

RESEARCH REPORT



**The Education-Industrial Era:
AI as the New Architecture of Human Capital**



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EXECUTIVE SUMMARY

A STRUCTURAL TURNING POINT

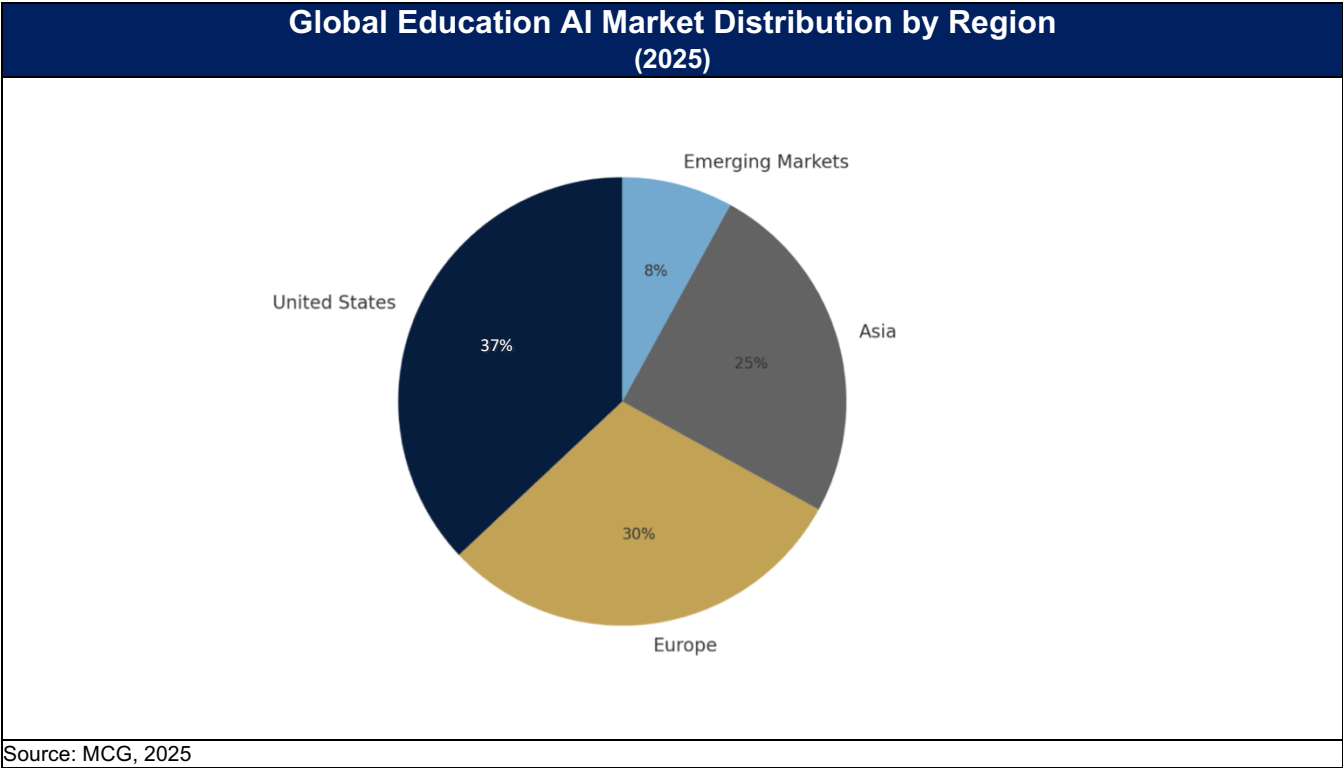
Artificial intelligence is redefining the foundation of global education. What began as experimental digital tools has evolved into the operating system of human capital formation. Education AI now sits at the center of a structural realignment linking national competitiveness, labor productivity, and social inclusion. In 2025, Education AI represents roughly 15–20% of the US\$54 billion global EdTech sector, a share projected to reach 30–35% by 2030 as governments, universities, and corporations embed AI across entire learning ecosystems. Global Education AI revenues, currently about US\$5.4 billion, are expanding at a 47 percent compound annual growth rate between 2024 and 2030. Yet the investment landscape has shifted from hype to discipline: EdTech venture funding fell to US\$2.4 billion in 2024, the lowest in a decade, signaling a pivot toward outcome-driven and institution-aligned models rather than speculative app-based growth. For policymakers, AI is no longer an accessory to education—it is the mechanism through which societies scale talent and sustain productivity. For investors, Education AI has evolved from a consumer-oriented market into an institutional infrastructure play, defined by contracts, data depth, and measurable impact.

GLOBAL LANDSCAPE AND DIVERGENT MODELS

The United States remains the world's largest and most mature Education AI market, accounting for 37% of global EdTech activity and hosting nearly two-thirds of worldwide hyperscale data centers. Strategic partnerships between state governments and technology firms, such as Mississippi's collaboration with NVIDIA and Michigan's AI Literacy Partnership, are expanding AI training and infrastructure. However, persistent inequalities endure: 40 million Americans still lack broadband access, and more than half of U.S. students report no formal AI training. This imbalance between innovation and access will define the next phase of U.S. policy and private investment.

Europe is shaping the ethical and regulatory template for the sector. Guided by the EU AI Act of 2024 and a US\$232 billion EU digital-investment package, European adoption emphasizes transparency, fairness, and employability. Europe accounts for about 30% of global EdTech deal activity, with funding concentrated in AI-driven reskilling and professional training. Governments in the United Kingdom, France, and Germany are deploying national content repositories, digital-infrastructure programs, and public-private accelerators to ensure that Education AI aligns with both ethical governance and labor-market renewal.

Asia represents the scale frontier. National strategies in China, India, Singapore, South Korea, and Japan are embedding AI across classrooms, credentialing systems, and workforce pipelines. China alone produces over 84% of global research papers on AI in education, while India’s US\$1.2 billion IndiaAI Mission and Singapore’s Smart Nation 2030 initiative directly link education policy with industrial competitiveness. Adoption levels now exceed 68% of students in India and Singapore using generative-AI tools, compared with 22% in Japan, demonstrating regional diversity in pace but convergence in direction. Emerging markets are turning constraint into innovation. Africa’s Education AI market, currently valued near US\$35 million, is projected to surpass US\$150 million by 2030, supported by US\$500 million in new data-center investments from Cassava Technologies and partners. Latin America is leveraging AI-powered early-warning systems that have reduced dropout rates by more than 20% in pilot programs across Chile and Peru. In both regions, AI substitutes for missing infrastructure, extending access to education at a fraction of traditional cost.



EDUCATION AI ACROSS THE LIFECYCLE

AI now permeates every stage of the education continuum, from preschool literacy to workforce reskilling, creating a continuous feedback loop between learning and labor markets. In early education, adaptive speech-recognition, and numeracy platforms such as Duolingo ABC and Squirrel AI Kids provide individualized instruction where teachers are scarce, enabling early learning at scale through low-cost mobile delivery.

In K–12 schools, 73% of teachers in North America report tangible time savings from AI-assisted lesson planning, while predictive analytics identify at-risk students in real time, improving equity and reducing performance gaps.

In higher education, universities such as Harvard, with CS50.ai, and Arizona State, with ChatGPT Edu, employ AI copilots to enhance reasoning and academic engagement rather than automate it. Institutions adopting AI-driven course design report 20–30% improvements in student retention and significant reductions in faculty workload.

Across the global workforce, Education AI is reshaping lifelong learning. Since 2013, more than US\$470 billion has been committed to AI-related upskilling, creating a US\$16 billion near-term market for scalable training platforms. As automation transforms employment, governments are merging education and labor policy, illustrated by Singapore's SkillsFuture AI modules and Germany's DigitalPakt Schule extensions, turning lifelong learning into the new social contract. Across this lifecycle, AI delivers an average 15–25% reduction in administrative workload and up to 40% productivity gains for educators. These efficiencies are no longer theoretical; they underpin measurable returns in human-capital outcomes.

MARKET REALIGNMENT AND INVESTMENT FLOWS

The global Education AI market is entering a phase of consolidation and institutional depth. In 2024, the broader generative-AI sector attracted US\$51 billion in capital, but only US\$2.4 billion reached education-specific ventures, indicating investor caution. Nevertheless, merger and acquisition activity remains robust, with 342 transactions totaling US\$28 billion recorded in 2024, reflecting sustained investor appetite for scalable learning-management and analytics platforms. Bain Capital's US\$5.6 billion acquisition of PowerSchool and KKR's US\$4.8 billion purchase of Instructure highlight Education AI's transition into an infrastructure-grade asset class. At the startup frontier, capital is clustering around productivity and personalization. Companies such as SchoolAI, MagicSchoolAI, and PhysicsWallah illustrate investor preference for classroom-embedded, measurable-outcome models. Meanwhile, OpenAI's ChatGPT Edu and Google's LearnLM confirm that major technology firms now treat Education AI as a strategic vertical, accelerating institutional adoption while raising competitive barriers for smaller players.

