

## 7. National Global Capability Centres GCC Policy Framework – Economy

CII seeks tax holiday, rule harmonisation to boost India's GCC sector. To cement India's status as the "World's GCC Headquarters," the Confederation of Indian Industry (CII) has proposed a National GCC Policy. This framework aims to create millions of jobs by shifting GCCs from cost-saving back offices to innovation hubs and expanding into Tier-II cities for balanced regional growth.

### The Core News – A National Policy Framework for GCCs

**CII's Proposal** – The Confederation of Indian Industry (CII) has proposed a comprehensive National Global Capability Centres (GCC) Policy Framework.

**Ambitious Goals** – The aim is to transform India into the global headquarters for innovation-led GCCs, with a target of generating 20–25 million jobs and creating an economic impact of \$600 billion by 2030.

**Government Alignment** – This proposal aligns with the Union Budget 2025–26, which announced a National Framework for GCCs to guide states, especially in promoting Tier-II cities as new hubs. This synergy aims to double India's GCC footprint by 2030.

### Understanding Global Capability Centres (GCCs)

**Definition** – A Global Capability Centre (GCC) is a strategic offshore or nearshore entity established by a multinational corporation (MNC) to centralize and manage specific business functions in-house.

**Ownership and Functions** – They are wholly owned subsidiaries that handle critical operations such as IT development, finance, Research & Development (R&D), human resources, and data analytics.

**Evolution of Role** – Initially established as cost-saving "back offices," GCCs in India have evolved into high-value innovation and digital transformation hubs for their parent global enterprises.

**Example** – In 2024, Goldman Sachs expanded its Bengaluru GCC into a global innovation hub focusing on AI-driven financial analytics, showcasing India's transition from a cost centre to a value creator.

### Key Elements and Recommendations of the Proposed Framework

#### Pillars and Strategic Shift

**Three Pillars** – The proposed framework is built on three pillars – national direction, an enabling ecosystem, and measurable outcomes.

**Strategic Shift** – The policy aims to shift the focus from cost-arbitrage to value-creation and innovation, positioning India as a premier global GCC hub ahead of competitors like the Philippines, Vietnam, and Poland.

#### Key Recommendations

**Digital Economic Zones** – Create ready-to-use, plug-and-play hubs with seamless digital connectivity and reliable utilities, especially in Tier-II cities.

**GCC Council** – Establish an inter-ministerial body, similar to the GST Council, to ensure smooth coordination between the Centre and States.

**Industry–Academia Partnerships** – Foster joint research centers to skill students in emerging fields like AI and green technologies.

**ESG Incentives** – Offer tax breaks and other incentives for GCCs that invest in green buildings and adopt responsible AI, aligning with India's Net Zero 2070 target.

**Integration with National Schemes** – Link the expansion of GCCs with flagship programs like the Smart Cities Mission and PM Gati Shakti for holistic and integrated infrastructure development.

### India's GCC Journey and Current Status

#### Evolution Timeline –

**1990s** – Began as cost-focused IT and back-office hubs.

**Post-2015** – Transformed into digital and innovation hubs.

**2020s** – Evolved into global enterprise hubs driving digital acceleration for MNCs.

**Current Status (as of 2024)** –

**Global Leadership** – India is the undisputed world leader, hosting 50% of the world’s GCCs with over 1,600 centres.

**Job Creation** – The sector provides 2.16 million direct jobs and supports nearly 10.4 million indirect jobs.

**Economic Contribution** – GCCs contributed \$68 billion in Gross Value Added in 2023–24, with projections suggesting this could reach nearly \$200 billion by 2030.

### Need for a National GCC Policy

**Balanced Regional Growth** – A national policy can help decongest saturated hubs like Bengaluru and Hyderabad by shifting focus to emerging Tier-II & III cities like Vizag, Indore, and Coimbatore.

**Boost to Exports and Competitiveness** – A strategic expansion will help India cement its leadership and compete effectively with other emerging GCC destinations.

