NEXT IAS

Test-3

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Roll. No: ECFC22L4187

Money Banking and Public Finance
and
Indian Economy (1947-1991).

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(For filling by Examiners only)

Q. No.	Page No.	Max. Marks	Marks	Total	Signature
1.(a)	4	10			
1.(b)	4	10			
1.(c)	4	10			
1.(d)	4	10			
1.(e)	4	10			
2.(a)	14	20			
2.(b)	18	15			
2.(c)	21	15			
3.(a)	24	15			
3.(b)	27	20			
3.(c)	31	15			
4.(a)	34	15			
4.(b)	37	20			
4.(c)	41	15			
5.(a)	44	10			
5.(b)	44	10			
5.(c)	44	10			
5.(d)	44	10			
5.(e)	44	10			
6.(a)	54	20			
6.(b)	58	20			
6.(c)	62	10			
7.(a)	64	15			
7.(b)	67	20			
7.(c)	71	15			
8.(a)	74	20			
8.(b)	78	15			
8.(c)	81	15			
Grand Total					

Remarks

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Observations:

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Question No. प्रश्न संख्या

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Q1

a) Explain how theories of public expenditure evolved.

→ Public expenditure refers to the expenditure made by government such that there is management of economy. It has 4 main objectives; a) Allocation of resources b) Distribution of resources c) Developmental Role and d) Stabilisation objective

The theories of public expenditure started with:

1) Classical Theory given by Marshall and Pigou which suggested that marginal utility from each source of expenditure should be equal to assure most efficient utilisation of resources. However it didn't foreseen the complexity of modern administration which would require more active governance

2) Lindahl's Equilibrium Model: The model was given by Erik Lindahl where he present the case of the social good where cost of the social good is shared by two customers as a supply demand

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Relationship.

3) Wagner's Hypothesis: According to Wagner, Social progress had led to increasing state activity with resultant increase in public expenditure. Thus he hypothesised that growth of welfare State, decline in death rate and improvement in Socio-economic Structure; it is important public expenditure increases at a much faster rate than real per capita income.

4) Wiseman-Peacock Hypothesis: Of the supply side theories of public expenditure, the displacement hypothesis of Peacock and Wiseman has received deepest attention. According to them, public expenditure doesn't grow continuously as shown by Wagner Hypothesis but it grows in steps as the economy keeps breaching the critical level of Real per capita income. They also thought inspection effect and concentration process would also take place.

Therefore, theories of public expenditure evolved starting from Classical Theory and improving by Lindahl's Model, Wagner's Hypothesis and Peacock Wiseman Hypothesis.

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Q1

b) What is Tobin's portfolio balance model? How is it an extension of Baumol?

→ According to Tobin, people hold financial assets to create portfolio on the basis of risk and return.

Under Tobin's portfolio balance model, people in the economy will buy different combination of financial assets like bonds, debentures etc and hold the money to maximize their gains and minimize their losses while holding their wealth.

It is an extension of Baumol's theory because Tobin identified that the opportunity cost of holding money is not only interest sacrificed on bank deposits but also returns sacrificed on other financial assets like dividend on shares, yields on bonds etc. Thus sometimes it is also referred to as Baumol-Tobin model.

However, the model was criticized by Friedman because of following reasons:

a) The ~~th~~ model did not identify real assets like housing, gold etc.

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5) The model did not identify role of inflation

c) The model assumes that people will have complete accessibility and information about different assets that prevail in the economy.

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Q1 c) Explain the four methods of pricing for services and commodities provisioned by government.

→ The four methods of pricing services and commodities provisioned by government are:

1) Free of cost → If the services and commodities are pure public goods which are non-excludable and non-rivalrous, then govt. can price it at free of cost.

2) Subsidisation → If services and commodities are merit goods i.e. a good which would be under consumed or under produced by a free market then it can be subsidized as a merit good creates positive externalities.

3) Users cost approach → If the services and commodities are public utilities i.e. an entity that provides goods and services to the general public then users cost approach can be used.

4) Rate of Return Pricing (Profitable Entry price) For all other goods, rate of return pricing can be used by the government so that it helps in achieving the rate of return.

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Q1
d) Explain the role of money supply in determination of BOP position of an economy under Keynesian assumptions.