Investment flows have concentrated around several interconnected themes that signal the sector's maturation. Educational software revenues are projected to reach US\$15.3 billion by 2025, supported by embedded AI capabilities and steady 5–6% annual growth. Higher-education modernization is producing stable recurring revenues through subscription models. Digital infrastructure, underpinned by government programs such as the US\$42.5 billion U.S. Broadband Expansion Law and Japan's GIGA School initiative, provides the physical and technical backbone for AI-enabled learning. Finally, sovereign Education AI frameworks, such as France's AI for Education, India's IndiaAI Mission, and the UAE's AI Schools Strategy, anchor national education policy within data governance, industrial strategy, and security considerations. Together, these developments demonstrate that Education AI is evolving from fragmented software offerings into long-horizon, infrastructure-aligned systems that deliver both economic and social returns.

STRATEGIC IMPLICATIONS

The global education order is entering what M Capital Group defines as the Education-Industrial Era, an era in which the efficiency of learning systems directly determines the productivity of nations. Education AI is no longer a supplement to instruction; it has become a strategic lever of growth policy. For investors, the opportunity lies in platforms that connect measurable learning outcomes with labor-market demand, bridging the continuum from classroom to career. For governments, the priority is to close the digital divide before it calcifies into structural inequality, ensuring that the benefits of AI are distributed equitably across regions and demographics. For institutions, the challenge is both cultural and operational: integrating AI not as an add-on but as the foundation for redesigning teaching, administration, and assessment. Data sovereignty, ethical integrity, and evidence-based performance will distinguish durable models from transient ones. The next decade of value creation will occur at the intersection of AI systems, educational ecosystems, and workforce dynamics, where capital, policy, and technology converge to build inclusive productivity. Ultimately, the success of Education AI will not be measured by how many tools populate classrooms, but by how effectively these systems expand human capability. In this emerging architecture, machines do not replace minds, they scale them.

A ONE TIME TRANSFORMATION



DYNAMIC TRANSFORMATION

Overview

Artificial intelligence (“AI”) is fundamentally redefining the contours of modern society, and education has emerged as one of the most consequential domains of its influence. Across the globe, educators, policymakers, and private-sector leaders are actively investigating how AI can be leveraged to enhance learning outcomes, promote equitable access, and prepare future generations for success in an increasingly technology-intensive economy.

Once viewed primarily as a tool for administrative efficiency or task automation, AI has evolved into a strategic instrument capable of addressing some of education’s most persistent structural challenges, from disparities in learning quality and teacher shortages to the limitations of traditional assessment and curriculum design. By integrating AI into pedagogy, assessment, and system management, educational institutions are beginning to reimagine both the purpose and the process of learning.

At the individual level, students and teachers are adopting AI applications for diverse educational purposes, including adaptive tutoring, academic writing assistance, personalized language learning, and automated evaluation support. On an institutional scale, forward-looking education leaders and investors are reassessing how schools and universities can incorporate AI-driven pedagogical models, while governments are intervening at the policy level to address regulatory, ethical, and systemic implications.

The integration of AI into education represents not a temporary phase of technological experimentation, but a structural transformation with long-term economic and societal

implications. As national economies become increasingly AI-dependent, education is evolving from a traditional support function into a strategic engine of competitiveness. Systems that can embed AI literacy from early education, facilitate continuous reskilling of the workforce, and align academic programs with emerging industries will be best positioned to sustain growth and innovation in the global marketplace.

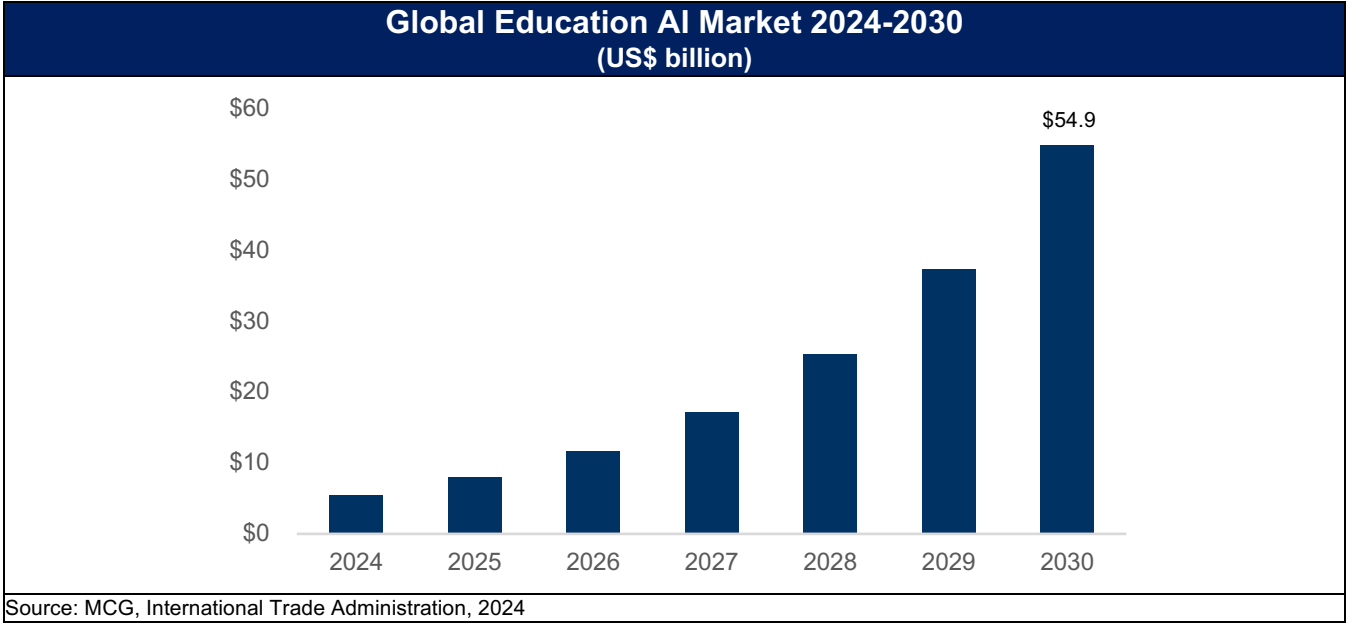
Within the education sector itself, AI is reshaping core institutional processes. Personalized learning systems are replacing one-size-fits-all instruction with data-driven approaches that respond dynamically to individual progress. Simultaneously, AI-based analytics are enhancing the precision and timeliness of performance evaluation, enabling educators to make evidence-based pedagogical decisions. Beyond the classroom, AI applications are transforming administrative and operational management, from optimizing resource allocation and admissions forecasting to automating scheduling and tracking student engagement. These developments allow institutions to operate with greater agility, accountability, and strategic insight.

Crucially, the role of AI in education must be understood as augmentative rather than substitutive. While AI systems can enhance scalability, consistency, and efficiency, human expertise remains indispensable for fostering empathy, ethical judgment, and creativity. The most resilient and forward-thinking institutions will therefore be those that can integrate human and artificial intelligence effectively, creating an education ecosystem that is both technologically advanced and fundamentally human-centered. In this emerging paradigm, education becomes not merely a system for transmitting knowledge but a dynamic engine of human development, continuously adapting to the evolving demands of the AI-driven age.

Market Size & Growth

The numbers illustrate how quickly Education AI shift is taking hold. While generative AI adoption rate in education sector was only 45% back in 2023, it grew to 86% in 2024. This 41% increase within a year makes education a fast-growing industry adopter of generative AI. The growth is partially because of the increase in digital learning ever since COVID-19 and the EdTech industry's dedication to integrate AI solutions into their existing products for better customer experience and higher revenue stream. The EdTech sector is responding rapidly to this change, embedding AI and Generative AI across different study tools to enable increased personalization, better assessment, and easier class management.

The ROI in Education AI is promising. Every US\$1 invested in the educational usage of generative AI would yield US\$3.2, which translates into an aspirational 220% ROI. This underscores the strong value proposition of AI adoption in this sector. Among all sub-segments, K-12 education stands out as the most active market, where products like study aids and virtual tutors account for 40% of market share.



