# BYJU: From Initial Success to Near Bankruptcy

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## Abstract

*This paper analyzes the phenomenal growth of an Indian EdTech start-up, BYJU and its equally spectacular downfall with allegations of mismanagement, financial misreporting and fund diversions. By adopting short-term solutions, including expensive acquisitions, and massive employee retrenchments, BYJU has failed to address the core problems plaguing its business. In 2024, India's federal government has launched an investigation into the finances of BYJU. The rise and fall of this EdTech start-up provide some important lessons which could serve as pointers for future start-ups especially those who are trying to navigate through the complex labyrinth of Indian financial and regulatory framework.*

## 1. BYJU's Background

BYJU is an edtech startup in India founded by Byju Reveendran and his partner Divya Gokulnath, BYJU started from a humble background. Coming from a small village in Southern India, Byju Reveendran describes himself as "a teacher by choice, an engineer by training, and an entrepreneur by accident." With a passion for teaching and expertise in engineering, Byju Reveendran wants to make learning fun. Hence, he started turning his in-person education 'business" into an app launched in 2015.

As we learn from its website, BYJU aims to challenge the way traditional education works with "Fall in love with learning" as its business tagline. The growth of technology has made BYJU quickly popular as it offers personalized and gamified learning experiences for K-12 students (consisting of students from grades 1 to 12), as well as competitive exams preparations including JEE, NEET, CAT, GMAT, and GRE. The overall company's mission is to make quality education accessible to all.

Being the first unicorn in India in 2018, BYJU was crowned the most valuable company not only in the country but also in the world. Its rapid growth is manifested through its strategic acquisitions to expand the company's reach into a global audience including a U.S.-based educational games company called Osmo in 2019 and a Mumbai-based coding startup namely White Hat Jr. in 2020. The initial success of BYJU is also credited to five hundred strong personnel in R&D and celebrity endorsements involving a renowned Indian actor, Shah Rukh Khan, and a famous Argentinian footballer, Lionel Messi [1]. Not to mention, some of its learning products also feature Disney, which kids love [2].

Although BYJU has reached its peak success valued at $22bn, especially during the pandemic when everyone was forced to do social distancing and it acts as a 'business leverage' for an educational technology business, BYJU has faced several challenges that impact its valuation. By 2025, the value of BYJU was worth about $1bn. Researchers argue that things attributed to the company's fall are financial mismanagement, legal challenges, and leadership issues which then led to negative public perception [3,4]. The reasons for BYJU's success and failure as well as the lessons learned from the company's trajectory are analyzed in the following sections.

## 2. Reasons for BYJU's Growth

The initial success of BYJU is attributed to the mix of innovations, strategic acquisitions, as well as a good market opportunity to leverage.

### 2.1 Innovative Technology

The involvement of technology in educational settings has been a subject of research since the 1980s. The research by Garrison [5] has stated that the innovations reflected in technology translate to more interactive and independent learning. Present times have proven the fact that no one can seem to get away from their gadgets, making the revolutionary innovation to include technology in educational circles a necessity. The shortages of traditional classroom settings in providing immediate access, faster evaluations, and more engagement are a few missing gaps that technology can fill when used properly. Keeping in mind the UN's SDGs 2030, technology has been serving as a valuable tool to ensure the inclusivity of education serving not only as an information provider but also as a mentor and assessor [6].

The current products of technology innovations including artificial intelligence, gamification, and personalized learning have been leveraged by BYJU to produce its business products [7,8]. As one of the leaders in the ed-tech sector in India, BYJU has been transferring educational content through interactive animated videos with adaptive learning techniques in the curriculum. Gamification elements such as rewards that are earned from quizzes further add to the motivation of children to engage with this learning platform. The most important factor that technology provides is the personalization of not only the content but also the pace of learning of everyone. Collectively, this has contributed to the success of BYJU, aligning with their tagline and business purposes which is to make children "Fall in love with learning". Facing a drop in demand for its product, BYJU management lost sight of its original focus and strategy. As a result, learning was no longer fun but became more expensive

