

# Global Capability Centres (GCCs) in India - Opportunities and Challenges

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## Global Capability Centres (GCCs) Latest News

- India has emerged as a **hub for Global Capability Centres (GCCs)** with nearly 1,600 centres of multinational companies operating in diverse sectors.
- While GCCs contribute significantly to India's services exports and generate employment, **concerns are rising** about their long-term impact on the domestic IT services sector, innovation ecosystem, and intellectual property (IP) creation.

## What are GCCs?

- GCCs are **fully-owned, strategic offshore units of multinational corporations (MNCs)** established in talent-rich, cost-effective locations to provide specialized functions like IT, finance, R&D, and customer service.

- Initially focused on cost savings and back-office support, GCCs have evolved into **innovation hubs and centers of excellence**.
- **They drive product development** and complex business processes, adding significant value to the parent organization.
- **Key benefits** include access to diverse global talent, operational efficiency, enhanced control, and fostering innovation.

## GCCs in India

- India is home to **over 1600 GCCs**, employing 1.9 million professionals and generating \$64.6 billion in revenue as of 2024.
- **Key GCC hubs** are located in Bengaluru, Hyderabad, Pune, Chennai, Mumbai, and the National Capital Region (NCR).
- **The sector is projected to expand** to \$105 billion by 2030, with around 2,400 GCCs employing over 2.8 million people, solidifying India's role as a global hub for enterprise operations and innovation.

## Growth of GCCs in India

- India is now a center for high-value technology-driven solutions, with GCCs accounting for –
  - ~40% of digital transformation projects.
  - ~20% of the world's chip designers.
  - ~40% of India's services exports, second only to IT services.
- **Major companies** like Amazon (Hyderabad) and Goldman Sachs (Bengaluru and Hyderabad) have set up their largest global offices in India.
- Thus, **India is becoming for services what China is for tech hardware**.

## Factors Driving GCC Expansion

- **Large talent pool:** Of engineers and STEM graduates.
- **Cost advantage:** Relatively cheaper labour, real estate, and rentals.
- **Favourable regulations:** Simpler labour laws and longer working hours.
- **Global digitalisation:** Demand for R&D, data analytics, and design outsourcing.

## Concerns and Challenges

- **Impact on IT services sector:**
  - GCCs **overlap** with the traditional IT outsourcing model, threatening revenue streams of IT firms.
  - Possibility of **zero-sum game** – GCC gains may offset IT sector losses.
- **Nature of work:**
  - Most GCCs focus on **outsourcable**, fungible tasks, not high-end innovation.
  - **Lack of core technology functions** and CTO-level presence in India.
  - **Very limited IP creation** and patent registration in Indian entities.
- **Quality of jobs:**

- Trend of hiring **lower-paid** science graduates instead of engineers.
- **Risk of AI tools** replacing low-skill functions performed in GCCs.
- **Policy dilemmas:**
  - **Balancing** GCC promotion with protection of the domestic IT ecosystem.
  - **Addressing risk** of backlash from global markets, similar to China's manufacturing rise.

## Government Response

- Push towards making India a '**Product Nation**' by upgrading work quality.
- Exploring mandatory **IP localisation** requirements for foreign companies (Design Linked Incentive [DLI] scheme 2.0 for chip design).
- **Encouraging IT firms** to incubate GCC-like models to remain competitive.

## Conclusion

- India must **move beyond cost arbitrage** to high-value, innovation-driven work. **Policy support should encourage R&D**, patent ownership, and localisation of IP.
- **Reskilling the workforce in AI**, advanced digital technologies, and semiconductor design is crucial.
- **GCCs can be an asset** if they evolve into centres of core functions and innovation, rather than mere backoffices.

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