

Pestel analysis of the steel industry economics essay



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Indian steel is doing well from many years. Steel industry is contributing near about 1.2% in the total GDP. Because of the industrial growth and other important developments happening all over the world the so rapid rise in demand of the steel is observed in this sector. The major players in the steel industry are SAIL (Steel Authority of India.) TATA STEEL and ESSAR STEEL. Indian steel mainly contributes in the finished steels, semi-finished steel, pig iron and stainless steel. Private sector plays very important role in the Indian steel industry. The private sector in the steel industry contributes approximately 2/3rd of the total market of the steel. With the growing position steel industry is supporting in the continuous growth in the economic.

Asian countries are in the lead with the production of the steel, china is the top producer among the Asian countries which are contributing high a supply of the steel in the international market. 419million ton of the steel is produced only in the china. In past 6 years there are many acquisitions and mergers are happening in the steel industry. May be this could be the one of the reasons behind this tremendous growth globally. After the china country, Japan, India, and South Korea. India is contributing total of the 53million ton steel in global market. The japan is producing only 9% of the steel which is contributed to the global steel market. India is also one of the major counties in the production of the steel. The east, south, and west regions are important for the steel industry in India. The rapid expansion is expected in the east region, Orissa because the availability of the superior raw material. In India because the vast availability of resources and major industry players India is enjoying the boom in this sector which are responsible of the growth

in the GDP according to the survey which is done by the DEUTSHE BANK where the analysis is done with detailed survey of 34 economies in nation. It is observed that India will enjoy the average growth of 5.5% in between the year 2006 to year 2010. The average is observed for the, where as 5.4% to the Malaysia. The opening up the economies in the global market is responsible for the high investment in the industry sector where lots of acquisitions and mergers are happening in the industry. The PESTEL ANALYSIS of the industry is divided into five parts which can be discussed as follows:

P- political analysis

E-economic analysis

S- socio -culture analysis

T-technological analysis

E-environmental analysis

L-legal analysis.

POLITICAL ANALYSIS:

Political analysis includes the factors which can influence the business. It is included the political factor which includes the policy offered by the government to the specific sector. Here for this sector government introduces the National Steel Policy. The main aim for the introduction of this policy is to fill the gap between the demand and supply of the steel. To maximize the production is also main activity is designed under this policy.

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To increase the production up to million ton is also the main objective of the policy.

Under this policy the special incentives are designed for the steel sector. Incentives like the cut in the duty, zero duty on imports, provision of the land and other infrastructural facilities are the facilities provided for the steel sector. Under this policy the government is encourage to the use the full opportunities available in the PUBLIC AND PRIVATE PATNERSHIP (PPP). With the growing industry the government is increased the sales tax from the 15%to 20% where as 75% FDI (foreign direct investment) is allowed in the industry this scheme also provides the various concessions in the custom duties. Though there is a rise in the infrastructure facilities in the country but considering the steel industry the present condition of the infrastructure is not sufficient in the nature . because of the lack in infrastructure steel industry is facing many problems

ECONOMICAL ANALYSIS:

STEEL industry is concern to be a very booming industry from past decades. Opening up with the various economies the foreign direct investment is the happened in this sector the various foreign players are interested to invest in the country. Under the various economies schemes there is permission in advance licensing scheme which allows the duty free imports of raw material for exports. But, with the boom in the industry GDP is rising at very slow rate. The steel industry is also facing the problem of the subprime crisis occurs in the united states before 15 months. Because of the subprime crisis there is ill effect occurs in the automobile industry, infrastructure and other

business which are related with the steel industry. There is huge gap between the demand and the supply of the steel in the society.

SOCIO- CULTURE:

The socio culture is one of the important aspect in the analysis of the industry it describes the impact of the particular industry on the society.

Likewise the steel industry also give the encouragement to the permanent employment to the people but on the other hand it divides the area in to the rural and urban sector because the industry is only in the particular area only which leads to the particular development of that area only and not overall the development . because of the working conditions the people which are employed in the steel industry faced many health problems which are incurable in the nature and many industries are not paying the attention on the health of the employees. Any kind of the allowances are not given to the employees. Steel industry is also responsible for the development in the rural sector which leads to the rise in the standard of the living of the people.

TECHNICAL:

The traditional technologies are being used from many years in the industry.

There is no innovation in the use of the technique in the production process.

The Tata steel is developing the same technique is by which the encouragement is given to the trading of the steel. Tata and sail introduces the online trading of the steel. Only the electric furnace is being used now days in the production process but because of the fluctuations in the energy there is wastage in the raw material. The basic technologies are used in the production process are basic arc, induction furnace and electric furnace

which are outdated in the nature. Sail the one of the leading steel industry
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India is planning to set up a plan with PASCO for using the latest technology named 'FINEX'.

ENVIRONMENTAL:

Though the steel industry is encouraging the many sectors and the encouraging the development it is creating the unfavorable environment in the nature. The all leading industries are following the environmental acts which are declared by the governments, though it is creating very bad impact on the environment. Many industries are using the pollution control equipment and energy saving equipment but that is not sufficient in the nature. The least importance is given to the environmental aspect. But the Tata steel is encouraging the ecofriendly system, to reduce the emission the co2 gas during the production process. Tata is developing the Ultra-Low Carbon steel making where there will be reduction in the environmental loss.

LEGAL:

Government is introducing the various rules and regulations of this particular industry. The government is about to paying the more attention in the health policies of the employees which are working with the steel industry. Special health incentives and rules are introduced in the steel industry.

Conclusion:

From above discussion and surveys we come to know about how the pestel analysis is done in the industry we also come to know about the political, economic, and technical aspect are important for the development of the particular industry if these factors are not in the supporting in the favor of the industry then the industry may face some consequences.

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