As presented in the chart, in 2024, the global Education AI market is valued at approximately US\$5.4 billion and is expected to expand at a cumulative annual growth rate (“CAGR”) of 47.2% from 2024 to 2030. By most estimates, AI is projected to add US\$200 billion in value to the global education system by 2025. Reskilling and retraining initiatives, including corporate training programs and government initiative aimed at equipping displaced workers with digital and AI-related skills, are expected to demand up to US\$6 billion in investment by 2025, creating huge tailwinds for EdTech companies.

Overall, growing investments in AI-driven learning platforms and workforce reskilling programs are anticipated to further accelerate the expansion of the global Education AI market.

AI & EDUCATION IS MAINSTREAM

Generative AI has rapidly progressed from an academic concept to a transformative technology with tangible applications across education systems worldwide. Its integration now extends far beyond experimentation, influencing how institutions teach, assess, and manage learning.

AI supports a broad spectrum of educational functions. Intelligent tutoring systems deliver real-time, adaptive feedback that mirrors individualized instruction. Automated assessment tools evaluate written work with increasing precision, while generative models produce curriculum-aligned materials that save teachers significant preparation time. These applications enhance both instructional quality and operational efficiency, positioning AI as an essential component of modern education rather than an optional supplement.



Schools and universities are increasingly embedding AI into institutional workflows. Georgia State University's chatbot *Pounce* has improved student retention by guiding applicants through enrollment and financial aid processes, reducing summer attrition by more than 20%. Similarly, the University of Murcia in Spain employs AI-supported grading to streamline essay evaluation and mitigate faculty workload, demonstrating how automation can address chronic administrative bottlenecks.

Beyond process optimization, AI is redefining the learning experience itself. Adaptive learning platforms such as Duolingo Max and Quizlet Q-Chat foster more interactive and personalized environments, increasing motivation and improving measurable learning outcomes. For educators, AI assists in lesson planning, tailoring exercises to different proficiency levels, and identifying students who may require additional academic support.

The widespread adoption of these technologies signals a structural shift: AI in education is no longer a peripheral innovation but a mainstream driver of pedagogical and institutional change. It is enabling a more data-driven, personalized, and scalable education model, one that reflects the evolving demands of an AI-driven world.

Students: AI a Study Partner

The initial adoption of AI by students starts with generative AI chatbot, including ChatGPT, Microsoft 365 Copilot, and Google Gemini. In the U.S., 93% of students report having used generative AI at least once or twice for school-related purposes, with 42% using it weekly and 30% using it daily. Globally, the Digital Education Council AI Student Survey 2024 found that 86% of university students across 16 countries were using AI tools, with nearly one-quarter relying on them daily. This initial adoption often focuses on overcoming immediate obstacles, such as checking homework answers or clarifying confusing topics. Yet, the influence of Education AI deepens beyond that of a simple chatbot.

On the next level, AI is implemented within a structured framework in schools like Fulton County Schools in Georgia, where district leaders sought to create a more personalized learning experience for their 87,000 students across 104 schools. By training both educators and students to use AI responsibly within a structured and protective environment, Fulton County Schools integrated Copilot Chat into their curriculum. Here, the influence is as much emotional as it is academic. Through receiving continuous personalized support from AI tools, students reported a marked increase in confidence and curiosity. This demonstrates how AI can support both the short-term problem solving and long-term personal growth for students.

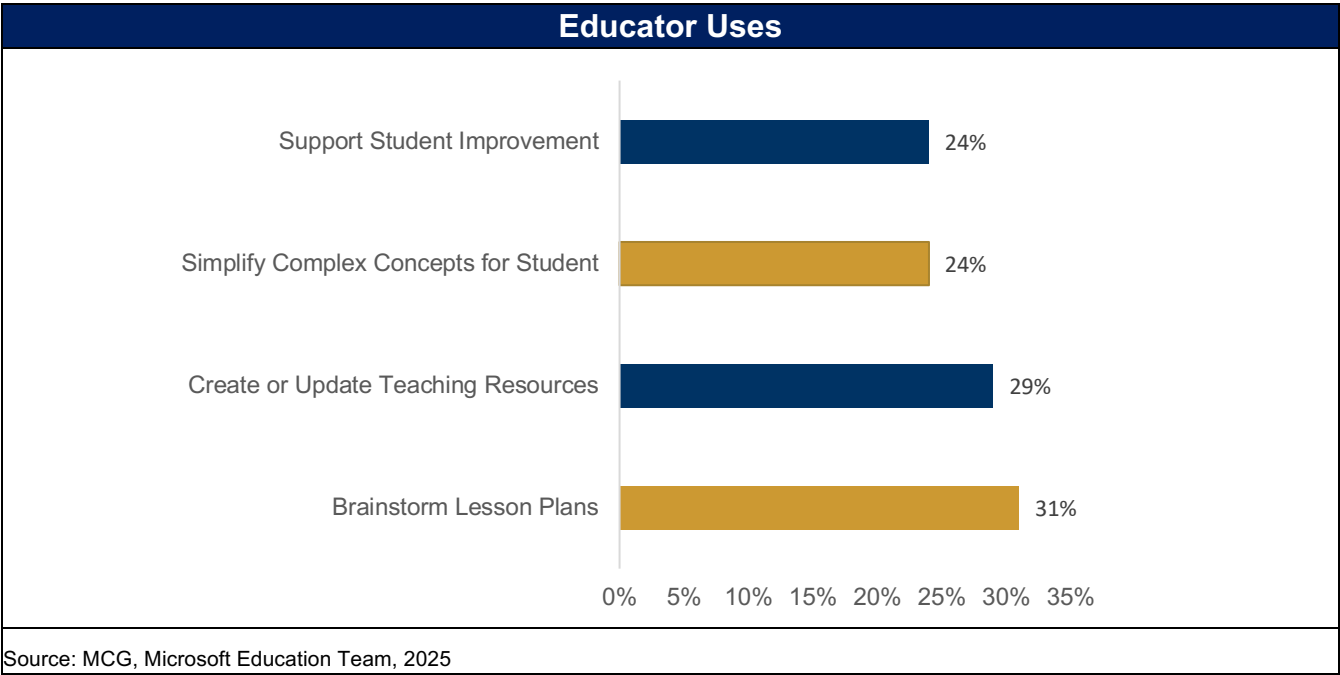
The most profound influence, however, emerges when AI transitions from a generic helper to a specialized tutor. This is exemplified by initiatives like Harvard University's CS50.ai, which is introduced in its flagship Computer Science course. In this model, the AI's purpose is not to provide answers but to develop the student's own reasoning. By highlighting areas of code that could be improved and posing guiding questions, CS50.ai nurtures critical thinking and problem-

solving skills, moving learning experience beyond notes memorization towards genuine understanding of the coding logic.

Taken together, these examples and data points show that students are at the forefront of generative AI adoption in education. From K-12 to higher education, AI begins as an advanced search engine and evolves into a learning partner that helps build the independent, critical-thinking skills essential for student’s long-term success.

Educators: AI Appreciation

AI is a powerful tool for addressing some of the most pressing challenges faced by educators globally today, including teacher shortages, heavy workloads, and rising levels of burnout. Educators’ core responsibilities of preparing instructional materials and addressing student queries are time-intensive, and many educators are now turning to AI to alleviate these pressures. By automating repetitive tasks such as preparing lesson plans, providing model answers, and summarizing student performance data, AI allows teachers to redirect their focus toward higher-value activities such as student engagement and personalized instruction.



Survey data underscores the adoption of AI among educators. Roughly 31% report using AI to brainstorm new ideas for lesson plans, supporting materials, and assignments. Another 29% leverage AI to create or update these teaching resources, while 24% use it to simplify complex concepts for students. Additionally, 24% of educators employ AI tools to identify opportunities for student improvement using real-time performance data and predictive analytics. These



practices highlight AI's growing role as a versatile assistant in both instructional planning and student assessment.

Beyond instructional support, AI is also addressing systematic workforce issues such as lack of teaching experience of teachers. Programs using AI-powered mentoring are helping early-career teachers manage stress, navigate professional challenges, and reduce attrition. “Somos Profes, Somos Educadores,” for instance, is an initiative in Chile to support first-year teachers across various aspects of teaching, such as classroom management, emotional well-being, and self-care. At the same time, AI is being applied to administrative workflows for better educator experience. Centralized teacher assignment systems are also being enhanced with AI to match teachers more effectively with schools based on teacher expertise, school needs, and proximity, ensuring a more equitable distribution of resources across education systems.

