

InvAsset's Voice



THE RISE, FALL AND
REBIRTH OF INDIAN EDTECH:
**CHARTING A
TRANSFORMATIVE
JOURNEY**



India's Best Performing and Most Customer Centric PMS



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As we observe the International Day of Education 2024, it's the perfect time to reflect on India's edtech sector—a landscape that once soared with unbridled promise before facing significant challenges, only to adapt and reposition itself for a new era of opportunities. What happened between 2020 and 2023 in India's edtech space tells a compelling story of innovation, disruption, and reinvention.

THE BOOM FROM NICHE TO NECESSITY

The rise of edtech in India was catalyzed by circumstances few could have predicted. The COVID-19 pandemic became the defining moment for the sector, pushing it from a growing niche to a critical necessity for millions of learners.

- **Pre-COVID Momentum:** Between 2014 and 2020, India's edtech startups raised \$1.32 billion in funding. Platforms like BYJU'S, Vedantu, and Unacademy had already begun to establish themselves as key players in the education space, leveraging technology to supplement traditional learning.
- **Pandemic Surge:** In 2020, as 320 million students and teachers found themselves confined to their homes, the demand for digital education solutions skyrocketed. Online classes became the norm, with e-learning platforms offering everything from school curricula to professional upskilling courses.
- **Platforms like Udemy saw unprecedented growth;** course sign-ups tripled as individuals sought to stay productive and acquire new skills.
- BYJU'S, one of the sector's flagship companies, reported a significant uptick in user engagement, solidifying its position as a market leader.
- **Funding Explosion:** The sector's potential was reflected in the capital it attracted. Edtech startups raised \$1.88 billion in 2020, surpassing the total funding received in the previous five years combined. By 2021, the figure swelled to a staggering \$4.73 billion, cementing India's position as the second-largest edtech market in the world after the United States.
- **Global Foray:** Encouraged by domestic success, Indian edtech firms expanded internationally, acquiring startups in the U.S., Southeast Asia, and the Middle East. For example:
 - BYJU'S acquired U.S.-based Osmo and Aakash Institute to enhance its reach and portfolio.
 - Companies like Scaler Academy and Simplilearn explored global markets through strategic partnerships and acquisitions.

THE BUST A MARKET CORRECTION

While the pandemic fueled an extraordinary boom, the post-pandemic landscape proved to be far less forgiving. As schools reopened and life returned to normalcy, cracks in the edtech ecosystem began to surface.

- **Declining Funding:** The sector saw a dramatic decline in investments, from \$4.73 billion in 2021 to \$2.64 billion in 2022 and just \$297 million in 2023. This "funding winter" was a result of investor caution, market saturation, and dwindling consumer demand.
- **Market Saturation:** With nearly 4,500 edtech startups competing in an overcrowded market, acquiring new customers became increasingly difficult. Price wars further eroded profit margins, making the landscape unsustainable for many smaller players.
- **Mass Layoffs:** Cost-cutting measures led to widespread layoffs across the sector.
- Over 14,000 employees lost their jobs in 2022, with giants like BYJU'S, Unacademy, and Vedantu accounting for half of these layoffs.
- By 2023, even more job cuts were announced, signaling an industry-wide struggle to stay afloat.
- **Consumer Preferences Shift:** The resumption of physical schooling diminished the appeal of purely online learning models. Students and parents increasingly sought hybrid learning options that combined the best of both worlds—online and offline education.



THE PIVOT

HYBRID MODELS AND OFFLINE GROWTH

In response to these challenges, Indian edtech firms began to pivot, redefining their strategies to adapt to changing consumer expectations and market realities.

- **BYJU'S Strategic Shift:**
 - After acquiring Aakash Institute, BYJU'S rolled out an ambitious plan to establish 500 offline centers across 200 cities by 2023. This hybrid approach aimed to cater to students seeking a blend of in-person and online learning experiences.
 - BYJU'S also expanded its team, hiring over 10,000 employees to manage its offline operations.
- **Physics Wallah's Expansion:**
 - PhysicsWallah launched over 60 tech-enabled offline centers (Vidyapeeths and Pathshalas) by 2024. These centers became the company's fastest-growing vertical, driving revenue and learner enrollment.
- **Broader Industry Trends:** Other major players like Vedantu and Unacademy also began exploring offline options, recognizing the enduring importance of physical classroom interactions.



BYJU'S
The Learning App



**PHYSICS
WALLAH**

THE NEW HORIZON: OPPORTUNITIES AMID CHALLENGES

Despite the turbulence, there are reasons to remain optimistic about the future of Indian edtech. The sector is showing signs of recalibration, with new opportunities on the horizon.

- **AI as a Game-Changer:** Artificial intelligence (AI) is emerging as the next frontier in education technology.
- Generative AI tools are transforming teaching and learning processes, enabling personalized education, automated grading, and AI-generated content.
- Companies integrating AI into their offerings are likely to lead the next phase of edtech innovation.
- **A Rationalized Market:** The bubble burst has led to a natural correction, with weaker players exiting the market. This rationalization is expected to create a more consumer-centric and sustainable ecosystem, where only the most competitive and innovative companies thrive.
- **Policy Support:** The National Education Policy 2020 (NEP) continues to emphasize the integration of technology in education. Public-private partnerships aimed at implementing NEP goals could provide a much-needed boost to the sector.
- **Investor Confidence:** While cautious, investors recognize the long-term potential of edtech in a country with a growing middle-class population and rising demand for skills training.

CONCLUSION

A NEW CHAPTER IN EDTECH

The journey of Indian edtech over the last few years is a story of extraordinary highs and sobering lows. Yet, it is far from over. As the sector adapts to new realities—embracing hybrid models, leveraging AI, and forging public-private partnerships—it is poised to redefine the future of learning in India. The burst of the bubble may well turn out to be a blessing in disguise, paving the way for a more sustainable and impactful phase of growth.

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