→ Under Keynesian assumptions:

1) There is wage-price rigidity due to money illusion
2) Money demand is a function of both income and interest rate
3) Investment is inversely related to interest rate.
4) Wealth can be held either as money / bond.

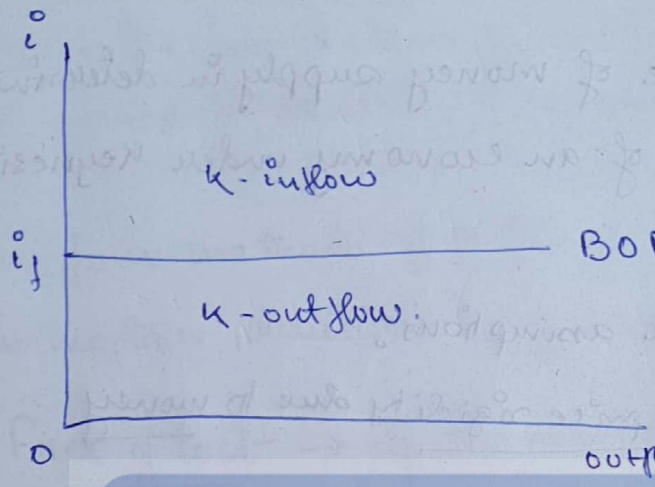
Here, an increase in money supply results in excess demand for bonds due to which ~~price~~ price of bonds rise and interest-rate falls which increases demand for money. This leads to a rise in excess ~~dem~~ investment demand.

Thus in an economy there will be ~~BO~~ capital ~~inflow~~ outflow and BOP ~~surplus~~, deficit.

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Therefore, Under Keynesian assumption, an increase in money supply leads to decrease ~~increase~~ in interest rate and thus rise in investment demand. There is capital outflow and BoP deficit and ~~vice-versa~~. a decrease in money supply leads to increase in interest rate. Thus capital inflow and BoP surplus.

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Q1 e)

How is Cambridge theory different from Fisher?

→ Cambridge Cash Balance Theory was brought by Marshall & Pigou. It is given by the equation: $M^d = K.P.Y$

where M^d = ~~Transaction~~ demand of money

K = fraction of nominal GDP held in terms of money.

P = Price

Y = Income.

The theory is based on transaction demand for money i.e. money will be demanded in fixed proportion to change in nominal GDP. According to the theory there is linear relation between nominal ~~and~~ GDP and money demand.

However 'K' was not defined rigorously i.e. factors affecting K was not mentioned. It was assumed that policy makers will have all information about relation between ~~of~~ money demand and demand for other assets.

Also Cambridge's K was ~~not~~ volatile because of animal spirits. Monetary policy did not have any effect ~~as~~ (real) as change in money supply will not change K.

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However, Fisher's theory is given by equation

$$M.V = P.T.$$

~~The~~ It can be rewritten as:

$$M = \frac{1}{V} P.T \quad \left(\text{where } \frac{1}{V} \text{ can be 'k'.}\right).$$

The difference from Cambridge theory is that Fisher assumed V to be constant which is constant velocity of money circulation because of 1) Institutional factors like existence of banks

2) Behavioural factors like usage of near money

3) Technological substitutes.

And all these factors don't change ~~immediately~~ immediately.

Thus Cambridge theory was more volatile and dependent on animal spirits while fisher's theory was more stable and took into account behavioural and institutional factors.

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Q2. a) What is endogenous money multiplier? Examine its impact on transmission mechanism.

→ Money multiplier is the increase in money supply given certain amount of monetary base. It can be derived by taking a sum of currency multiplier and deposit multiplier and written as:

$$m = \frac{1 + c^d}{c^d + r + e}$$

where c^d = currency deposit ratio

r = required reserve ratio

e = excess reserve ratio

m = money multiplier.

If there is direct relation between money supply and interest rate, then it is endogenous money multiplier.

