

The Dark Side: A Look at India's Edtech Landscape



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Abstract

Byju's has played a crucial role in driving innovation and growth in the Indian edtech startup industry. Byju's, a unicorn and global leader, has changed traditional education techniques with its revolutionary approach to learning, earning great acclaim and popularity. Nevertheless, despite its impressive growth, Byju's faced a range of complex obstacles, specifically related to maintaining financial stability, ensuring ethical administration of its personnel, and making strategic decisions. The case explored Byju's trajectory, as it navigated the intricate equilibrium between aggressive expansion goals and judicious fiscal administration, while grappling with ethical quandaries related to workforce reductions and corporate responsibility. By looking back at the past, stakeholders need to be encouraged to reevaluate the fundamental forces at play in the startup ecosystem, highlighting the need of honesty, understanding, and societal obligation in promoting long-lasting progress in the education technology industry.

Introduction

Indian edtech companies took the lead in revolutionizing the educational landscape by using technology to increase accessibility and enhance learning opportunities. These firms have enjoyed remarkable development in recent years, particularly due to the increased demand for online learning solutions, especially during the COVID-19 epidemic¹¹. However, over last two years, the significant drop in funding to edtech companies shows slowdown in this industry. In fact, many argue that the rise of edtech sector was pandemic induced and was never a sustainable model.

In 2022, Physics Wallah quickly became extremely successful, providing a wide range of educational services. Although there was a significant increase in revenue to Rs 770 crore in 2022-2023, the company's profitability decreased, underscoring the difficulties in maintaining expansion². Vedantu is a prominent startup that specializes in providing live online tutoring. Their main objective is to create an interactive learning environment that is customized to meet the specific needs of each student. Unacademy transformed

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coaching techniques by democratizing education through the use of online courses and live classes. Additional up-and-coming firms such as WhiteHat Jr, Infinity Learn, EduGorilla, and TrainerCentral are providing young people with crucial digital skills, although they still face difficulties in ensuring high standards and bridging the digital gap.^{9,10}

As these businesses consistently create new and improved solutions to meet the changing demands of learners, the Indian edtech ecosystem is ready for more growth and change, ultimately influencing the future of education in the country. Byju's is a prime example of entrepreneurial success, leading the sector with its innovative ideas and effective solutions.¹² Byju's, a prominent participant in this field, achieved the status of a unicorn and became a global leader by introducing a groundbreaking method of education. The combination of interactive films, customized information, and adaptive technologies had a broad appeal, especially among students who were getting ready for competitive tests.^{1,9}

However, recent developments reveal that Byju's is sitting on a mountain of liabilities. In fact when Aakash attempted to integrate the company with Byju's, it discovered (against anyone's expectation) that Byju's universe is chaotic with no clarity of roles and chain and command. Byju's valuation has crashed drastically and the National Company Law Tribunal is currently hearing three complaints against Byju's by BCCI, the term loan lenders, and Teleperformance, a French provider of digital services. The company's situation appears considerably worse when one considers the ongoing investigations by the Ministry of Corporate Affairs and the Enforcement Directorate. At this point, the company is facing dilemma of survival in a fast growing industry.

Financial Standing of Indian Edtech firms

Due to regulatory obstacles in China, worldwide investment shifted towards India, resulting in significant growth in the local edtech sector. In India, funding for this sector increased from \$0.2 billion in 2016 to \$3.8 billion in 2021, accounting to 18% of global investments.⁶ However, in the last few years, venture capital funding in Indian edtech showed a steep decline, below \$1 billion in 2023 from more than \$2 billion in 2022, and approx. \$4 billion in 2021.¹⁴ The surge in Vedantu's income highlighted investor confidence, while substantial spending on employee perks emphasized the financial challenges faced by the sector.¹³ Unacademy and upGrad also experienced substantial losses, which indicate the unstable conditions in the edtech industry, characterized by changing worker dynamics and strategy adaptations.^{8,10}

Despite the obstacles, Vedantu and PhysicsWallah had significant revenue growth and successful fundraising, indicating the market's ability to withstand uncertainties.⁶ In June 2022 Physics Wallah made headlines when it unexpectedly became a unicorn, a business valued at \$1 billion or more after raising its first external funding round. The company's operating revenue increased three times to Rs 770 crore in 2022–2023, despite a decline in net profit to Rs 16 crore from Rs 98 crore in the previous fiscal year.¹⁴

Nevertheless, the industry as a whole underwent examination, specifically over recent job cuts, emphasizing the intricate interaction between financial necessities and operational difficulties.

