

Impact of Globalization on Iron & Steel Company

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Abstract :

Steel is one of the world's most essential materials. Steel is strong, versatile and most importantly, it is infinitely recyclable. Iron is the second most abundant metal on Earth, first being the Magnesium and is one of the oldest inventions in the history. Steel has played a vital role in the development of modern human civilization. Prior to 1991, the two major steel units, SAIL and Tata Steel, enjoyed over 60 % of market share. In the later period SAIL's share decreased and other private players gained from it, but Tata steel could retain its market share at approximately 10 %. Industrial reforms have been the central focus of India's economic reforms. The economic development in the globalised era has been multifaceted. Globalization has now integrated Indian economy with the world economy in several parameters and proved that trade and growth indeed matter. Indian Iron and steel industry contributes appreciably to overall growth and development of the economy. Indian Steel Industry today directly contributes two percent of India's Gross Domestic Product.

Keywords: economic development, Steel Industry, suo moto, recyclable, GDP

Introduction:

The economic reforms in 1991 fundamentally altered the development strategy and shift from the traditional to the liberalisation that is known as Globalization also known as economic reforms, is effected the all dimension of the society such as economic, political, social etc. Iron and steel company is also impacted by this shift of globalization.

Steel is one of the world's most essential materials. Steel is strong, versatile and most importantly, it is infinitely recyclable. Iron is the second most abundant metal on Earth, first being the Magnesium and is one of the oldest inventions in the history. It was first reported in

4000 BC. Steel is crucial for the development of any modern economy and works as backbone of human civilization. Steel is a cornerstone and key driver for the world's economy (Walters, 2012). Per capita consumption of steel is used as an important index of the level of socio-economic development and living standards of the people in the country.

Steel has played a vital role in the development of modern human civilization. Steel plays a significant role especially in the development of developing economy. Per capita consumption of steel is used as an indicator of socio-economic development of the country as well as an indicator of standard of living of its people. Economic growth of India depends upon the growth of the Indian steel industry. Steel continues to be used in traditional sectors such as construction, housing and ground transportation, special steels has been increasingly used in engineering industries such as power generation, petrochemicals and fertilisers (Planning Commission, 2009). Currently, India is the 4th largest producer of crude steel in the world and is expected to become the 2nd largest producer of crude steel soon. The steel sector of India employs over six lakh of people & contributes nearly 2% in the country's GDP.

Prior to 1991, the two major steel units, SAIL and Tata Steel, enjoyed over 60 % of market share. In the later period SAIL's share decreased from 49 % to 22 % and other private players gained from it, but Tata steel could retain its market share at approximately 10 %.

The primary mission of Indian Bureau of Mines is to promote systematic and scientific development of mineral resources of the country, through regulatory inspections of the mines, approval of mining plans and environment management plans to ensure minimal adverse impact on environment include:

- To conduct regulatory inspections of mines under the statute;
- To approve mining plans, schemes and mine closure plans having regard to conservation of minerals and protection of environment;
- To play a pro-active role in minimising adverse impact of mining on environment by undertaking environmental assessment studies on regional basis;
- To promote awareness about restoration and rehabilitation of mined out areas through exhibitions and audiovisual media;
- To advise the Government on matters in regard to the mineral industry , relating to environment protection and pollution control, export and import policies, trade, mineral legislation, fiscal incentives and related matters;

- To conduct suo moto techno-economic field studies in mining , geology, mineral processing and environmental aspects including analysis of ore and minerals and to promote R & D activities in these areas;
- To provide technical consultancy services on promotional basis within the country and abroad in the field of mining , geology, mineral processing and environment;
- To collect, collate and maintain database on exploration, prospecting, mines and minerals and to bring out publications / bulletins highlighting the problems and prospects of mining industry;
- To provide training to the scientific, technical and other cadres of the department and persons from the mining industry and other agencies for human resource development.

Some milestones in iron and steel in Indian history¹

326 BC	Porus presented Alexander 30 lbs of Indian iron
300 BC	Kautilya (Chanakya) showed knowledge of minerals, including iron ores, and the art of extracting metals in 'Arthshastra'.
320 AD	A 16-meter Iron pillar erected at Dhar, ancient capital of Malwa (near Indore).
330-380 AD	Iron pillar in memory of Chandragupta II erected near Delhi. This solid shaft of wrought iron is about 8 meters in height and has diameter from 0.32 m to 0.46 m.
13th century	Massive iron beams used in the construction of the Sun temple, Konark
16th century	Indian steel known as 'Wootz' of watery appearance used in the Middle East and Europe
17th century	Manufacture of cannons, firearms and swords and agricultural implements 1830 Suspension bridge built over the Beas at Saugor with iron from Tendulkhama (MP). JM Heath built iron smelter at Porto Nova, Madras Presidency
1870	Bengal Iron works established at Kulti
1907	Tata Iron & Steel Company formed
1953	Indian Government entered into agreement with Krupp Demag, Federal Republic of Germany to set up steel plant at Rourkela

1960	Alloy steels plant installed at Durgapur
1965	Government of India signed agreement to establish steel plant at Bokaro
1973	Steel Authority of India Limited formed on 24th January
2006	IISCO merged with SAIL. Renamed IISCO Steel Plant.

