# REGULATING INNOVATION: RETHINKING INDIA'S LEGAL AND FINANCIAL FRAMEWORKS FOR SUSTAINABLE EDTECH GROWTH

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**ABSTRACT**

The Indian EdTech sector has witnessed unprecedented growth, catalyzed by digital adoption and substantial venture capital funding. However, this expansion has outpaced the development of regulatory safeguards, exposing systemic vulnerabilities in corporate governance, data privacy, and financial sustainability. This dissertation investigates how India's legal and financial frameworks can evolve to support a more sustainable, accountable EdTech ecosystem. It analyzes key regulatory gaps, including inadequate protection of minors' data, misleading marketing practices, and inconsistent educational quality standards. Through comparative insights from the United States and the United Kingdom, the study identifies global best practices in data protection, accreditation, and state-facilitated EdTech innovation. The research underscores the urgent need for India to adopt a hybrid regulatory model—combining strict privacy safeguards, institutional oversight, and quality assurance mechanisms—while encouraging responsible innovation. It concludes with actionable recommendations to promote long-term financial stability, improve governance standards, and ensure inclusive access to quality education through technology.

**Keywords:** EdTech, India, Data Privacy, Corporate Governance, Digital Regulation, Venture Capital, Educational Technology.

## INTRODUCTION

Over the last decade, India's EdTech sector has emerged as a dynamic force within the national education ecosystem, reshaping pedagogical models, disrupting traditional institutions, and expanding access to learners across geographies. Platforms like BYJU's, Unacademy, and Physics Wallah have not only attracted billions in venture capital funding but have also come to symbolize India's aspirations of becoming a global digital learning hub. However, behind this spectacular growth lies a more complex reality, one marred by fragmented regulation, financial opacity, unverified educational claims, and unresolved questions of data sovereignty.

Unlike conventional educational institutions, EdTech companies operate at the intersection of education, finance, and technology, raising multifaceted legal questions. These range from how personal data, especially that of minors, is collected, processed, and monetized, to whether exaggerated success claims in advertising breach consumer protection norms, and whether opaque governance structures violate the fiduciary duties owed to stakeholders under company law. The regulatory response so far has been disjointed: while legislation like the **Information Technology Act, 2000**, and the **Digital Personal Data Protection Act, 2023**, provide a general digital framework, they fall short of addressing sector-specific risks in online education.

This paper seeks to explore how India's legal and financial frameworks can evolve to ensure that EdTech grows in a sustainable, ethical, and accountable manner. Through doctrinal research and case study analysis, including a detailed inquiry into the financial and governance collapse of BYJU's, the study critically examines gaps in regulation, corporate governance norms, and data ethics. In doing so, it investigates whether India's current laws adequately protect vulnerable learners and stakeholders or instead enable a high-risk, profit-driven market dynamic.

To inform the reform agenda, the paper also undertakes a comparative regulatory analysis of the **United States** and **United Kingdom**, jurisdictions that have adopted contrasting approaches to balancing educational innovation with accountability. Drawing on these insights, the study proposes a regulatory roadmap for India that is not merely reactive but visionary, one that recognizes EdTech as a unique sector requiring bespoke legal treatment. The aim is to reimagine EdTech regulation not as a constraint on innovation, but as a constitutional obligation to protect learners and uphold educational integrity in the digital age.

# I. BRIDGING THE GAP: REGULATORY CHALLENGES IN INDIA'S EDTECH SECTOR

## 1. THE CURRENT REGULATORY FRAMEWORK

India's regulatory framework for digital platforms, including EdTech companies, has evolved over the years, particularly with the rise of the internet and mobile technologies. The **Information Technology Act, 2000 (IT Act)**[1], remains the cornerstone of India's digital regulatory infrastructure. While it provides a broad set of guidelines for digital transactions, cybercrimes, and data protection, it was not initially designed to address the complexities brought about by the EdTech revolution.

A key provision of the IT Act relevant to EdTech is **Section 79**[2], which grants a "safe harbor" to intermediaries, such as online platforms and content providers, shielding them from liability for user-generated content.[3] While this provision facilitates digital transactions, it has raised concerns about accountability, particularly in education, where misleading course content and exaggerated claims remain largely unchecked.

Another notable provision of the IT Act is **Section 43A**[4], which mandates that corporate entities, including EdTech companies, take reasonable security measures to safeguard sensitive

[1] Ministry of Electronics and Information Technology, *The Information Technology Act, 2000* (2000), https://www.meity.gov.in/writereaddata/files/itbill2000.pdf (last visited Mar. 29, 2025).

[2] 79. Network service providers not to be liable in certain cases. For the removal of doubts, it is hereby declared that no person providing any service as a network service provider shall be liable under this Act, rules or regulations made thereunder for any third-party information or data made available by him if he proves that the offence or contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence or contravention. Explanation—For the purposes of this section, — (a) "network service provider" means an intermediary; (b) "third party information" means any information dealt with by a network service provider in his capacity as an intermediary

[3] Shreya Singhal v. Union of India, (2015) 5 S.C.C. 1 (India).

[4] 43A. Compensation for failure to protect data: Where a body corporate, possessing, dealing or handling any sensitive personal data or information in a computer resource which it owns, controls or operates, is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person, such body corporate shall be liable to pay damages by way of compensation, to the person so affected. Explanation: For the purposes of this section: (i) "body corporate" means any company and includes a firm, sole proprietorship or other association of individuals engaged in commercial or professional activities. (ii) "reasonable security practices and procedures" means security practices and procedures designed to protect such information from unauthorised access, damage, use, modification, disclosure or impairment, as may be specified in an agreement between the parties or as may be specified in any law for the time being in force and in the absence of such agreement or any law, such reasonable security practices and procedures, as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit.
(iii) "sensitive personal data or information" means such personal information as may be prescribed by the Central Government in consultation with such professional bodies or associations as it may deem fit.

personal data, such as academic records and financial details. While this provision is crucial for protecting basic data, the Act falls short of addressing the specific challenges of the burgeoning EdTech sector. It lacks clear, sector-specific guidelines for quality control in online education and for ensuring the accuracy and credibility of digital content. Without such regulatory guidance, the industry remains vulnerable to exploitation by unethical players, and many platforms may favor user experience and rapid growth over robust data protection practices, leaving sensitive data exposed to cyber threats.

While the IT Act laid the groundwork for digital governance, its broad, technology-agnostic approach left sector-specific concerns, particularly in EdTech, unaddressed. The lack of robust data protection mechanisms, especially for minors, necessitated a more comprehensive legal framework. In response, the Indian government introduced the **Digital Personal Data Protection Bill, 2023 (DPDPA)[5],** which imposes stricter rules on data handling. This is particularly relevant for EdTech platforms, which manage vast amounts of student data, raising concerns about consent, security, and ethical use. The DPDPA establishes a clear framework for the collection, processing, and storage of personal data that offers enhanced privacy protection for all users, especially children, who are among its primary beneficiaries.[6]

Under the DPDPA, EdTech companies classified as **data fiduciaries[7]**, must acquire explicit, informed consent before collection or processing the personal data from users. This requirement ensures that students and their parents are fully aware of how their information will be used, thereby strengthening privacy protections.[8] The Act also safeguards individual rights, such as the right to access, rectify, and erase personal data, and mandates that data processing activities be limited to the purposes for which consent was provided.[9] Notably, the DPDPA includes stringent provisions specifically aimed at protecting children's data, recognizing the higher risks associated with handling minors' personal information.[10]

[5] Ministry of Electronics and Information Technology (MeitY), *Digital Personal Data Protection Act, 2023*, https://www.meity.gov.in/writereaddata/files/Digital%20Personal%20Data%20Protection%20Act%202023.pdf (last visited Mar. 29, 2025).
[6] Digital Personal Data Protection Act, No. 22 of 2023, ss 4, 7, 9, 12, 20, 27.
[7] Digital Personal Data Protection Act, No. 22 of 2023, S 2(i). "Data Fiduciary" means any person who alone or in conjunction with other persons determines the purpose and means of processing of personal data;
[8] S.S. Rana & Co., *Safeguarding Children's Data Under DPDP Law* (2024), https://ssrana.in/articles/safeguarding-childrens-data-under-dpdp-law/ (last visited Mar. 29, 2025).
[9] Digital Personal Data Protection Act, No. 22 of 2023 ss 16, 17, 18, 12.
[10] S.S. Rana & Co., supra note 8.