In higher education, innovative AI integration is further transforming teaching practices. At the University of Sydney, professors are designing their own trusted AI “agents” to serve as virtual teaching assistants. This model not only empowers faculty to customize AI to their specific teaching needs but also helps model responsible AI usage for students. By engaging with AI directly, educators can maintain agency over the learning process while enhancing instructional support at scale.

Importantly, AI is not replacing the interpersonal aspects of teaching. Tasks that require human empathy, face-to-face communication, and the nuanced guidance, such as mentoring students through personal challenges, facilitating classroom discussions, and resolving conflicts, remain central to the educator's role and are unlikely to be replicated by machines. Instead, AI is freeing up time for teachers to focus on what matters most: fostering meaningful connections with students, designing creative curriculum, and nurturing critical thinking and collaboration. In this sense, AI serves not as a substitute for teachers, but as an enabler that strengthens their capacity to teach more effectively, while also supporting system-wide improvements in retention, equity, and resource allocation.

Administrators: Smarter Systems, Better Schools

AI is increasingly embedded in educational administration, enabling institutions to confront structural pressures such as constrained budgets, staffing shortages, and increasingly diverse student cohorts. By automating and augmenting administrative systems, institutions can shift administrative staff from routine tasks to strategic functions such as programming development, admissions strategy, student-engagement initiatives, and retention planning.

For instance, at Georgia State University (“GSU”), the AI-driven chatbot “Pounce” engaged admitted students during the critical summer period before freshman enrolment. In its 2016 pilot, Pounce delivered more than 200,000 responses and helped the institution reduce “summer-melt” (students who accepted admission but failed to enroll) by approximately 22 %. A subsequent field experiment confirmed that first-generation students who interacted with the chatbot were

more likely to complete financial-aid tasks (an increase of around 4 percentage points) and register for the fall term (increase of around 3 percentage points) compared to a control group.

Beyond enrolment processes, institutions are applying AI to resource-allocation and predictive planning. A case at Durham University saw its AI assistant “Holly” answer over 55,000 student queries since launch, with reported metrics of 97 % of queries handled efficiently by the bot and 45 % of all contacts occurring outside traditional office hours. This illustrates how institutions gain “always-on” capability and relieve human staff from repetitive workflows, thereby freeing them for higher-value activities.

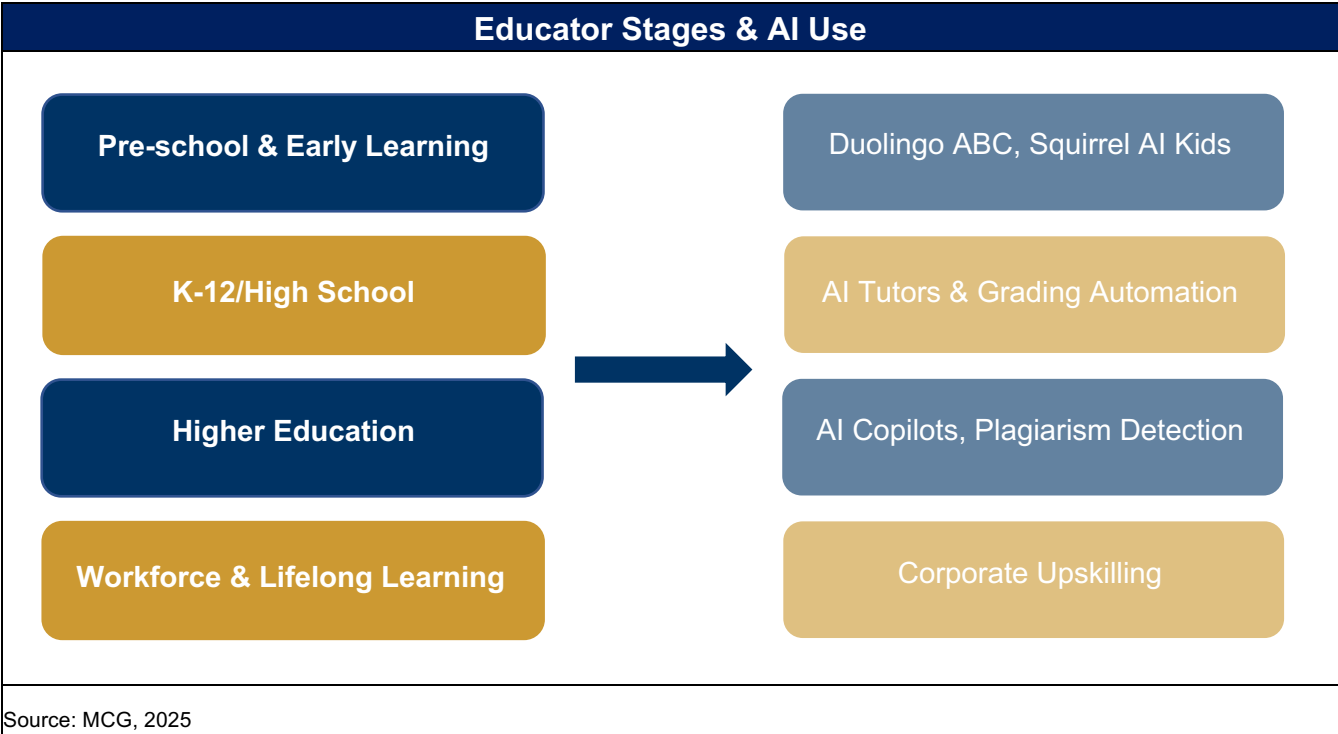
In admissions and operational workflows, AI tools aid communication, translation, and inclusion. For example, institutions deploying AI-powered translation and conversational tools have improved access for multilingual families and reduced barriers to student engagement in schools with diverse student populations.

When embedded across strategic planning, enrolment/deployment processes, and operational routines, AI helps institutions become more efficient, responsive, and equitable. The technology does not supplant human management but rather enhances it, enabling administrators to focus their expertise where it matters most: shaping institutional direction, improving student success, and aligning educational provision with evolving societal demands.

AI ACROSS THE EDUCATION LIFE CYCLE

AI is reshaping learning from the earliest stages of childhood to lifelong professional development, redefining how societies cultivate talent and sustain competitiveness. Each level of the education continuum, early learning, K-12, higher education, and workforce training, is undergoing a distinct phase of digital transformation shaped by AI’s capacity to personalize instruction, scale inclusion, and generate measurable outcomes. What began as isolated digital tools has matured into a connected ecosystem of intelligent tutors, adaptive platforms, and predictive analytics that continuously adjust to the needs of both learners and educators.

AI now acts as the connective infrastructure of education, linking classroom experiences with institutional management and labor-market demands. It enables early literacy programs in developing regions, enhances curriculum design in schools, and powers data-driven credentialing in universities and corporations. The result is a new learning architecture that blends automation with human agency, where technology amplifies empathy, efficiency, and access rather than replacing them. As this transformation deepens, education systems are shifting from one-time interventions to lifelong partnerships between human and artificial intelligence, ensuring that learning remains relevant in an era of constant change.



Pre-school & Early Learning

AI is extending the reach of early education by making high-quality learning experiences accessible to children regardless of geography or income. Adaptive speech-recognition and literacy platforms, such as Duolingo ABC and Squirrel AI Kids, use generative models to assess phonetic progress, tailor vocabulary exposure, and track emotional engagement through voice or gesture. In countries with limited preschool access, lightweight AI applications on tablets and mobile devices are filling early-learning gaps, offering cost-effective alternatives to teacher-led instruction. While these systems enhance language acquisition and numeracy, the most effective programs maintain a “human-in-the-loop” model, using AI to complement rather than replace caregivers and educators. The result is a more inclusive foundation for lifelong learning, built on personalized pacing and early data-driven insights into child development.

K-12/High School

In primary and secondary education, AI is evolving from a novelty to a systemic enabler of equity and performance. Generative tutors, automated grading systems, and adaptive assessment platforms are now embedded in classrooms from Georgia to Seoul. AI identifies learning gaps in real time, recommends individualized exercises, and streamlines administrative tasks that once consumed teacher bandwidth. Data from Microsoft Education (2025) indicates that 73% of



K-12 teachers report measurable time savings from AI-assisted lesson planning, allowing them to focus on mentoring and creative instruction. District-wide pilots, such as Fulton County's Copilot Chat initiative, show that structured AI integration can improve student confidence and teacher satisfaction simultaneously. Over time, AI is expected to narrow achievement gaps by personalizing instruction for diverse learning styles, language backgrounds, and socio-economic contexts.

