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(To be filled by candidate)

Name of Candidate : Ayush Aggarwal

Roll No. :

Registration Number : **Date of Examination :** 26th July

Exam Centre : Old Rajinder Nagar ☐

Online ☒

CSE (Main) Test Series - 2022

Test-3

ECONOMICS OPTIONAL

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

Time Allowed : Three Hours

Maximum Marks : 250

QUESTION PAPER SPECIFIC INSTRUCTIONS

(Please read each of the following instructions carefully before attempting questions)

There are **EIGHT** questions divided in two Sections and printed in **ENGLISH**.

Candidate has to attempt **FIVE** questions in all.

Question Nos. 1 and 5 are compulsory and out of the remaining, **THREE** are to be attempted choosing at least **ONE** from each Section.

The number of marks carried by a question/part is indicated against it.

Answers must be written in the medium authorized in the Admission Certificate which must be stated clearly on the cover of this Question-cum-Answer (QCA) Booklet in the space provided. No marks will be given for answers written in a medium other than the authorized one.

Word limit in questions, wherever required, may be drawn/given in the space provided for answering the question itself.

Attempts of questions shall be counted in sequential order. Unless struck off, attempt of a question shall be counted even in attempted party. Any page or portion of the page left blank in the question-cum-Answer Booklet must be clearly struck off.

(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

Observations:



SECTION 'A': MONEY AND BANKING & PUBLIC FINANCE

Q.1

Answer the following questions in about 150 words:

(10 × 5 = 50)

- (a) Explain how theories of public expenditure evolved.
- (b) What is Tobin's portfolio balance model? How is it an extension of Baumol?
- (c) Examine the four methods of pricing for services and commodities provisioned by government.
- (d) Explain the role of money supply in determination of BOP position of an economy under Keynesian assumptions.
- (e) How is Cambridge theory different from Fisher?

A) Public Expenditure refers to all expenses by governments at different levels, on various services like defence, subsidies, etc.

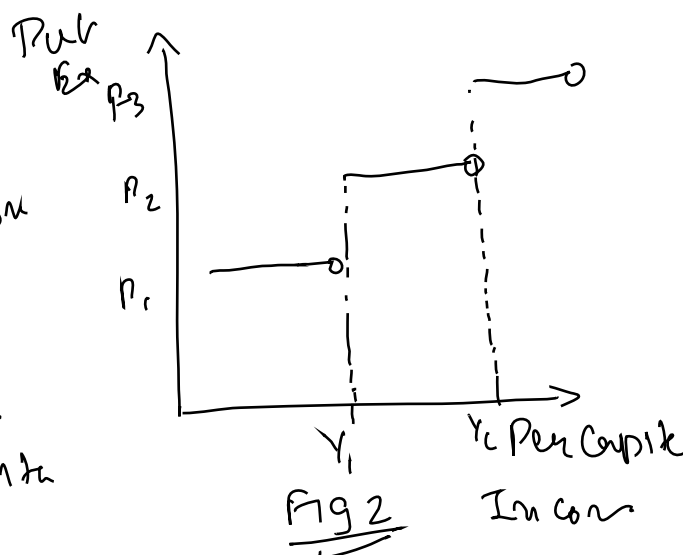
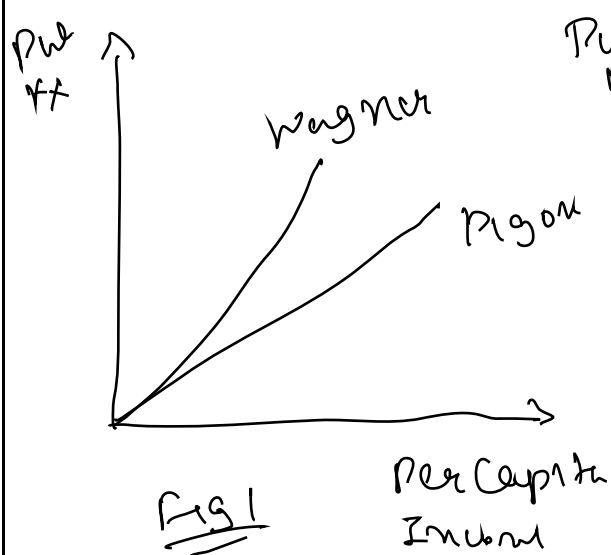
EVOLUTION OF PUB. EX THEORIES

Following theories were propounded:

① Classical Pub-Ex Theory By Pigou

A) Public Expenditure varies linearly with per capita incomes due to increase in defence and administration expenses.

② It however neglected that economy is much more complex and service sector domination is prevalent which requires regulations.



