

Global Capability Centres in India

Global Capability Centres (GCCs) are offshore facilities that help multinational corporations (MNCs) manage their business operations. They are also known as Global In-house Centres (GICs). Global Capability Centres (GCCs) are fully owned and integrated hubs typically established in talent-rich locations to build significant value and intellectual property (IP) using collaborative, distributed teams.

In the last couple of years, more than 150 multinationals have set up their GCCs in India. Starting with the humble beginning of offshoring by Texas Instruments by setting up its office in Bengaluru in 1985, India has come a long way to being at the epicentre of GCC growth. In the 1990s, other companies followed suit, and many airlines and technology companies started their operations in India. These were called 'captive centres' earlier and have now come to be addressed as GICs (global in-house centres) or GCCs. In 2012, about 760 GCCs were operating out of India. In 2016, that number went over 1000, and as of March 2023, India houses over 1,600 GCCs.

Various agencies have projected that the number of GCCs would grow in the coming years, creating jobs as well. According to a PwC report, by 2028, the country is poised to have 2100 GCCs, with the market size of the centres touching USD 90 billion. As per a study by Wizmatic, GCCs presently employ 32 lakh people, primarily engineers and scientists. They generated a combined revenue of USD 46 billion in 2023 and are estimated to generate a total revenue of USD 121 billion by 2030, roughly 3.5 per cent of India's GDP. Out of this, USD 102 billion will represent export earnings.

GCCs provide bespoke services in operation, product development and innovation. Today, GCCs operate across all IT, BPO, engineering, and software product development service lines, delivering complex work that requires a significant understanding of business context and imperatives. They have made a mark in key industry verticals such as banking and financial services, software, telecom and semiconductors, with a growing concentration in aerospace, automotive, oil and gas, healthcare and pharma.

Strategic interventions under various initiatives like 'Digital India' and policies for easing doing business have streamlined online approvals and licensing processes for GCCs. Initiatives like streamlined tax regulations and compliance procedures for foreign companies for setting up GCCs, flexible labour laws, and single- window clearance systems for faster approvals have eased the business process. Improved digital infrastructure (high-speed internet, data centres) has been a boon for GCC operations.

Various States are undertaking a multi-pronged approach to boost the GCC ecosystem by identifying high-potential industries. For example, State Governments of Karnataka, Telangana and Tamil Nadu have launched research and development (R&D) policies to expand the GCC landscape in sectors such as auto and electric vehicles, electronics, pharma and life sciences in the states. These policies aim to develop innovation hubs in the States by leveraging the existing industry presence and the academic and R&D ecosystem. For instance, Telangana contributes to over 30 per cent of India's pharma production and is home to more than 1,000 life sciences companies and over 200 FDA-approved sites for producing innovative and generic medicines. The Karnataka Digital Economy Mission(KDEM) aims to increase the State's contribution to India's digital economy to USD 300 billion by 2026 by enabling holistic growth of the tech sectors and start-ups

by deepening partnerships with industry players and developing tech clusters beyond the State's capital to achieve higher contribution. Consequently, leading technology companies have started operations in Mysuru, Mangalore and Hubballi clusters, generating employment for more than 5,000 people.

Partnership with Startups to support global technology needs: As per a NASSCOM report, GCCs are leveraging India's vital engineering research and development service provider community, its mature start-ups, and its peer-GCC ecosystem. They have established more than 15 incubators, over 40 accelerators, and multiple partner programmes to drive collaboration with Indian start-ups. Healthcare and pharma GCCs have witnessed an increased partnership with start-ups and academia to access newer technology. The GCCs have explored various forms of collaboration, such as innovation labs, hackathons and start-up incubators.

GCCs are increasingly evaluating tier-II towns to expand their operations, influenced by the reverse migration seen during the pandemic and the cost arbitrage offered by such relatively under-penetrated markets. The recent thrust on infrastructure development in these cities has also added to their appeal. As per a CBRE research report, during H1 of 2023, about 22 percent of GCC centres were set up in tier-II cities, driven by the availability of existing and fresh talent.

While US and Europe-based MNCs have been establishing their capability centres for a long time, international players from the Asia Pacific region, especially Japan and South Korea, have begun setting up their R&D/innovation centres in India over the past few years. Although other countries with GCC presence have emerged recently, India remains a GCC favourite

in a highly competitive global environment due to its ample talent endowment and cost advantage.

Today, GCCs contribute to their parent organisations' success and propel India's economic growth. They account for more than 1 per cent of the country's GDP, and the share is expected to grow further. As more global players eye India to set up their GCC operations, the government has a crucial role in facilitating their entry. Government support for identifying new business models for partnerships, simplifying the entry process, and emphasising trust and data security, among others, will further encourage the location of GCCs in India.

Primary Source: Economic Survey(GOI;2024)