

The Indian Edtech Evolution: From Boom to Struggle and the Path Forward

Nirav Panchal¹

Introduction

Indian edtech companies have played a key role in transforming the education sector by leveraging technology to improve accessibility and learning opportunities. These companies have experienced significant growth, particularly driven by the surge in demand for online education solutions during the COVID-19 pandemic. However, in the past two years, there has been a noticeable decline in funding for edtech firms, signaling a slowdown in the industry. Many believe that the boom in the edtech sector was largely driven by the pandemic and may not be a sustainable long-term model.

In 2022, Physics Wallah became a major success by offering a wide array of educational services. Despite a surge in revenue, reaching Rs 770 crore in 2022-2023, the company faced a decline in profitability, highlighting the challenges in sustaining growth. Vedantu, a well-known startup, focuses on live online tutoring and aims to create a personalized, interactive learning experience for students. Unacademy has also revolutionized coaching methods by offering online courses and live classes, making education more accessible. Newer companies like WhiteHat Jr, Infinity Learn, EduGorilla, and TrainerCentral are equipping youth with essential digital skills, though they still struggle with maintaining high standards and bridging the digital divide.

As these companies continuously innovate to meet the evolving needs of learners, the Indian edtech sector is poised for further growth, which will shape the future of education in the country. Byju's is a notable example of success, leading the sector with its innovative educational approach. It became a unicorn and a global leader by introducing an interactive and adaptive learning model that resonated particularly with students preparing for competitive exams. However, recent developments reveal that Byju's is burdened with significant liabilities. When Aakash tried to integrate with Byju's, it found the company's internal structure to be chaotic, with unclear roles and an undefined chain of command. Byju's valuation has sharply declined, and the company is currently facing three legal complaints before the National

¹ Nirav Panchal is an edtech consultant with experience in education business strategy and market analysis.

Company Law Tribunal, including one from the BCCI, term loan B lenders, and Teleperformance, a French digital services firm. The situation worsens as investigations by the Ministry of Corporate Affairs and the Enforcement Directorate continue, leaving Byju's in a precarious position in an otherwise fast-growing industry.

The Financial Standing of Indian Edtech Firms

Growth and Decline: A Rapid Expansion

India's edtech sector experienced an extraordinary surge in growth, driven largely by the shift toward online education during the COVID-19 pandemic. This rapid expansion was further fueled by increasing demand for accessible and flexible learning solutions across the country. As schools and colleges moved to online platforms, edtech companies like Physics Wallah, Vedantu, Unacademy, and Byju's emerged as major players, offering innovative educational products and services to millions of students.

One notable success story in the sector was **Physics Wallah**, which, in June 2022, reached unicorn status after securing external funding in its first round. The company's operating revenue soared threefold, reaching Rs 770 crore in the financial year 2022-2023. Despite this impressive growth, profitability proved to be a challenge, as net profit dropped to Rs 16 crore from Rs 98 crore the previous year. This highlighted the difficult balance between rapid expansion and financial sustainability.

Vedantu, another key player, also witnessed significant revenue growth, yet the company faced mounting financial pressure due to high operational costs. For instance, Vedantu's substantial spending on employee perks and incentives raised questions about the company's ability to manage its expenses in line with its revenue. The company's approach of aggressively expanding its workforce and scaling operations without securing sustainable profit margins reflected a growing disconnect between its market positioning and financial health.

Similarly, **Unacademy** and **upGrad**, both of which positioned themselves as leaders in India's online education space, also experienced considerable losses, despite their revenue growth. These challenges underscore the volatile financial landscape within the edtech industry, where fluctuating worker dynamics, rapid strategy changes, and overspending on growth have led to increasing instability. The sector's inability to effectively manage its financials has raised concerns about the long-term sustainability of many of its prominent players.

Byju's Financial Struggles: From Unicorn to Uncertainty

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Byju's, once the undisputed leader in India's edtech revolution, has been facing escalating financial difficulties in recent years. Known for its aggressive expansion strategies, Byju's quickly became the poster child for India's tech-driven educational transformation. However, its rapid growth has come at a significant cost.