Higher Education

Universities and colleges are emerging as laboratories for AI-driven transformation. From generative research assistants to intelligent admissions and student-success platforms, higher education institutions are embedding AI across academic and operational workflows. Harvard's CS50.ai and Arizona State University's deployment of ChatGPT Edu demonstrate how AI copilots can augment critical thinking, rather than automate it. Meanwhile, analytics platforms are tracking student engagement, predicting dropout risks, and optimizing course design. Administrators increasingly rely on AI to model enrollment, allocate faculty resources, and manage institutional budgets with precision. Yet, the greatest promise lies in AI's ability to democratize research and access, giving smaller universities enterprise-level analytical capabilities once reserved for top-tier institutions. In this sense, AI is not only transforming how knowledge is produced and consumed, but also redefining the economics of higher education itself.

Arizona State University – ChatGPT Edu at Scale

Arizona State University ("ASU") became the first major U.S. university to formally integrate ChatGPT Edu across its institution. Rather than treating generative AI as a risk, ASU built governance principles, faculty training modules, and student ethics guidelines before deployment. Within the first term, 35,000 students used AI assistants for feedback generation, research scaffolding, and personalized study plans. Early internal evaluation showed student engagement rising by 22% and faculty course-design time falling by 28%, demonstrating how coordinated strategy accelerates adoption.

Harvard University – CS50.ai and Assessment Reinvention

Harvard's flagship computer science course introduced CS50.ai, an AI teaching assistant that guides, but does not answer, student questions. The tool asks metacognitive prompts ("Why do you think this function fails?"), reshaping assessment toward reasoning rather than output. Faculty report that the tool reduced debugging time while increasing average problem-set completion rates. The CS50 model is now used as a blueprint for authentic, AI-enabled assessment in multiple departments.

Georgia State University – Pounce Chatbot & Enrollment Success

Georgia State University Deployed Pounce, an AI chatbot that guides students through financial aid, enrollment verification, and course selection. The pilot cut “summer melt” by 22% and increased first-generation student financial-aid completion. Pounce demonstrates how AI can support equity, retention, and student-success operations at scale.

AI is advancing so rapidly that traditional “five-year strategic plans” have become obsolete the moment they are published. University leaders increasingly recognize that AI strategy must be iterative, framework-driven, and governance-first. Rather than writing static roadmaps, institutions are adopting agile frameworks such as the JISC *Leading AI in Colleges* model, which emphasizes four pillars:

1. Policy & Governance: ensuring responsible, transparent use of AI; setting campus-wide norms for disclosure, data protection, and ethical boundaries.
2. People & Capability: equipping staff and students with AI literacy and providing training pathways for faculty.
3. Digital Infrastructure: securing compute capacity, data integration, and interoperability across learning systems.
4. High-Value Use Cases: prioritizing AI initiatives that solve urgent institutional problems (retention, enrollment management, assessment redesign).

Across the sector, leaders are concluding that the first imperative is governance, not procurement. Universities that establish strong policy foundations, clarity on AI usage, oversight mechanisms, and risk management, are better positioned to adopt new technologies as they emerge.

Workforce & Lifelong Learning

The acceleration of AI adoption in the private sector has made continuous reskilling an economic necessity. Between 2013 and 2024, over US\$470 billion was allocated globally to digital and AI-skills initiatives, creating an estimated US\$16 billion near-term opportunity for scalable learning platforms. Corporations are partnering with universities and EdTech firms to deliver modular, AI-driven training that aligns with evolving industry needs. Generative AI tools are already powering personalized career pathways, real-time competency assessments, and multilingual content generation for global teams. Governments are also embedding lifelong AI literacy into national strategies, from Singapore’s SkillsFuture AI modules to Germany’s DigitalPakt Schule workforce extensions, signaling a convergence between education policy and labor policy. As automation reshapes entire sectors, lifelong learning is no longer optional; it is the operating system of the modern economy. AI’s role is to make that system continuous, adaptive, and inclusive.

RESKILLING AND CORPORATE DEMAND

As organizations increasingly integrate AI into daily operations, the demand for employee reskilling has grown across industries. Corporations are recognizing that technology adoption alone is insufficient and inefficient; workforce capabilities must evolve in tandem to capture the full value of AI tools. From enhancing productivity to enabling strategic decision-making, upskilling initiatives are becoming a core component of corporate strategy. This trends not only reflects the urgent demand to address current skill gaps, but also underscores the growing investment opportunities in the intersection between AI-driven innovation and talent development.

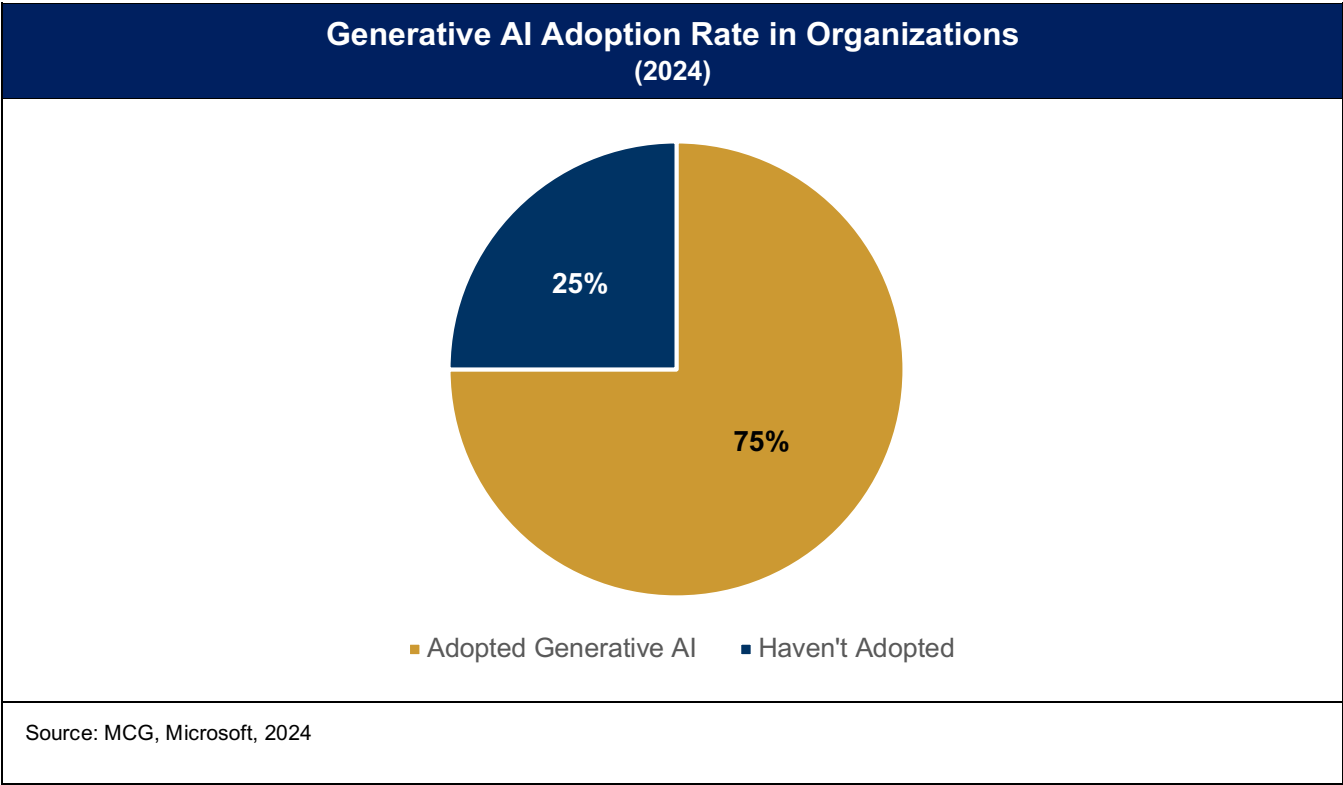
AI Boosts Productivity

Across industries, AI is driving measurable productivity gains. In telecommunications, Lumen Technologies reports that its sales teams use Microsoft Copilot to gather customer insights, generate meeting summaries, integrate Outlook correspondence with customer relationship management systems, and analyze corporate filings such as 10-K reports. These applications save each seller an average of four hours per week, equivalent to approximately US\$50 million in annual productivity gains for the company.

The healthcare sector demonstrates comparable efficiencies. At Chi Mei Medical Center, physicians have reduced the time required to complete medical reports from one hour to 15 minutes, while nurses now finish patient documentation in under five. Such improvements illustrate how AI automates administrative tasks, enhances decision support, and reallocates human effort toward higher-value clinical activities.