### 2.2 Strategic Acquisitions

Another aspect that has contributed to the growth of BYJU is its strategic acquisitions. If done well, strategic acquisitions function as an important investment for growth and expansion as they allow businesses to enter new markets as well as gaining efficiencies by reducing redundancies. Moreover, acquisitions can also benefit businesses financially as not only wealth is being shared among the shareholders but also the risk [9]. In the early years of BYJU's development, it acquired Osmo in 2019 for $120 million and integrated Osmo's expertise in blending physical and digital learning. Osmo has helped BYJU in applying reality-based educational games as well as appealing its product in the US market. In addition, WhiteHat Jr. was also acquired in 2020 for $300 million where the specialization of WhiteHat Jr. is used to build a pedagogy of coding classes for children. This enabled BYJU to capitalize on the rising demand for STEM education [7]. Other acquisitions have also been made to diversify BYJU's offering and strengthen its presence in the global market with Great Learning Pvt. Ltd., Epic, and TutorVista, Edurite from Pearson.

### 2.3 Market Opportunity

The market opportunity that is present due to India's demographic and the COVID-19 pandemic has further increased the success story of BYJU. Now being the most populated country in the world with more than 1.4 billion people, India has a massive education network being the home of 1.49 million schools, 9.5 million teachers, and 256 million students. The internet penetration has reached more than 900 million active users as well [8].

In addition to that, the pandemic has forced a transformation of every in-person activity into remote activities including education. COVID-19 has made a significant shift in the future of education through a potential hybrid highlighting the importance of technology infrastructure [10]. The success of BYJU is living proof that the leverage of market opportunities is important for success, proven by the fact that BYJU managed to attract investment leading to its peak success in 2022 with a valuation of $22 bn.

The rise of BYJU has been credited to the combination of technology innovation, strategic acquisitions, and market opportunities. The use of celebrity endorsement also plays a huge role in BYJU's case. However, some of the reasons behind BYJU's success are also the reasons for its fall are be covered in the next section.

## 3. Reasons for BYJU's Fall

When it comes to start-ups, there is no such thing as success without hurdles. In BYJU's case, for example, the struggles are due to factors including internal challenges, financial mismanagement, shifting market situation, and negative brand image caused by the dissatisfaction from consumers.

### 3.1 Leadership Instability

The probable root cause of BYJU's fall lies in the leadership instability affecting its strategic direction and operational efficiency. The high turnover within the leadership positions has led BYJU's direction to become unsustainable as new leaders came with new visions, priorities, and management styles. [4]. Sinha [11] stated that although leadership cuts and reshuffles could indeed help bring new and fresh perspectives, this should be done with thorough consideration and commitment to undergo the plan sustainably. In addition, stakeholders need to be onboard and consulted to ensure that leadership changes are made through consensus.

The frequent leadership shift has also created challenges within the hiring and talent allocation of the company. BYJU's rapid growth has led to hiring too many people. However, the aggressiveness in hiring lacked planning and alignment with organizational priorities. Overstaffing has occurred in areas that were not critical to the company such as marketing and sales. Key departments, including product development and IT, were considered underdeveloped which led to inadequate development within its curriculum design, content, and platform optimization [4,11].

### 3.2 Financial Mismanagement

The instability within the company's leadership has impacted on some other performances including financial mismanagement. In 2023 alone, three board members resigned and this has highlighted a significant internal governance problem that has eroded the confidence of investors. The 18-month delay in financial reporting has also highlighted serious internal governance issues. These delays not only led to the withdrawal of its auditor, Deloitte Haskins and Sells, but also raised concern about BYJU's commitment to comply with financial reporting transparency regulation [7]. A comparable situation took place with Luckin Coffee in China when Ernest &Young Hua Ming external auditors did not audit the 2019 financial statements as they found fabricated revenues and expenses reported for that period. [12].

