



# Global business services of Malaysia

**MSC Malaysia**

<http://www.mscomalaysia.my>

## Introduction

Global Business Services (GBS) is an integration of services that make with the best competitive strategy that utilizes Information and Communication Technology (ICT), Finance and Accounting, Human Resources, and Engineering Design and Services. It has become an essential tool in accelerating and complimenting global business services approaches as more companies are leveraging on global business services strategies to align their business objectives and obtain economies of scale.

As part of the Business Services projects of the National Key Economic Areas (NKEA), GBS is an industry that is fast gaining momentum in Malaysia, being one of the focuses in the country's Economic Transformation Plan. In transforming Malaysia into a "high income" economy, MDEC is the driving force that enhances the Capability, Capacity and the Credibility (3Cs) of this industry to develop a "world-class" GBS hub.

Whether it's the workforce, competitive cost, outsourcing infrastructure, ICT facilities or world-class business infrastructure, Malaysia has the best resources to accommodate to the demands of enterprises today. To date, there are more than 350 foreign and multinational companies who have set up regional and global shared services and outsourcing centres in Malaysia, bringing along billions of Ringgit worth of investments and thousands of jobs opportunities. These companies are currently performing various GBS activities within these 6 industry verticals:

- a) Banking, Financial Services & Insurance (BFSI)
- b) Information & Communication Technology (ICT)
- c) Pharmaceutical & Health (P&H)
- d) Logistics & Transportation (L&T)
- e) Energy, Chemical & Resources (ECR) f) Fast Moving Consumer Goods (FMCG)

These GBS activities are categorized into 3:

The bulk of activities conducted in an GBS environment are business processes that can be either the back-end or front-end operations. The activities include consolidation of internal business functions such as human resource, finance and accounting, and customer service that includes call centres and technical support.

### 1. Business Process Outsourcing (BPO)

Transactional-type internal (back-office) business functions such as human resources or finance & accounting and front-office functions which include customer-related services such as marketing and contact center services.

### 2. Information Technology Outsourcing (ITO)

Transactional-type IT and IT-related functions such as programming, technical support, desktop and server support, network and security systems etc.

### 3. Knowledge Process Outsourcing (KPO)

Value-added processes which are highly complex and require the talent of professionals with widespread educational backing.

## High value services - moving up the value chain

MDEC is set to drive the industry's next phase of development and subsequently move Malaysia up the value chain with its focus on the high-yield KPO sector. KPO types of activities and services are highly encouraged with new investments and further develop niche areas such as expanding the Engineering and Design services to Oil and Gas industry, and beyond.

Meanwhile, the cluster is facilitating the growth of local out-sources under the Entry Point Projects 2 (EPP2) programme. Incentives and initiatives are provided to allow smaller local players to flourish, and the benchmark for these EPP2 companies is set against the International Association of Outsourcing Professionals (IAOP). Programmes that facilitate market expansion in terms of funding needs such as private equity and venture capitals, as well as to nurture the local companies with respect to growth, market expansion, market access, and the promotion of industry dialogue were formulated and implemented.

## Why Malaysia?

The GBS industry has been one of the core focuses in the economic development of Malaysia towards its transformation into a high-income, knowledge-based economy by 2020. Through various policies crafted, government incentives, modern infrastructure access, skilled talent pool and resources in ICT that includes hardware, software, and services, companies are guaranteed to receive support and encouragement to flourish in the sector. Based on the recent study conducted by the International Data Corporation (IDC), these are the key reasons why Malaysia has the potential to be the regional hub for consolidating Finance and Accounting operations. The talent pool and the number of shared services centres had created a conducive ecosystem that will ensure a consistent growth in terms of service value, as well as the maturity and capability of individuals delivering the services.

# Doing business in India

**Invest India**

<http://www.investindia.gov.in>

## Entry options for businesses in India

To do business in India, following options are available to foreign companies:

### Setting up a non-corporate entity

**Liaison office:** A liaison or a representative office can be opened in India subject to approval by Reserve Bank of India. Such an office can undertake liaison activities on its company's behalf. A liaison office can also undertake:

- Representing parent/group companies in India
- Promoting import/export in India
- Promoting technical/financial collaborations on parent company/group's behalf
- Coordinating communications between parent/group companies and Indian companies

**Branch Office:** Foreign companies can conduct their business in India through its branch office which can be opened after obtaining a specific approval from Reserve Bank of India. A branch office can undertake following activities:

- Import & export of goods
- Rendering professional or consultancy services
- Carrying out research work in area which its parent company is engaged
- Promoting technical/financial collaborations on behalf of parent company/ overseas group company
- Representing parent/group companies in India and acting as buying/selling agent in India
- Providing IT services and developing software in India
- Providing technical support for products supplied by parent company/group

**Project office:** If a foreign company is engaged by an Indian company to execute a project in India, it may set up a project office without obtaining approval from Reserve Bank of India subject to prescribed reporting compliances. As applicable in case of a branch office, a project office is treated as an extension of foreign company and is taxed at the rate applicable to foreign companies.

### Setting up a corporate entity

**Wholly owned subsidiary:** Foreign companies can set up wholly owned subsidiary companies in India in form of private companies subject to FDI guidelines. A wholly owned or a subsidiary

company has the maximum flexibility to conduct business in India when compared with a liaison or branch office and has following salient features:

- Funding can be done via equity, debt (foreign as well as local) and internal accruals
- Indian transfer pricing regulations apply
- Repatriation of dividends is allowed without approvals

**Joint Venture with Indian partner:** Foreign companies can also set up joint venture with Indian or foreign companies in India. There are no separate laws for joint ventures in India and laws governing domestic companies apply equally to joint ventures.

**Foreign Institutional Investors:** FII's can invest in India in financial markets such as pension funds, mutual funds, investment trusts and asset management companies or their power of attorney holders. FII's can invest in all securities in primary and secondary markets including the equity and other instruments of companies which are listed or are to be listed on stock exchanges of India.

### Entry and investment routes

- Foreigners can directly invest in India either on their own or as a joint venture, with a few exceptions with regard to investment limits and sectors.
- No government approval is required for FDI in virtually all sectors except a small negative list formulated by government. Sector specific guidelines are formulated by government giving sectoral investment caps if any.
- If an investment does not qualify for automatic approval, FIPB considers the proposal.
- Use of foreign brands names/trademarks is permitted for sales in India.
- Indian capital markets are open to FII's and Indian companies are allowed to raise funds from international capital markets
- Foreign technology collaborations are allowed with agreements on
  - Technical knowhow fees
  - Payment for designs and drawings
  - Payment for engineering services
  - Other royalty payments

- NRI's can invest in shares and or convertible debentures of Indian companies on a non-repatriable basis and these investments are not considered as FDI.