② According to Wagner, Public Expenditure rises more than per capita incomes as economy is more complex. The high expenditure results into high inflation $\Rightarrow$ higher Pub Ex.

③ Peacock - Wiseman Theory: It said that public expenditures rise in a step-wise manner (Fig 2). This is due to interplay of Displacement effect, Inspection Effect and Concentration Effects.

However, even Peacock-Wiseman did not explain how critical per-capita income levels (Y_1, Y_2) are found.

B) Tobin's portfolio approach is a money demand model which treats various asset classes like bonds & equity as alternative for money as store of value.

TOBIN'S MODEL

It recognised the various uses of money like:

① In Transactions, as medium of exchange. For this, he used Baumol's square root rule $\sqrt{\frac{2ay}{r}}$ where y is income, a is shoe leather costs and ' r ' is interest rates.

Thus transaction demand for money decreases as interest rates rise.

② Money as a store of value: Adding to Baumol's theory, he said an individual chooses to invest in a portfolio of assets rather than just Bonds & Money.

Various assets include:

- (A) Equity: As returns on equity rise, money demand falls.
- (B) Bonds: As bond yields rise, money demand will fall.
- (C) Money: Return on money is the satisfaction one gets from buying goods from it.
- (D) Durables: They yield a continuous source of satisfaction. The return can be thought of as their increase in price over time. As it rises, money demand falls.

Tobin's Money demand is thus an extension of Baumol's theory by using portfolio approach of Asset management.

② Public Goods of different types are priced differently when provisioned by governments. It can range from being provided free of cost to a minimum profit share being extracted.

METHODS OF PRICING

- ① Pure Public Goods: Services like defence which are neither excludable and non-rival in nature should be provided FREE OF COST.
- ② Merit Goods: Goods/Services like education that have both private benefits as well as social spillovers can be priced at below Average Cost by giving subsidies.
- ③ Public Utilities: Services like electricity which are both excludable as well as rival. But the nature of

technology used makes them
a NATURAL MONOPOLY as AC falls
for long range of Quantities can
be priced using USER COST APPROACH
to recover costs.

- ④ Pure Private Goods: Goods like Bread
or Scooters by Scooters India should
be priced so as to extract a desired
minimum profit ratio ($P = AC + \text{Profit}$)
This is because they are not only
for profits and non-essentials.

The Pricing strategy by PSEs
should thus depend on nature of
output rather than populist pressures
as is seen in India.

E) Cambridge & Fisher money demand theories are very similar yet distinct in details.

CAMBRIDGE

① $M^d = k \times PY$
where 'k' is the proportion of nominal income held by individuals for transactions.

② 'k' is volatile and behavioral in nature.

③ It is a money demand equation

④ Formed basis for Friedman's theory of money demand & output equation.

⑤ Only Transactions

FISHER

① $M \times V = PY$
where V = Income velocity of money or the times a note turns over in a annum.

② This equation is a toxiom and 'v' can change

③ It is more of money supply side,

④ Formed basis of Classical Model's Aggregate Demand

$$\text{where } \Rightarrow PY = \frac{M \cdot V}{T}$$

⑤ Only Transactions

⑥ Explained with theory, how money supply increase will lead to equal rise in prices.

⑦ Neglected the use of money as store of value.

⑥ It was mechanical and did not have any economic explanation.

⑦ Also neglected money as store of value.

While Fisher's Equation was initially used by Classical economists, Cambridge version was an improvement over it.

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Q.2

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

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Endogenous Money Multiplier is the money multiplier of an economy in which currency-to-deposit ratio and extra reserved-to-deposit ratio are highly interest rate sensitive. As a result, money multiplier increases with interest rates, making transmission mechanism weak.

ENDOGENOUS MONEY SUPPLY

$$m = \frac{1 + \frac{CU}{D}}{\frac{R}{D} + \frac{ER}{D} + \frac{CU}{D}} \quad \text{where } R = \text{Required reserve ratio.}$$