With the increasing reliance on online learning platforms in K-12 education, EdTech companies are handling vast amounts of data belonging to minors. The DPDPA seeks to address this concern by requiring parental consent before collecting or processing children's data. This provision aims to prevent the commercial exploitation of sensitive educational information and ensure its ethical use, thereby safeguarding minors from potential misuse by EdTech platforms. [11]

Beyond data privacy, consumer protection laws also play a critical role in regulating EdTech platforms, ensuring that students and parents receive transparent and reliable services. The **Consumer Protection Act, 2019**[12] seeks to ensure that educational platforms offer transparent, honest services to students and parents A growing concern in the EdTech sector is the prevalence of misleading marketing tactics, where companies make exaggerated claims about academic success rates or job placements. The 2019 Act directly addresses these issues, prohibiting deceptive advertisements and mandating fair refund policies.[13] For EdTech companies, this means providing clear terms of service, adhering to refund policies, and offering effective grievance redress mechanisms for users who feel misled or dissatisfied with the platform's offerings.

While consumer protection laws aim to curb deceptive practices in EdTech, data privacy concerns present an equally pressing regulatory challenge. The growing reliance on digital platforms in education has made data security a critical issue, raising concerns about the adequacy of existing legal frameworks in protecting student information.

## 2. CHALLENGES IN DATA PRIVACY AND CYBERSECURITY

### 2.1 Lack of Specific Regulations for Children's Data

Data privacy and cybersecurity have become critical concerns in the EdTech sector, particularly as more platforms collect vast amounts of personal information from students,

[11] Digital Personal Data Protection Act, No. 22 of 2023, S 9. Processing of personal data of children: (1) The Data Fiduciary shall, before processing any personal data of a child or a person with disability who has a lawful guardian obtain verifiable consent of the parent of such child or the lawful guardian, as the case may be, in such manner as may be prescribed. Explanation-For the purpose of this sub-section, the expression "consent of the parent" includes the consent of lawful guardian, wherever applicable

[12] *Consumer Protection Act, 2019*, No. 35 of 2019, https://ncdrc.nic.in/bare_acts/CPA2019.pdf (last visited Mar. 29, 2025).

[13] *Consumer Protection Act, 2019*, ss 2(47), 21, 69, No. 35 of 2019, India Code.

parents, and teachers. The shift towards online learning and the increasing reliance on digital tools have exposed the sector to significant data security risks.

One of the major gaps in India's data privacy laws is the absence of clear, sector-specific regulations for the handling of children's data. While the **Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011**[14], under the IT Act, provide general guidelines for the protection of personal data, they do not adequately address the unique risks posed to minors. EdTech platforms often collect sensitive information, from names and ages to behavioral and biometric data, without robust verification mechanisms for parental consent. The DPDPA aims to bridge this gap by mandating stringent data collection, storage, and processing rules specifically tailored to children's privacy concerns. However, its success will depend on how effectively it is implemented and how well EdTech companies adapt to its provisions.

Additionally, the **Intermediary Guidelines and Digital Media Ethics Code Rules, 2021**,[15], also mandate platforms to ensure due diligence in protecting user data, but these rules do not explicitly address children's data.

A key challenge in the sector is the lack of awareness about data privacy among students and parents. Many users do not fully comprehend the risks related with disseminating personal information on the internet, and may not be aware of their rights under the new data protection laws. This highlights the need for greater awareness and education on data privacy, both for users and for EdTech companies, which must ensure that their platforms comply with the new regulations and prioritize user privacy.

The vulnerability of EdTech platforms to data breaches was starkly highlighted in 2019 when ***Vedantu***, a prominent EdTech company, suffered a breach compromising the personal data of more than one million users, including but not limited to their names, email addresses, and mobile numbers.[16] This breach is suggested to have stemmed from inadequate data security measures, raising serious concerns about the industry's ability to safeguard user information.

[14] Ministry of Electronics and Information Technology, *Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011*, G.S.R. 313(E), https://www.meity.gov.in/sites/upload_files/dit/files/GSR313E_10511(1).pdf (last visited Mar. 29, 2025).
[15] Ministry of Electronics and Information Technology (MeitY), *Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021*, G.S.R. 139(E) (Feb. 25, 2021).
[16] *Vedantu Data Breach Exposes Personal Data of 1 Million Users*, Medianama (2019), https://www.medianama.com/2019/11/223-vedantu-data-breach-2/ (last visited Mar. 29, 2025).

Similarly, in 2023, ***BYJU'S*** faced a significant breach, exposing the personal and academic data of millions of students. This incident was linked to weak risk management practices and insufficient data protection policies, underscoring the growing cybersecurity risks in the sector. While ***BYJU'S*** took steps to mitigate the fallout, the breach emphasized the urgent need for stricter regulations and stronger data protection mechanisms. A more detailed analysis of these cases will be discussed in later chapters.

Apart from direct breaches, another critical concern in data privacy is how EdTech companies manage and share student data with third-party vendors. The lack of strict regulations governing these partnerships raises significant privacy risks.

### 2.2 Privacy Risks from Third-Party Data Sharing

Another area of concern is the sharing of student data with third-party vendors. EdTech companies often partner with various service providers, including cloud storage companies, data analytics firms, and advertising networks. While the Information Technology Act provides guidelines on data sharing, there is no clear regulation preventing the sharing of student data with third-party vendors, especially when these vendors may be located outside of India. The DPDP Act mandates that any data shared with third parties must be done with explicit consent and in compliance with the same data protection standards.[17] This practice poses significant privacy risks, as student data may be stored or processed in jurisdictions with weaker privacy protections.

The lack of formal data processing agreements between EdTech companies and third-party vendors results in a regulatory blind spot, where compliance with data protection standards is neither uniform nor enforceable. As seen in various global data breaches, such as the **Facebook-Cambridge Analytica**[18] scandal, the sharing of personal data without clear accountability can lead to severe privacy violations. In the context of EdTech, such breaches could lead to the exposure of sensitive student data, including academic performance, behavioral information, and even psychological assessments.[19]

[17] Digital Personal Data Protection Act, No. 22 of 2023, ss 7(2), 8.
[18] Harshil Kanakia, Giridhar Shenoy & Jimit Shah, *Cambridge Analytica – A Case Study*, 12(29) Indian J. Sci. & Tech. (2019), https://doi.org/10.17485/ijst/2019/v12i29/146977 (last visited Mar. 29, 2025).
[19] Fotis Law, *Case Study on Facebook's Data Breach*, https://fotislaw.com/public/lawtify/case-study-on-facebooks-data-breach (last visited Mar. 29, 2025).

