



By: *Shashi Tharoor*

What are the obstacles facing India on its path to becoming a global innovation capital?



India has long been portrayed as a low-cost back office for international businesses.

This was always something of a caricature, but it is especially inaccurate today. India is emerging as one of the world's most important hubs of invention, product development, and technological ambition.

This is not a case of India rebranding itself, based on some aspirational image it has conjured.

India has already claimed a pivotal position as a place where global companies build products, strengthen resilience, and scale their most critical systems.

The story begins with the rise of “**global capability centers**,” which multinationals began establishing two decades ago for predictable reasons: to enhance efficiency and reduce costs, especially through labor arbitrage.

With its large, educated, English-speaking workforce, India was a natural GCC hub, with Indian workers handling routine IT tasks and business processes for firms all over the world.

But Indian workers were capable of more, so companies began locating increasingly complex functions—analytics, problem-solving, shared services—in the country.

Eventually, GCCs were no longer just support units; they were devising strategy, designing projects, and producing intellectual property.

Today, India-based GCCs are defined by end-to-end ownership, with Indian teams leading everything from conceptualization to construction, testing, and deployment.

The cost advantage remains

With a massive and multidimensional talent pool that no other country can match, India is now home to more than 1,800 GCCs, employing nearly two million professionals in

engineering, finance, legal, design, and research.

The scale and density of this network create a powerful innovation flywheel.

A product conceived in Silicon Valley can be built in Bengaluru, tested in Hyderabad, secured in Pune, and deployed worldwide within days.

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These advantages do not come at the expense of quality. Some of the world's most advanced AI labs and most ambitious semiconductor-design teams are now located in India.

Nearly 60% of India's GCCs are investing heavily in **agentic AI**—capable of reasoning, planning, and executing complex tasks autonomously—not as experiments, but as core enterprise systems, which run supply chains, secure financial networks, optimize energy grids, and power next-generation mobility.

Far from back-office tasks, these operations are sophisticated, high-stakes, and mission-critical.

From Goldman Sachs Bengaluru to Walmart Global Tech India, many companies' “shadow headquarters” in India have more technical depth than their official headquarters.

A new class of professionals

For India, the GCC boom is one of the most transformative economic developments since the liberalization of the economy in 1991.

It has created a new class of professionals whose work is intellectually demanding, pays

far more than traditional services sector jobs, and offers pathways into global leadership. They are thus reshaping aspirations and accelerating social mobility.

The effects extend beyond “Tier-I” cities like Bengaluru, Delhi, Hyderabad, and Mumbai. Tier-II and Tier-III cities—Coimbatore, Indore, Kochi, Jaipur, Bhubaneswar, and Thiruvananthapuram—are also emerging as hubs of high-value work.

This reduces pressure on the handful of megacities India’s economy has long depended upon, while stimulating the local real-estate market, retail economy, and infrastructure investment. The result is a more balanced economic map of India.

Major risks

But continued momentum is not guaranteed. The first major risk lies in a widening skill mismatch. India produces millions of engineers, but the demand for niche skills—AI security, cloud architecture, quantum-resistant cryptography, robotics, systems engineering—far exceeds supply.

The result is a fierce war for talent and wage inflation that could erode competitiveness unless India moves quickly to enlarge its talent pipeline.

The second risk relates to cybersecurity. As Indian-based GCCs handle more sensitive global data, they have become prime targets for state-sponsored and other **cyberattacks**.

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The third risk is rooted in global policy shifts. Digital-sovereignty movements in the United States and Europe, combined with tariff volatility and reshoring pressures, could slow new GCC investments.

The OECD’s global minimum tax could compound this effect by limiting a key source of India’s appeal to multinationals.

To overcome these risks, India must deliver not just tax incentives, but talent, capability, security, and ease of doing business. This is where policy becomes decisive.

The opportunity is enormous, so is the competition

If India wants to become the world’s innovation capital, it must shift its focus from regulation to facilitation.

The proposed National GCC Policy Framework is a promising start, but its impact will depend on execution.

To eliminate bureaucratic friction, India needs to establish a dedicated single-window clearance system for GCCs, rationalize transfer pricing rules, and offer predictable tax “safe harbors” for R&D-intensive operations. After all, multinationals value certainty above all else.



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India must also invest aggressively in deeptech education. To become the global leader in advanced engineering talent, India needs to build partnerships between industry and academia, update curricula to cover AI and cybersecurity, support faculty upskilling, and introduce incentives for companies to train at scale.

Finally, India must actively support the rise of TierII and TierIII innovation clusters with capital subsidies, infrastructure guarantees, and thoughtful urban planning.

A distributed innovation ecosystem is not just good economics; it is good risk management. It ensures resilience, reduces congestion, and spreads prosperity more evenly.

India's GCC revolution is part of a global realignment. Supply chains are fragmenting, AI is rewriting the rules of competition, and geopolitical volatility is intensifying, all of which is accelerating companies' search for steady, scalable, innovation-rich environments.

With stable politics, the world's largest pool of English-speaking science, technology, and engineering talent, and unparalleled digital public infrastructure, India offers just that.

The next decade will determine whether India becomes the world's innovation capital or remains just one of several hubs. The opportunity is enormous, but so is the competition.

The challenge is to ensure that policy, talent, and industry align quickly enough to transform India's advantages into a lasting global lead.

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