Discuss the growth of National Income and also the sectoral wise growth in National Income during the plan period.

Ans ⇒ The trend of National Income in India over last few decades clearly depicts the impact of planning in the Indian economy. The estimates of National Income & per capita income also reflect the standard of living of the people in India. The composition of National Income by industrial origin reflect the structural changes that have taken place in National Income statistics. Let us discuss the trends in the National Income figures along with sectoral contribution.

Trends in National Income of India :-

CSO reports reveals that the net national product at factor cost of India at 2004-05 prices has increased from ₹ 26,23,995 crores in 1950-51 to ₹ 45,49,652 crores in 2011-12. Again per capita income figures increased from ₹264 in 1950-51 (at current prices) to ₹60,003 in 2011-12.

The annual average growth rate of NNP is shown in table 1:-

Annual Average Growth Rate of NNP.

Year	Rate of Growth of NNP.
1950-61	4.2
1980-91	5.2
2001-2011	8.4

Source: Economic Survey 2011-12

The data given in the above table reveals that the NNP increased at the annual rate of 4.2% during the decade 1950-51 to 1960-61. After the performance of the economy has been on the decline during the 1980's, there was an improvement in the growth rate. During the decade 1980-81 to 1990-91, the NNP show a growth rate of 5.2% per annum. This is a very healthy development because the economy was able to cross the barrier of the so called Hindu Rate of Growth. During 2000-01 and 2011-12, NNP growth rate rose further to 7.5% which implies a further acceleration in the growth of National Income at a higher rate.

Sectoral Contribution / Distribution of National Income by Industrial Origin:-

The sectoral contribution of the National Income depicts a clear picture about the composition or distribution of National Income by industrial origin. The following table shows the changes in the sectoral contribution towards the National Income of the country since 1950-51.

Table 1: Share of GDP by Industry Origin (1991-00 series)

Sectors	1950-51	1980-81	2010-11
Agriculture & Allied Activities	55.4	38.0	14.3
Industry	15.0	24.0	27.9
Service	29.6	38.0	57.8

The share of the primary sector which includes griculture, forestry & fishery has gone down from 55.4% of GDP in 1950-51 to 38.0% in 1980-81 & further declined to 14.3% in 2010-11. The main cause of the decline is a rapid fall in the share of agriculture alone.

The share of industry which includes mining, manufacturing, electricity, gas and water supply and the construction has shown a steady increase from 15% in 1950-51 to 24% in 1980-81 & 27.9% in 2010-11

The major components of industry are manufacturing and construction. The share of manufacturing increased from 8.9 percent in 1950-51 to 15.8% in 2010-11. Similarly, the share of construction improved from 4.4% in 1950-51 to 7.9% in 2010-11.

The share of service sector has three components;
(a) Trade, Transport, Storage and Communication.
(b) Finance, Insurance, Real Estate and Business Services.
(c) Community, Social and Personal Services.

The share of service sector indicated a sharp improvement from 29.6% in 1950-51 to about 57.8% in 2011-12. Among the major components of the tertiary sector, the share of transport, especially road transport and communications, ~~during the last~~ has increased from only 11.3% in 1950-51 to 27% in 2010-11. The share of finance, insurance, real estate and business services has increased from 7.7% to about 17.4%.

Thus, due to the development strategy followed in economic planning of the country, structural changes occur in the composition of national income by industrial origin. With the rapid expansion of manufacturing and services, the share of secondary and tertiary sector recorded a sharp increase in the composition of national income whereas the primary sector is continuously losing its share.

Features of National Income in India :-

The important features of the growth of national income in India are briefly summarised below:-

(i) <u>Erratic Growth</u> :- The increase in National Income during the plan period has been erratic. Out of 62 years of economic planning in as many as twelve plans, either the Net National Product registered a decline or the rate of increase in it was lower than the rate of population growth. These factors clearly suggest that national income trends during the period of economic planning doesnot indicate a consistent increase.

(ii) <u>Growth Rate Fluctuates With Fluctuations in Agriculture</u> :- The National Income level and the rate of growth in it fluctuates with fluctuation in the harvests.

(iii) <u>The growth Rate At Best Is Modest</u> :- The increase in growth rate is modest by way standard. The compound rate of increase in the National Income in India during the first thirty years of planning was 3.5 percent per annum. Since 1980-81 onwards, the national income has risen at the rate of 5.9% per annum. Moreover rapid income growth is concentrated in a few regions which implies that most of the states have recorded extremely slow growth rate in the recent past.

(iv) Post 1991 Reform Growthless Fragile:- The major studies on growth rate of Indian economy have noted that growth rate had accelerated during the 1980's. Growth rate average during the post reform period was found to be higher than the growth rate of the pre-reform period.

Limitations of National Income Estimation in India:-

(i) Output of the Non-Monetised Sector:- At present there is no objective method of finding out the total output of food crops and the amount consumed at home. Hence, there ~~arises~~ arises the difficulty of finding out the imputed value of the produce of the non-monetised sector and add it to the value of the monetised sector.

(ii) Non Availability of Data About the Income of Small Producers or Household Enterprises:- Most of the small producers or entrepreneurs are so illiterate that they either have no idea of maintaining accounts or they do not feel the necessity of keeping regular accounts

(iii) <u>Absence of Data on Income Distribution</u> :- The National Accounts Statistics do not generate any data on income distribution of households or persons.

(iv) <u>Unreported Illegal Income</u> :- According to a study by Dr. Arun Kumar, black economy accounted for about 40 percent of total income generated in 2000-01. The size of the black economy has been growing over time and as such the magnitude of error on account of this factor alone has been becoming larger & larger.