Financial standing of BYju's

Byju's has established itself as a key player in the Indian edtech industry, which is characterized by changing financial dynamics. Indigenous unicorns such as Byju's attracted considerable interest, but apprehensions emerged about their long-term financial viability. Byju's acquired WhiteHat Jr (the coding company) in August 2020 for an astounding \$300 million. The last two fiscal years for which Byju's has filed its annual earnings (between 2020 and 2022) the coding company posted a cumulative net loss of about Rs. 4,500 crore, amounting to a third of the consolidated loss for the parent company over the period.

Byju's, as reported in 2021-22, has total consolidated liabilities of Rs 20,966 crore, of which Rs 8,865 crore are current liabilities. The breakdown of these current liabilities is as follows:

1. Payable for acquisition of business: Rs 3,060 crore
2. Employee payables: Approximately Rs 500 crore
3. Trade payables: Rs 1,665 crore
4. Borrowings: Rs 1,270 crore
5. Lease liabilities: Rs 1,180 crore
6. Other current liabilities: Rs 1,634 crore

Within the category of other current liabilities:

- Advances from customers: Rs 430 crore
- Statutory liabilities: Rs 310 crore
- Unearned revenues: Rs 844.99 crore

This breakdown offers a detailed view of Byju's current financial obligations and highlights the various components contributing to its current liabilities. ⁵

Byju's, a company with a valuation of over \$1 billion, had significant financial obligations due to its acquisitions, employee remuneration, and trade payables. The recent valuation revisions at Aakash have brought attention to the complex financial details of the business. ⁹ While Byju's maintained a strong market position, other competitors such as Vedantu, Unacademy, and upGrad also saw increases in income. However, they faced difficulties such as rising losses and inconsistent financial results. ³

Layoffs in Edtech Startups:

Workforce reductions have been a widespread problem in the Indian edtech sector. Indian edtech firms were responsible for about 50% of all layoffs in the startup industry in 2022, prompting debates about the long-term viability of the sector in light of its rapid expansion.³

Prominent players such as Physics Wallah and Unacademy, Byju's implemented substantial employment layoffs as a part of their cost restructuring initiatives. Relevel, a subsidiary of Unacademy, carried out targeted layoffs in order to reorient its objectives, indicating changes in commercial goals within the edtech industry. Other notable edtech companies like Vedantu, and upGrad also had considerable difficulties, such as Vedantu's gradual reduction in workforce which resulted in the termination of more than 1,100 employees over the course of 2022.⁴

Layoffs in Byju's:

Byju's has emerged as a prominent player in this layoff trend. Byju's made an official announcement in June 2023 that they would be laying off more than 1000 employees across different divisions. This was followed by an additional 400 job losses in August of the same year.³ News surfaced regarding employees experiencing significant delays in payment and unresolved outstanding payments, further emphasizing the challenges of managing the workforce during organizational transformation.^{7,3}

As recent as April 2024, Byju's has laid off about 500 staffers. Of those impacted, 240 were employed by Byju's tuition centre activities, and the remaining individuals were spread across the company's other business verticals. Over the course of eight weeks, the firm's lowest-performing employees were identified for layoffs. The employees were let go without providing any warning or putting them on a performance improvement plan (PIP). This is consistent with the company's strategy made in October 2023, which aims to improve cash flow management, save costs, and streamline operating structures.¹⁵

There have been concerns raised about how laid-off employees are being treated, including reports of delayed or unpaid compensation. This also highlights ethical and legal dilemmas for the corporations involved. These layoffs provoke more extensive contemplation over the sector's capacity for long-term viability, the effectiveness of corporate management, and the well-being of employees.

The Dark Side

The Indian edtech environment reveals numerous disconcerting features, with Byju's taking the lead in highlighting the industry's issues. The increasing integration of edtech platforms in school education has led to growing worries over **screen addiction** and mental tiredness among children.⁴ Byju's, along with other prominent participants, has played a role in this occurrence, causing parents to struggle with finding a balance between the advantages of education and the potential negative effects of excessive screen time.

Predatory Marketing Practices: Some Indian edtech companies employ predatory marketing strategies, taking advantage of the ambitions of parents who are searching for high-quality education for their children. Byju's and other renowned companies take advantage of this aspiration, frequently resulting in financial burden on families.⁶ These

methods emphasize ethical issues in the sector, damaging its brand and prompting inquiries about corporate accountability.