In 2020, Byju's made a high-profile acquisition of **WhiteHat Jr**, the coding company, for \$300 million. While the acquisition was expected to bolster Byju's portfolio, it only exacerbated the company's financial strain. By 2022, Byju's consolidated liabilities had reached a staggering Rs 20,966 crore, with Rs 8,865 crore in current liabilities alone. These liabilities included payables for acquisitions, employee payables, trade payables, borrowings, lease liabilities, and advances from customers. The sheer size of these financial obligations raised serious concerns about Byju's ability to sustain its operations, especially given its already strained cash flow.

Despite maintaining its status as a unicorn and continuing to expand its user base, Byju's struggled with increasing financial obligations and operational inefficiencies. The company's aggressive growth strategy, marked by rapid acquisitions and an expansionary workforce, left it vulnerable to financial instability. As the company's debts piled up, questions were raised about the sustainability of Byju's business model. The lack of profitability, combined with escalating liabilities, triggered doubts about the firm's long-term viability and its ability to withstand market uncertainties.

The Disconnect Between Growth and Profitability

The challenges faced by Byju's, Vedantu, and other leading edtech firms reflect a broader trend within the industry. While revenue growth and market dominance were prioritized in the early years of the sector's boom, many companies overlooked the importance of establishing sound financial models and maintaining profitability. As the sector matured, the consequences of this oversight became evident.

For instance, **Vedantu's** continued focus on top-line growth through workforce expansion and heavy spending on employee incentives only contributed to the widening gap between its revenue and profit. Similarly, **Unacademy's** and **upGrad's** ability to scale up rapidly was not matched by an equally strategic approach to managing expenses, leading to large financial losses. While these companies made impressive strides in terms of attracting users and expanding market share, their inability to control costs and manage resources effectively highlighted the challenges inherent in scaling such businesses.

In contrast, **Physics Wallah's** relatively conservative approach, combined with its focus on maintaining profitability amid growth, allowed it to weather some of these financial pressures. The company's experience demonstrates that achieving financial sustainability in the edtech space requires more than just rapid user acquisition; it necessitates prudent financial management and operational efficiency.

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Industry-wide Financial Challenges and the Need for a Sustainable Model

While the Indian edtech sector has undoubtedly achieved remarkable growth, the financial struggles of companies like Byju's, Vedantu, and Unacademy serve as a warning for the broader industry. The disconnect between rapid expansion and financial health presents a significant challenge for edtech firms, as they seek to maintain growth while achieving long-term sustainability.

The financial struggles of these firms highlight the importance of establishing robust business models that prioritize profitability, cost management, and resource allocation. Companies must move beyond growth at all costs and focus on creating value for both their users and investors. This shift in focus will be essential for ensuring that Indian edtech companies can continue to thrive in an increasingly competitive and uncertain market.

Analysis

Widespread Layoffs in the Indian Edtech Sector

The rapid growth of India's edtech sector over the past few years has been accompanied by a troubling and stark trend—substantial layoffs across several major companies. As the industry grew during the pandemic and the subsequent shift to online learning, edtech startups experienced booming user bases, leading to aggressive scaling. However, many companies, once reliant on constant expansion, began to experience financial strain as revenue growth became more challenging to sustain. This financial pressure ultimately resulted in widespread workforce reductions.

In 2022, **Indian edtech firms** were responsible for approximately 50% of all layoffs in the startup ecosystem, a staggering statistic that raises concerns about the long-term stability of the sector. The layoffs within the edtech space were not confined to a few companies but were a widespread issue, with major players like **Physics Wallah, Unacademy, Vedantu, and Byju's** all engaging in significant workforce reductions as part of broader restructuring efforts. While these moves were intended to reduce operational costs, they also underscored the precarious nature of the edtech business model, which had been built on rapid growth rather than sustainable profitability.

Byju's, the most high-profile case in this layoff trend, made headlines in June 2023 when it laid off over 1,000 employees in an attempt to streamline operations and improve cash flow management. The company followed up with another round of job cuts in August, affecting an additional 400 staff members. These layoffs were framed as part of Byju's efforts to control operational expenses and reorganize its workforce amid financial strain. Yet, as the layoffs

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continued, the ethical and legal implications of such large-scale workforce reductions became more pronounced.

By **April 2024**, Byju's implemented yet another wave of layoffs, this time affecting approximately 500 employees, many of whom were let go without prior warning or the opportunity to undergo a performance improvement plan (PIP). The lack of due process in these layoffs, along with the abruptness and scale of the job cuts, raised significant concerns about the company's approach to workforce management and its commitment to employee well-being.