$$\frac{CU}{D} = \text{Currency-Deposit ratio}$$

$$\frac{ER}{D} = \text{Extra Reserves-Deposit Ratio}$$

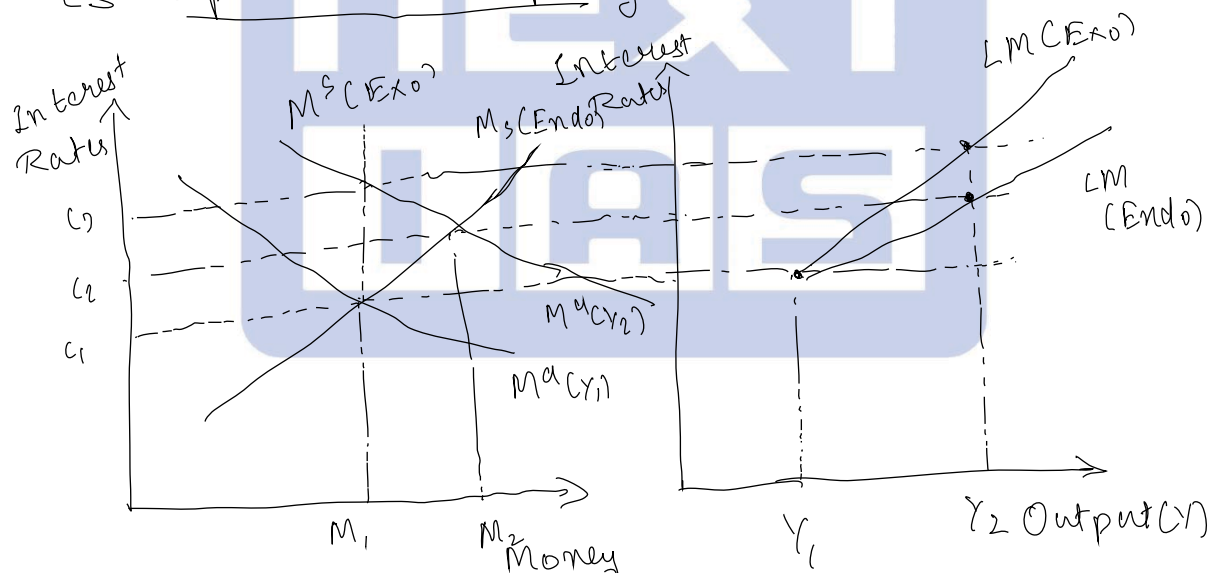
When CU/D is interest rate sensitive, it decreases with increase in prevailing interest rates as holding cash has higher opportunity cost.

Similarly, ER/D also decreases with an increase in interest rates as banks will rather lend the money.

Therefore, endogenous money multiplier increases with rise in interest rates.

LM SCHEDULE

In this case M^s (money supply) is upward sloping.

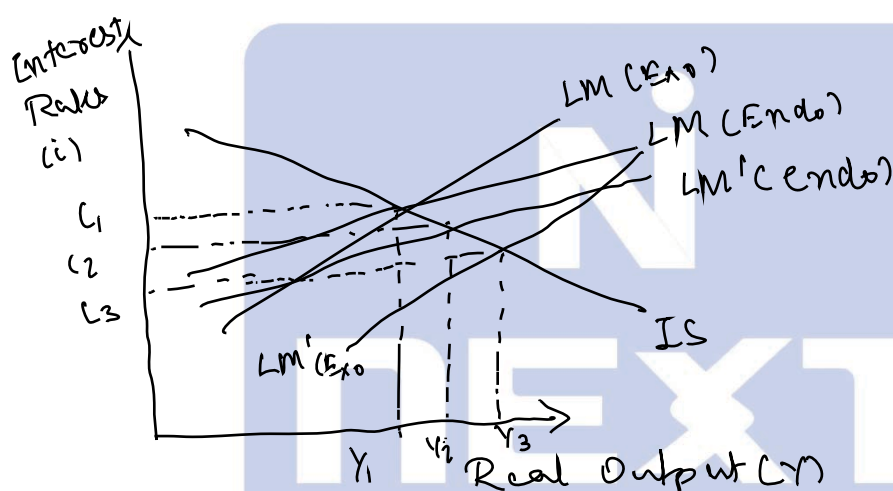


It is clear that under endogenous money supply, LM schedule is flatter than under exogenous money supply. This is mainly because an increase in interest rate results in an

increase in money supply also.

TRANSMISSION MECHANISM

It refers to the mechanism by which a change in money supply leads to change in real output (Y).



Because an expansion in monetary base under endogenous supply leads to smaller rightward shift in LM to $LM'(E_{x0})'$ money.

Also as excess supply results, more bonds are demanded, raising their prices and lowering yields. This increases speculative demand for money. However, money supply declines as interest rates fall and resultant increase in investment is less and Output grows to only Y_2 not Y_3 .

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- (b) Critically examine how Keynesian speculative demand for money is different from Cambridge incorporation of k ?

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Whereas, Cambridge equation of money demand did not consider speculative demand for money, Keynesian speculative demand was mainly about it.

