A need to change business model

This has impacted online edtech start-ups, as students and aspirants returned to physical classrooms.

"What most edtech companies did during the pandemic is pick one of the three categories listed above, and before they could ace it, they (edtech firms) kicked off another without building excellence, systems, processes and a backend content team. As a result, they could not deliver quality education to retain students with 100% confidence," Mathur explained.

The segment saw the mushrooming of multiple players during the Covid-19 pandemic, on the back of a historic opportunity in study-from-home compulsions, raising eye-catching valuations. However, they were seen registering a sizable dip — both in number and funding — as schools and educational institutions re-opened.

According to market research platform Tracxn, 2014 saw 75 funding rounds for edtech platforms at a total value of $69 million. These numbers are miniscule when compared to the $4.1 billion raised by 332 companies in the pandemic year 2021, which many believe was the industry's peak. This had dipped to $926.5 million in the first half of 2023 raised by just 31 firms, indicating both consolidation and maturity of the sector.

As funding became scarce, many of these startups were left with the option to shut shop or be acquired by a larger player leading to some degree of consolidation. Around 115 mergers and acquisitions took place in the sector till 2022, according to an Inc42 report.

Then came the well-documented layoffs and corporate governance issues.

Pricing, quality and merit

The problems run deeper than just business models, as consumers grapple with finding a balance between offline and online education post-pandemic. While tech-embedded learning strives to establish a steadier footing, issues around pricing, quality and merit have emerged.

Students and parents say that resources offered by online education platforms such as model test papers have gained immense popularity amongst students, both in the K12 and higher education segments. That is, however, offset by a lack of student-teacher and peer-to-peer interaction alongside lagging engagement in recorded video content.

"Every Youtuber is a teacher today," remarked Prem Sai, a 26-year-old UPSC aspirant based out of Hyderabad. He said he would opt for an offline course in the absence of financial and time constraints. An online platform lacks the discipline and social skills physical classrooms are expected to instil in students, others pointed out.

Tech-driven learning has also heightened competition between schools, this may mandate the integration of online courses, including content outside of the curriculum, to get more mileage within the industry. This leads to schools going overboard and increasing pressure on students, said the mother of a Class 7 student who had to learn coding at an additional cost on an online platform.

However, those wanting to enrol their children in after-school activities but finding themselves stretched too thin due to work commitments see online education as a "blessing in disguise." Personalised learning, smaller batch sizes, adequate monitoring and in-class evaluation are some parameters parents judge these courses on, as per Neha Jindal, whose 9-year-old daughter is enrolled in multiple hobby and educational classes online.

While the investor community continues to harbour an optimistic long-term view of the potential for the segment on the back of a young population and shortage of quality education across

THE LEARNING CURVE

India's edtech market size in 2021 was estimated at **$800 million**

By 2025, it is estimated to reach **$10.4 billion**

By 2030, it is expected to reach **$29 billion**, with 100 million paid users

2021
- Venture capital investments in edtech reached nearly $4 billion
- Byju's user base doubled to 75 million
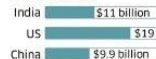- Unacademy's users tripled to 40 million
- Toppr saw 100% growth in paid users

2022
Edtech mega deals fell by **57%**

2 out of every 5 layoffs in the Indian startup ecosystem were from an edtech startup in the past FY

The aggregate loss of unicorns and soonicorns increased by **89%** in FY 22

2023
- Byju's valuation was slashed to $5.1 billion from $22 billion
- Since October last year, Byju's has fired 3,500 employees
- The company skipped payments on a $1.2 billion loan, lost its auditor and some of its board members

Total funding
- India: $11 billion
- US: $19 billion
- China: $9.9 billion

Funding growth rate over 5 years
- India: 67%
- US: 36%
- China: -6%

Number of unicorns
- India: 7
- US: 9
- China: 12

Fastest-growing sub-sectors in India
- Skill development
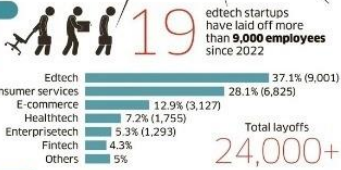- Test preparation
- K12
- Online certification

Number of deals in the sector declined by 42% from the previous year in 2022

Year	Funding amount	Deal count
2014	$40 mn	35
2015	$95 mn	49
2016	$195 mn	72
2017	$211 mn	46
2018	$566 mn	53
2019	$448 mn	52
2020	$1,435 mn	103
2021	$4,727 mn	164
2022	$2,404 mn	95

Funding falls, layoffs rise

19 edtech startups have laid off more than **9,000 employees** since 2022

In FY22, the edtech sector saw the greatest percentage of layoffs in startups

- Edtech: 37.1% (9,001)
- Consumer services: 28.1% (6,825)
- E-commerce: 12.9% (3,127)
- Healthtech: 7.2% (1,755)
- Enterprisetech: 5.3% (1,293)
- Fintech: 4.3%
- Others: 5%

Total layoffs **24,000+**

THE EDTECH TRAJECTORY

2020 Covid-19, lockdown
- Online learning grows exponentially
- Online extra-curricular classes gain popularity

2021 Edtech skyrockets in India, crashes in China
- Massive funding boom for Indian edtech startups
- Mergers and acquisitions boom; Edtech giants grow

2022 Early signs of market slowdown
- Funding begins to reduce
- Fatigue in online education use

Source: Blume Edtech Report 2022, Inc42's 'Inside India's $29 bn+ edtech opportunity' report, news reports.