Despite being classified as a unicorn, Byju's has not been unaffected by issues faced by the other Indian EdTech firms. The challenges faced by Byjus India, include **layoffs, reduced funding, and financial losses**, which demonstrate the unpredictable nature of the market and the importance of establishing viable business models. Exodus of key personnel and a legal battles compelled Byju's to undertake restructuring efforts, including layoffs and a focus on operational efficiency ("Byju's 3.0") to achieve better financial health. Furthermore, after Byju's India CEO, Arjun Mohan resigned the troubled edtech company, Byju's founder Raveendran took over the company's operations. To pay staff salaries, Raveendran has been borrowing money from a number of investors.¹⁵

Rural Disparities and High Failure Rates: Despite significant expansion, educational technology firms face challenges in reaching rural regions, intensifying inequalities in the availability of high-quality education.⁵ The industry's elevated failure rate is attributed to a multitude of causes, such as gaps in market demand, insufficient investment, and fierce competition. Byju's, along with other competitors, must confront these formidable difficulties in order to guarantee inclusion and achieve sustained success in the Indian education sector.

Byju's is widely recognized as an innovative and successful company in the Indian edtech sector. However, it is important to acknowledge and address some of the negative aspects associated with the industry, such as addiction concerns, predatory marketing practices, financial instability, and disparities in access to education in rural areas.

The Dilemma and Way ahead:

Byju's is confronted with a predicament that goes beyond market difficulties and involves ethical concerns over layoffs, which raises important questions that the corporation needs to tackle. Layoffs are commonly seen as strategic reactions to market dynamics or organizational restructuring, but they have significant ethical consequences for employee well-being and organizational responsibility. Allegations of postponed or unpaid remunerations for terminated employees at Byju's have sparked apprehension on equity and corporate accountability, illuminating wider inquiries into how companies manage workforce reorganization and its consequences on employee entitlements.

The recent downsizing at Byju's has prompted an examination of corporate governance standards and the ethical obligations of entrepreneurs towards their employees. Byju's, a leading participant in the Indian Edtech sector, must navigate the challenging task of effectively managing expenses and improving operations while also ensuring the ethical responsibility of protecting employee rights. The contradiction between attaining quick expansion and financial viability while guaranteeing fair treatment of employees illustrates the issues encountered by the company and others in the sector.

As stakeholders in Byju's contemplate these advancements, they are faced with urgent inquiries: Did the decisions taken conform to the long-term values and aspirations of these startups? Were there any overlooked chances for implementing more comprehensive and sustainable strategies for labor management, such as fostering trust, promoting localization, and adapting to user requirements?

The issues encountered by Byju's and other educational technology startups necessitate a thorough reassessment of existing standards and procedures, compelling all parties involved to devise a course of action that incorporates ethical considerations in all aspects of their activities. Did the startups effectively strike a balance between financial performance and ethical responsibilities? Were collaborative endeavors and inventive resolutions successfully utilized to tackle the intricacies of the industry?

As stakeholders contemplate these inquiries, Stakeholders in India's educational technology sector need to prioritize financial viability and ethical behavior to create a robust edtech ecosystem. There is an urgent need to prioritize openness, responsibility, and employee well-being, amidst regulatory obstacles, financial pressures, and market uncertainty. Edtech firms may think in lines of implementing strategic adaptations like revenue diversification, cost optimization, and talent management.

Exhibit 1

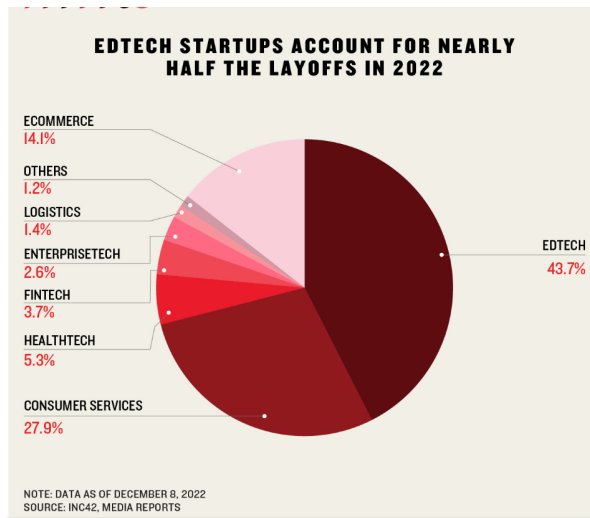














Exhibit 2

Edtech Layoffs In 2022

	Number Of Layoff	Why?
	1,150	Cost Cutting
	1,300	Resignations Over End Of Remote Working
	724	Financial Constraints
	350	Restructuring
	170	Company Shutdown
	150	Financial Constraints
	145	Cost Cutting
	100	Company Shutdown
	100	Performance-Related Layoffs
	40	Restructuring
	20	Instability Due To Founder Conflict
	19	Restructuring