DIFFERENCES

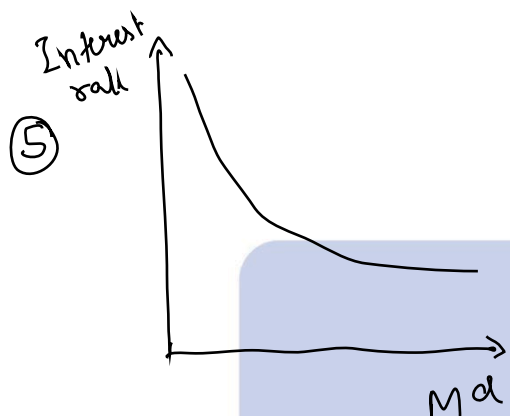
KEYNESIAN SPECULATIVE DEMAND

- ① It used individual's expectation of normal interest rates.
- ② Below normal interest rates, investor will hold money rather than bond in expectations of future rise in interest and capital losses in bonds.
- ③ It varies inversely with interest rates.

CAMBRIDGE 'K' INCORPORATION

- ① Interest rates had no impact on it.
- ② $M^d = K \times PY$ where 'K' showed the proportion of nominal income that an individual will hold for TRANSACTIONS only.
- ③ 'K' was volatile and not rigorously explained.

④ It linked the product and the money markets in Keynesian Model.



④ It only explained the Demand Side and could be used by policy makers to decide money supply.

⑤ Friedman used it to rigorously explain 'k' and make it an Output Equation

SIMILARITIES

- ① Both Keynesian & Cambridge recognised the transactions demand for money.
- ② None recognised the precautionary demand for money.
- ③ Both were volatile, making money demand unstable.

While Cambridge money demand 'k' depended on payment habits, Keynesian money demand did not.

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(c) What is the role of behavioral coefficients in money multiplier?

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Behavioural coefficients in money multiplier are currency to deposit (C/D) ratio which depends on non-bank public behaviour and Excess reserves to Deposit (ER/D) ratio, which depends on banks' behaviour.

Together they make money multiplier not perfectly controlled by monetary authorities.

MONEY MULTIPLIER

$$\text{Money Multiplier } (m) = \frac{1 + C/D}{\delta + ER/D + C/D} \quad \text{where } \delta = \text{Required reserve ratio}$$

Role of C/D

- ① As C/D rise, People are willing to hold more currency. This reduces the credit-creation in each round. Thus multiplier reduces.

- ② If people hold less currency,
Eg. on demonetisation, more
credit can be created and the
multiplier rises.

Role of ER/D

- ① As banks fear more defaults,
they increase ER/D and 'm' falls.
- ② During Demonetisation, excess
reserves rose sharply as banks
were flooded with deposits $\Rightarrow$ 'm' fell.
- ③ ER/D also depends on prevailing
interest rates and Reverse Repo Rate.
ER/D falls as former rises and
latter falls.

Monetary Authorities, thus have
to factor in this behaviour and
raise Monetary Base by larger amount
during depression, like Fed, did during
Global Financial Crisis.



Q.3

- (a) Explain the logic of pricing of club goods? Do you apply the same provision on merit goods? **15**

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- (b) How is pricing of public goods different from private goods? Are public utilities priced in same manner? 20

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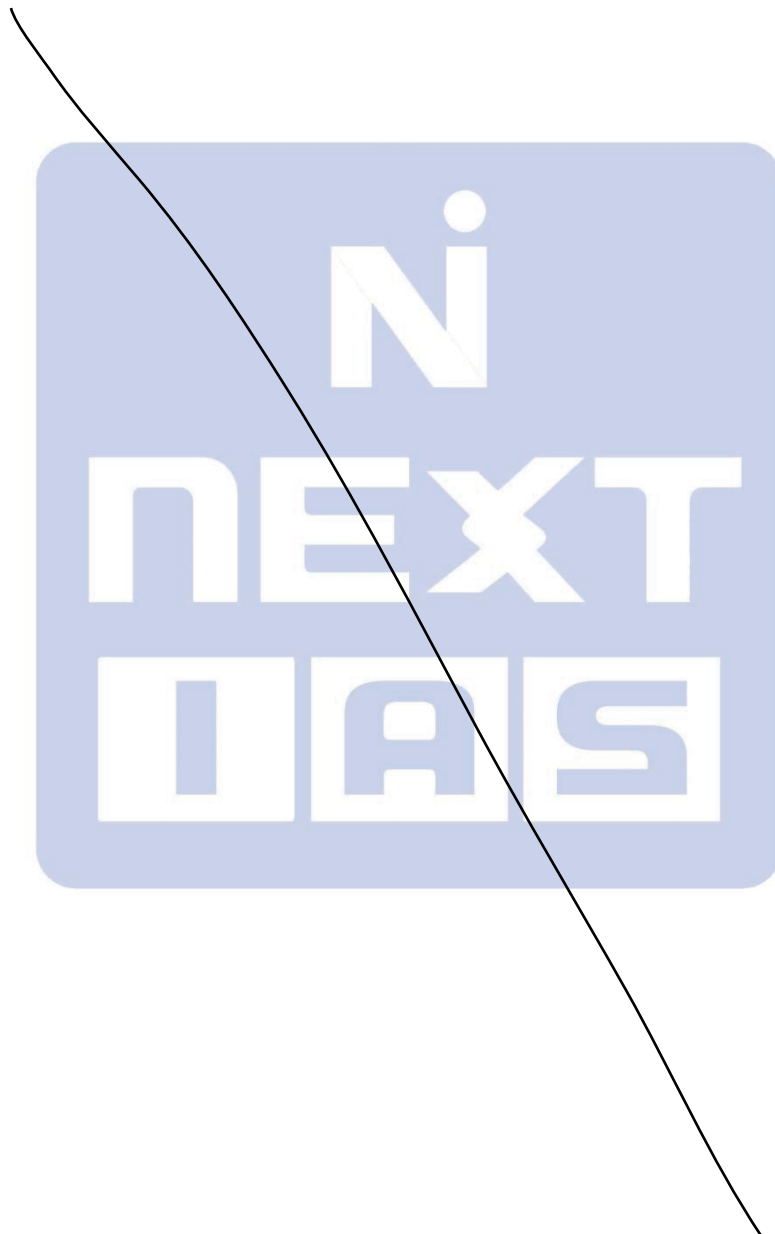
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- (c) How is efficiency achieved when property rights are defined and externalities have quasi linear preferences? 15