We also know that

$$\left(\frac{1 + c^d}{c^d + r + e}\right) \cdot H = M^{ss}$$

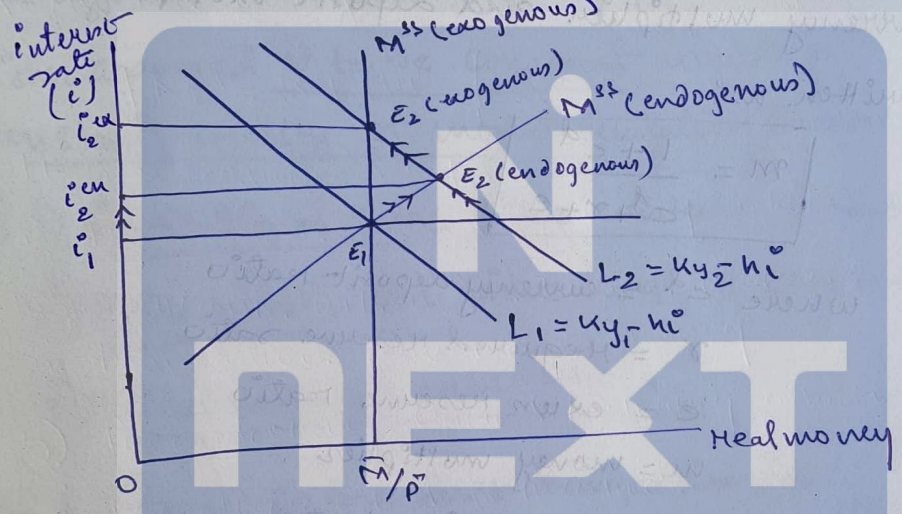
where H = currency + Reserves.

An increase in interest rate will increase money supply i.e. an increase in interest

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Rate will reduce e and c^d and therefore increase money multiplier. This shows endogenous money supply.

Impact on Transmission Mechanism



An endogenous money supply will imply that interest-sensitivity of money to reach equilibrium becomes higher and this make LM curve flatter. An increase in money supply will result in lesser fall in interest-rate at initial market equilibrium. This is because in first stage of transmission

mechanism when interest-rate falls due to increase in money supply, money demand rises and money supply falls with it. This means that relatively lesser increase in interest rate compared to exogenous money supply (where money supply does not respond to change in interest-rate) and lesser decrease in interest-rate further results in lesser increase in investment and output.

Therefore, transmission mechanism is weaker in case of endogenous money supply.

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Q2 b) Critically examine how Keynesian speculative demand for money is different from Cambridge incorporation of K?

→ ~~Keynesian Speculative demand~~

Keynesian money demand is given by

$$M^d = Ky - hi$$

It is determined by:

a) Transaction demand for money where higher income will mean higher increase in transaction demand of money

b) Precautionary demand for money which is directly related to income

c) Speculative demand for money which is affected by interest rate.

According to Keynes, interest rate and bond price are inversely related. A high bond price will imply a relatively lesser interest rate but when bond price is high, the market speculates that it will fall in future and people hold ~~money~~ currency waiting for bond

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price to fall. This is Keynesian speculative demand for money.

The Cambridge Cash Balance Theory is based on transaction demand for money.

The theory is represented by

$$M^d = K \cdot P \cdot Y$$

where K is a constant fraction of nominal GDP that people will use for transaction.

Here K is not defined ~~rigo~~ rigorously i.e. factors affecting K were not mentioned.

Cambridge's K was volatile i.e. it fluctuated over time period because it was affected by animal spirits, as suggested by Pigou.

Therefore, while Keynesian theory does take into account behavioural factors behind speculative demand for money, Cambridge 'K' does not explain any behavioural factors. Also, Cambridge's 'K' ignores the role of real assets in determining the interest rate.

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Therefore,

1) While Keyne's theory talks about speculative demand, cambridge 'k' lacks it.

2) There is proper definition of speculative demand given by Keynes while cambridge 'k' lacks proper defition

3) Also unlike Keyne's speculative demand for money, Cambridge 'k' did not recognise that real balances are linearly related in terms of market to financial assets.

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Q2 c) What is the role of behavioural coefficients in money multiplier?

→ Money multiplier is the increase in money supply given certain amount of monetary base.

It can be derived by taking sum of currency multiplier and deposit multiplier given by

$$m = \frac{1 + c^d}{c^d + r + e}$$

where m = money multiplier

c^d = currency deposit ratio

r = required reserve ratio

e = excess reserve ratio.

Here c^d and e are known as behavioural coefficients which are determined by banking system, households and firms in the economy.

e is determined by:

i) interest rate → There is an inverse relation ~~between e and m~~ because higher interest rate will lead to more incentive to give loans in the market and therefore reduce reserves with Central Bank.