Source: Inc42, News Reports (Aug., 2022)

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TEACHING NOTES

Case Synopsis:

Byju's, a pioneering company in the Indian educational technology sector, encounters numerous challenges despite its worldwide recognition. Despite facing strong competition from Vedantu, Unacademy, and upGrad, which are all experiencing revenue growth and increasing losses, the company remains financially stable but struggles with growing liabilities. From an ethical standpoint, Byju's is facing challenges in managing its personnel, since layoffs have raised issues regarding fairness and corporate responsibility. Furthermore, the business is marred by negative aspects like excessive dependence on screens, manipulative marketing tactics, economic instability, and unequal access to education in rural areas, which overshadow its accomplishments. This encourages individuals to carefully analyze the alignment of business goals with ethical principles, emphasizing the importance of prioritizing honesty, understanding, and societal obligations. To achieve long-term success in India's changing edtech industry, Byju's and similar companies must address these difficulties by strategic adjustments, promoting openness, accountability, and employee well-being.

Objectives of the Case Study:

- Examine the financial situation of Byju's and other Indian edtech companies, taking into account variables including funding, revenue growth, liabilities, and strategic obstacles.
- In light of layoffs, assess the moral conundrums that Byju's and other startups are facing and consider how to strike a balance between corporate needs and worker welfare.
- Look at the more general problems facing the Indian edtech sector, such as financial instability, predatory marketing, screen addiction, and unequal access to education.
- Consider the effects that these obstacles will have on various stakeholders, such as investors, employees, startup leaders, and regulatory agencies.
- Create tactical suggestions that will help Byju's and other edtech companies manage the industry's difficulties while maintaining moral principles, guaranteeing long-term financial viability, and encouraging equitable development.

Assignment Questions from various dimensions:**1. Financial Analysis:**

- a. Analyze the financial liabilities of Byju's as outlined in the case. What are the key components contributing to its current liabilities?
- b. Compare the financial performance of Byju's with other prominent Indian edtech firms such as Vedantu and Unacademy. What insights can be drawn from their revenue growth, funding activities, and expenditure patterns?

2. Ethical Dilemmas:

- a. Discuss the ethical dilemmas faced by Byju's regarding its layoffs. What are the implications of delaying or withholding employee dues on corporate accountability and employee welfare?
- b. Evaluate the ethical responsibilities of startups like Byju's towards their employees amidst workforce restructuring. How can organizations balance financial imperatives with ethical considerations?

3. Industry Challenges:

- a. Explore the challenges posed by screen addiction and predatory marketing practices in the Indian edtech sector. How do these issues impact the reputation and sustainability of companies like Byju's?
- b. Assess the disparities in access to education in rural areas and the high failure rates among edtech startups. What strategies can Byju's adopt to address these challenges and promote inclusive growth?

4. Stakeholder Implications:

- a. Analyze the implications of the layoffs at Byju's on various stakeholders, including employees, investors, regulatory bodies, and the broader startup ecosystem.
- b. Discuss the role of transparency, accountability, and employee welfare in shaping perceptions of Byju's and other edtech firms among stakeholders. How can these companies enhance stakeholder trust and confidence?

5. HR Perspective:

- a. Evaluate the HR policies and practices of Byju's in managing layoffs. What could have been done differently to ensure fair treatment of employees during workforce reductions?
- b. Discuss the impact of layoffs on employee morale, retention, and organizational culture at Byju's. How can HR strategies mitigate the negative effects of downsizing on employee engagement and productivity?

Answers using the theories:

Financial Analysis:

a. Human Capital Theory: Byju's financial liabilities represent the company's investment in human capital, which includes employee payables and training expenses. This is consistent with Human Capital Theory, which prioritizes the investment in individuals as a means to achieve organizational success.

b. Talent Management Theory: Byju's revenue development demonstrates the successful implementation of talent management strategies in the recruitment and retention of highly competent individuals. The Talent Management Theory posits that firms that use robust talent management techniques are more likely to deliver superior financial results.