While regulatory gaps in data privacy pose serious risks, the ethical dimensions of EdTech operations, ranging from deceptive marketing to unequal access, further complicate the sector's challenges. The intersection of business interests and educational integrity raises concerns that go beyond legal compliance.

## 3. ETHICAL CONCERNS IN EDTECH: ISSUES OF MISLEADING MARKETING, UNEQUAL ACCESS TO TECHNOLOGY, AND THE LACK OF EDUCATIONAL QUALITY STANDARDS

The expansion of the EdTech sector in India has created new opportunities for learning and bridging gaps in the education system. However, along with these benefits, there have emerged significant ethical concerns that need urgent attention. These include misleading marketing practices, unequal access to technology, and a lack of standardized educational quality. These issues have affected both students and educators and raised important questions about the ethics of EdTech companies' operations.

### 3.1 Misleading Marketing Practices

One of the most pressing ethical concerns in the sector is the prevalence of misleading advertising and exaggerated claims made by EdTech companies. Many platforms market their courses as a shortcut to success, promising guaranteed job placements or high returns on investment. These claims often target vulnerable students and parents who are eager to improve their educational prospects. However, in many cases, the quality of the courses does not match the promises made in the marketing materials.

One of the most scrutinized cases in this regard is **BYJU's**, one of the largest EdTech platform in India. The company has faced scrutiny over its advertising strategies, which often touts unrealistically high success rates and academic improvements. In 2020, Forbes reported that Byju's engaged in misleading advertising practices aimed at vulnerable families in India and faced a significant churn rate, suggesting that many students were dissatisfied with its courses.[20]

**BYJU's** also faced a ₹10 lakh penalty imposed by the Central Consumer Protection Authority

[20] Prism Philosophy, *Uncovering the Unethical Practices of BYJU'S* (Nov. 23, 2022).

(CCPA) for misleading advertisements regarding its IAS coaching services.[21] The company falsely claimed that its platform significantly increased the number of successful candidates, without providing adequate evidence to substantiate the claim. This penalty highlights the ethical concerns surrounding BYJU's marketing strategies, where the platform's advertisements promised guaranteed academic success, creating unrealistic expectations for parents and students. The misleading claims have resulted in financial losses for families who invested in courses that ultimately did not meet their expectations, further emphasizing the need for stricter regulations in EdTech marketing practices. BYJU's has expressed its intention to appeal the decision.[22]

Beyond marketing claims, a deeper concern is the actual delivery of educational content. The lack of standardized quality controls means students often encounter inconsistent, unregulated, and sometimes subpar learning experiences.

### 3.2 Lack of Educational Quality Standards

Another major ethical concern in the EdTech sector is the absence of standardized educational quality. The EdTech market in India is unregulated, and many platforms operate without any formal accreditation or standardized quality controls. This raises questions about the legitimacy of the content offered and the qualifications of those providing it. This lack of regulation not only allows misleading marketing to persist but also makes it difficult for students to distinguish credible learning platforms from subpar alternatives. While some platforms have made strides to adhere to established pedagogical practices, many others have entered the market with little concern for the quality of their educational materials or teaching methods.[23]This lack of standardization undermines the credibility of the EdTech industry and makes it difficult for students to discern which platforms provide genuine educational value.

Without clear quality benchmarks and accountability measures, EdTech firms operate in a regulatory vacuum, one that not only affects students but also leads to governance and financial transparency issues at an institutional level. These challenges are explored in the following

[21] Storyboard18, *BYJU's in Trouble Over Ad: EdTech Major BYJU's Faces Penalty Over IAS Ads* (Dec. 29, 2022).
[22] Id.
[23] Abhishek Bhansal & Shreyas Phopalkar, *A Review of Ed-Tech Sector in India* (2023), ResearchGate, https://www.researchgate.net/publication/372860407_A_Review_of_Ed-Tech_Sector_in_India (last visited Mar. 29, 2025).

chapter.

## II. GOVERNANCE AT CROSSROADS: FINANCIAL AND STRUCTURAL CHALLENGES IN EDTECH

### 1. FINANCIAL PRESSURES AND SUSTAINABILITY IN INDIA'S EDTECH SECTOR: THE OVER-DEPENDENCE ON VENTURE CAPITAL AND THE RISKS OF RAPID SCALING

The Indian EdTech sector has seen rapid expansion over the past decade, fueled by technological advancements, increasing internet access, and a rising demand for online education. This surge in demand attracted substantial investments, with Byju's raising $1 billion and Unacademy securing $440 million in 2021 alone, together accounting for 76% of the total funding in the sector that year.[24] Investors like Sequoia Capital, Tiger Global, and SoftBank played a key role in financing this boom.[25] However, while these funds enabled rapid innovation and market expansion, they also created a risky over-dependence on venture capital. The pressure to scale aggressively, often at the expense of sustainable financial models, has led to mounting losses and financial instability across major EdTech firms. These factors have raised concerns about the long-term financial sustainability of India's EdTech sector.

#### 1.1 The Role of Venture Capital

The rapid growth of India's EdTech firms, including Byju's, Unacademy, and Vedantu, has been fueled by venture capital. Byju's, for instance, secured $500 million from Tiger Global in 2019 and raised an additional $1 billion in 2020, pushing its valuation to over $21 billion by 2021.[26] These substantial funding rounds allowed these companies to create innovative platforms, hire top talent, and capture a large portion of the market.

However, this influx of capital has created a system where companies are primarily driven by the desire to scale quickly and capture market share rather than focusing on sustainable

[24] Your Story, *Byju's and Unacademy Lead in EdTech Funding* (Aug. 5, 2021), https://yourstory.com/2021/08/byjus-unacademy-edtech-sector-funding-2021 (last visited Mar. 29, 2025).
[25] TechCrunch, *Unacademy Raises $440 Million in Series H* (Feb. 4, 2021), https://techcrunch.com/2021/02/04/unacademy-raises-440m-series-h/ (last visited Mar. 29, 2025).
[26] Inst. of Company Secretaries of India, *Byju Case Study* (Sept. 27, 2023), https://www.icsi.edu/media/webmodules/research_corner/BYJUCASESTUDYSEPT2723.pdf (last visited Mar. 29, 2025).

financial models. Aggressive funding strategies have led to cash burn rates that far exceed revenue growth. Financial reports indicate that Byju's, despite impressive revenue growth, reported losses exceeding $1 billion by 2022.[27] Similarly, Unacademy, despite attracting significant investment, faced challenges in reaching profitability, even as it continued to scale operations and launch new initiatives.[28]

### 1.2 The Risks of Rapid Scaling

The desire for rapid scaling is another critical aspect that contributes to financial instability in the EdTech sector. Venture capital firms often pressure startups to scale quickly, leading to operational inefficiencies and an unsustainable business model. For example, Byju's aggressive expansion strategy, including international acquisitions and heavy spending on marketing, resulted in a strained balance sheet. Although the company rapidly grew its user base, it failed to deliver consistent profitability, negatively impacting its valuation and financial stability.[29] By 2024, Byju's faced severe financial and governance challenges, with creditors initiating insolvency proceedings due to unpaid dues, an alarming consequence of heavy and unchecked reliance on venture capital without focusing on profitability.[30]

While Unacademy did not reach insolvency, it too struggled financially, despite raising $440 million in a Series H funding round led by Temasek. The fiscal year ending March 2024, revealed a net loss of ₹631 crore, a 62% reduction from the previous year's loss of ₹1,678 crore.[31]

## 2. BYJU'S: A CASE OF RAPID GROWTH AND GOVERNANCE FAILURES

### Introduction

BYJU's, founded in 2011 by Byju Raveendran, rose from a modest beginning to become one of India's most prominent and valuable EdTech companies. It quickly captured the imagination of millions, promising to revolutionize education through technology. However, behind its

[27] Id.
[28] TechCrunch, supra note 25.
[29] Inst. of Company Secretaries of India, supra note 26.
[30] Id.
[31] *Unacademy Cuts FY24 Losses by 62% to ₹631 Crore on Cost-Cutting, Lower Expenses*, Econ. Times (Jan. 30, 2025), https://m.economictimes.com/tech/startups/unacademy-cuts-fy24-losses-by-62-to-rs-631-crore-on-cost-cutting-lower-expenses/articleshow/116407633.cms (last visited Mar. 29, 2025).

remarkable growth lies a story marked by governance lapses, financial mismanagement, and a failure to maintain sustainable growth. This case study traces BYJU's rise, the governance failures that followed, and the lessons that the EdTech sector can learn from its downfall.