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2) Risk of deposit withdrawal → If there is high risk of deposit withdrawal, e remains high.

3) If non performing assets are high, it result in higher e.

4) If cost of borrowing or interest rate on bank's borrowing is high then e is high.

c^d depends on factor like

1) interest rate → Relation is inverse

2) The fee on withdrawal deposit which has direct relation

3) Probability of bank failure which has direct relation.

Also, we know that

$$m = \frac{1+c^d}{c^d+r+e}$$

$$\frac{\partial m}{\partial c^d} = \frac{\cancel{(1+c^d)}\ 1\cdot(c^d+r+e) - 1\cdot(1+c^d)}{(c^d+r+e)^2}$$

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$= \frac{r+e-1}{(cd+r+e)^2} < 0$ $[r+e<1]$.

So, if we change cd, there is inverse relation with m.

~~And, $\frac{\partial m}{\partial e} \propto (1+cd)$~~

~~And an increase in e will have inverse~~

And any change in e will have inverse relation with m.

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Q5.

a) Examine how position of Indian economy at the time of independence affected India's choice of mixed economy?

→ The Indian economy inherited a system of with backward economic structure which demanded role of government in development but the administrative mechanism was not strong enough to assure that only govt. could have fulfilled all the requirements.

India could not have chosen pure capitalist economy because:

a) There was absence of market due to dominance of rural economy which could create a possibility of concentration of wealth in few hands.

b) Balanced regional growth was not possible as price mechanism does not indicate investment flows towards backward regions.

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c). Key industries have very long gestation period which discourages private investment.

India did not choose pure ~~socialist~~ socialist model because:

a) Political and economic support for collectivisation was absent.

b) Lack of administrative capability in implementing government policies

c) Political consensus on idealogical basis was absent.

The intent of the government was to introduce socialist idea of growth over a long run. Therefore 2 important tools of a socialist economic ~~st~~ system were introduced in terms of centralised planning commission and commanding heights.

Thus Indian economy ~~re~~ reflected a system of opportunities and distress which led to the adoption of mixed economy at time of independence.

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Q5

5) What were the steps taken for agricultural development before 1966?

→ In 1951, 45% of total production of farmers came from their own subsistence requirement.

The gross cropped area was 131.89 million hectares and only 22.56 million hectares has assured irrigation (17.1%).

The agricultural backwardness was mainly due to:

1) Landlord controlling land
2) Presence of landless workers
3) Usurious practice
4) Dualism in labor market
5) Fluctuations and instability in crop market.

The steps taken for agricultural development before 1966 were:

1) Land Reforms → Measures were taken to improve the structure of ownership of landholdings and tenancy related issues. It consists of: a) Abolition of zamindari
b) Tenancy reforms
c) Land ceiling
d) Land consolidation.

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2) Cooperative farming → This reform was to solve the problems created by subdivision of holdings. The idea was for the farmers having small holdings to join hands and pool their lands for the purpose of cultivation. This can enable the members to reap all benefits of large scale farmer.

However, there were flaws in the reforms:
1) The definition of personal cultivation on assessment of Zamindari abolition was highly unsatisfactory.
2) There was also problem of voluntary surrender and transfer of land to family members.
3) Inadequacies in ceiling laws etc.

Thus inspite of taking developmental steps for agriculture before 1966, ~~there~~ there were snags in legislation, lack of political will and apathy of bureaucracy.

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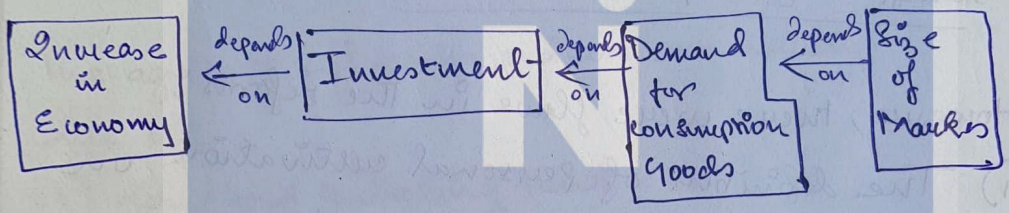
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Q5 c)

Explain wage goods model.