Collectively, these cases underscore how AI can streamline operations and materially improve organizational performance. They also clarify the growing demand for AI reskilling and upskilling initiatives that enable employees to fully leverage these technologies and sustain productivity growth across sectors.

Generative AI Adoption



These productivity gains are driving an increase in AI adoption across industries, from financial services and telecommunications to healthcare. Although generative AI is still relatively new, its usage has expanded rapidly, with adoption climbing from 55% in 2023 to 75% of organizations in 2024. As companies embed AI into daily workflows, employees will need to quickly adapt to new systems and analytical tools, creating huge demand for large-scale reskilling. This is where education comes in: universities, vocational institutes, and corporate training providers are expanding AI-focused programs to equip workers with the skills needed to collaborate effectively with AI.

Closing the AI Skills Gap

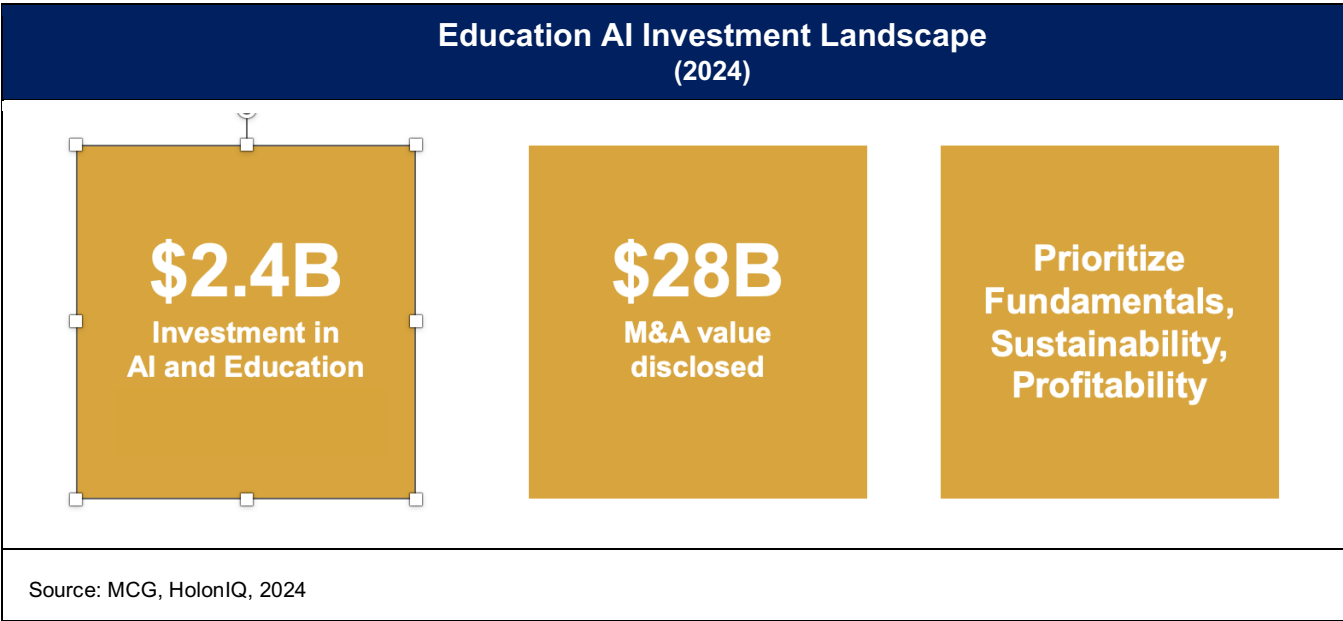
The rapid integration of AI across industries has revealed a widening gap between technological capability and workforce readiness. Many organizations lack employees with the skills required to develop, manage, and ethically deploy AI tools. Recent surveys indicate that 30% of companies do not have sufficient in-house AI expertise, and 26% report difficulty finding staff who can effectively learn and apply AI technologies in daily operations.



This shortage extends beyond technical proficiency. As AI becomes embedded in business functions, employees across all levels, from marketing to operations, must acquire foundational literacy in data analytics, automation, and human–AI collaboration. By 2030, an estimated 70% of job skill requirements are expected to change, with AI emerging as the principal driver of that shift.

Organizations are addressing this challenge through two parallel strategies: large-scale upskilling programs and targeted recruitment for AI-specific roles. Nearly half (47%) of companies identify workforce training in AI as their top talent priority for the next 12 to 18 months, while 78% are actively planning to expand hiring for roles such as data scientists, prompt engineers, and AI governance specialists. This dual emphasis reflects a growing recognition that long-term competitiveness depends not only on adopting AI technologies but also on cultivating a workforce capable of using them responsibly and effectively.

INVESTMENT AVENUES



Generative AI has become a major driver of global capital allocation. In 2024, approximately US\$51.4 billion was invested in the broader generative AI sector, underscoring investors’ conviction in the technology’s transformative potential. However, investment momentum has not been evenly distributed. Funding dedicated specifically to Education AI has lagged behind, with venture capital inflows falling to US\$2.4 billion in 2024, the lowest level since 2015.

This disparity between general AI enthusiasm and Education AI funding reflects a combination of structural and sector-specific factors.



- **First, risk and outcome uncertainty remain high.** Earlier waves of investment were often driven by hype rather than demonstrable impact, leading investors to adopt a more disciplined approach. Today's backers increasingly require empirical evidence of improved learning outcomes and alignment with educational standards before deploying capital.
- **Second, scalability remains a challenge.** Educational environments differ widely across regions, languages, and resource levels, making it difficult for AI tools to scale effectively. Solutions optimized for urban universities or well-funded schools often fail to translate seamlessly to rural or underserved contexts, limiting market expansion.
- **Third, regulatory and ethical constraints weigh heavily on investor confidence.** Education operates within a sensitive ecosystem that prioritizes data privacy, academic integrity, and child protection. Concerns around algorithmic bias, content reliability, and data governance have made institutions, and, by extension, investors, more cautious in adopting or funding AI-driven educational technologies.

Nevertheless, this investment moderation does not indicate declining confidence in Education AI. Rather, it reflects a maturing market moving from speculative experimentation toward sustainable growth. The emerging focus is on long-term, infrastructure-aligned solutions that integrate AI into national education strategies and workforce development. In this sense, Education AI is evolving into a strategic investment theme, one closely tied to the future of human capital formation and the broader digital economy.

Competitive Landscape

Major technology providers and specialized EdTech startups are shaping the competitive landscape of the Education AI market. Global leaders such as OpenAI and Google have recently expanded into the education domain, signaling the sector's growing strategic relevance. OpenAI's release of ChatGPT Edu in May 2024, already adopted by institutions including London Business School and Arizona State University, illustrates how generative AI is being embedded into formal learning environments. Similarly, Google's introduction of LearnLM, a family of AI models tailored specifically for educational use, further validates Education AI as a mainstream vertical and has drawn significant investor attention.

At the startup level, funding trends reveal where capital and innovation are concentrating. In 2025, SchoolAI secured a US\$25 million Series A round to develop AI classroom assistants and adaptive tutoring tools aimed at reducing teacher workload and personalizing instruction. Speak, a conversational AI platform for English language learning, raised US\$78 million in its 2024 Series C round. India's PhysicsWallah, one of the largest EdTech platforms in emerging markets, attracted US\$210 million in Series E financing in 2024 to enhance its adaptive learning and AI-

based performance analytics. In 2025, MagicSchoolAI raised US\$45 million in Series B funding to expand its suite of more than 80 AI tools supporting K–12 educators in lesson planning and differentiated instruction.

Together, these developments illustrate a bifurcated market: dominant technology companies are establishing educational AI as a scalable, institutional-grade segment, while startups are driving innovation at the classroom and content-delivery levels. This interplay between global platforms and niche specialists is likely to define the next phase of competitive dynamics and capital allocation in Education AI.

M&A

The M&A activity, driven by Education and AI, remains resilient, with around 342 transactions totaling nearly US\$28 billion in disclosed value in 2024. Key transactions included Neuberger Berman's US\$14.5 billion acquisition of Nord Anglia, KKR's US\$4.8 billion purchase of Instructure, and Bain Capital's US\$5.6 billion acquisition of PowerSchool, all highlighting the appetite for scalable learning management systems ("LMS") to drive long-term digital integration. In higher education, Element451, an AI-powered student engagement platform, secured US\$175 million from PSG, showcasing investor interest in AI-driven infrastructure. Digital infrastructure is expected to remain a strong focus as AI upgrades and data-centric strategies dominate education priorities.