Ethical Dilemmas:

a. According to Organizational Behavior Theory, postponing employee compensation can have a negative effect on employee motivation and trust. Organizational Behavior Theory, such as Herzberg's Two-Factor Theory, emphasizes the significance of equitable remuneration in promoting employee contentment.

b. Change Management Theory: Byju's must address the ethical quandaries associated with downsizing while effectively overseeing organizational transformation. Change Management Theory offers structured models for effectively addressing employee problems and upholding morale throughout periods of transition.

Challenges faced by the industry:

a. Social Cognitive Theory suggests that Byju's can tackle worries about screen addiction by promoting safe screen usage through educational programs. Social Cognitive Theory posits that behavior change can be assisted by observing others and being influenced by social factors.

b. Byju's can utilize strategic partnerships and inventive approaches to address the obstacles related to educational accessibility, employing the principles of Innovation Diffusion Theory. Innovation Diffusion Theory posits that the successful adoption of innovations necessitates the identification and resolution of obstacles, as well as the promotion of adoption through efficient communication.

Stakeholder Implications:

a. According to stakeholder theory, it is crucial for Byju's to give utmost importance to stakeholder trust and transparency while carrying out layoffs in order to sustain beneficial connections. Stakeholder Theory posits that firms should take into account the concerns and welfare of all stakeholders, encompassing employees, investors, and regulators.

b. Byju's adherence to regulations and dedication to the well-being of its employees exemplify the concepts of Corporate Social Responsibility (CSR) theory. CSR Theory prioritizes the significance of adhering to ethical conduct and fulfilling social obligations in the conduct of business activities.

HR Perspective:

a. Employee Relations Theory: Byju's HR practices should prioritize cultivating favorable employee relations during periods of workforce reduction. Employee Relations Theory highlights the significance of upholding efficient communication, equity, and empathy in overseeing employee interactions.

b. company Culture Theory: Byju's HR actions should focus on maintaining and enhancing the company culture throughout layoffs. According to Organizational Culture Theory, a robust culture enhances employee engagement, resilience, and flexibility while an organization undergoes change.

By including these HR theories into the analysis, one can gain a deeper comprehension of the intricacies associated with financial management, ethical decision-making, industry problems, stakeholder interactions, and HR practices within Byju's and the wider Indian edtech sector.

60 Minutes breakup of Case Study:

Introduction and Case Overview (8 minutes):

- Briefly introduce the case study and its key themes, such as financial dynamics, market trends, layoffs, and ethical considerations within the Indian Edtech sector. Provide context on the growth and challenges faced by Byju's and other Edtech startups in India. Highlight the importance of understanding the interplay between financial goals and ethical responsibilities in the startup ecosystem.

Discussion on Financial Analysis and Industry Challenges (20 minutes):

- Analyze Byju's financial standing, including its liabilities, revenue growth, and market positioning compared to competitors like Vedantu and Unacademy. Discuss the broader industry challenges, such as screen addiction, predatory marketing practices, and rural disparities in access to education. Encourage students to evaluate the implications of these challenges on the sustainability and growth potential of Edtech startups.

Exploration of Ethical Dilemmas and HR Perspectives (20 minutes):

- Examine the ethical dilemmas faced by Byju's and other Edtech startups, particularly in relation to layoffs and workforce dynamics. Discuss the HR perspective on managing layoffs, including strategies for mitigating negative impacts on employees and preserving organizational culture. Explore the role

of transparency, empathy, and stakeholder engagement in addressing ethical concerns and maintaining trust in the Edtech sector.

Strategic Recommendations and Conclusion (12 minutes):

- Brainstorm strategic recommendations for Byju's and other Edtech startups to navigate financial pressures while upholding ethical standards. Emphasize the importance of integrity, transparency, and social responsibility in decision-making and business operations. Summarize key insights from the discussion and encourage students to reflect on the broader implications for the Edtech industry. Conclude by reinforcing the need for ethical leadership and collaborative efforts to drive sustainable growth and innovation in the Indian Edtech sector.

Q&A and Interactive Discussion (10 minutes):

- Facilitate a Q&A session to address student queries and encourage interactive discussion on key topics raised during the session. Invite students to share their perspectives, insights, and potential solutions to the challenges faced by Edtech startups. Provide opportunities for students to engage with real-world examples and case studies to deepen their understanding of the complex dynamics within the Edtech ecosystem.