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GROSS NATIONAL PRODUCT AND GROSS DOMESTIC PRODUCT IN MEASUREMENT OF COMMUNITY WELFARE

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Abstract
This article aims to discuss GNP and GDP as the main indicators in measuring community welfare. The research method used in writing this article is library research or literature study. The research results show that GNP reflects the total value of services and goods obtained by citizens, both inside and outside the country, while GDP only calculates the value of production within a country's geographical boundaries. Furthermore, in considering production factors, GNP measures the total production produced by a country's citizens, both within the country and abroad. Meanwhile, GDP only includes production that occurs within the country itself. In terms of the influence of income from abroad, GNP also takes into account the income earned by citizens from abroad and reduces the income received by foreign citizens residing in the country. In contrast, GDP does not consider the income received by citizens from abroad.
Keywords*: Gross National Product (GNP); Gross Domestic Product (GDP); Public Welfare*

Abstrak
Artikel ini bertujuan untuk membahas GNP dan GDP sebagai indikator utama dalam mengukur kesejahteraan masyarakat. Metode penelitin yang dipakai dalam penulisan artikel ini adalah library reseach atau studi kepustakaan. Hasil penelitian menunjukkan bahwasanya GNP mencerminkan nilai total jasa dan barang yang diperoleh oleh warga negara, baik di dalam maupun di luar negeri, sedangkan GDP hanya menghitung nilai produksi di dalam batas geografis suatu negara. Selanjutnya, dalam mempertimbangkan faktor produksi, GNP mengukur total produksi yang dihasilkan oleh warga negara suatu negara, baik yang berlangsung di dalam negeri maupun di luar negeri. Sementara itu, GDP hanya mencakup produksi yang terjadi di wilayah negara itu sendiri. Dari segi pengaruh pendapatan dari luar negeri, GNP juga memperhitungkan pendapatan yang diperoleh oleh warga negara dari luar negeri dan mengurangi pendapatan yang diterima oleh warga negara asing yang berada di dalam negeri. Sebaliknya, GDP tidak mempertimbangkan penerimaan yang didapatkan oleh warga negara dari luar negeri.
Kata kunci*: Gross National Product; Gross Domestic Product; Kesejahteraan Masyarakat*

INTRODUCTION

Public welfare is one of the main focuses of economic development in various countries. To achieve ideal well-being, it is necessary to have measurement tools that can objectively and accurately reflect the economic conditions of a society (Ahmad Zaki Mubarok et al., 2024). Economic indicators such as GDP and GNP have become the primary benchmarks for assessing a country's economic progress. These indicators are widely used to describe the level of production, income, and economic activity (Chendrawan, 2017).

However, in recent decades, various criticisms have emerged regarding the use of economic indicators alone to measure public welfare. GDP, for example, only represents the total value of goods and services produced within a country but does not provide insights into income distribution, social inequality, or the quality of life of the people. Similarly, GNP, which measures national income, often fails to account for social impacts, environmental concerns, and other non-economic aspects that are essential for public welfare (Hasan et al., 2023).

In this context, it is crucial to understand that well-being is not solely an economic matter but also relates to social, health, education, and happiness dimensions. For instance, high economic growth does not always lead to improved public welfare if the benefits are not evenly distributed or if other aspects, such as environmental quality, are compromised (Sumyardi, 2024).

Therefore, a deeper explanation of economic indicators, such as GDP and GNP, is necessary in measuring public welfare. Additionally, it is important to explore the limitations of these indicators and consider more holistic alternatives. By understanding the strengths and weaknesses of each indicator, a more comprehensive approach can be developed to assess public welfare more accurately (Chrisinta & Simarmata, 2024).

LITERATURE REVIEW

Concept of Gross National Product (GNP)

According to Sukirno, GNP is the total value of goods and services acquired by a country's citizens within a specific period, including production carried out by its nationals abroad (Yanti et al., 2022). GNP encompasses all income generated both domestically and internationally, such as income from foreign investments. It can also be defined as the total value of goods and services produced by a country's factors of production, whether used domestically or abroad, within a given period. GNP illustrates the contribution of a nation’s citizens to the economy, regardless of the geographical location of production (Dewi, 2024a).

GNP, also known as Gross National Product, is one of the economic indicators used to measure the total value of goods and services obtained by a country's population over a certain period, usually one year (Nova, 2024). GNP includes the value of production obtained from production factors owned by a country's citizens, whether located domestically or abroad (Mulyawan, 2020). Therefore, income received by nationals from outside the country, such as profits from foreign investments or migrant workers' earnings, is included in the GNP calculation. Conversely, income received by foreign nationals within the country is not included in this calculation.

Concept of Gross Domestic Product (GDP)

GDP represents the total value of goods and services produced within a country's territorial boundaries by both its residents and foreign nationals within a specific period. This indicator focuses on the geographical location where production occurs, regardless of the producer's nationality. Consequently, GDP includes all production activities within a country's borders, regardless of who produces them. GDP is frequently used to measure a country's economic growth as it reflects the level of domestic production.

GDP is an economic measurement that calculates the total value of goods and services produced within a country's geographic boundaries within a certain period, typically one year. It encompasses all economic activities carried out by economic actors within a country, including both nationals and foreigners working or conducting business in that area. GDP is calculated using three main approaches: the production approach (measuring total output across various economic sectors), the income approach, and the expenditure approach (Fahrudin, 2024).

METHOD

This study employs the library research method, which focuses on collecting, analyzing, and organizing information from various written sources, such as books, journal articles, official documents, and previous research reports. This research utilizes existing secondary data without directly collecting primary data. The primary objective is to understand concepts, theories, or findings related to the topic under study (Cahyono et al., 2019).

