Promoting Global Capability Centres in India

For Prelims: **Confederation of Indian Industries**, **Global Capability Centres**, **Gross Value Addition**, **Intellectual Property**, **Semiconductor**.

For Mains: Role of Global Capability Centres in India's Economic Development

Source: IE

Why in News?

The **Confederation of Indian Industries (CII)** suggested a **framework** for a **National Global Capability Centres (GCCs) Policy**, that can position India as the **global headquarters** for **innovation-driven GCCs**.

- The **policy structure** is anchored in **three pillars—national direction, enabling ecosystem, and measurable outcomes**—supported by **four critical success factors**: **talent, infrastructure, regional inclusion, and innovation**.

What are Global Capability Centres?

- **About:** A **Global Capability Centre (GCC)** is a fully owned offshore unit of a multinational corporation.
  - It centralises and delivers key functions like **IT, finance, engineering, customer service, and R&D** from cost-efficient global locations.
- **GCCs in India:** India hosts nearly **half of the world's GCCs**, and according to **CII**, their number could rise from **1,800 to 5,000 by 2030**, with **36 new GCCs** added every **two weeks**.
- **Economic Contribution:** It contributes approximately **USD 68 billion in Direct Gross Value Addition (GVA)**, accounting for **1.8% of India's GDP**. By FY2030, it could contribute **USD 470– USD 600 billion to India's GDP**.
- **Employment Generation:** India's **GCC ecosystem** supports **10.4 million jobs** in FY25 and could generate **20–25 million jobs by 2030**, including **4–5 million direct jobs.**

What are the Key Growth Drivers of GCCs in India?

- **Diverse Talent Pool**: India's vast skilled workforce, with **1.9 million professionals** in GCCs and millions of **STEM graduates**, offers diversity in regions, languages, and perspectives.
  - Opportunities in **global projects, cutting-edge tech, and career growth** help retain talent in **AI, Data Science, and Cybersecurity.**
- **Emerging Markets**: India's **strategic location** enables access to **Asian markets**, local consumer insights, and its own **growing domestic market**.
- **Risk Mitigation**: **Geographically diverse operations** and resilience during **COVID-19** make Indian GCCs reliable risk management hubs.
- **Enhanced Scalability & Flexibility**: India's **mature GCC ecosystem** and infrastructure allow

companies to **scale operations rapidly** as per business needs.
  - **Compliance & Governance**: Strong **data protection, privacy laws, and governance frameworks** ensure high standards and regulatory compliance.

Proposed National Policy for Global Capability Centres (GCCs) by CII

- **Focus on Priority Sectors:** India should prioritize **GCCs** in **Healthcare, Life Sciences,** and **Electronics Design** to optimize **investment** and **skill utilization**.
- **Tax Incentives:** Implement **facilitative tax policies** to reward **high-value functions**, **IP creation**, and **digital infrastructure** and provide **employment-linked deductions** for new hires.
- **Recalibrate Safe Harbour:** Lower India's **above-global safe harbour markups** and clarify distinctions, such as **Software Development vs. R&D**, while **expanding eligibility** to include more GCCs.
- **Infrastructure and Regulatory Reforms:** Develop **Digital Economic Zones (DEZs)** for a dedicated **GCC ecosystem** with a **central authority** for strategy and compliance.
  - GCC growth should **align with Smart Cities and Gati Shakti**, while **promoting tier-II and tier-III cities as alternative hubs**.
- **Innovation & Sustainability Focus**: India should **provide incentives for ESG-led innovation**.

What are the Challenges Faced by GCCs in India and the Potential Way Forward?

Challenges	Way Forward
India's **digital skills gap** is projected to rise from **25% in 2023 to 29% by 2028**, with only **43% of graduates industry-ready**, forcing companies to invest heavily in **reskilling.**	**Standardized Reskilling Platforms** should offer certifications in **AI, cloud, and data analytics**, while **incentives** like tax benefits or subsidies should promote large-scale **graduate upskilling**.
Policymakers worry that **GCCs overlap with domestic IT firms**, may **weaken IT exports**, and produce limited **high-end projects** in India.	A **Clear Differentiation Strategy** should position GCCs for **strategic innovation and R&D**.
Most **GCC work** remains **routine and outsourceable**, with limited **Intellectual Property** (IP) creation, restricting India's rise in the **global value chain**.	Create **special innovation zones** with strong IP protection to attract GCCs and mandate **IP leadership** for greater ownership of product development.
High **attrition** in the **GCC sector**, particularly in **AI, analytics, and digital roles**, makes it hard to retain talent and sustain growth.	Promote **global assignments, and high-impact projects**, offer a **competitive work culture**.

Conclusion

India's **GCC ecosystem** offers significant **economic** and **employment potential** but faces challenges such as a widening **digital skills gap**, limited **IP creation**, and high **attrition**. Strategic **policies**—including **sector prioritization, tax incentives, regulatory reforms,** and **Digital Economic Zones (DEZs)**—can strengthen the sector, enhance **global competitiveness**, and ensure **sustainable growth** and **job creation**.

> *Drishti Mains Question:*
>
> **Q.** Global Capability Centers (GCCs) are becoming the new growth engine for the Indian economy. Discuss their potential while examining the key challenges they pose to the domestic IT sector.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q. With the present state of development, Artificial Intelligence can effectively do which of the following? (2020)

   1. Bring down electricity consumption in industrial units
   2. Create meaningful short stories and songs
   3. Disease diagnosis
   4. Text-to-Speech Conversion
   5. Wireless transmission of electrical energy

Select the correct answer using the code given below:

(A) 1, 2, 3 and 5 only

(B) 1, 3 and 4 only

(C) 2, 4 and 5 only

(D) 1, 2, 3, 4 and 5

Ans: (B)

Mains

Q. "The emergence of the Fourth Industrial Revolution (Digital Revolution) has initiated e-Governance as an integral part of government". Discuss. (2020)