Looking Ahead

The Education AI funding contraction of 2024 was not accidental. In Q1 2025, global EdTech VC funding fell 35% YoY, with fewer deals but larger checks. These trends suggests investors are narrowing focus, backing startups with stronger traction and defensible value propositions rather than speculative bets.

The divergence between AI funding and Education AI will continue to influence deal flow. Generative AI investment remains robust, which in turn enables tech firms to develop education-specific products. These would function as de-risking factors that can unlock additional funding for education AI verticals.

Looking into future, MCG believes the next phase of Education AI investment is less about volume and more about quality and institutional depth. Capital will prefer firms that combine efficacy, regulatory compliance, and alignment with institutional constraints.

GEOGRAPHIC TENDENCIES

UNITED STATES: INNOVATION & ACCESS

Introduction

The United States holds a long-standing position as the most mature and influential player in the global EdTech ecosystem. According to International Trade Administration, North America is the largest market for EdTech, comprising almost 37% of the global market. Platforms such as Coursera, Khan Academy, and Masterclass serve learners worldwide, cementing the U.S. as both a hub for innovation and a global exporter of educational models. As for AI infrastructure, U.S. accounts for over 54% of global hyperscale data center capacity, with more than 500 active hyperscale sites and a robust pipeline of expansions.

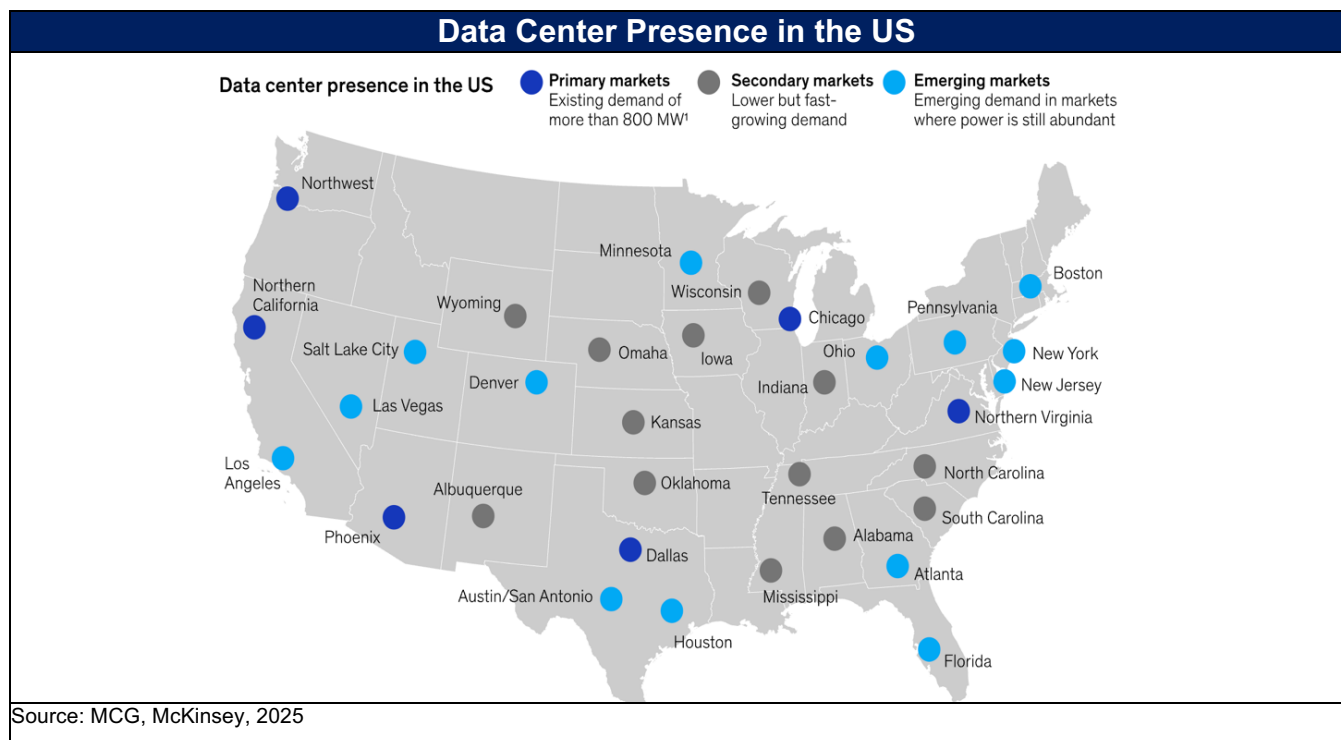
This leadership, however, exists alongside deep domestic challenges. The broader value of higher education in the U.S. is increasingly under scrutiny. A Wall Street Journal–NORC poll shows that 56% of Americans question whether a four-year college degree justifies its cost. Universities are grappling with lower enrollments and rising operational costs that have long outpaced inflation. Federal policy changes further complicate the landscape, with potential funding cuts, higher taxes, restrictions on international enrollment, and bans on DEI programs.

Infrastructure and skill gaps compound these structural issues. More than 40 million Americans still lack broadband access, with rural counties most affected by high cost and limited option. At the same time, 52% of the U.S. students report not having received any training in AI, revealing a significant gap between the nation's technological leadership and the preparedness of its

learners. These challenges highlight persistent inequalities in access, even as AI becomes central to education and workforce transformation. Yet, these pressures are also creating fertile ground for experimentation, pushing institutions to explore new business models and technologies as pathways to long-term resilience.

Despite these headwinds, the U.S. continues to dominate global education technology markets. North America accounted for more than half of global venture capital investment value in 2024 on just over a third of deal volume, underscoring the region's concentration of capital. The U.S. also hosts 87 AI computing hubs, which accounts for nearly two-thirds of the global total, reflecting its unmatched infrastructure capacity to drive AI adoption.

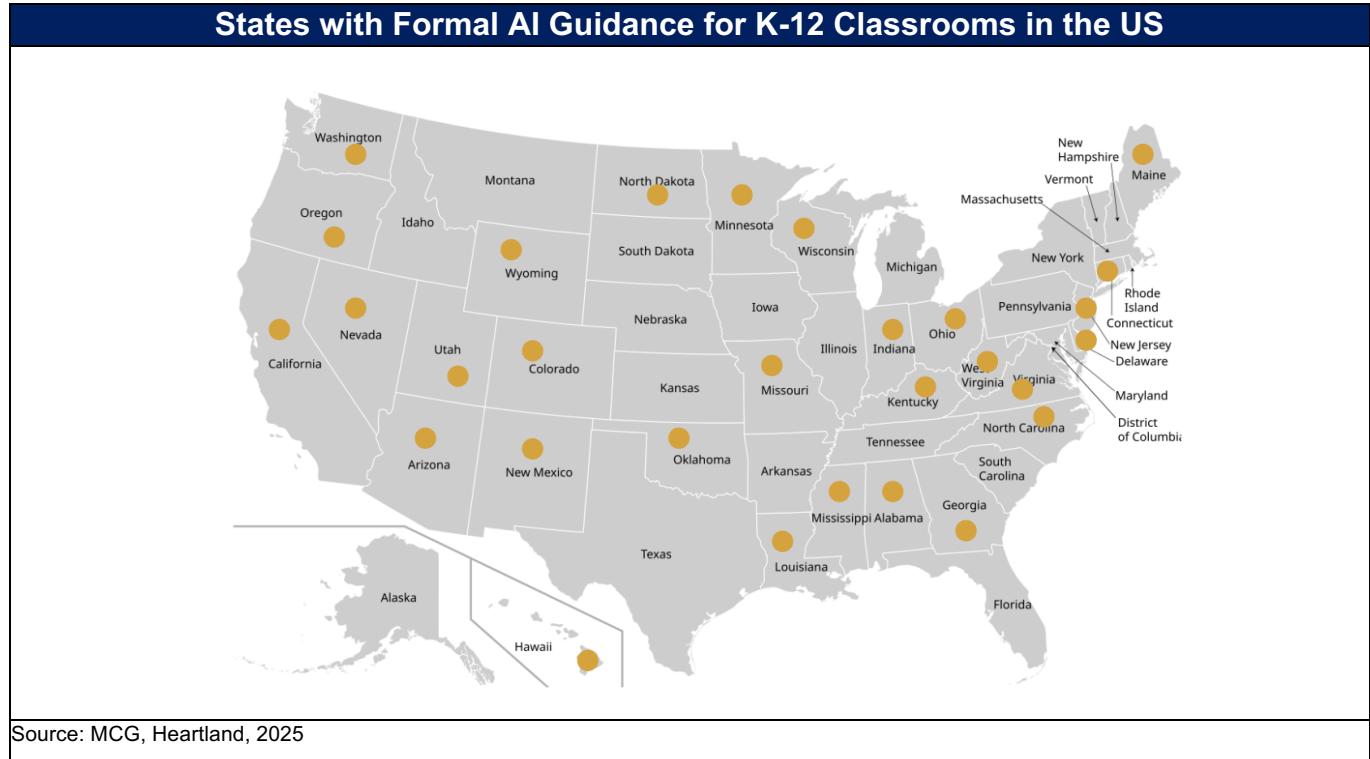
Together, these dynamics reveal the U.S. landscape of Education AI: it is a world leader in innovation, scale, and infrastructure, despite remaining challenges on affordability, accessibility, and uneven adoption at home.