**Rise of BYJU's**

BYJU's began as a small venture offering personalized learning through technology. Initially focusing on K-12 education, the platform quickly grew in popularity, thanks to its interactive content and personalized approach to learning. By leveraging technology and offering services from K-12 to competitive exam preparation, BYJU's gained significant traction among students and parents. The company's visibility was further boosted by high-profile endorsements from celebrities like cricketer MS Dhoni and actor Shah Rukh Khan.[32] These campaigns helped BYJU's rapidly expand its market presence, attracting attention from investors and venture capitalists. Over the next few years, BYJU's raised several rounds of funding, securing billions of dollars. With each new round, the company's valuation grew exponentially. By 2021, BYJU's was valued at $21 billion, becoming one of the world's most valuable EdTech companies.[33]

During this period, BYJU's adopted an aggressive acquisition strategy, acquiring other educational platforms such as Aakash Educational Services, WhiteHat Jr., and TutorVista.[34] These acquisitions expanded its portfolio and provided access to new markets, further solidifying BYJU's dominance in the EdTech space. However, this approach, which appeared to drive growth, would later contribute to its financial and governance troubles.

**Governance Failures and Financial Mismanagement**

**a) Lack of Financial Transparency and Governance Oversight**

As BYJU's scaled rapidly, its financial reporting practices began to raise serious concerns. The most significant red flag appeared when the company failed to submit its audited financial

[32] Inst. of Company Secretaries of India, supra note 26.
[33] Sandeep Vij, Shubham Pandit, Kashish & Sakshi Saini, *BYJU's Adventure: Rise and Fall of Think & Learn Pvt. Ltd.* (SSRN, 2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=488091 (last visited Mar. 29, 2025).
[34] Id.

statements for the fiscal year 2020-21.[35] Deloitte, the company's long-time auditing firm, resigned in 2021 after expressing concerns over discrepancies in BYJU's financial records.[36]

### b) The Dangers of Acquisition-Driven Growth

Another key governance failure was BYJU's reliance on acquisitions as the primary means of expanding its reach. While acquisitions such as Aakash Educational Services and WhiteHat Jr. helped to broaden BYJU's portfolio, they also introduced significant financial liabilities. The strategy of using venture capital funding to acquire other companies, often at inflated valuations, added considerable debt to BYJU's balance sheet. The cost of acquiring and integrating these businesses far outstripped BYJU's ability to generate sufficient revenue from its core operations. In a bid to stay competitive and maintain its market share, BYJU's was unable to prioritize financial sustainability, and its reliance on debt financing began to weigh heavily on its cash flow. Reports surfaced indicating that BYJU's could not even cover its basic operational costs through revenue generation, a situation compounded by its failure to achieve profitability.

### c) Delayed Financial Filings and Loss of Investor Confidence

BYJU's financial troubles were compounded by repeated delays in filing its financial statements for 2021-22 and beyond.[37] The company's prolonged failure to clarify its financial position raised alarms among both investors and regulators. With mounting concerns over transparency, investors, already frustrated with governance lapses, began to suspect deliberate concealment of critical financial information. These delays not only eroded investor confidence but also drew regulatory scrutiny, further exacerbating the company's downward spiral.[38]

## Strengthening Regulatory Frameworks and Sustainable Solutions

The downfall of BYJU's provides valuable insights into the need for a more robust regulatory

[35] *Neck-Deep in Trouble, Will BYJU'S Still Be Able to Bounce Back?*, The Hindu (2024), https://www.thehindu.com/education/neck-deep-in-trouble-will-byjus-still-be-able-to-bounce-back/article68710569.ece (last visited Mar. 29, 2025).

[36] *Deloitte Steps Down as Auditor of BYJU's and Aakash Educational*, BizzBuzz (2024), https://www.bizzbuzz.news/corporate/deloitte-steps-down-as-auditor-of-byjus-and-aakash-educational-1227755#google_vignette (last visited Mar. 29, 2025).

[37] Dr. Akinchan Buddhodev Sinha, *From Zenith to Nadir: The Case of BYJU's Corporate Governance Fiasco* (2023).

[38] Id.

framework for the EdTech sector, particularly in emerging markets like India. The case highlights the urgent need for regulatory improvements to safeguard investors, enforce financial transparency, and ensure that EdTech firms uphold ethical standards that protect students and stakeholders.

a) **Strengthening Financial Oversight and Transparency:** One of the key takeaways from BYJU's case is the importance of financial transparency. The lack of timely and accurate financial filings has been a significant contributor to the company's downfall.[39] Regulatory bodies in India must ensure that EdTech companies adhere to stringent financial reporting standards and are held accountable for any discrepancies in their financial records. In the absence of such measures, companies may continue to exploit loopholes, leading to a loss of investor confidence and damaging the broader EdTech sector.

b) **Introducing Clear Corporate Governance Standards:** The collapse of BYJU's underscores the need for stronger corporate governance norms in the EdTech industry. Regulators must mandate the appointment of independent board members and auditors to ensure that companies remain accountable to investors, customers, and stakeholders.[40] By strengthening governance structures, companies can avoid the kinds of mismanagement and conflicts of interest that BYJU's experienced.

c) **Promoting Sustainable Growth Models:** Lastly, EdTech companies should prioritize sustainable growth models by focusing on profitability and long-term financial health. This can be achieved by diversifying revenue streams, optimizing operational efficiency, and strategically managing acquisitions. Emphasizing financial transparency, responsible debt management, and building customer loyalty are also crucial for stability.[41] By focusing on scalable technologies, maintaining a balance between growth and financial viability, and ensuring ethical governance, companies can create a solid foundation for lasting success, avoiding the pitfalls of rapid,

[39] Samrat Ray, Kaviya Jain, Piyush Birru & Ruchika Mohata, *A Case Study of BYJU'S Failure*, 21(3) World J. of Advanced Res. & Revs. 674, 674–689 (2024), https://doi.org/10.30574/wjarr.2024.21.3.0765 (last visited Mar. 29, 2025).
[40] Id.
[41] Samrat Ray, supra note 39.

unsustainable expansion.[42]

## 3. ALTERNATE BUSINESS MODELS FOR INDIAN EDTECH: PATHWAYS TO SUSTAINABILITY

The Indian EdTech sector has witnessed a rapid rise, followed by market corrections that have exposed vulnerabilities in unsustainable venture-backed expansion. To foster long-term stability, companies must adopt revenue models that ensure financial viability while maintaining educational accessibility. Several business models have emerged as viable alternatives, each with varying degrees of success in India, while others have struggled to sustain themselves in the long run. This section explores these models, backed by real-world examples, to assess their effectiveness in the Indian context.

