Indian Economy Black Book PDF

Main characteristics and various aspects of Indian Economy are being given below:

Agrarian Economy — Even after 60 years of independence, 49% of the work force of India is still agriculturist and its contribution to Gross Domestic Product is approximately 18%.

Mixed Economy — Indian Economy is a unique combination of public and private sector, i.e. a mixed economy. After liberalization, Indian Economy is going ahead as a capitalist economy or market economy.

SECTORS OF AN INDIAN ECONOMY –

a. Primary Sector- It includes all those activities which involve direct use of Natural resources such as agriculture, forestry, fishing, minerals etc.

b. Secondary sector-It involve all economic activities which use the produce of primary sector as its raw materials.It is also called the Manufacturing sector example production of bread from wheat.Its contribution to GDP is approximately 30% in Indian economy.

c. Tertiary sector-It includes all economic activities which provide "services" example are banking,tourism etc. Tertiary sector contribution in GDP is highest it is approximately 53%.

MACRO ECONOMICS

Important concepts of National Income:

(1) **Gross Domestic Product (GDP):-**

Gross Domestic Product (GDP) is the total market value of all final goods and services currently produced within the domestic territory of a country in a year. It is measured at two different prices which are GDP at factor cost and GDP at constant prices.When GDP is measured at current price it is called Nominal GDP and when it is measured at constant price or base year it is called real GDP.

(2) **Gross National Product of Market Price (GNP at MP):-**

Gross national product at market price is broad and comprehensive concept. GNP at MP measures the money value of all the final products produced annually in a counter plus net factor income from abroad. In short GNP is GDP plus net factor incomes earned from abroad. Net factor incomes is derived by reducing the factor incomes earned by foreigners from the country, in question from the factor incomes earned by the residents of that country from abroad.

(3) Net National Product at Market Price (NNP at MP):-

Net National product measures the net money value of final goods and services at current prices produced in a year in a country. It is the gross national product at market price less depreciation.

(4) Net Domestic Product (NDP):-NDP is calculated by deducting depreciation expense from Gross domestic product.

(5) **Gross Domestic Product at Factor Cost (GDP at F(C):-**

Gross national product at factor cost is obtained by deducting the indirect tax and adding subsidies to GNP at market price .

(6) Private Income:-

Private income means the income earned by private individuals from any source whether productive or unproductive. It can be arrived at from NNP at factor cost by making certain additions and deduction.

(7) Personal Income:-

Personal Income is the total income received by the individuals of country from all sources before direct taxes. Personal income is not the same as National Income, because personal income includes the transfer payments where as they are not included in national income. Personal income includes the wages, salaries, interest and rent received by the individuals.

(8) Disposable Income:-

Disposable income means the actual income which can be spent on consumption by individuals and families. It refers to the purchasing power of the house hold. The whole of disposable income is not spent on consumptions; a part of it is paid in the form of direct tax. Thus disposable income is that part of income, which is left after the exclusion of direct tax.

INFLATION TYPES-

• Inflation is the rate at which the general level of prices for goods and service is on rise. Inflation is measures by consumer price index.

• **Types of Inflation-**

(a) Demand Pull Inflation- when there is strong consumer demand and many individuals purchasing the same good it will increase the price of goods so it is called demand pull inflation.

(b) Cost push inflation- It is an inflation caused by an increase in the price of inputs like labour,raw material etc.The increased price of the factors of production leads to a decreased supply of goods.

Other types of Inflation-

(a) Deflation- When the overall price level decreases so that inflation rate becomes negative, it is called deflation. It is the opposite of the often-encountered inflation.It is decrease in general level price for shorter period.

(b) Disinflation- Disinflation is a situation of decrease in the rate of inflation over successive time period. It is simply slowing of inflation for longer period of time.

(c) Stagflation- It is a condition of slow economic growth and relatively high unemployment and there is decline in GDP.

(d) Hyperinflation- Hyperinflation is an extremely rapid period of inflation, usually caused by a rapid increase in the money supply.