→ The wage goods model was given by Vakil in 1954 as an alternative development mechanism. He suggested that problems of Indian economy are due to deficiency of wage goods.



He suggested that disguised unemployment should be treated as potential saving because workers could be transferred from agriculture to industry to produce light consumer goods with which will fill the wage goods gap. Higher employment of workers will ~~fill the~~ promote real savings due to rise in real income which will increase investment by firms by increasing market-size ~~of~~ for commodities.

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He suggested that a country should invest in putty capital instead of clay capital. He argued that it will be suitable for poor country like India because it is labour intensive and will not require large foreign reserve for development. Also, wage goods industry can earn foreign exchange for India as they have export potential.

However his model has been criticized because:

a) He did not realise the relevance of social overhead capital

b) He assumed that large scale wage goods production can be achieved without using capital goods on large scale.

c) He assumed that demand will automatically exist for produced wage goods.

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Q5 d) Examine Gadgil's view on industrial development.

→ D.R. Gadgil favoured decentralization which was seen in the 4th Five Year Plan paper where he was the adviser to planning commission. He showed that development should be based on decentralized governance, with central government playing the role of coordinator. He provided a plan of central devolution to states in the 3rd Five Year Plan (FYP).

He criticized govt.'s policy of industrialization in 1st and 2nd five year plan because:

1) It emphasises on economic and social overheads and on basic capital goods. ~~industries~~ Industries has starved agriculture of much needed capital resources.

2) It has also resulted in severe distortion of the already inequitable distribution of income.

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Therefore he suggested that:

1) Plans should largely be concerned with agriculture and countryside which would involve great public expenditure

2) Emphasis should be laid on prevention of unearned increment.

3) Plans must be preceded by and accompanied by laws which secure proper utilization of resources

4) The attitudes of the minds of people have to be changed.

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85 e) Explain the main provisions of Industrial policy resolution 1980. How was it different from that in 1956?

→ The Industrial Policy Resolution 1980 has the following provisions:

a) Liberal Fiscal Regime: The government expenditure on public administration increased by 220% between 1981 and 1984. The industrial policy reduced economic barriers and simplified the procedure for easier access to better technology and more liberal raw material imports which helped in industrial development.

b) Infrastructure development: Infrastructure growth increased from 4.2% (1965-79) to greater than 10% (1980-1990).

c) Contribution of agricultural sector: Rural sector demand increased from 35% of industrial goods (1967-68) to 47% by 1983.

d) Growth in service sector → The earning capacity of people in service sector increased.

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While the Industrial Policy Resolution 1956 which was in connection with Mahalanobis model of planning broadly divided industries into 3 categories:

1) Schedule A: Monopoly of State which has 17 industries whose development was exclusive responsibility of State.

2) Schedule B which is a mixed sector of public and private enterprise

3) Schedule C which consist of all other industries that are left mainly for private sector but should fit into long term goals of Five year plans.

Thus Industrial Policy of 1980 sought to promote concept of economic federation to raise efficiency of public sector and reaffirmed its faith in MRTP Act and FERA.

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Q6 a)

Explain the steps taken for improvement of small scale industries till 1991.

→ The Cottage Industry Board was set up in 1947. With IPR 1948 and implementation of 1st FYP, this board was set up into

a) All India Handloom Board
b) All India Handicraft Board
c) All India Khadi and Village Industries Board.

In addition to this, 3 more boards were set up i.e

a) Small scale Industries Board
b) Coir Board and Central Silk Board.

In 1955, Government set up National Small Industries Corporation Limited (NSIC) to help SSI get machinery on hire purchase basis.

Small Industries Development Organisation (SIDO) had also been set up in 1954 as an apex body for formulating all policies with respect to small scale industries (SSI). There was competition of domain between SIDO and NSIC.

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In 1966, SSI was defined for the first time in a proper manner as all those undertakings which had fixed capital of less than 7.5 lakhs and ancillaries with fixed capital of less than 10 lakhs.

In 1973-74, the government conducted first national census of SSI to get better information about them so that policy making could focus on their development.

In 1988-89, second census was conducted to assess their condition over last 15 years.

Further steps taken by government to promote SSI are:

- Government introduced the policy of reservation for SSI.
- SSI and ancillaries were given the status of priority sector
- SSI suppliers were preferred in certain categories of Government Procurement.