One of the most prominent models is the **freemium model**, which allows users free access to basic educational content while charging for premium features such as advanced courses, personalized mentoring, and certifications. This model lowers entry barriers, enabling mass adoption and allowing companies to upsell premium services. *Physics Wallah* exemplifies the success of this approach in India. Initially, the platform provided free educational content on YouTube, attracting a vast audience before gradually introducing paid offerings. This strategic transition enabled *Physics Wallah* to monetize its growing user base while maintaining affordability for students from diverse economic backgrounds.[43] Despite its success, the freemium model has its challenges. While it enables broad accessibility, the conversion rate from free to paid users remains relatively low, making it difficult to sustain profitability without additional revenue streams. Nonetheless, this model remains one of the most effective for EdTech startups looking to establish a foothold in India's highly competitive education market.

Another widely adopted approach is the **subscription-based model**, which provides users with continuous access to educational content for a recurring fee. This model ensures predictable revenue and fosters long-term user engagement. In India, Eruditus has effectively leveraged this approach by collaborating with top global universities to offer online courses through subscription plans. The company's ability to generate steady revenue streams has attracted

[42] Inst. of Company Secretaries of India, supra note 31.
[43] *Physics Wallah Expands PW Vidyapeeth in 26 More Cities; Announces Rs 200 Cr Scholarships with PWNSAT 2023*, Fin. Express (Sept. 19, 2023), https://www.financialexpress.com/jobs-career/education-physics-wallah-expands-pw-vidyapeeth-in-26-more-cities-announces-rs-200-cr-scholarships-with-pwnsat-2023-3222983/ (last visited Mar. 31, 2025).

significant investor confidence, as seen in its $150 million funding round led by TPG in 2024, valuing the company at $3 billion.[44] This model thrives in markets where learners seek structured and ongoing education, such as executive learning and skill development. However, subscription fatigue among users and competition from free alternatives pose challenges to its long-term scalability.

A hybrid approach, blending online learning with offline instruction, has gained traction as EdTech firms recognize the need for personalized, location-based education. The **hybrid model** merges digital learning with physical centers, offering students the flexibility of online content alongside the benefits of face-to-face interaction. *Physics Wallah* has successfully implemented this model by establishing 67 offline centers across 34 cities, enhancing student engagement and ensuring better learning outcomes.[45] This strategy addresses accessibility gaps in India, where digital infrastructure remains unevenly distributed. The hybrid model's effectiveness lies in its ability to cater to diverse student preferences, particularly in Tier 2 and Tier 3 cities, where in-person interaction remains essential for educational success. However, the operational costs associated with physical expansion make this model more resource-intensive than purely digital solutions.

Another approach that has seen success is the **licensing and partnership model**, where EdTech firms collaborate with educational institutions and government agencies to provide learning solutions. This model enables companies to expand their reach without direct consumer acquisition costs. The *Sampark Foundation*, for example, has partnered with various state governments in India to implement its Smart Shala program, integrating digital learning tools into public schools.[46] Such collaborations ensure a steady flow of institutional funding while broadening the impact of EdTech solutions. However, reliance on government partnerships introduces regulatory and bureaucratic hurdles, which can slow implementation and scalability.

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[44] '*India's Eruditus Raises $150 mln in TPG-Led Funding Round*, Reuters (Oct. 18, 2024), https://www.reuters.com/world/india/indias-eruditus-raises-150-mln-tpg-led-funding-round-2024-10-18/ (last visited Mar. 31, 2025).

[45] Financial Express, supra note 43.

[46] *UP CM Yogi Adityanath Inaugurates 'Sampark Smart Shala Smart Blocks' Programme to Upgrade All Govt Schools into Smart Schools*, India Today (July 6, 2023), https://www.indiatoday.in/education-today/news/story/up-cm-yogi-adityanath-inaugurates-sampark-smart-shala-smart-blocks-programme-to-upgrade-all-govt-schools-into-smart-schools-2402536-2023-07-06 (last visited Mar. 31, 2025).

While these models have demonstrated success, some business strategies have struggled to find sustainability in India's evolving EdTech landscape. The **advertising-based model**, which relies on ad revenue rather than direct user payments, has proven ineffective for most EdTech firms. While this approach is feasible for platforms with massive user engagement, such as YouTube, it is challenging for dedicated learning platforms, as excessive advertisements can detract from the educational experience.[47] Additionally, the low per-user revenue generated from ads is often insufficient to cover content development and operational costs.

Similarly, the **one-time purchase model**, where users pay a single fee for a course or resource, has faced difficulties in maintaining long-term viability.[48] While platforms like Udemy have successfully implemented this model globally, Indian consumers tend to favor ongoing access over one-time transactions, making it challenging for EdTech firms to retain users. This model also struggles with customer retention, as learners do not have an incentive to return after purchasing a course. Unlike subscription models that provide continuous revenue, one-time purchases result in fluctuating cash flows, making scalability difficult.

Lastly, **overemphasis on aggressive scaling without proven revenue models** has led to financial instability for several EdTech firms. Many startups have focused on rapid expansion and customer acquisition, banking on future monetization rather than establishing sustainable revenue streams. This approach led to the downfall of various well-funded EdTech ventures in India, where customer retention proved difficult, and high acquisition costs eroded profitability.[49] The reliance on deep discounting and free trials often resulted in short-term user spikes but failed to translate into consistent revenue. The post-pandemic funding crunch has further exposed the fragility of such aggressive scaling strategies.

In conclusion, the Indian EdTech sector requires a strategic shift towards sustainable business models that balance profitability with accessibility. Freemium, subscription-based, hybrid, and licensing models have proven to be the most viable alternatives, as evidenced by real-world examples. Meanwhile, advertising-based revenue models, one-time purchases, and aggressive

[47] SolGuruz, *What Are the Monetization Strategies for an EdTech App?*, Medium (Aug. 1, 2023), https://medium.com/@solguruz/what-are-the-monetization-strategies-for-an-edtech-app-c98e942d2e93 (last visited Mar. 31, 2025).
[48] PLoft Solutions, *Top Educational App Business Models*, JPLoft (Dec. 20, 2024), https://www.jploft.com/blog/educational-app-business-models (last visited Mar. 31, 2025).
[49] *Exploring Target Markets and Business Models in EdTech*, eLearning Industry (Mar. 1, 2023), https://elearningindustry.com/exploring-target-markets-and-business-models-in-edtech (last visited Mar. 31, 2025).

scaling strategies have struggled to maintain long-term viability. The future of EdTech in India depends on companies' ability to integrate scalable, financially sound models while adapting to the evolving needs of learners and regulatory frameworks. As we transition to Chapter 3, we will analyze global regulatory benchmarks in the US and UK, drawing lessons from their approaches to fostering a balanced and sustainable EdTech ecosystem in India.

## III. Global Benchmarks: Comparing EdTech Regulation in the US and UK

### 1. EdTech Regulatory Framework in the US

The United States has developed an intricate and multifaceted regulatory framework to oversee the growing EdTech industry, with various laws and agencies involved in ensuring the protection of student data, maintaining the quality of educational content, and ensuring transparency in partnerships between EdTech companies and educational institutions. This section explores the federal laws regulating the EdTech sector, focusing particularly on laws like the **Children's Online Privacy Protection Act (COPPA)**[50] and the **Family Educational Rights and Privacy Act (FERPA)**[51], while also addressing broader regulations concerning accreditation and quality control for online educational content.

