the positive quantitative change in the output of an economy in a particular time period	It considers the rise in the output in an economy along with the advancement of HDI index which considers a rise in living standards, advancement in technology and overall happiness index of a nation.
Concept	Economic growth is the "Narrower" concept	Economic development is the "Broader" concept
Nature of Approach	Quantitative in nature	Qualitative in nature

Scope	Rise in parameters like GDP, GNP, FDI,FII etc.	Rise in life expectancy rate, infant, improvement in literacy rate, infant mortality rate and poverty rate etc.
Term / Tenure	Short term in nature	Long-term in nature

CONCLUSION

- Economic growth is an automatic process so may not require government support.
- Economic development is highly dependent on government intervention as it includes widespread policy changes.

5. Explain the following economic policies.

INTRODUCTION

- Many Economic Policies have been framed by the Government of India since independence for increasing rate of economic growth and economic development.

1. Agricultural policy

- Agricultural policy is the set of government decisions and actions.
- It is related to domestic agriculture and imports of foreign agricultural products.
- Some over arching themes include risk management and adjustment, economic stability , natural resources and environmental sustainability research and development, and market access for domestic commodities.
- Some Agricultural policies are Price policy, land reform policy, Green Revolution, Irrigation policy, Food policy, Agricultural Labour Policy and Co-operative policy.

2. Industrial Policy

- Industrial development is a very important aspect of any economy.
- It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient.

- In fact, industrial development even boosts the agricultural sector (new farming technology) and the service sector.
- It is also closely related to the development of trade
- Several industrial policies have been enacted.
- Since 1948, Industrial policy on large scale industries Eg., Textile Industry policy, Sugar Industry policy, Price policy of industrial growth, small scale industrial policy and Industrial Labour policy.

NEW ECONOMIC POLICY

- The economy of India had undergone policy in the beginning of the 1990s.
- This new model of economic reforms is commonly known as the LPG known as Liberalisation, Privatisation and Globalisation.
- These economic reforms had influenced the overall economic growth of the country in a significant manner

CONCLUSION

- India's economy has successfully developed in highly advanced and attractive clusters of businesses in the technology space.