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However, SSI has some problems like lack of finance and credit, infrastructural constraints, inverted duty structure, lack of modern machines and equipments etc.

If we try to resolve these problems then SSI has a huge role in development like

- Contribution to Industrial Production
- Employment generation
- Equitable Distribution of National Income
- Contribution to exports etc.

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Q6 b). Examine the evolution of poverty measures till 1991.

→ The earliest estimate of poverty post Independence was made by Dandekar and Rath in 1954-55 where they considered ₹20 per person in urban area and ₹15 per person in rural area as poverty line.

They were followed by Prof. Minhas who estimated rural poverty taking data from 9 states of India and fixing poverty line at ₹20 in terms of price in 1965. He estimated that 38.01% of rural population is below poverty line.

Another study was conducted by M.S. Ahluwalia, who took data from 40% districts of India, using NSSO survey and found poverty at 56.5% in 1970-71 while Prof. P.K. Bardhan conducted an all India study covering both rural and urban areas across all states except Jammu and Kashmir and fixed poverty line at ₹45 in 1971 prices and concluded 54% of Indian below poverty line.

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The 5th five year plan was the first five year plan to explicitly talk about the agenda for poverty alleviation. The Planning commission has provided estimates of incidence of poverty since early 1970s. It determined poverty line for rural population at ₹ 49.63 per capita per month while for urban population at ₹ 56.64 per capita per month (at 1973-74 prices).

In 1971-72, Dandekar and Rath gave a calorie based poverty line which was approximately 2250 kcal/person/day. Poverty line was the expenditure needed to consume these calories.

In 1978 Alagh committee divided the calorie requirement seperately for rural and ~~it~~ urban areas and recommended a calorie requirement of 2400 kcal/person/day for rural areas and 2100 kcal/person/day for urban areas.

Thus till 1991, the poverty measures evolved in such manner.

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Q6 c) Critically examine MRTP Act.

→ The MRTP Act was one of the rigid structure rules that the government made to prevent expansion of busines. It stands for 'Monopolistic and ~~Restrictive~~ Restrictive Trade Practices Act' which was enacted in 1969.

It identified firms as

a) National monopolies → These are for several commodities and all those who made investment above ₹20 crore.

b) Product Monopolies → These are for single commodity and all those who made investment above ₹ 3 crore and controlled 25% of market.

The rule created was that once a firm was identified as any of the above two, it had to seek permission from MRTP Commission to make any further investment. The objective was to control dominance of one firm.

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However the act had many disadvantages like:

1) It discouraged investment and deprived firms from getting economies of scale.

2) It encouraged misreporting and therefore activities like rent seeking.

~~3) It encouraged~~

The act was ~~repealed~~ repealed in 1991 and replaced by Competition Act in 2002 under which Competition Commission of India was established in 2009.

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Q7
a) Elaborate on trends of GDP growth in India from independence till 1991.

→ We started using our GDP estimation starting from 1951. The proportionate number of our economic structure is shown below:

	1951 (% share in GDP)	1951 (% share in employment)
Primary	53.1%	73.2%
Secondary	17.6%	10.7%
Tertiary	29.3%	16.1%

From 1947-1951, govt. worked on achieving developmental targets and from 1951 we have our five year plan adopted.

The first five year plan (1951-56) focus on ~~agricult~~ agriculture, industrial diversification and infrastructure. The targeted growth rate was 2.1% p.a and we achieved 4.6% p.a growth rate. This was mainly due to large industrial growth, large increase in consumption and low base effect.

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In 2nd five year plan, our focus was on large scale industrialisation, with capital intensive technique; development of industries with public sector as commanding heights and import substituting Industrialization.

The target growth rate was 4.5% p.a. while we achieved 4.2% p.a.

Then India had its annual recession in 1957-58 due to BOP crisis because of sudden drought and requirement of raw material import.

In 3rd Five Year Plan (1961-66), the targeted growth rate was 5% p.a. while we achieved less than 3.5% p.a. This was due to poor infrastructure, lack of sufficient foreign exchange and shortage of essential commodities. War was also there.

From 1966-1980 is known as period of structural retrogression. GDP growth rate was continuously less than 4%.

In 1966-67 and 1979-80, we had recession.

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This was mainly due to restrictive impact of licensing, poor performance of public sector, policy of protectionism, complex tax rules and rigid structure.