#### 1.1 Federal Laws Impacting EdTech

At the federal level, several key statutes regulate how EdTech companies operate, particularly focusing on privacy protection and data security. In the United States, several federal laws regulate the EdTech sector to ensure student data privacy and online safety. **COPPA** restricts the collection of personal information from children under 13 without parental consent.[52] Under COPPA, EdTech companies are required to obtain parental consent before collecting, using, or sharing data related to children, and this law applies to websites, apps, and online services directed toward children.[53] Schools, however, can act as a consent intermediary, provided that the data is used strictly for educational purposes, such as improving the functionality of educational tools or providing personalized learning experiences.[54] This is crucial for EdTech

[50] Fed. Trade Comm'n, *Children's Online Privacy Protection Act* (1999), https://www.ftc.gov (last visited Mar. 29, 2025).
[51] U.S. Dept. of Education, *Family Educational Rights and Privacy Act* (2022), https://studentprivacy.ed.gov/ferpa (last visited Mar. 29, 2025).
[52] Fed. Trade Comm'n, supra note 50.
[53] Children's Online Privacy Protection Act (COPPA), 15 U.S.C. §§ 6501–6506 (1998), §§ 312.5, 312.7, 312.8.
[54] COPPA § 312.5(b), 15 U.S.C. § 6501 et seq.

providers that cater to K-12 schools and need to balance data privacy with delivering customized learning experiences.

Another critical law is the **FERPA**, which safeguards the confidentiality of students' educational records. FERPA applies to all federally funded educational institutions and restricts the disclosure of a student's education records without prior consent from the student or their parents.[55] EdTech companies that handle educational data must comply with FERPA when accessing or processing student records.[56] This is particularly relevant for EdTech platforms that store or analyze student data, as they must ensure that this data is not disclosed inappropriately and is only used for educational purposes.

The **Children's Internet Protection Act (CIPA)**[57] strengthens existing privacy laws by mandating that schools and libraries receiving federal funding establish internet safety policies. These policies must incorporate measures to restrict or filter content considered harmful or inappropriate for children, ensuring that online learning resources used in educational settings remain safe for students.[58] CIPA has significant implications for EdTech companies that offer content to K-12 institutions, as they need to ensure their tools comply with the stringent content filtering and safety requirements set by schools and libraries.[59]

### 1.2 Accreditation and Quality Control for Online Educational Content

As the EdTech sector has expanded, ensuring the quality and legitimacy of online educational content has become a critical concern. In the U.S., accreditation plays a central role in maintaining the credibility of educational institutions and the programs they offer, including those that use EdTech tools.

The **U.S. Department of Education (DOE)**[60] recognizes accrediting agencies that evaluate educational institutions and their programs based on set quality standards. Accreditation is crucial for ensuring that online education platforms and schools provide a meaningful and academically rigorous education. For EdTech companies working with schools or higher

[55] 34 C.F.R. § 99.31 (2024) (Family Educational Rights and Privacy Act).
[56] Id.
[57] Federal Communications Commission. (2000). Children's Internet Protection Act. https://www.fcc.gov/consumers/guides/childrens-internet-protection-act (last visited Mar. 29, 2025).
[58] Id.
[59] Children's Internet Protection Act, 47 U.S.C. § 254(h)(5)(B) (2021).
[60] U.S. Department of Education., *Accreditation in the United States* (2020), https://www.ed.gov (last visited Mar. 29, 2025).

education institutions, aligning their offerings with accredited programs is essential for maintaining their reputation and for schools to justify the use of their tools.[61]

Additionally, quality control for online educational content is enforced through guidelines set by accreditation bodies and agencies like the **Council for Higher Education Accreditation (CHEA)**.[62] These agencies assess the educational value, instructional design, and overall effectiveness of online learning programs, which directly impacts the types of platforms that schools can partner with and integrate into their curricula. As more K-12 and higher education institutions embrace EdTech, maintaining high standards for digital content is vital for ensuring that students receive a comprehensive, effective education. The role of accreditation ensures that EdTech providers contribute positively to educational outcomes and that their products are aligned with educational standards.[63]

While the U.S. regulatory framework emphasizes accreditation and institutional oversight to ensure the quality of educational technology. In contrast, the U.K. regulatory framework adopts a more data-centric approach, with a strong emphasis on safeguarding student privacy and ensuring regulatory compliance. This divergence stems from structural differences in their education systems- while U.S. EdTech providers must align with accreditation requirements for credibility, U.K. EdTech firms operate within a highly regulated data protection landscape shaped by GDPR. Given these priorities, GDPR plays a central role in defining how EdTech companies handle student data, influencing their operational and compliance strategies. The next section examines the impact of GDPR on EdTech companies in the U.K., as well as broader government efforts to regulate and support the sector.

### 2. The UK's Approach to EdTech Regulation

The UK's regulatory framework for EdTech is shaped by several key factors, including data privacy laws, government support for innovation, and alignment with national curriculum standards. This section explores these elements in detail, focusing on the interaction between

[61] QAHE, *The Importance of Accreditation for EdTech Companies: Ensuring Quality and Trust* (2023), https://www.qahe.org/article/the-importance-of-accreditation-for-edtech-companies-ensuring-quality-and-trust/ (last visited Mar. 29, 2025).
[62] Council for Higher Educ. Accreditation, *Overview of Accreditation in the United States* (2021), https://www.chea.org (last visited Mar. 29, 2025).
[63] QAHE, supra note 61.

the **General Data Protection Regulation (GDPR)**[64] and EdTech companies, as well as broader government initiatives designed to support and regulate the sector.

### 2.1 GDPR and its Interaction with EdTech Companies

The **GDPR**, which came into force in 2018, is one of the most significant pieces of data privacy legislation in the EU, with far-reaching implications for the UK's EdTech sector, particularly after Brexit.[65] The regulation mandates that EdTech companies operating within the UK or offering services to UK residents must adhere to strict data protection rules, ensuring the **privacy and security of students' personal data**. These include information, such as names, addresses, learning habits, and assessment records against unauthorized access and misuse.[66] A central issue for EdTech firms under GDPR is the requirement for explicit parental consent before processing the personal data of minors, particularly those under 13.[67] This provision directly impacts EdTech platforms used in schools, which frequently store and analyze students' academic performance, attendance, and interactions with learning tools.

Enforcement of these regulations falls under the purview of the UK's **Information Commissioner's Office (ICO)**[68] which serves as the primary regulatory body overseeing GDPR compliance. The ICO has set clear expectations for EdTech companies, emphasizing transparency in data collection, secure storage of student records, and ensuring compliance with privacy policies. In a 2020 article[69], ICO emphasized the need for schools and EdTech companies to be transparent about how they use personal data and to ensure that appropriate data protection measures are in place.[70] EdTech companies must also provide clear and accessible privacy notices to parents and children and be prepared for audits and reviews. Non-compliance with GDPR can result in penalties, with fines up to **€20 million or 4% of annual global turnover**, whichever is higher.[71]

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[64] *General Data Protection Regulation (GDPR)*, UK Information Commissioner's Office (ICO). https://gdpr-info.eu/ (last visited Mar. 29, 2025).
[65] Id.
[66] *General Data Protection Regulation*, arts. 5, 6, 9, 12–14, 32, 35, 44–50, Regulation (EU) 2016/679.
[67] *General Data Protection Regulation*, art. 8, Regulation (EU) 2016/679.
[68] Information Commissioner's Office (ICO). https://ico.org.uk/ (last visited Mar. 29, 2025).
[69] Csaba Krasznay, *Privacy Challenges in Children's Online Presence – From the Developers' Perspective* (2020), in *Central and Eastern European e|Dem and e|Gov Days 2020*, https://doi.org/10.24989/ocg.338.12 (last visited Mar. 29, 2025).
[70] Id.
[71] *General Data Protection Regulation,* art. 83(5), Regulation (EU) 2016/679.