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Q.4

(a) Critically examine the functional utility of Pigouvian tax.

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- (b) Examine the distribution of burden of indirect tax between buyers and sellers. 20

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- (c) What is the impact of proportional tax on wage? Explain the burden offset. 15

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SECTION 'B' : INDIAN ECONOMY (1947-1991)

Q.5

Answer the following questions in about 150 words:

(10 × 5 = 50)

- (a) Examine how position of Indian economy at the time of independence affected India's choice of mixed economy.
- (b) What were the steps taken for agricultural development before 1966?
- (c) Explain Wage goods model.
- (d) Examine Gadgil's view on industrial development.
- (e) Explain the main provisions of Industrial policy resolution 1980. How was it different from that in 1956 ?

A At Independence, Indian economy was structurally weak, but had good private industry houses with good savings. Thus India chose a Mixed Economy model.

REASONS FOR MIXED ECONOMY

- ① Lack of entrepreneurial skills in the masses led state to take a larger role in investment from 2nd FYP.
- ② People were not trained in Capitalist system so therefore Socialist model was preferred which meant state would have COMMANDING HEIGHTS
- ③ Low Taxable Potential meant private sector resources could not be ignored.

- ④ India had good consumer goods industry of sugar, cotton and Jute which formed 63% of Value Added of Industry output.
- ⑤ Lack of Key, Basic & Heavy industry meant government need to invest big in these sectors. 90% of Capital goods were imported at independence
- ⑥ Private sector efficiency and its technical know-how was important
- ⑦ Agri culture was backward with 6% GCA using chemical fertilisers. Thus Industry - Agriculture linkages were must.

The mixed economic structure worked well for India with Private sector investment remaining at around 50% on an average from 1947-90.

B) At Independence, Agriculture was very backward with only 17% GCA with assured irrigation and only 11% GCA using modern seeds, that also for cash crops not food grains.

STEPS BEFORE 1966

Besides 1st Five year Plan, Agriculture was largely neglected by Policy Makers.

① 14% of ₹1900 cr planned expenditure of 1st Five Year Plan was in Agriculture.

This fell to just 5% in 2nd FYP

② Public Investments was largely in large dams, canals, rural electrification and cooperative movement.

③ LAND REFORMS : The Govt set out with 4 types of land reforms :

① Abolition of Intermediaries Act :
However only 13 states passed it till 1954.

(B) Tenancy Reforms: Max rent of 25% was fixed. However states changed this limit and also introduced Personal Cultivation Clause.

(C) Ceiling: 12 acres/person was imposed. Only 3% of overall land was brought under it.

(D) Consolidation: Only $\frac{1}{3}^{\text{rd}}$ of the consolidable land was consolidated.

In the absence of strong policy support and the failure of land reforms owing to lack of political will, Agriculture development faltered with per capita food production growing a meagre 0.06% p.a. It finally led to PL-400 type tied aid impinging on our sovereignty.

c) Vakil & Boahmama developed Wage-Goods model as an alternative to Mahalanobis's Heavy Industrialisation led growth model.