**Innovation and Start-up Integration** – A formal policy can encourage GCCs to function as R&D labs for their parent companies and foster collaborations with India’s vibrant start-up ecosystem.

**Sustainability & ESG** – A national policy can integrate green practices, such as renewable energy usage and responsible AI, into the sector’s growth, aligning with global ESG standards.

Feature	Global Capability Centers (GCC)	Shared Services Center (SSC)
Core Purpose	A company’s own team in another country, acting as a center of excellence for specific, often complex and high-value work.	A centralized team serving multiple departments within the same company, acting as a center of efficiency for routine, high-volume tasks.
Primary Goal	To access specialized talent, drive innovation, and contribute directly to the company’s strategic growth and competitive advantage.	To increase operational efficiency, standardize processes, and save money by leveraging economies of scale.
Nature of Work	Knowledge-intensive, project-based, and requires deep domain expertise. The work is often unique and non-repetitive.	Transactional, repetitive, and process-driven. The focus is on standardization, accuracy, and speed.
Value Proposition	Value creation and strategic partnership. Builds intellectual property and drives business transformation for the parent company.	Cost arbitrage and process optimization. Provides standardized services efficiently to internal business units.
Talent Focus	Hires specialists, researchers, domain experts, senior engineers, and data scientists. Focus is on high-end, niche skills.	Hires process-oriented staff with skills in specific transactional areas (e.g., accounting, HR administration). Focus is on process efficiency.
Orientation	Growth-oriented. Functions as a strategic partner that contributes to the company’s top-line revenue and innovation pipeline.	Cost-oriented. Functions as an internal service provider focused on reducing the company’s operational expenses (bottom-line).
Example Functions	Research & Development (R&D), product engineering, advanced data analytics, high-end financial modeling, cybersecurity innovation.	Accounts Payable/Receivable, payroll processing, benefits administration, IT helpdesk support, procurement operations.

### Challenges and Constraints

**Infrastructure Gaps** – Many Tier-II cities still lack world-class office spaces, reliable power, and robust public transport, deterring large-scale investments.

**Talent Shortage** – While India has a large pool of engineers, there is a scarcity of specialized talent in high-demand areas like AI, semiconductor design, and cybersecurity.

**Policy Fragmentation** – The lack of a uniform national policy leads to regional inequality, as states with proactive policies (like Karnataka and Telangana) attract a disproportionate share of GCCs.

**Global Competition** – Other countries offer strong competition – the Philippines & Vietnam with lower wages, and Poland & Ireland with EU-backed R&D incentives.

### The Way Forward

**Establish a National GCC Council** – A central coordinating body, modeled on the GST Council, should be created to ensure policy uniformity and streamline approvals.

**Skill Development in Tier-II Hubs** – Specialized universities and training centers for AI, Data Science, and Green Technologies should be set up in emerging Tier-II cities to create local talent pools.

**Offer Fiscal Incentives for ESG & R&D** – Targeted tax breaks should be provided to GCCs that invest in ESG-compliant campuses and high-value R&D projects.

**Promote "Brand India" Globally** – India should be actively promoted as the "World's GCC Headquarters" at global forums like the G20 and Davos.

**Develop Model State Policies** – The Centre should create flexible, ready-to-use policy templates that states can adapt to attract investment, reducing uncertainty for companies.

### Conclusion

The strategic expansion of GCCs in India is more than an economic opportunity; it is a vehicle for driving inclusive growth, fostering innovation, and promoting sustainability. By implementing a cohesive national policy, India can solidify its position as the undisputed World's GCC Headquarters, aligning economic progress with its constitutional values of justice and equality.

Source – [https://www.business-standard.com/economy/news/cii-suggests-tax-holiday-and-rule-harmonisation-for-specialised-gccs-125091400653\\_1.html](https://www.business-standard.com/economy/news/cii-suggests-tax-holiday-and-rule-harmonisation-for-specialised-gccs-125091400653_1.html)