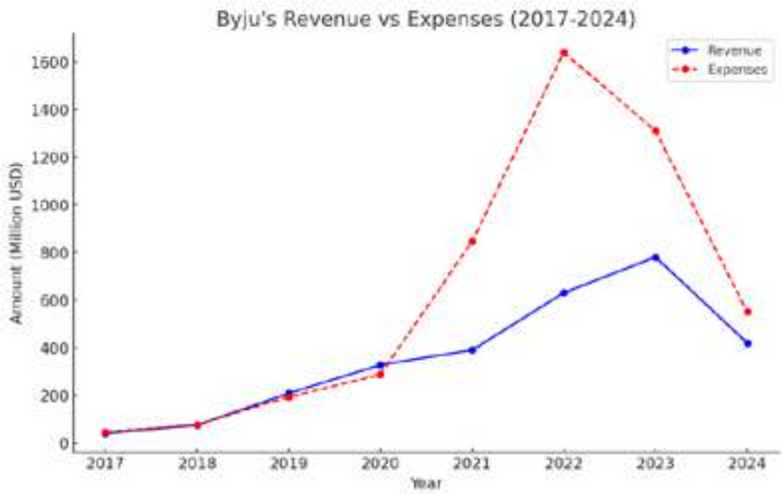


**Figure 1** Revenue and Expense comparison of BYJU

Another aspect of the company's financial mismanagement can be attributed to its aggressive expansion strategies and conflict with its creditors as it led to $1.2 billion in loans. Combining available sources online regarding BYJU's revenue and expenses. The financial situation, where expenses grew faster than revenue were of great concern to creditors and investors. as per Figure 1.

BYJU's aggressive expansion strategies and overreliance on the use of high-paying celebrity endorsements such as Lionel Messi and Shah Rukh Khan and sponsoring the FIFA World Cup is another financial mismanagement of BYJU that led to its fall as it might diverted these funds from crucial aspects such as research and development initiatives leading to a lack of product refinement [4,7,13]. The reason for this failure is probably because neither Messi nor Shah Rukh Khan best represents BYJU as an educational platform. Given the fact that one is a football player and the other is a senior actor it raises the question why they have them as brand ambassadors. In addition, sponsoring the 2022 FIFA World Cup for $40 million and the Indian cricket team jerseys did not improve BYJU brand image. As mentioned in Freire et al. [14] research, the decision process in deciding celebrities to endorse a company's product should not be taken lightly as congruence matters. This means that the celebrity's persona should align with the brand's values and a mismatch in these aspects can dilute the brand message that could reduce its impact on target consumers. Especially, when high-profile celebrities are involved that need a high financial investment, which might risk the proportionality of ROI. Unfortunately for BYJU, this risk is true as the ROI is not 'proportional' to the investment made in hiring expensive celebrities. A more appropriate endorsement could have been a former minister of education or a well-known author of books on education. These choices would have been less expensive and more credible. For example, the startup On Running, the producer of athletic shoes, benefitted from the investment of Roger Federer, the former number one tennis player. Not only did he invest in the firm but wore shoes during his matches [15]. This was a perfect combination between the product and him. The endorsement of celebrities can bring credibility and visibility to a firm, provided it is well managed. A recent bankruptcy by

Prime Energy, a Swiss startup specializing in renewable source of energy had Bertrand Picard as an investor and ambassador of the firm [16]. Mr. Picard is well known for being an advocate of clean energy. In 2016, he made headlines for having flown around the world in an airplane powered by solar energy. Financial mismanagement by senior management investing in real estate than in green energy due to better yield has led the firm to bankruptcy causing many investors to lose their savings and possibly legal action.

### 3.3 Marketing Strategies

BYJU aggressive sales tactic is not only reflected through the company's advertising strategy in the use of high-paying celebrities but also its sales team's aggressive methods often through creating fears for parents that their children will fail without BYJU. These tactics include persistent follow-ups, selling high promises, as well as coercing low-income families into purchasing expensive multi-year packages. Some consumers also reported that they were signed up for loans…without their knowledge and full disclosure [8].

The tactics of selling high promises might not be a problem if the promises are indeed being delivered. However, BYJU's consumers claimed their dissatisfaction with the experiences of signing up for and using BYJU's products [4]. Surveys revealed that many users felt deceived as there was a lack of value for the high costs they needed to spend [8]. This has then led to the negative brand image of BYJU.

The growing dissatisfaction has not only been well documented in several online articles and research papers but also through a movie entitled Vettaiyan. The plot of the movie follows one of the characters, played by Rajinikanth, who encounters fraudulent activities within the online education industry. While the movie itself did not mention BYJU directly in any sense, many were quick to pick up that the controversies within the movie regarding issues of fraud in the educational sector were linked to BYJU [17].