Sources: Steel Authority of India Limited

Industrial reforms have been the central focus of India's economic reforms. After globalization in 1990s private sectors begin production and also increased their significantly, with this, India witnessed a significant increase in production and it ascended to the fourth position in 2013 in world crude steel production from 10th position in 1995, and now become the 2nd largest producer of raw steel in the world after china.² The growth rate has been 5%, second after China. While most of the 10 products showed negative growth, their output declined from 2012 level of production.

The provisions of the New Economic Policy of 1990's impacted the steel industry of India in following ways:³

1. Iron and steel industry was removed from the list of industries reserved for the public sector and was exempted from the provisions of compulsory licensing under the Industries (Development and Regulation) Act, 1951.
2. Iron and steel industry was included in the list of 'high priority' industries for automatic approval for foreign equity investment up to 51% which has increased to 100% since then.
3. Pricing and distribution of steel were deregulated, ensuring the priority for meeting the requirements of small scale industries, exporters of engineering goods and North Eastern Region, besides strategic sectors such as Defense and Railways.
4. Iron and steel import was liberalized by removal of import licensing, foreign exchange release and lowering of import duty.
5. Export of iron and steel items has also been freely allowed.
6. Import duty on capital goods and raw materials for steel production were reduced.

7. Freight equalization scheme was withdrawn.

After the economic reform, Indian economy opened up new channels for steel manufacturers. Globalization of the economy helped them in procuring raw materials and other inputs at competitive rates from overseas markets and in finding new markets for their products. It also helped in understanding the global operations/techniques of steel manufacturing. Domestic players enhanced their efficiency to become internationally competitive.

The National Steel Policy 2005 was formulated when the Indian steel industry was moving with high growth rate showing promises of a significant resurgence. It was aimed to make Indian steel industry as self reliant nternationally competitive industry and to established Indian steel industry as a modern and efficient steel industry that can cater diversified steel demand. NSP 2005 aimed to remove the bottlenecks in the availability of inputs, investment in research & development and development of infrastructure. The policy envisages steel production to reach at 110 MT by 2019-20 with annual growth rate of 7.3 percent (Ministry of steel, 2005).

However, the Indian economy experienced a paradigm shift with the actual performance of the economy with the Indian steel industry surpassing the projected levels of performance. Steel consumption grew by 10% per annum from 2005-06 to 2011-12 with growth in the production at an annual rate of 7.8% during the same period thereby surpassing the NSP 2005 projections by a significant margin.⁴ Therefore, National Steel Policy was needed to be dynamic. Taking into consideration the changing needs of the industry in view of significant changes in the domestic and

The Government of India decided to formulate National Steel Policy 2012 (NSP 2012) to reach crude steel production capacity level of 300 million tonnes by 2025-26 and to meet the domestic demand fully and to achieve a projected production level of 275 million tonnes by 2025-26.⁵

The quantity of finished steel produced (alloy & non alloy) increased significantly and research to 69 million tons in 2010-11 from eight million tons in 1980s. By 2010-11, the quantity of both export and import of steel also increased, which was almost zero in 1980s.

The globalised era witnessed a swap of roles between public sector and private sector steel companies prior to 1990; private sector share in steel production was just 35%, which was increased to 76% and public sector's share declined to 24% from 65%.

Crude Steel Production in Public and Private Sector in India

(in million tonnes)

Year	Public sector	Private sector	Total production	Share of public
2003-04	15.788	22.939	38.727	41 %
2004-05	15.912	27.525	43.437	36 %
2005-06	16.964	29.496	46.46	36 %
2006-07	17.003	33.814	50.817	33 %
2007-08	17.09	36.77	53.86	32 %
2008-09	16.37	42.07	58.44	28 %
2009-10	16.71	49.13	65.84	25 %
2010-11	16.99	53.68	70.67	24 %
2011-12	16.48	57.81	74.29	22 %
2012-13	16.48	61.94	78.42	21%
2013-14	16.77	64.92	81.69	21%

Source: Various Annual Reports, Ministry of Steel, (GOI)

Globalization has enabled steel industries to induct modern technology in the production processes and thus reduce wastage and increase yield. The industries now utilize low grade coal and fine ore (Blue dust) for production, which was not possible with inferior technology. This has helped to increase productivity and also mass-production in existing units. Fig. Indicates the increasing trend in the use of electric is furnaces for production. Currently, over 40% of steel mills use electric is furnaces as against 20% in 1980. however, basic oxygen furnances still dominate with a 50% share. The share of open Health furnaces had now come down to 6% from 59% in 1980s. It shows the leap of technological development of Indian Steel Industries.

