

India Working on New GCC Policy to Tap Sector Growth with Fresh Incentives

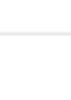
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India is rapidly emerging as a global hub for Global Capability Centers (GCCs), specialized operational hubs established by multinational corporations to centralize and optimize business processes. These centers, originally focused on cost-driven back-office operations, have transitioned into strategic units driving innovation, research, and high-value capabilities. Recognizing their significance, the Indian government is formulating a new umbrella policy aimed at attracting more GCCs, particularly in tier-2 and tier-3 cities, to ensure widespread economic benefits.

New GCC policy from MeitY in the works

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The Ministry of Electronics and Information Technology (MeitY) is working on a comprehensive policy framework to provide fresh incentives for GCCs. These incentives aim to complement existing state-level policies and encourage GCCs to expand into smaller towns and cities. The focus is on creating dedicated office zones in areas where space constraints may otherwise limit large-scale operations. In such cases, the central government is considering incentives for establishing smaller GCCs dedicated to

niche areas like healthcare and finance.

Additionally, according to officials speaking to the media, the GCC policy will emphasize long-term talent-building in frontier areas such as generative artificial intelligence (AI), healthcare, and financial intelligence. This approach signals a shift from short-term fiscal incentives to sustainable strategies that align with India's broader goals of technological advancement and workforce development.

The role of state governments

Several Indian states are proactively designing GCC-specific policies to attract investments. For instance:

- > **Karnataka:** The state became the first to launch a dedicated GCC policy, rolling out a **draft in September 2024** before the final version was released in November. The **Karnataka GCC Policy: 2024-2029** aims to attract 500 new GCCs in the next five years, creating 350,000 jobs and generating an economic output of US\$50 billion. Incentives include rental reimbursements, funding for innovation labs, and skilling expense reimbursements.
- > **Uttar Pradesh:** The state's **GCC Policy 2024** is targeting over 1,000 GCCs and 500,000 jobs, offering fiscal incentives such as 100 percent stamp duty exemptions and payroll subsidies.
- > **Maharashtra:** Known for its robust data connectivity and reliable infrastructure, Maharashtra is actively engaging with stakeholders to develop its own GCC policy, focusing on investments in technology parks and Special Economic Zones.


These state-specific policies, combined with the central government's umbrella framework, aim to position India as a top choice for global corporations looking to establish GCCs.

India's GCC growth trajectory

India's GCC market is on an impressive growth trajectory. According to industry body Nasscom, the GCC market size is projected to reach US\$100 billion by 2030, employing over 2.5 million professionals. As of FY 2024, GCCs in India have generated revenues of US\$64.6 billion, employing close to 2 million people.

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In the period from Q1 2023 to Q4 2024, 124 new companies signed GCC deals, acquiring office space for greenfield capability or R&D centers. Notably, small and mid-sized firms accounted for a significant portion of these transactions, with 55 out of the 124 companies reporting annual revenues below US\$1 billion.

GCCs have also evolved into multifunctional entities. Nearly 90 percent of domestic GCCs handle diverse functions, including technology, operations, and product engineering. Moreover, per a **November 2024 report from consulting firm Inductus**, engineering-focused GCCs grew 1.3 times faster than the general GCC growth rate, indicating a clear shift toward high-value activities.

India's efforts to enhance its GCC ecosystem reflect its strategic vision to drive economic growth and innovation. The new umbrella policy, coupled with state-level initiatives, aims to create a conducive environment for GCCs to thrive. As the sector evolves, India's emphasis on technology, talent, and infrastructure will ensure sustained competitive advantage, making it a preferred destination for global capability centers.

Technological transformation

The integration of advanced technologies is a defining feature of India's GCC evolution. By 2026, over 70 percent of GCCs in India are expected to incorporate AI capabilities, including machine learning for operational analytics, AI-driven customer support, and cybersecurity training. This technological focus underscores India's growing role as a hub for innovation and digital transformation.

Expansion beyond tier-1 cities

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While major cities like Bengaluru, Hyderabad, Mumbai, and Delhi NCR continue to dominate the GCC landscape, the focus is increasingly shifting to tier-2 and tier-3 cities. Locations such as Jaipur, Vadodara, Nasik, Coimbatore, Bhubaneswar, and Indore are gaining traction due to their cost-effectiveness, growing talent pools, and lower operational costs.

Data indicates that the demand for GCCs in tier-2 and tier-3 cities is projected to rise by 25-30 percent in the next few years. These cities offer unique advantages, including a lower cost of living, reduced infrastructure pressure, and untapped skill. Experts predict a 35-40 percent increase in job demands in these cities over the next two years.

Cost competitiveness and talent base

India's cost competitiveness remains a key attraction for global corporations. Operational expenses in India are up to 40 percent lower than in Eastern Europe, enabling companies to achieve significant cost savings without compromising on quality. The country's vast talent pool further strengthens its position as a preferred destination for GCCs.

Programs like Skill India and Digital India have been instrumental in developing a skilled workforce. Additionally, India's distributed talent ecosystem allows companies to tap into specialized skills across different regions. For instance, Chennai and Mumbai have deep domain talent in financial services, while Hyderabad excels in life sciences.

GCCs transforming to GICs

Another trend in India's GCC landscape is the transformation of GCCs into Global Innovation Centers (GICs). These centers focus on core transactions and innovation, often acting as hubs for niche development. This transformation is driven by the need for speed, robustness, and specialized talent.

Smaller GICs are also emerging as microcosms of parent GCCs, supporting core functions while fostering innovation. These centers are expected to become increasingly multifunctional, similar to their tier-1 counterparts, as they mature.

Challenges and opportunities

Despite its rapid growth, the GCC sector in India faces several challenges per the Inductus report:

- **Fragmented policy framework:** While state-specific policies offer tailored incentives, they can create inconsistencies and complexities compared to streamlined and centralized systems in countries like Ireland and Singapore.
- **Infrastructure gaps:** Tier-2 and Tier-3 cities frequently fall short in offering the robust infrastructure required for large-scale GCC operations.
- **Limited R&D focus:** India trails global hubs like Singapore in offering significant incentives to foster research and innovation.
- **Ease of doing business:** Although improving, bureaucratic delays and multi-layered approval processes continue to challenge investors.

Addressing these challenges presents significant opportunities for India. By enhancing infrastructure in smaller cities, streamlining regulatory processes, and offering robust R&D incentives, India can further solidify its position as a global GCC leader.

Global perspective: Competing destinations

While India leads the GCC market, other countries are also vying for a share of this lucrative sector. For instance:

- > **Philippines:** Known for its IT-BPO services and workforce training programs.
- > **Poland:** A nearshoring destination in Europe with strong STEM education.
- > **Ireland:** Offers low corporate tax rates and attractive R&D incentives.
- > **Singapore:** Boasts advanced digital infrastructure and innovation-friendly policies.
- > **Vietnam:** An emerging hub with cost-effective labor and policy reforms.

India's ability to stay ahead of these competitors will depend on its commitment to innovation, talent development, and infrastructure enhancement.

Outlook

The future of India's GCC sector looks promising. With a projected workforce of 2.2 million by 2026, the sector is poised to play a pivotal role in India's economic growth. The government's new policy, combined with state-level initiatives, is expected to attract more investments and foster innovation.