From 1980-1990, the period is known as period of revival. The 6th Five Year Plan, average growth rate was 5.8% and 7th Five Year Plan, average growth rate was 6.2% p.a.

This was mainly due to business friendly policy, spread of green revolution, increased productivity of workforce, very high expenditure by government and reduction of corporate tax rate.

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Q7
b) Examine the trends of savings and investment growth with India's policy response regarding them till 1991.

→ The trends of savings and investment growth till 1991 can be divided into 4 phases:

1) 1950-51 – 1968-69 → (Phase of Low Saving and Low Investment)

Saving rate was 4.5% (of GDP) in 1950-51 which was increased to 5.8% by 1956 Then doubled to 11.6% by 1961 and 14% by 1966-67. But it declined to 13.6% by 1968-69. This was mainly due to low household income and low capacity of government.

Investment in 1951 was 5.6% (of GDP) which increased to 7.5% of GDP by 1956 and 12.8% of GDP by 1961 rising to 16% by 1967. This was due to very high increase in public investment, focused on infrastructure, development of industrial diversification.

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2) 1968-69 to 1979-80 (Phase of high saving and high investment).

Saving rate increased from 13.6% of GDP in 1968 to 16.5% by 1973-74 and to 19.8% by 1979-80.

This was mainly due to:

a) rising income of rural household with Green Revolution

b) Better mobilisation of saving with establishment of rural branches of Public sector banks

c) Distribution of food through PDS.

Investment also increased to 21% of GDP by 1979-80, consistently rising throughout this period. This was due to high investment by government and corporates.

3) 1980-85 (Stagnant saving and investment time period)

The saving fell slightly in 1980-83 and rose to reach 19% of GDP in 1985 as government saving was reduced and private saving by corporate came down.

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Investment slightly rose to 23% backed by government expenditure on road and electricity and corporate investment rising after incentive given by IPR 1980.

4) 1985-1993 (Phase of recovery of Saving and Investment)

Saving rate increased to 22.4% by 1993 due to:

a) Increase in money printing by government

b) Liberalisation of stock market starting mid 1980s by government.

Investment was also high at 24% of GDP by 1993 due to:

a) large number of infrastructure project of government in telecom, road development, railways, etc.

b) High corporate investment in expectation of high demand and availability of cheaper credit.

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Q7 c) Explain how yellow revolution emerged from the fruits of green revolution but they were not identical.

→ Green Revolution refers to the very fast increase in food grain production in India between 1966-67 and 1971-72 when food production jump from 60 MT to 100 MT in a span of 5 years making India self sufficient in food grains production.

Yellow revolution refers to the very fast increase in growth of oil seeds production from less than 8 millions tonnes to more than 17 million tonnes between 1986-1995.

We can say that yellow revolution emerged from the fruits of green revolution because:

(1) It was launched to increase production of edible oil similarly as green revolution was launched to increase production in food grain.

(2) Objective in both the revolution was self-sufficiency and self-reliance.

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However they are not identical. Green revolution was started because:

1) At the time of independence, about 75% of country's population was dependent on agriculture
2) India's agriculture was vitally dependent on monsoon and in case of shortage of monsoon, farmers had to face a lot of that troubles.
3) Productivity in agriculture was very low due to outdated technology.

While Yellow revolution was started because:

1) Rising demand of oil seeds due to rising demand for edible oil.
2) High import of oil seeds which put pressure on foreign exchange reserves.
3) Increased requirement of crop diversification.

Challenges in both the revolutions were also different.

In green revolution there are following challenges:

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1) There was no complete agricultural revolution. Upward trends were seen only in few crops.
2) Technological upd- upgradation happened but institutional development did not materialize.
3) There were several conflicts in rural areas.
4) There were also ecological impacts like leeching, top soil erosion etc.

In Yellow revolution,

1) Though India acheived self sufficiency in oil production, the output does not meet its consumption. India started to import oil seeds.
2) The continuing ~~sh~~ shortage of ~~oil~~ edible oil suggest that Oilseeds Technology Mission and growing oil palms have had little impact.
3) They were susceptible to pest and diseases.

Therefore, ~~one~~ though yellow revolution can be seen as emergence from those of green revolution, they are not identical and differ in many ~~as pects~~ aspects.

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