

National Income

AFCAT Economics · ECA01

AFCAT Level : High Priority

National Income is the core AFCAT economics chapter. Questions are definitional – GDP vs GNP, per capita income, and basic poverty/unemployment concepts from NCERT. Keep answers direct and precise.

✦ **AFCAT Pattern:** GDP definition • $GNP = GDP + NFIA$ • Per capita income formula • Poverty line concept • Unemployment meaning • India's GDP rank globally

1. National Income Concepts

- ▶ **GDP (Gross Domestic Product):** Total market value of all final goods and services produced within a country's borders in one year, irrespective of who produces it.
- ▶ **GNP (Gross National Product) = GDP + NFIA.** NFIA = Net Factor Income from Abroad. Income of Indian nationals globally (wherever produced).
- ▶ **NNP = GNP – Depreciation.** Net National Product; after accounting for capital wear-and-tear.
- ▶ **National Income = NNP at Factor Cost.**
- ▶ **Per Capita Income = National Income / Population.** Average income per person. India's per capita NI: ~Rs 1.72 lakh/year (FY24).
- ▶ **India's GDP:** ~USD 3.8 trillion (nominal); 5th largest globally; 3rd largest by PPP. Real GDP growth FY25: ~6.4%.

2. Poverty & Unemployment

- ▶ **Poverty Line:** Minimum expenditure needed for basic necessities. People below = BPL (Below Poverty Line). Rangarajan Committee (2014): Rural Rs 972; Urban Rs 1,407 per month.
- ▶ **Absolute Poverty:** Cannot afford basic needs. **Relative Poverty:** Income below national average proportion.
- ▶ **Disguised Unemployment:** More workers than needed; zero marginal product. Common in Indian agriculture.
- ▶ **Unemployment Rate:** Measured by PLFS (Periodic Labour Force Survey). India's unemployment: ~7–8%.



AFCAT PYQ

National Income — AFCAT Pattern

Q1. GNP = GDP + what? (AFCAT I 2023)

(a) Depreciation (b) Net Factor Income from Abroad (c) Government transfers (d) Net indirect taxes

Answer: (b) Net Factor Income from Abroad (NFIA)

GNP covers production by Indian nationals anywhere in the world. GDP covers production within India's territory regardless of nationality. NFIA = income Indians earn abroad minus income foreigners earn in India. NNP = GNP - Depreciation. AFCAT keeps this straightforward: GNP formula.

Q2. Per Capita Income is calculated as: (AFCAT II 2022)

(a) GDP × Population (b) National Income / Population (c) GNP / Workforce (d) Tax revenue / Households

Answer: (b) National Income / Population

Per Capita Income = National Income divided by total population. Used to compare living standards across nations. India has high total GDP but relatively lower per capita income due to large population (~1.4 billion).



Rapid Revision — ECAo1

NI Chain

- ∴ $GNP = GDP + NFIA$
- ∴ $NNP = GNP - \text{Depreciation}$
- ∴ $NI = NNP \text{ at Factor Cost}$
- ∴ $\text{Per Capita} = NI / \text{Population}$
- ∴ India GDP: ~USD 3.8T; 5th largest (nominal)

AFCAT Traps

- ∴ GDP = domestic (location); GNP = national (citizenship)
- ∴ $\text{Per Capita} = NI / \text{Population}$ (NOT GDP / Workforce)
- ∴ Disguised unemployment = agriculture (NDA/AFCAT both test this)

 **Mock Tests**

 **Economics Quiz**

 **Telegram**

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