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New DelhiThe government should pay attention to the supply side in the same measure as it has been focusing on raising demand as part of its fiscal policy, economic think-tank National Council of Applied Economic Research has said

"The fiscal measures should not be merely focused on increasing demand.... it is equally important to have supply side interventions," NCAER said in its monthly report.

The council opined that tax cuts or enhanced government spending does not automatically translate into heightened economic activity. On December 7, the government announced the first stimulus package which included an across-the-board excise duty cut of 4% and an additional public expenditure of Rs 20,000 crore.

Though accepting improvement in demand from such fiscal measures does encourage investments, NCAER advocated supply side interventions. One of the measures it suggested is to improve availability of major inputs like electricity, transportation networks and key services that lead to cost reduction.

"These measures would include investments to ensure improved supplies and encouragement to investors who provide the services at a lower cost," NCAER said.

The research body said that India's current crisis of growth is the result of weakening external links. Besides, it added that even the internal sources of demand have also begun to look vulnerable to the same set of forces.