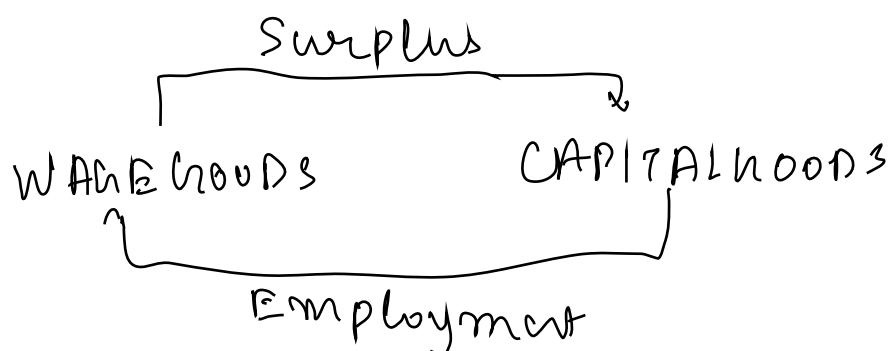
MODEL

There are 2 types of Capital:

- ① PUTTY CAPITAL: It is liquid in nature and has wide applications mainly in wage goods industry.
- ② CLAY CAPITAL: Capital that has very specific uses. Like heavy machineries.

Wage goods gap refers to the excess demand for necessary commodities like food, furniture, cloth, etc.

Vakil said, that as wage goods gap is filled and more and more labour is employed, incomes will grow and surplus will be generated.



RELEVANCE FOR INDIA

- ① Wage goods are Labour Intensive and thus create employment in a capital scarce India.
- ② Wage goods have high export demand and can help bridge BAL OF PAYMENTS GAP.
- ③ It needs less skilled labour. India had 16% literacy in 1951.
- ④ The surplus created could be used for Capital Goods Industries.

However, the model ignored the fact that India was food scarce, did not have even less capital and absence of Capital Goods industries would perpetuate DEPENDENCE.

D DR GRADHIL was an important figure in Indian economic liberalisation. Besides, his contribution in Centre - state financial devolution he also expressed views on Industrial Development.

He was a critic of planned Industrial growth especially Mehalanobis's model:

- ① High rural unemployment was failure of Planning
- ② Agriculture was starved of Capital
- ③ Further aggravated Income - Inequality as Industries were financed through private savings.

He suggested:

- ① Agriculture & countryside should be prioritised
- ② Plans must be followed by LAws for resource utilisation

- ③ Co-operatives must be encouraged.
Choi even reserved sugar licenses for
Co-operative sector.

INDUSTRY - LABOUR

He observed that:

- ① Wage differentials owing to factors
like Cost, etc.
- ② Large wage differentials between
management and workers.
- Radgil, was therefore in favour
of decentralised planning and industrial
growth to ensure trickle down.

E) Industrial Policy Resolution 1980 was a package of Pro-Business reforms to break the shackles of IPR-1956.

Provisions of IPR 1980

- ① MRTPA 1969 was significantly relaxed:
 - (A) Monopoly investment limits made stringent
 - (B) Up to 150% and up to 80% of licensed capacity can be produced
- ② 28 commodities were exempted from licensing requirements.
- ③ Significant increase in limits for licensing to be mandatory.
- ④ FERA was relaxed and exporters were allowed 3 weeks to repatriate earnings.
- ⑤ FERA now also allowed higher equity partnership from foreign firms.

- ⑥ Monopolies no more needed to take permission of MRTP Commission for operational decisions.
- ⑦ Import Duties were rationalised which were 250% on Avg in 1970.
- ⑧ Personal & Corporate Income Tax which was as high as 97% was rationalised.
- ⑨ Indirect Taxes, slabs were reduced. Overall, IPR 1980 created a pro-business environment, where existing industrial houses benefitted by expanding. This led to 7% p.a growth of industries in 1980-90.

- Q.6 (a) Explain the steps taken for improvement of small scale industries till 1991.

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Small scale industries (SSI's) have been an important component of India's post-independence growth story where their contribution in manufacturing sector grew from 9% in 1967 to 35% in 1991.

Evolution of SSI's

- ① In 1948 the Industrial Policy resolution, Cottage industry board was setup.
- ② In 1949 six different boards, VIB, KVIB, Handloom and handcrafts boards (Traditional Sector) and jute, silk etc (Modern Sector) were established for supervision.
- ③ In 1954 national SSI board was setup to manage overall policy matters.
- ④ In 1955 SSI development Organisation (SSIDO) was formed to provide machine on lease or purchase.

⑤ ^{Owing} ~~to~~ to inaccessibility of fund finances to SSI's, small industry development co. bank of India (SIDBI) was established in 1989.

⑥ In industrial policy resolution 1956, several commodities were reserved exclusively for SSI to save them from large industry competition.

This led to ~~large~~ perverse incentives to not use economy of scale by SSI's and finally these reservations were removed post 1991.