Byju's: Ethical and Legal Dilemmas

The layoffs at **Byju's** sparked a much-needed debate around the ethical and legal responsibilities that companies have towards their employees, particularly in times of financial hardship. Employees who were affected by the layoffs reported delayed or unpaid compensation, further exacerbating the emotional and financial distress of those losing their jobs. These reports brought attention to the legal obligations of employers, especially in the context of the large-scale layoffs taking place across the edtech sector.

Byju's layoff strategy, which focused primarily on improving cash flow management and reducing operational costs, has led to questions about the company's commitment to its employees. While such decisions are often viewed as necessary for a company facing financial challenges, they also raise concerns about the treatment of staff during restructuring processes. Employees laid off by Byju's in 2023 and 2024 reported feeling blindsided and unsupported, with many voicing concerns over how the company managed the process. The absence of clear communication and the lack of a performance improvement plan for some employees left many feeling vulnerable and exploited.

These ethical concerns were compounded by legal issues related to employee compensation and severance. In India, as in many other countries, labor laws require companies to honor employment contracts, including providing severance pay or compensation for laid-off workers. The reports of delayed payments and unresolved compensation claims have added to the company's negative reputation, raising important questions about corporate accountability in the fast-growing edtech sector.

The Ripple Effect Across the Edtech Industry

Byju's is not the only company in the Indian edtech sector to face such ethical dilemmas. Other leading firms like **Vedantu**, **Unacademy**, and **Physics Wallah** have also engaged in similar practices, reducing their workforces to curb costs amid financial pressures. In some cases, the layoffs were part of broader efforts to reorient business strategies or reorganize operations in response to changing market conditions.

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For instance, **Vedantu**, which had expanded rapidly in the earlier years, was forced to lay off over 1,100 employees in 2022 as part of a major restructuring process. The layoffs at Vedantu, like those at Byju's, were presented as a necessary measure to ensure the company's long-term survival, but they also underscored the challenges faced by companies that had grown too quickly without solid financial foundations.

Similarly, **Unacademy** also engaged in workforce reductions, making headlines for laying off employees to streamline operations and focus on profitable business units. These layoffs were part of the larger trend in the industry of trying to balance rapid growth with financial sustainability, yet they also revealed the difficulties in managing human resources effectively during periods of market uncertainty.

While the financial pressures on these companies are undeniable, the scale and frequency of layoffs have raised ethical questions about how businesses should treat their employees, particularly in times of hardship. The sheer volume of layoffs, coupled with the nature of the relationships that many edtech companies had cultivated with their staff—built on promises of growth, stability, and career advancement—has led to a growing sense of disillusionment among workers in the sector.

Ethical and Legal Implications for the Future of Edtech

As layoffs continue to be a prominent feature in the Indian edtech sector, the industry is being forced to confront the ethical and legal implications of these workforce reductions. The ethical concerns surrounding job cuts, particularly those that are abrupt and lacking in transparency, highlight the need for companies to adopt more responsible practices when managing their workforce. Firms must consider the long-term impact of layoffs on employee morale, brand reputation, and legal compliance.

In addition, there is an urgent need for companies to establish clearer and more transparent processes for layoffs, ensuring that affected employees are treated with respect and dignity. This includes providing proper severance packages, adhering to labor laws, and offering support in the form of career counseling, job placement services, or other resources to help employees transition to new roles.

The legal challenges related to compensation delays and unpaid wages must also be addressed, with companies taking proactive steps to meet their obligations to employees. Ensuring timely and fair compensation is not just a legal requirement but a moral responsibility that companies must honor to maintain trust with their workforce and avoid potential legal consequences.

Way Forward

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Financial Stability: The Path Forward

The significant decline in venture capital funding in 2023, a sharp drop from the highs of 2021, signals a shifting landscape in the edtech sector. Companies must now look beyond rapid scaling and focus on solidifying their financial foundations. For companies like Byju's, which have faced criticism for their aggressive expansion strategy, the future lies in creating a more balanced approach to growth that integrates financial prudence with innovation.

