Growth and Expansion of India's Edtech Industry

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Introduction

- Due to the COVID-19 pandemic in 2020, Ed-Tech industry has come into limelight and the need for a hybrid model of education can now be clearly seen
- With the significant growth came new innovations from ed-tech start-ups. These start-ups identified some key gaps in the industry and reinvented the industry with modern business models. Some of the key gaps that they identified are:
  - Lack of cost-effective and quality content
  - Lack of connect between content curator and content absorbers
  - Skewed teacher-student ratio, particularly in tier-2 and tier-3 regions
    - Around 26% of India's population is under the age of 14 years and the scarcity of teachers became a big issue in the traditional education system.
- The growth of these companies is not limited only to the domestic market; they also target the global market through mergers and acquisitions.

Key Highlights

Market Opportunities for the Ed-tech industry in India

- There is potential for the industry to grow to around USD 10 Billion economy by the year 2025.
- The expected growth is supported by a number of factors such as the high penetration of internet and smart devices, increase in online content consumption, and the demand for young skilled professionals in the workforce.
- In India, this growth is supported by India's growing internet economy which recorded a total of 658 million internet users in January 2022.
- There are four main segments of the industry, with K-12 being the most popular one, followed by test preparation, online certification and skill development. Other segments available are the higher education segment and the language and casual learning segment.

Growth of the Edtech industry

- India's education sector is expected to grow from USD 117 billion in 2020 to USD 225 billion by 2025, according to PGA Labs and IVCA report.
- The key contributing factors to the same are:
  - High internet penetration
    The rising use of smartphones is a key contributor in the increasing number of active internet users. According to IAMAI-Kantar ICUBE 2020 report, the number of active internet users is expected to increase from 662 million in 2020 to 900 million by 2025.
  - High penetration of smart devices
    High penetration of smart phones and internet are the major contributing factors to the high demand and the expected positive growth of the Ed-tech industry.
    According to Internet of Things (IoT) – Spring 2022 report, there will be a significant increase in the number of connected IoT devices, from 12.2 billion in 2021 to 14.4 billion by 2022, and 27 billion by 2025.

- Increasing online content consumption
  Most of the internet users who access the web for educational and other content gravitate towards video format. This trend is estimated to continue as the expected share of video content consumption in overall internet traffic by 2022 is expected at 77% as opposed to 58% in 2017.
  Major Ed-tech start-ups are following the trend by providing video content along with other visual and text material.
- Young employable population
  The total workforce, made up of people between the ages of 15 to 64, makes up 68% of the total population, as of 2021. With the two most important parameters for employability, ie. Skillset and certification, becoming increasingly popular, the demand for the same are set to grow.
- Increased demand for skilled professionals
  With high skill requirements for technical jobs increasing, and Indian universities not providing sufficient training in the same, demand for upskilling is set to grow. With an estimate of 280 million people entering workforce by 2050, the demand for reskilling will increase as well.

Key trends/ highlights of India's Edtech Industry

- Many Ed-tech start-ups are focusing on providing coaching for competitive exams at reasonable prices, thus making them popular. The lack of physical space and the associated costs makes them a good choice for tier-2 and tier-3 cities as well.
- Due to the fast paced development of technology in the modern world, upskilling is now a necessity. Start-ups have a huge market potential thanks to the resource requirement for online teaching and learning.
- Online higher education, especially in tier-2 cities and with less priviledged people, is gaining interest due to its flexibility, convenience, and affordability.
- Video content is the most popular form of content in this industry

Challenges faced by the Edtech Industry

- Lack of connection between traditional educational institutions and their digital counterparts.
- Non-availablity of proper network and device requirements, especially in rural, backward, and hilly regions.
- Lack of awareness about the value created by online education, as a complement to the traditional system especially for K-12 students.
- Parental bias towards traditional institutions of education leads them to enroll their children mostly in traditional institutions, which makes it extremely difficult for Ed-tech start-ups to capture their attention.
- There exists a value gap between the certification issued by traditional full-time university degree programs and online courses, where more value and prestige is attached to the former.

Funding in India's Edtech industry

- Funding for the Ed-tech industry has increased from USD 1.87 billion of funding during 2020 to USD 5.82 billion in the year 2021. Byju's Unacademy, Vendantu, UpGrad, Eruditus, Classplus, BrightChamps, Cuemath, Leap, LEAD, Doubtnut, FintoClass, Toppr, and Teachmint are some of the top start-ups.
- In the year 2021, the industry raised 3 unicorns, and in 2022 it raised 2 more.
- Byju's is by far the biggest startup in terms of funding, standing at 44% of the total funding of USD 1.84 Million, followed closely by Eruditus at 19% and Upgrad at 11%.
- Of the sub sectors, Skill development is the most popular, recieving the most funding, followed by test preparation, and Enterprise solutions.

Government Initiatives to support EdTech Industry in India

- The Government has taken various initiatives to promote the industry.
  - SWAYAM programme : it is built on three cardinal principles of education policy, i.e., access, equity, and quality. The objective is to provide the best teaching-learning resources to everyone and focus more on the individuals who do not possess any resources.
  - DIKSHA (Digital Infrastructure for Knowledge Sharing) : it is a national platform for school education that can be accessed by learners and teachers across the country.
  - Set up of National Digital Library : the website hosts 20.64 million academic resources with the objective of increasing accessibility of required books to students digitally.
  - Skill India: this programme aims to provide training to more than 40 crore people in the country across a diverse set of skills. This campaign includes various initiatives like National Skill Development Mission, National Policy for Skill Development and Entreprenuership, Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Skill Loan Scheme, and Rural India Skill.
  - Sankalp (Skill Acquisition and Knowledge Awareness for Livelihood Promotion) : it aims to support skill training schemes that focus on quality improvement, institution strengthening, and the inclusion of undeserved groups in skill training.
  - STRIVE (Skills Strengthening for Industrial Value Enhancement) : it is an outcome focused scheme by the Government of India with main focus on vocational education and training.
  - eBasta : it is a project that provides a framework to make school books available in a digital format. The portal connects publishers with schools.

EdTech Industry's business model

- B2B Model (Business-to-business) : under this model, either institution offers its own learning modules or collaborates with third-party content curators/aggregators. Example - EnglishLeap, eShiksha, etc.
- B2C Model (Business-to-consumer) : it includes business where ed-tech start-ups play the roles of content curators and marketplace. Example - Unacademy and Byju's, etc.
- B2B-B2C Model : The ed-tech start-ups cater to both ends of the target audience in terms of directly providing solutions to businesses or customers. Example - Meritnation and Embibe.
- C2C Model (Customer-to-customer) : such a platform helps to connect potential content curators and consumers. Eg. Youtube, Udemy, and Coursera.

Revenue model of Edtech industry

- Freemium (pay as you go): it is a revenue model preferred by subsectors of test preparation and skill development.
- Only pay as you go: it is a revenue model preferred by Online Certification and Test preparation.
- Subscription: it is a model popular in the Skill development and online certification subsectors.
- Enterprise sales: it is preferred by STREAM Kit, Performance assessment and ERP Solutions subsectors.

Conclusion

- Incorporating digital technology into the education system will make it more accessible, less expensive, and more creative.
- Adoption of the same in India will help to address the issue of higher costs and insufficient reach of education.

Read More: https://www.ibef.org/download/Ed-tech-Industry.pdf

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