⑦ In 1966 Gadgil committee was the first time defined SSI as firm with fixed investment worth less than Rs. 75 lakhs and auxiliary industry as firm with investment less than Rs. 10 lakhs.

⑧ Role of SSI's.

① They provided complete use of local resources and creating employment in

remote and rural area.

- ② They contributed immensely towards export as 40% of total exports are by SSI's.
- ③ It promoted traditional Indian products as well as created income & augmentation opportunities.

Challenges.

However SSI's faced several challenges.

- ① Medium Scaled Industries, was not recognised till 2006, leading to low efficiency & employment.
- ② Poor access to finance along with remote location reduced market access.
- ③ They lack technological driven dynamism and used only 7-15% of capital compared to large industries.

These challenges were progressively resolved post-1991 and even via Atmanirbhar Bharat reforms.

(b) Examine the evolution of poverty measures in India till 1991.

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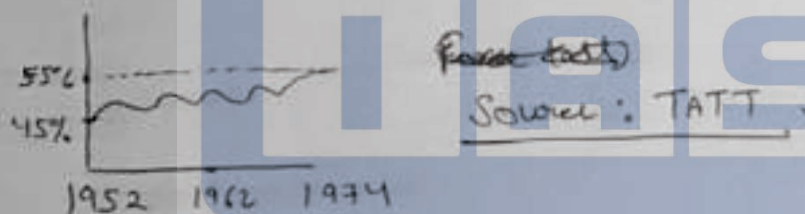
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Measurement of Poverty in India has been full of controversies since Independence & continues even today.

Evolution Of Poverty Measurement.

① Till 1972 there were no official poverty measurement. Private researchers like Dandekar & Rath. fixed poverty line at 2,250 Kcal/person/day in 1972.

② Between 1952 & 1970-1974, poverty varied cyclically with monsoon with a general upward trend:



③ In 1974 VK Bligh committee was setup which recommended calculating poverty line on basis of minimum calorie intake of 2100 Kcal/person/day in urban areas & 2400 Kcal/person/day for rural areas plus cost of clothing & shelter. In 1978 poverty was estimated at 55%.

nationally of which 44% in urban areas & 58% in rural areas.

④ In 1980 the poverty was estimated at just 18% using Alagh method. This led to setting up of Lakadwala committee.

⑤ Lakadwala committee gave the following recommendations

- a) Use of common national basket for poverty line instead of state specific baskets
- b) Use of price deflators based on state level prices rather than national
- c) Assigning weights to food, clothing (wholesale prices) & shelter (rental cost in states) & will as minimum expenses on health & education.

Therefore it included more than just calories to include health & education.

⑥ In 1993-94 poverty was estimated at 36% nationally with 22% in urban

areas & 38% in rural areas.

- ⑦ Tendulkar committee estimates for 1993-94 were higher at 45% nationally, 32% for urban and 50% for rural.

Reasons Of Controversies

- ① Poverty is very subjective measure with no clear cut definition.
- ② Lack of proper data collection and generation make estimation unreliable.

Poverty & ALLEVIATION Measures

- ⑧ In 5th five year plan, poverty removal became a goal and many employment generation schemes were launched like RLEGP & Jawahar Rozgar Yojna (JRY). Poverty was such a large issue that JRY spent 2600 crore rupees & generated 870 million workdays in 1991.

(c) Critically examine MRTP act.

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Monopolistic trade & Restrictive Practices Act (MRTPA) in 1969 was enacted to avoid concentration of economic power with few private sector players. But it resulted in choking industrial growth.

Provision of MRTPA 1969.

- ① Recognised national monopolies as firms with investment greater than Rs 20 crore and product monopolies as those with investment > Rs 3 crore along with market share > 25%.
- ② Established MRTP commission, whose permission was required by the above monopolies for operational decisions like price, quality & quantity.
- ③ A firm could produce not more than 120% of its licensed capacity & not less than 94%.

These restriction led to lack of competition & misreporting along with rent seeking.

Issues with MRTPA

- ① It restricted economies of scale which led to high cost production.
- ② Lack of competition rather than large sized of a firm led to restrictive trade practices & poor quality of the goods produced.
- ③ The industrial growth sharply ~~declined~~ declined to 4% pa b/w 1967 & 1980

Measures Taken

- ① In 1980 IPR, MRTPA was significantly relaxed with monopoly investment limit made 5 times.
- ② IPR 1980 also allowed to 150% of licensed capacity production.
- ③ MRTPA was repealed post 1991 and competition act was enacted which setup CCI in 2007.

MRTPA though reducing competitive ness of indian industries also helped to reduced concentration of economic power.