Much like the overall trend of declining employment in India economy and industries, after globalization, steel sectors aloes experienced a fall in employment compared to pre-

globalised era. Employment growth was negative during 1991-2006 as against the positive growth of .35% during 1975-91.

The preceding discussion on the development of Indian industries brings out two important outcomes of the reform. The policies adopted in 1960s-70s had resulted in depending the crises in industrial development, particularly steel industry. Firstly, the government policy of regulating price and keeping it below the world level through heavy exercise duties had hampered the steel industry. It created bottlenecks in maintaining efficiency, low cost, quality and product range, Secondly, restriction on the entry of private companies and expansion of existing plants further aggravated the already grim situation. Even the Birlas, a family business house, who had maintained good terms with congress government, was not allowed entry in steel making. The prevailing disappointment and resentment among industrialist against the restrictions on expansion could be seen in following statement by J.R.D in 1970.

A city like Jamshedpur, with its high developed and experienced management and operational skills and large township, could support a much greater rate of production than a mere two million tonnes of steel ingots a year. Thus the country's larger interests are being sacrificed at the altar of ideological dogma.

The country's large interests were sought to be achieved through the new economic reforms. Globalization blew as a fresh breeze on Indian industrial landscape and allowed enterprises to breathe fresh air in the open and provided opportunities to grow according their capacities and accumulate wealth for further expansion. Reform has been enormously beneficial for Indian economy and industry and has helped the Indian economy and industry particularly steel industry to grow more than five times in last two decades. After reforms the private steel industry showed impressive performance and India became the fourth largest steel producer in the world by showing an impressive growth of five % per annum.

Rapid industrial development as envisaged by Indian policy makers could not have materialized without adequate investment and appropriate technology. Globalization has enabled Indian industries to expand and modernise through foreign direct investment and induction of new technology. It also helped to eliminate the trust deficit between the private sector and the

government, which had remained unattended for ideological reasons since independence, and especially in the 1960s-70s.⁶

The economic development in the globalised era has been multifaceted. Globalization has now integrated Indian economy with the world economy in several parameters and proved that trade and growth indeed matter. But it cannot be said that all is well with this model of development. In the Indian context, higher growth could not generate enough employment and the employment so generated if any was lacking the quality aspect. It is worth nothing here that the industries that registered the highest growth in the production like steel industry, showed only negative growth in employment in the post reform period. Such development is not suitable in the long run. This point must be given due weight in the plans and programmes for future development.

The drastic changes occurred in globalised era brought mass restructuring in several dimensions at the firm level. It is worth nothing that restructuring and the consequent cost-cutting and labour saving measures have created series diaquiet among workers which often erupted bin to violence, particularly in modern auto industries. In contrast, Tata Steel Jamshedpur adopted all these strategies for restructuring without any labour unrest. It is not fiction, but fact that Tata steel could make it possible against several odds. It is a moot point whether it can be used to bench-mark/evaluate others.

Indian Iron and steel industry contributes appreciably to overall growth and development of the economy. Indian Steel Industry today directly contributes two percent of India's Gross Domestic Product (GDP) and its weightage in the official Index of Industrial Production (IIP) is 6.2 per cent.⁷ Globally, India has become the world's fourth largest producer of crude steel preceded only by China, Japan and USA.

Conclusion :

In recent time steel industry is one of the fastest growing industry in India and as well as in the world. The purpose of the study is to evaluate the actual condition and trend of steel industry in India. Result of the study found that India has all potential to become top producer of steel in near future. The steady growth of production and consumption indicates that India has set a higher growth path by the end of the decade. The Growth rate of production, consumption and

foreign trade shows an impressive picture of the development of the industry for the study period. Steel Industry is very much strategic for the development of an economy. Crude steel production in India has risen during the last decades but still there is a need to further hastened the production of crude steel in the country to cope with the demand of steel in the future. Public sector enterprises should increase their role in the production of steel. Installed capacity should be increased and companies should utilize that increased capacity. Industry required infrastructural development with the help of government as well as private and foreign direct investment.

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