Moreover, the ICO has worked alongside the **UK Department for Education (DfE)** to provide guidelines for educational institutions using online tools and services, ensuring that they understand their obligations under GDPR. This includes encouraging schools to review the terms and conditions of the EdTech tools they implement and ensure that the service providers are fully compliant with data protection laws.[72]

### 2.2 Guidelines for Aligning EdTech Content with National Curriculum Standards

In addition to supporting EdTech innovation, the UK government also emphasizes the importance of aligning educational content with national curriculum standards. The Department for Education (DfE) provides clear guidelines for EdTech companies on how to create educational products that are consistent with the UK's national curriculum.[73] EdTech companies developing digital tools, learning platforms, and online content must ensure that their products support and enhance the curriculum.[74] This alignment is essential for ensuring that EdTech tools are not only engaging but also pedagogically sound and consistent with educational goals.

To facilitate this process, the DfE has published guidance for schools and EdTech providers on how to use technology to supplement and enhance the curriculum.[75] The **Digital Education Platform**, which is an initiative from the DfE, acts as a central repository of approved EdTech resources.[76] The platform helps schools identify high-quality digital content that aligns with curriculum objectives and is proven to improve learning outcomes.[77] aiming to protect student data while simultaneously fostering technological innovation. While strict data protection laws like GDPR create a framework for compliance, the UK government recognizes the need to ensure that regulation does not stifle the growth of the EdTech sector.

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[72] Department for Education (DfE), *Implementation of Education Technology in Schools and Colleges* (2020), https://assets.publishing.service.gov.uk/media/63355d2ee90e0772dc965174/Implementation_of_education_technology_in_schools__and_colleges.pdf (last visited Mar. 29, 2025).

[73] Department for Education (DfE), *EdTech Quality Frameworks and Standards Review* (2020), https://assets.publishing.service.gov.uk/media/6579d0ac0467eb001355f761/EdTech_quality_frameworks_and_standards_review.pdf (last visited Mar. 29, 2025).

[74] Id.

[75] Department for Education (DfE), *Using Technology in Education,* GOV.UK, https://www.gov.uk/government/collections/using-technology-in-education (last visited Mar. 29, 2025).

[76] Department for Education (DfE), *Digital education platforms and how they're helping schools* (2021), https://dfedigital.blog.gov.uk/2021/02/12/digital-education-platforms/ (last visited Mar. 29, 2025).

[77] Id.

### 2.3 Government Support for EdTech Startups

Beyond regulatory compliance and curriculum alignment, the UK government actively fosters innovation in the EdTech space through various funding initiatives and programs. Recognizing the potential of EdTech to transform education, the government has introduced measures designed to support the development of high-quality educational technology solutions and create a thriving ecosystem for EdTech startups. One of the key initiatives is the **EdTech Strategy**, launched by the UK government in 2019, which outlines plans to support the growth of EdTech companies and enhance the use of technology in schools.[78] The strategy focuses on three primary objectives[79]:

a) **Support for EdTech innovation**: This includes encouraging the development of new technologies that improve learning outcomes and help students with diverse needs.

b) **Improved access to EdTech**: The government aims to ensure that schools, particularly those in underserved communities, have equitable access to digital tools. This includes addressing the digital divide by ensuring access to the internet and devices for all students, regardless of their socio-economic background.

c) **Fostering a connected EdTech community**: By creating a collaborative environment, the government hopes to strengthen partnerships between schools, businesses, and the public sector. This will encourage the adoption of effective EdTech solutions, enhancing the impact of technology in the classroom.

To achieve these goals, the UK government has allocated funding for various initiatives, including the **EdTech Innovation Fund**.[80] This fund was launched to support the development and implementation of innovative EdTech products that address challenges in education. The government has also worked to simplify the procurement process for EdTech companies, ensuring that smaller startups can compete with larger players in the market.[81]

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[78] Department for Education (DfE), *Realising the Potential of Technology in Education: A Strategy for Education Providers and the Technology Industry* (2019) https://assets.publishing.service.gov.uk/media/5ca360bee5274a77d479facc/DfE-Education_Technology_Strategy.pdf (last visited Mar. 29, 2025).
[79] Id.
[80] Nesta, *EdTech Innovation Fund* (2021), https://www.nesta.org.uk/project/edtech-innovation-fund/ (last visited Mar. 29, 2025).
[81] Department for Education (DfE), supra note 78.

## 3. Lessons for India: Key Takeaways and Recommendations

A comparative analysis of EdTech regulations in the U.S. and U.K. highlights two distinct regulatory priorities, while the U.S. emphasizes accreditation and institutional oversight, the U.K enforces stringent data privacy and compliance regulations. India's EdTech sector, still in its formative stages, can benefit from a hybrid approach, incorporating the U.S. model's focus on quality assurance alongside the U.K.'s stringent data protection measures. By integrating elements from both systems, India can create a regulatory framework that fosters innovation while ensuring student safety, financial accountability, and educational effectiveness. The following recommendations outline key steps India can take to develop a balanced EdTech regulatory framework.

**Recommendations for India:**

### 1. Establish a Statutory Regulator for EdTech with a Sector-Specific Mandate

The fragmented and generalist nature of India's current legal response to EdTech challenges underscores the need for a dedicated statutory authority to oversee this sector. Existing regulatory bodies such as the UGC, AICTE, and MeitY lack both the sectoral jurisdiction and institutional agility to respond to the unique blend of education, technology, and finance that EdTech entails. Therefore, India must consider enacting legislation to create a specialized **EdTech Regulatory Authority**, akin in structure to the Securities and Exchange Board of India (SEBI) or the Telecom Regulatory Authority of India (TRAI), with a clear mandate to issue operating licenses, monitor advertising practices, certify curriculum alignment, and enforce data protection obligations tailored to educational platforms.[82]

Such a body should function in close coordination with the Ministry of Education and MeitY, drawing upon the **UK Department for Education's role in digital content regulation** and the **U.S. Department of Education's involvement in institutional accreditation**. The regulator must have quasi-judicial powers, enforce compliance through administrative penalties, and maintain a publicly accessible database of approved EdTech platforms, thereby empowering consumers and deterring unethical operators.

[82] Department for Education (DfE), supra note 78.

### 2. Create a National EdTech Certification and Quality Assurance Framework

A glaring lacuna in India's EdTech ecosystem is the absence of any institutional mechanism to assess the pedagogical validity, curriculum compatibility, or academic integrity of digital learning content. As a result, many platforms operate in a regulatory vacuum, offering substandard or unverified courses that may not align with the National Curriculum Framework or broader learning outcomes envisioned under the NEP 2020.[83]

To address this, India should establish a **National Certification Framework for EdTech** under the aegis of the proposed regulatory authority. This framework must evaluate platforms on key metrics such as instructional design, teacher qualifications, learning analytics, accessibility features, and outcome measurement. Drawing from the U.S. model of accrediting institutions through independent bodies recognized by the Department of Education, and the **UK's Digital Education Platform**, which curate high-quality curriculum-aligned tools, India can implement a multi-tiered accreditation regime.[84] Certified platforms should carry a mandatory disclosure tag visible to users and to schools considering integration, thereby introducing a layer of quality assurance essential for systemic trust.