Q.7

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

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GDP growth in pre liberalisation era India was full of up's & down's with a good start and a good end -

Phases Of Growth

The period can be divided into 3 phases

1) Nehruvian Era (1947-1967)

	Five Year Plan	Growth Rate	Expected Growth Rate
1 st	1951-56	4.6% pa	2.1% pa
2 nd	1956-60	4.5% pa	4.2% pa
3 rd	1960-1966	3.3% pa	5% pa

The GDP growth was very high first (FYP) owing to pent-up demand and higher public investments in agriculture.

From Second (FYP) Mahalanobis model of public sector led heavy industrialisation was followed which increased growth industry to around 7% pa.

② Structural Retro Regression (1967-80)

Owing to external set-backs like wars, BOP crises and restrictive policies like MRTPA, FERA industrial growth faltered along with agriculture growth. ⑥

⑥ GDP growth was thru 3.5% pa

③ Revised Phase (1981-90)

The sixth (FYP) was consumption lead growth when GDP grew 5.3% pa. as excess capacity of fifth (FYP) lowered investment to 21.3%.

Seventh FYP was investment lead growth phase, boosted by deficit finance government investment which increased investment to 26% of GDP growth to 6.2% pa

Agriculture grew at 4% pa during this period.

However, high inflation, gulf wars & high

fiscal deficit (~~12%~~) (12% GDP) led to a DoP crisis in 1991.

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

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India embarked on a investment lead unbalanced growth model from 2nd FYP. and have increased saving substantially from 9% in 1947 to 22% in 1991. The investment grew from 11% to 26%.

Phases of Savings - Investment

- ① Slow growth phase (1951-1966)

Five Year Plan	Savings Rate	Investment Rate
1 st 1951-1956	11%	13%
2 nd 1956-1960	13%	16%
3 rd 1961-1966	14%	18%

Reasons for slow growth were

- lack of access to bank branches
- high marginal propensity to consume due to very low per capita income.
- Low taxable capacity
- high pent-up demand.

② High Growth Phase (1967-80)

The saving phase grew from 14% to 22%
while investment rate grew from 16% to 24%.

Reasons for High Growth.

- i) Bank Nationalisation & Spread of Regional Rural Banks helped mobilised savings.
- ii) Green Revolution Increased incomes.
- iii) high public expenditure increased disposable income.

③ Fall and Revival Phase (1981-90)

Five Year Plan	Saving Rate	Investment Rate
6 th (1981-85)	19%	21.3%
7 th (1986-90)	22%	26%

The consumption led sixth PYP led to fall in savings & investment also easy access of credit & equity capital.

The investment led 7th PYP created avenues for stock market participation.

and thus increased saving. The end of excess capacity increased; investment rates

Features of S-I trends..

- ① Most of the investments were ~~financed~~ financed from domestic savings. Only 2% were from foreign aid.
- ② Both public & private sector played important imp role in investment. From 80% in 1947, public sector share fell to 35% in 1970's, to finally settle at 53% in 1991.
- ③ Inflation was mostly kept under control by administered prices.
- ④ Incremental - Capital Output ratio (ICOR) was 4 for India due to very low K/L ratio rather than high efficiency.

Unlike other developing countries, India could increase its saving - Investment ratios significantly but the poor quality of Investment led to poor growth.

- (c) Explain how yellow revolution emerged from the throes of green revolution but they were not identical.

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Candidates
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on this margin

Yellow Revolution & Green Revolution were technological revolution that took place in pre-liberalized India & forever more revolutionized Indian Agriculture

Factors Leading Yellow Revolution:

- ① Using seeds that suited local condition.
- ② 9 oilseeds were focused in Gujarat, Maharashtra, Rajasthan, MP etc.
- ③ Using chemical fertilizers & pesticides
- ④ Using National Boards like National Dairy Commission to spread info. about high value returns.

Need of Yellow Revolution:

Oil seeds became an industrial raw material & domestic ^{demand} soared after hydrogenation of oil became common.

IMPACT:

Oil seed production grew ^{from} 9 MMT in 1979 to 12 MMT in 1984 & further to

24 MMT in 1994 and Plateaued thereafter

GREEN Revolution Vs Yellow Revolution

- ① Whereas farmer used high yielding varieties (HYV) of seeds. The latter did not.
- ② The industry-agriculture linkages developed during green revolution helped provide chemical inputs to yellow revolution.
- ③ Whereas farmer was mainly concentrated in well irrigated areas of N-W INDIA latter was mainly in dry lands.
- ④ While min. support prices were setup for wheat & rice they were disfunctional for oil seeds.
- ⑤ While green revolution made india self-sufficient in food grain. India still import 60% of its edible oil demand currently.
Therefore yellow revolution was much less successful than green revolution.