



India's New Economic Brain Power

For Prelims: [Global Capability Centers \(GCCs\)](#), [Multinational Corporations \(MNCs\)](#), [artificial intelligence/machine learning](#), [research and development](#)

For Mains: About Global Capability Centers (GCCs), their impacts and present status, Major shifts in the Indian Economy due to the rise of GCCs

Source: ET

Why in News?

In recent years, India's transformation from a back-office service provider to a **strategic intellectual hub** for [Multinational Corporations \(MNCs\)](#) has been driven by the rise of [Global Capability Centers \(GCCs\)](#).

- GCCs are **offshore units** established by MNCs to perform strategic functions using specialised talent, cost advantages, and operational efficiencies in different locations worldwide.

What are the Major Shifts in the Indian Economy due to the Rise of GCCs?

- **From Back-Office to Strategic Partner:**
 - Traditionally, in the 1990s and 2000s India's role in the global economy was primarily focused on **back-office functions** like telemarketing and data entry.
 - However, they have now expanded into **complex tasks like R&D, analytics, [artificial intelligence/machine learning](#), robotic process automation** and product development, positioning India as a vital contributor to the global innovation ecosystem.
- **Skill Development and Talent Pool Evolution:**
 - The demand for skilled professionals by GCCs is driving a revamp of India's education and training system.
 - Educational institutions are focusing on developing skills in [STEM fields \(Science, Technology, Engineering, and Mathematics\)](#) along with critical thinking and problem-solving abilities to meet the evolving needs of GCCs.
- **Innovation and Knowledge Economy:**
 - GCCs are not just replicating tasks but also becoming [innovation hubs](#) for their parent companies.
 - This fosters a **culture of [research and development](#)** within India, leading to the creation of new technologies and solutions.
 - The **knowledge transfer from MNCs to the Indian workforce** further fuels innovation

and strengthens India's position in the knowledge economy.

▪ **Job Market Transformation:**

- GCCs are creating high-paying jobs in various sectors beyond traditional IT services.
- This shift is attracting a **wider range of talent, including engineers, data scientists, and financial analysts.**
- The rise of GCCs offers better career prospects and contributes to an **overall improvement in living standards** for skilled professionals.

▪ **Evolving IT Landscape:**

- The presence of GCCs is driving investments in **cutting-edge technologies** like artificial intelligence, cloud computing, and **big data analytics.**
- This focus on **advanced technologies** positions India as a leader in the global IT services market.

▪ **Increased Global Competitiveness:**

- The rise of GCCs showcases India's capabilities on the international stage.
- MNCs are increasingly **recognizing the talent and cost-efficiency advantages** offered by India.
- This is attracting further **foreign investment** and propelling India's competitiveness in the global knowledge economy.

▪ What are Global Capability Centers (GCCs)?

◦ **About:**

- Global Capability Centers (GCCs), also known as Global In-House Centers (GICs), are strategic outposts established by [multinational corporations \(MNCs\)](#) in countries around the world.
- Operating as internal entities within the global corporate framework, these centres **offer specialised capabilities including IT services, research** and development, customer support, and various other business functions.

◦ **Examples of GCCs:**

- General Electric (GE) has a large GCC in Bangalore, focused on R&D and engineering for its aviation and healthcare businesses.
- **Nestle** has established a **GCC in Lausanne, Switzerland**, dedicated to product development and innovation for its food and beverage brands.

◦ **Present Status:**

- In 2022–23, around 1,600 GCCs made up a market of USD 46 billion, employing 1.7 million people.
- Within GCCs, professional and consulting services are the fastest-growing segment despite only accounting for 25% of India's [services exports](#).
- Their compounded annual growth rate (CAGR) of 31% over the last four years significantly outpaces computer services (16% CAGR) and R&D services (13% CAGR).

◦ Benefits of GCCs:

- **Cost Efficiency:** Setting up a GCC in a country with **lower operational costs** can

provide significant savings for the MNC.

- **Operational Efficiency:** GCCs can handle specific functions, freeing up headquarters resources to focus on core business strategies.
 - **Market Access:** GCCs can provide valuable insights into local markets, **customer preferences, and regulatory environments**, enabling the MNC to adapt its offerings and strategies for regional success.
- **Impact on Local Economies:**
- GCCs create high-skilled jobs in the host country, boosting the local economy and knowledge base.
 - They contribute to [knowledge transfer and technology adoption](#) within the host country.
 - GCCs can also act as a **catalyst for further foreign investment** by demonstrating the country's skilled workforce and business environment.

Conclusion

The rise of GCCs signifies a significant shift in India's role within the global economy. By leveraging its intellectual capital, India is transforming from a service provider to a strategic partner for MNCs. This trend is poised to have a lasting impact on both India's economic development and the global tech landscape.

Drishti Mains Question:

Q. What are Global Capability Centers (GCCs)? Discuss the major shifts in the Indian Economy due to the rise of GCCs.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic? (2020)

- (a) It is the investment through capital instruments essentially in a listed company.
- (b) It is a largely non-debt-creating capital flow.
- (c) It is the investment that involves debt-servicing.
- (d) It is the investment made by foreign institutional investors in Government securities.

Ans: (b)

Q. Consider the following: (2021)

1. Foreign currency convertible bonds
2. Foreign institutional investment with certain conditions
3. Global depository receipts
4. Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?

- (a) 1, 2 and 3
- (b) 3 only

(c) 2 and 4

(d) 1 and 4

Ans: (a)

Mains

Q1. “The broader aims and objectives of WTO are to manage and promote international trade in the era of globalization. But the Doha round of negotiations seems doomed due to differences between the developed and the developing countries.” Discuss from the Indian perspective. **(2016)**

Q2. What are the key areas of reform if the WTO has to survive in the present context of the ‘Trade War’, especially keeping in mind the interest of India? **(2018)**

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