### 3. Operationalize the Digital Personal Data Protection Act, 2023 with EdTech-Specific Rules for Child Data

Although the enactment of the **Digital Personal Data Protection Act, 2023 (DPDPA)** marks significant progress, its effective implementation will depend on the issuance of sector-specific rules and enforcement guidelines. Given that EdTech platforms routinely handle vast volumes of sensitive personal data, including that of minors, India must prioritize the development of a detailed compliance code for education technology providers.

The child-specific data safeguards introduced under the **U.S. Children's Online Privacy Protection Act (COPPA)** and the **UK GDPR regime**, particularly those requiring verified parental consent and restrictions on behavioural profiling, offer a robust foundation for Indian regulators.[85] India's framework should include mandatory age verification, informed consent mechanisms for children under 18, and clear prohibitions on targeted advertising, profiling, or

[83] Department for Education (DfE), supra note 73.
[84] Department for Education (DfE), supra note 78.
[85] Children's Online Privacy Protection Act (COPPA), supra note 53.

data transfer to third-party vendors without granular, purpose-specific consent. EdTech companies crossing a defined user threshold (e.g., over 100,000 child users) must be required to conduct **annual data protection impact assessments (DPIAs)** and submit audit reports to the Data Protection Board.[86]

### 4. Introduce a Statutory Code for EdTech Advertising and a Sector-Specific Grievance Redress Mechanism

The rapid commercialization of digital learning has led to an alarming rise in *misleading advertisements* that promise guaranteed academic outcomes, job placements, or rank-based success, often without any empirical substantiation. This is particularly concerning given the asymmetric information between providers and users, most of whom are parents or students with limited legal recourse. To remedy this, India should introduce a Statutory Advertising Code for EdTech Platforms, notified under the *Consumer Protection Act, 2019*, and enforced by the *Central Consumer Protection Authority (CCPA)*. This code must prohibit unsubstantiated claims, false endorsements, fine-print refund traps, and aggressive sales tactics, particularly those targeting economically vulnerable or digitally illiterate families.

In addition, a dedicated grievance redressal portal should be created for EdTech-related complaints, with defined timelines for platform responses and regulatory adjudication. The **₹10 lakh** penalty imposed on BYJU's by the CCPA for misleading IAS coaching advertisements[87] illustrates both the prevalence of such violations and the capacity of the consumer protection framework to address them, provided sector-specific enforcement norms are in place.

### 5. Mandate Financial Transparency and Board-Level Governance for Venture-Funded EdTech

The **BYJU's governance crisis**, including prolonged delays in financial disclosures, auditor resignations, and spiralling debt-financed expansion, reflects a broader systemic concern: the absence of **mandatory financial transparency norms** for high-growth, venture-funded

[86] General Data Protection Regulation (GDPR), Art 83(5), supra note 71.
[87] Central Consumer Protection Authority, *Order in the matter of Think & Learn Pvt. Ltd. (Byju's IAS)* (Nov. 23, 2023), https://www.doca.gov.in/ccpa/checkuploaddocs.php?updocs=./uploads/1703859811-CCPA%20Order%20Byjus%20IAS%20Think%20and%20%20Learn%20Pvt%20Ltd%2023.11.2023.pdf (last visited Mar. 29, 2025)

EdTech firms. At present, many such companies remain unlisted and unregulated, yet handle investor capital, user fees, and data at a scale that impacts public interest.

India should mandate that all EdTech companies exceeding defined thresholds (e.g., ₹100 crore in annual revenue or ₹50 crore in VC funding) be subject to enhanced financial and governance disclosure norms, including:

- Quarterly publication of **audited financial statements**,
- Appointment of **independent directors** and constitution of Audit and Ethics Committees,
- Disclosure of shareholder agreements, board resolutions, and investor rights (such as liquidation preferences).

Byju's opaque practices raise serious questions under **Section 447[88] of the Companies Act, 2013**, which criminalizes deliberate suppression of material financial facts. By linking such behaviour to statutory liability, even hypothetically, India can create strong deterrents and strengthen board-level accountability in the EdTech ecosystem.

### 6. Institutionalize Public–Private Partnership (PPP) Frameworks for Inclusive EdTech Access

Despite the growth of the EdTech sector, *access to quality digital education remains uneven,* particularly across Tier II/III towns and rural areas. To achieve the inclusive vision of NEP 2020, India must establish formal Public–Private Partnership (PPP) frameworks that enable collaboration between EdTech firms and government bodies for content co-development, teacher training, and curriculum integration. These PPP models should be guided by transparent procurement norms, output-based funding, and measurable impact assessments. The **UK's EdTech Innovation Fund[89]** and its centrally coordinated EdTech Strategy illustrate how government-led support can catalyse innovation while serving public education objectives. Indian examples like the **Sampark Smart Shala programme[90],** implemented

[88] Companies Act, No. 18 of 2013, § 447, India Code (2013), https://www.mca.gov.in/content/dam/mca/pdf/CompaniesAct2013.pdf (last visited Mar. 29, 2025).
[89] Nesta, supra note 80.
[90] Sampark Foundation, *Sampark Smartshala App – An Interactive Teaching App for Children* (last visited Mar. 29, 2025), https://www.samparkfoundation.org/smartshala-app

through partnerships with state governments, further demonstrate the viability of such models.

To ensure effectiveness, PPPs must mandate data protection compliance, prohibit commercial exploitation of student data, and embed open licensing standards for public content.

## CONCLUSION

India's EdTech sector has undergone rapid transformation, driven by increased digital adoption and a surge in venture capital investments. However, this growth has also exposed critical vulnerabilities, ranging from financial instability to concerns over data privacy, regulatory oversight, and the quality of educational content. To ensure sustainable development, a well-calibrated regulatory and financial framework is essential, balancing innovation with accountability.

A primary concern is data privacy and ethical use of student information. The absence of stringent data protection laws has led to unregulated data collection and potential misuse by EdTech firms. Drawing from global best practices, India must enforce stricter data privacy norms akin to the EU's GDPR to ensure transparency and build consumer trust. Regulatory frameworks should also mandate informed consent, secure data storage, and strict penalties for breaches, preventing exploitation of student data.

Financial transparency and accountability have also emerged as key concerns. The downfall of Byju's once India's most valued EdTech company illustrates the risks of unchecked expansion and opaque financial practices. The government must introduce stricter financial disclosure norms and governance frameworks to prevent mismanagement and safeguard investor confidence. Encouraging sustainable business models, such as subscription-based and hybrid learning models, can reduce dependence on volatile venture capital and promote long-term financial stability.

Another crucial aspect is content quality and accessibility. While digital learning has expanded educational reach, there remains a disparity in content alignment with national curricula and accessibility for underserved communities. A regulatory mechanism ensuring curriculum compliance and affordability must be established. Strengthening public-private partnerships (PPPs) can facilitate the distribution of high-quality EdTech solutions in government schools, improving learning outcomes for students in rural and economically weaker sections.

In conclusion, India's regulatory and financial frameworks must evolve to support the long-term viability of the EdTech industry. A multi-stakeholder approach, involving the government, industry leaders, and educators, is essential to creating policies that foster innovation while upholding ethical and educational standards. With robust data privacy regulations, financial transparency, and inclusive learning strategies, India can build an EdTech ecosystem that is not only profitable but also responsible, equitable, and transformative for the future of education.

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4. Ministry of Electronics & Information Technology, *Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules*, G.S.R. 313(E) (Apr. 13, 2011), https://www.meity.gov.in/sites/upload_files/dit/files/GSR313E_10511(1).pdf (last visited Mar. 29, 2025).

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