### 3.4 Market Situations

As mentioned in the previous section, one of the reasons for BYJU's rise is the market opportunity presented by COVID-19. However, with the introduction of vaccines, COVID-19 came under control. schools reopened and traditional learning models resumed, changing the market significantly, presenting a challenge for edtech companies. The sharp decline in demand shows the overreliance on BYJU's pandemic-driven growth. This case aligns with the insights from the Balanced Scorecard framework, which warns against overreliance on external trends neglecting long-term operational stability [18].

## 4. Strategic Measures and Business Model Evolution

To respond to the challenges mentioned, particularly in the financial aspects, BYJU has implemented several strategic measures aimed at restoring profit and ensuring sustainable growth over the long-term. BYJU has undertaken significant cross-cutting initiatives, including the closure of some of its tuition centers, transitioning it into a hybrid learning mode and cutting its expenses [19]. The cross-cutting initiatives also affected a considerable number of staff [20].

BYJU is currently emphasizing the integration of digital and physical learning experiences to balance the pandemic and post-pandemic effects. The company, as seen in an interview with FOX Business, is introducing BYJU's WIZ, AI-powered model featuring BADRI, MathGPT, and TeacherGPT that ensures hyper-personalized learning experiences [21]. This can be seen as a step to empower the previously mentioned critical division including IT and product development. Furthermore, BYJU has reshaped its focus into its core markets which are K-12 education and test preparation [20].

The remaining challenges, however, lie in its debt restructuring. While initially, BYJU has tried to renegotiate with its lenders to resolve the $1.2 Billion dollar issue. This case has led to ongoing legal battles as BYJU failed to meet its obligations as stipulated in the agreement. As of 2024, the US branch of BYJU received the approval to borrow $9.5 million for bankruptcy proceedings [22].

## 5. Conclusion

The conclusions are based on secondary sources. The study could have befitted from primary data collected from surveys or interviews with students who utilized BYJU's services. However, this approach was beyond the scope of this paper. Despite the absence of such data, presenting the insights within a structured analytical framework can enhance the clarity and persuasiveness of the conclusions. BYJU's Unique Selling Proposition (USP) – "Fall in love with learning"-was grounded in delivering course content and pedagogical methods that were user-friendly and simplified the comprehension of rigorous academic concepts. Consequently, during the organization's rapid expansion phase, every strategic and operational decision- including those related to production, marketing, finance, should have been consistently aligned with reinforcing this core USP. However, this alignment seems to have failed. Therefore, the analytical framework should examine the extent to which key management principles were cohesively integrated and upheld during the expansion of this once- successful startup. The misalignment of management principles can be seen in the following conclusions:

- The development of suitable technical materials lagged the demands of the expanded course offerings and the broader reach of the program.

- The choice of celebrities for marketing campaigns was misaligned with the ethos of an EdTech enterprise, particularly in the Indian context. Rather than enhancing the brand image, such endorsements risked undermining the perceived academic rigor of the curriculum, potentially leading audiences to question its effectiveness in preparing students for highly competitive examinations like JEE, NEET or GMAT. A more strategic approach would have involved leveraging the credibility of respected academicians to reinforce the quality of the courses being offered

- The leadership and financial management dimensions warrant deeper exploration to highlight misalignments. For instance, the adoption of centralized control structures may have limited responsiveness to the diverse needs of specific courses and regional markets where a more decentralized leadership model could have hindered optimal resource allocation for critical areas such as the development of technical content and targeted marketing initiatives.

- During its phenomenal expansion, BYJU appears to have lost its primary mission by adopting a business model that gave priority to fund raising capital rather than developing educational products that generate revenue.

## 6. Implications

The conclusions based on this startup reflect partially the experience of thousands of new enterprises operating globally. The journey taken by BYJU offers a window of opportunity to future entrepreneurs to avoid costly mistakes in the early development phase. It is well documented that 80 to 90% of new startups do not survive after 5 years of operations. As described in this paper, there is no short cut to success. Only effective management, a well-designed product that is no threat to competition, meets customer expectations over the long term and coincides with society's concerns with climate change, low carbon emission and sustainability can lead startups to succeed. The endorsement of world celebrities to promote the product can be a competitive advantage provided the person and product is well aligned

This case study enriches the collection of existing cases enabling academicians to have a deeper understanding of the difficulties startups face in the initial phase as well as developing practical

guidelines for future entrepreneurs to avoid expensive mistakes

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