COMPILED BY SWEEKRUTHI K
DH GRAPHIC: SANKAR GANESH T

> The edtech market is entering a slightly matured phase wherein players need to sharpen their value propositions and create rigorous products
>
> **Phalgun Kompalli,**
> co-founder of edtech platform UpGrad

tier II and tier III cities of the country, what worries venture capital firms is the absence of a sound revenue model and solution for quality content.

Consumer acquisition

Negative sentiments currently cloud the outlook for the segment amongst investors as marketing costs, while considered a necessity, continue to exceed the lifetime value of acquiring each customer, making businesses unviable.

"What is happening with many edtech companies is that the cost of customer acquisition is so high that they are continuously in losses," attested Anil Joshi, who is a managing partner at venture capital firm Unicorn India Ventures. While technology is an enabler, the education sector needs incremental quality content which translates into higher operational costs and a longer recovery cycle, he added.

There are other challenges that plague the current ecosystem.

Online players such as Unacademy and Physics Wallah, among others, are trying to pivot towards the offline route as students return to schools and offline competitors, who developed a functional online presence during the Covid-19 pandemic, pose significant challenges.

The offline education space is clearly working better and everybody is trying to restrategise, remarked Krishna Kumar, founder and chief executive of online learning platform Simplilearn.

There is also the issue of connectivity in smaller towns. "When you go to tier 3 or 4 towns and villages, not everyone has bandwidth or access to the internet," said Neeti Sharma, president and founder of Teamlease Edtech.

"There is still unfortunately about 30% of India which does not have access to devices and connectivity. That gap is now narrowing down, but there are definitely some people that are going to be left behind. That is where CSR spends and governments can come in, to focus on consumption-oriented hardware, rather than looking at very capital expenditure intensive things," said Aditi Avasthi, founder of artificial intelligence educational technology platform Embibe.

Pricing could also play a deterrent to large-scale edtech adoption, as industry experts highlighted that many

courses, especially those sold directly to consumers, remain unaffordable for most.

"When you talk about edtech and look at this kind of price point, that is the beginning of the fall of any industry. Invention, innovation and results have to match market needs rationally. We cannot have an irrational approach to pricing just for the sake of inflating valuation," Avasthi explained.

The edtech sector also swims in a weak regulatory landscape — largely advisory in nature — on multiple fronts. While online degrees affiliated with universities in India require adequate approvals from the University Grants Commission, offerings for the K12 segment and upskilling certificate programmes are largely left unregulated.

Furthermore "content has to be standardised to be in sync with future programmes," noted Jeetu Bairathi, who is a partner for advisory services at management consultancy BDO India. Other concerns revolve around consumer and data protection laws for the online education space, he added.

While most industry experts agreed that tech-enabled education is here to stay, especially after its acceleration during the pandemic and government insistence through the National Education Policy, edtech companies might have to change their business models to stay relevant going forward.

At loggerheads with schools

"For a large part, edtech companies have marginalised and painted the school systems as villains, instead of making them stronger through their products and inventing for schools, which remain the focal point of education," Avasthi said.

Many believe that rather than a replacement for school education, edtech platforms can provide supplementary guidance. One way is through collaboration with schools, where the platforms not only provide study and revision material, but also learning management systems to take care of assessments, grading and other clerical tasks. They also aid in mapping the learning graph of each student individually, providing a kind of personalisation that teachers alone cannot in highly populated classrooms.

"A lot of learning gaps emerged during the pandemic. Technology comes to help when you have to evaluate each student's learning individually and devise a path that is customised to that particular child. Teachers can then give students the kind of testing appropriate to their learning graph," said Monica Malhotra, founder of Aasoka, a blended learning platform for K12 schools.

This is where a number of companies are also leveraging artificial intelligence to accelerate the personalisation of education by gauging a student's understanding, creating a lesson plan and testing methods accordingly.

However, integrating generative AI like ChatGPT as a way to clear doubts could lead to students receiving incorrect or incomplete information and hence should not be used to generate content for the platforms, Mathur opined.

Arjun Nair, co-founder of Great Learning, said that India's edtech sector is far from nascent. "Great companies are being built and Indians value high quality education. The sector here is only comparable to what is there in the US right now, and Indian edtech firms are operating in other countries. The Indian space is solid in terms of global standards, and India's cheap labour force makes it easy to find qualified mentorship to support the global need," he said, adding that penetration remains low and opportunity high, giving the space lots of room to grow.

Have your say

To express your opinion, e-mail us at:
insight@deccanherald.co.in