RESULTS AND DISCUSSION

Gross National Product (GNP)

GNP, or Gross National Product, is an economic indicator that measures the total value of final goods and services received by a nation's citizens, whether they are within or outside the country, over a specific period. GNP includes all income earned from production factors owned by a country's citizens abroad, such as multinational corporate profits, migrant worker remittances, and foreign direct investments. However, income received by foreign entities within the country is not included in the GNP calculation. Therefore, GNP provides a perspective on the global economic contribution of a nation's citizens, regardless of their geographic location (Mankiw, 2021).

GNP is often compared to Gross Domestic Product (GDP), which measures only the value of production within a country's borders. For example, if a factory owned by Country A operates in Country B, its revenue is included in Country A’s GNP but in Country B’s GDP. While GNP is a crucial tool for understanding a nation’s economic well-being from the perspective of its citizens, it has limitations, particularly in the complex era of globalization, where supply chains and cross-border investments are dynamically interconnected (Mankiw, 2021).

As previously explained, GNP represents the total value of goods and services acquired by a country's citizens over a certain period, whether produced domestically or abroad. The formula for calculating GNP is as follows (Charles et al., 2021):

GNP Formula:

$$GNP=GDP+PNF-PND$$

Explanation:

GDP : The total value of goods and services produced within the country's borders.

PNF : Income earned by a country's citizens from abroad.

PND : Income received by foreign citizens operating within the country.

Gross Domestic Product (GDP)

GDP measures the total value of final goods and services produced within a country's borders over a specific period. It is often used as a primary indicator to evaluate a nation's economic performance, as it reflects overall domestic economic activity. GDP can be calculated using three approaches: the production approach (to assess contributions from each economic sector), the expenditure approach, and the income approach (Mankiw, 2021).

GDP provides insight into a country's economic health and serves as a basis for international comparisons. GDP growth rates are used to determine whether an economy is expanding or contracting. However, GDP also has limitations, such as not reflecting income distribution, social welfare, or environmental degradation caused by economic activities. Therefore, many economists and international institutions recommend using additional indicators to complement GDP-based economic analysis (Mankiw, 2021).

As previously mentioned, GDP is a measure of the total value of goods and services produced within a country over a specific period, regardless of whether the producers are citizens or foreigners. GDP can be calculated using three main approaches:

1. Expenditure Approach

This approach measures GDP based on the total expenditures made by different economic sectors. The formula for GDP is:

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

Explanation:

C = Household consumption.

I = Investment

G = Government spending on goods and services.

X = Eksports

M = Imports

(X - M) = Net exports (the difference between exports and imports).

2). Income Approach

This approach calculates GDP based on the total income received by production factors within a country. The GDP formula is:

$$GDP=R+W+i+\pi$$

Explanation:

R = Rental income – income from land or property leases.

W = Wage income – income from employment.

i = Interest income – earnings from capital.

π = Profit income – earnings from businesses.

Differences Between GNP and GDP

The differences between GNP and GDP can be categorized into three aspects: Definition, Production Factors, and the Influence of Foreign Income. Below is a detailed explanation:

1. Definition:

- **GDP** measures the total value of goods and services produced within a country's borders, regardless of whether they are produced by citizens or foreigners.
- **GNP** measures the total value of goods and services received by a country's citizens, whether they are inside or outside the country. GNP accounts for income earned by citizens abroad while deducting income earned by foreign residents within the country (EKA, 2024).

2. Production Factors Considered:

- GDP only accounts for income generated within a country, regardless of who earns it (citizens or foreigners).
- GNP considers production carried out by a nation's citizens, whether domestically or abroad, and deducts earnings received by foreign nationals within the country (Dewi, 2024b).

3. Influence of Foreign Income:

- **GDP** does not account for income earned by a country's citizens from abroad (Fauzan, 2024).
- **GNP** includes income earned by a nation's citizens from abroad and deducts income received by foreign nationals within the country. Therefore, GNP provides a clearer picture of the economic well-being of a nation's citizens (Kurnia et al., 2024).

Societal Welfare

Societal welfare refers to the condition in which individuals within a society can adequately fulfill their basic living needs while having the opportunity to develop their potential (Firdaus, W., et al., 2024). Dalam konteks Indonesia, kesejahteraan tidak hanya diukur dari segi ekonomi, seperti pendapatan per kapita atau tingkat pengangguran, tetapi juga meliputi akses terhadap pendidikan, kesehatan, dan kualitas lingkungan hidup.

Societal welfare signifies a state where the fundamental needs of the population are met while maintaining a safe, peaceful, and prosperous social environment. A key factor in improving welfare is economic growth. As the production of goods and services increases, per capita income tends to rise, enhancing purchasing power and improving living standards. One of the most commonly used indicators for measuring societal welfare is the Human Development Index (HDI), which assesses quality of life through education, health, and purchasing power dimensions (Yanti et al., 2023).

KESIMPULAN

Gross National Product (GNP) and Gross Domestic Product (GDP) are two economic measurement indicators commonly used to assess a country's welfare. GDP serves as a measure of the total value of goods and services produced within a country's geographical boundaries over a specific period, regardless of whether the production is carried out by local citizens or foreigners. Meanwhile, GNP includes all production earned by a nation's citizens, both domestically and abroad, providing a broader picture of national income. Although both indicators are useful in measuring economic growth, they have limitations in reflecting social welfare. For instance, GDP does not account for income distribution or environmental factors, which can impact the quality of life. Similarly, GNP has weaknesses in directly measuring well-being, as it focuses on production and income without considering non-economic aspects such as education, health, or societal happiness. Therefore, to assess welfare more comprehensively, additional measurements such as the Human Development Index (HDI) or happiness indicators are needed.

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