Strategic adaptations such as **revenue diversification** will be critical in ensuring long-term viability. Relying solely on one revenue stream, as many edtech companies did with subscription-based models, may not be sustainable in the face of fluctuating market conditions. Edtech companies must explore new revenue sources, such as partnerships with schools and institutions, offering value-added services, or branching into new segments like corporate training or skills development for adults.

Cost optimization will also play a key role in the future of edtech. Streamlining operations, reducing unnecessary expenditures, and leveraging technology to improve efficiency can help companies weather economic downturns without resorting to drastic measures like layoffs. Companies must also focus on creating sustainable and scalable business models that do not rely solely on venture funding and constant investment rounds.

Ethical Practices: Building Trust and Reputation

As the industry continues to mature, the need for ethical practices will only intensify. The controversial layoffs, delays in employee compensation, and issues related to customer relations have already cast a shadow on the reputation of several edtech companies. Moving forward, it will be essential for these companies to prioritize **transparency and accountability** in all aspects of their operations.

In terms of **employee welfare**, companies like Byju's must reconsider their approach to workforce management. The focus should be on creating more humane and supportive environments that emphasize professional development, job security, and fair treatment. Offering clear communication, timely compensation, and assistance for affected employees during layoffs will help edtech companies maintain trust with their staff and safeguard their reputation in the long run. Moreover, ethical business practices should extend to how companies interact with **customers**—ensuring that marketing strategies are transparent and that users' data is handled responsibly.

Rural outreach also remains an ethical and practical challenge for Indian edtech companies. While the growth of online learning has been exponential in urban areas, rural India remains underpenetrated. Companies must adopt strategies that make high-quality education accessible to all, particularly in remote areas, where internet connectivity and access to devices remain a challenge. This could involve partnerships with local governments, non-governmental

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organizations (NGOs), or regional institutions to provide affordable education and digital infrastructure in rural communities.

Long-Term Sustainability: A Focus on Resilience and Inclusivity

The future of the Indian edtech sector hinges on its ability to adapt to an increasingly competitive market while ensuring that growth does not come at the cost of social responsibility. The industry has seen several ups and downs over the past few years, with companies scrambling to recalibrate their strategies in response to funding challenges, changing consumer needs, and regulatory hurdles. To thrive in the future, companies must focus on **sustainability**—both financial and social.

To achieve sustainable growth, companies will need to foster **innovation** in their offerings while ensuring that these innovations are aligned with the real needs of learners. This could involve a shift towards more personalized learning experiences, leveraging AI and machine learning to tailor education to individual needs, and creating adaptive learning models that cater to a wider variety of learning styles. Additionally, companies must work towards **reducing failure rates** in their products and services by continuously improving their platforms and aligning them with real educational outcomes.

Sustainability also means prioritizing **employee well-being**. The stress and pressure faced by employees due to unpredictable layoffs and job insecurity can create a toxic work environment. Edtech companies must not only focus on performance and profitability but also invest in the well-being of their staff. This could include offering mental health support, job stability, and development opportunities that allow employees to grow with the company. Companies that ignore these aspects risk not only legal consequences but also losing the trust and loyalty of their workforce.

Moreover, edtech firms must address **rural disparities** in education access. While urban markets continue to show promising growth, it's essential that companies do not overlook the needs of underserved rural populations. Offering low-cost, scalable solutions that can function with limited internet access and fewer digital resources will be crucial for achieving broader inclusivity.

Conclusion

The Indian edtech sector stands at a crucial juncture, facing an array of challenges that could either make or break its future. Companies like Byju's have achieved extraordinary growth, but their struggles with financial instability, layoffs, and ethical issues have demonstrated that

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unchecked expansion and aggressive business models can come at a significant cost. The path forward requires a delicate balance between financial performance and ethical responsibility.

Indian edtech firms must adopt transparent, accountable, and sustainable business models that focus on **long-term viability** rather than short-term gains. By prioritizing financial stability, ethical practices, and inclusivity, companies can create a robust edtech ecosystem that not only supports learners but also ensures that employees and other stakeholders are treated with fairness and respect.

As the industry continues to evolve, it will be crucial for all stakeholders—investors, companies, employees, and customers—to work together to create an edtech landscape that is **resilient, inclusive, and sustainable**. Only then can the Indian edtech sector achieve its full potential and truly revolutionize education for generations to come.

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