Main Players

The U.S. market is defined not only by established EdTech providers but also by the outsized role of major technology companies. 68 organizations, including Microsoft, Amazon, OpenAI, NVIDIA, and Meta, have pledged to expand AI training, curricula, and tools for both students and teachers. By mid-2025, at least 28 states, including 11 in the heartland, had released formal

AI guidance for K–12 classrooms, reflecting a patchwork but increasingly coordinated response.



Google has emerged as one of the most prominent players, committing US\$1 billion over three years to support AI training and education across the U.S. This includes the Google AI for Education Accelerator, which provides free AI training and Google Career Certificates to students at more than 100 colleges and community colleges. All U.S. students aged 18 or older also gain access to a free 12-month Google AI Pro plan, featuring tools like NotebookLM for note-taking, Deep Research for report generation, and Veo 3 for video creation. In parallel, Google has rolled out Gemini for Education, built on Gemini 2.5 Pro, which provides privacy-first AI access tailored to classrooms.

OpenAI, alongside Microsoft and Anthropic, has also taken a collaborative route, investing US\$23 million to launch the National Academy for AI Instruction, a public-private initiative to equip teachers with the skills required to prepare students for an AI-driven future. Collectively, these moves highlight a U.S.-specific dynamic: while other regions rely heavily on government-led strategies, American innovation in AI and education is being led by Big Tech partnerships that are shaping the national learning agenda.

Policy Landscape

The U.S. higher education system is not only a domestic institution but also a pillar of foreign

policy. For decades, it has drawn students, researchers, and scholars from around the globe, generating economic growth and forging international ties. Yet this global role is increasingly fragile. Immigration and visa restrictions introduced in recent years have contributed to a 15% drop in international enrollment, a projected US\$7 billion revenue loss, and an estimated 60,000 jobs at risk. These developments directly affect the Education AI sector by reducing both the talent pipeline and the diversity of perspectives feeding U.S.-based AI research and innovation, which is a key competitive advantage of the U.S. Education AI market.

At the federal level, momentum exists but coherence is lacking. Initiatives such as the White House's "Pledge to America's Youth: Investing in Education AI" show Washington's intent to make AI literacy a national priority. Yet without a unified framework or dedicated funding channel, policy execution remains driven at the state level. As of July 2026, 28 states had issued official guidance on AI in K-12 classrooms. The absence of top-down direction has opened space for states and private partners to take the lead, shaping a decentralized model of "bottom-up" innovation.

This patchwork of efforts has given rise to a unique American structure where technological progress is propelled by state leadership, private capital, and institutional entrepreneurship instead of central planning. This brings the upside of speed: new pilots scale fast, partnerships attract investment, and successful model diffuse across districts. In the Education AI market, for instance, the U.S. Mississippi has adopted a workforce-first strategy, partnering with NVIDIA to integrate AI and cybersecurity training into both K-12 classrooms and job training programs. This effort is particularly targeted at rural and underserved communities, signaling a push to prepare students for careers in AI without requiring relocation. In Michigan, the AI Literacy Partnership between Michigan Virtual and aiEDU is building an AI Integration Framework that provides resources, teacher training, and stakeholder engagement strategies across subjects ranging from STEM to social studies. Iowa has also taken a more focused approach with a US\$3 million program to roll out AI-powered reading tutors in every elementary school, supporting foundational skills such as phonics, vocabulary, and comprehension.

For the Education AI market, this dynamic presents both challenge and opportunity. A fragmented policy environment creates uncertainty, but it also invites private players to fill the gaps in infrastructure, training, and content delivery. Venture funding and corporate partnerships are already flowing toward companies that can bridge these divides. In K-12, platforms like Khanmigo and Century Tech are integrating AI tutors aligned with state curricula. The workforce reskilling segment is expanding, led by initiatives such as Google Career Certificates and IBM SkillsBuild. In this environment, policy fragmentation doesn't halt innovation. It redistributes where and how value is created, making the U.S. one of the most active and investable frontiers for Education AI globally.

EUROPE: TRUST & EMPLOYABILITY

Introduction

Europe's Education AI market is increasingly shaped by two powerful forces: a strong policy emphasis on trust and regulation, and an economic drive toward employability and lifelong learning. Across the continent, policymakers view AI not simply as a technological breakthrough, but also a societal shift that requires transparency, data protection, and ethical integrity. Thus, Europe provides highly structured environment where Education AI is being built for both credibility and scale.

At the same time, Europe's aging population and skills shortages are reshaping its education priorities. According to the Europe EdTech 200 report, nearly half of the continent's most promising startups target workforce development, while K-12 and higher education together make up the other half. This distribution demonstrates that Europe's Education AI is increasingly designed for career-oriented learning instead of traditional classrooms.

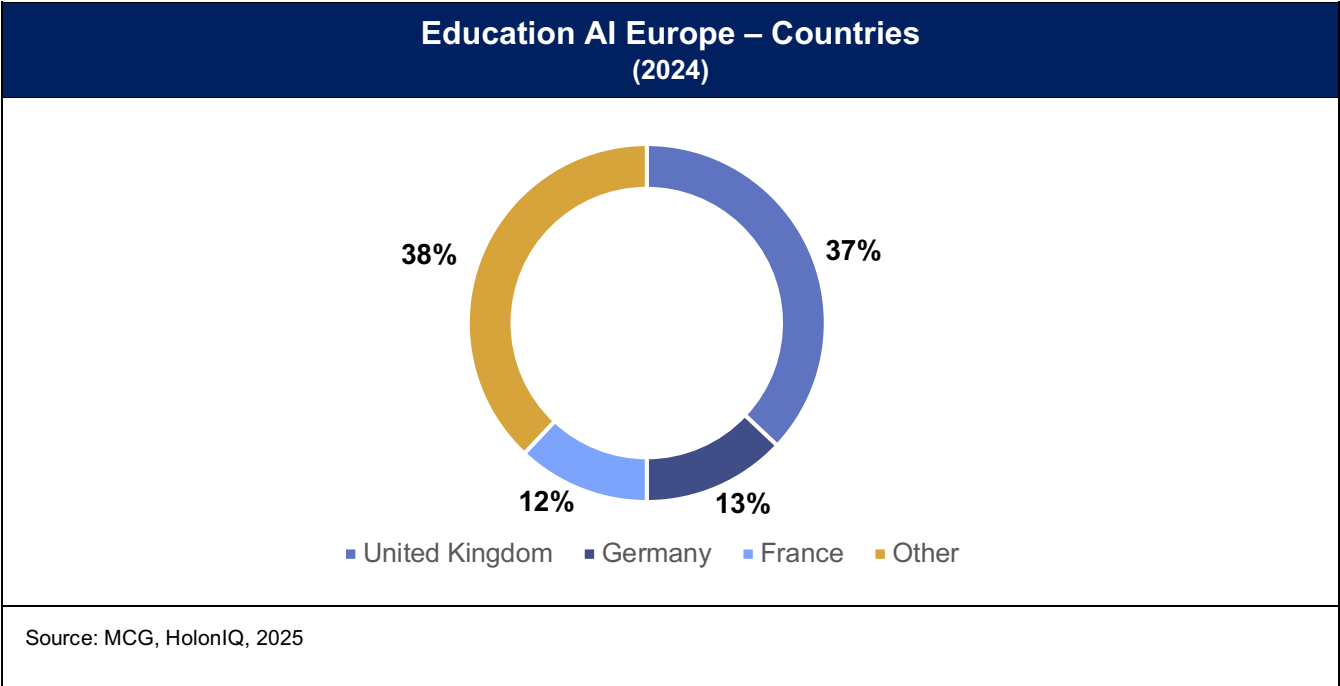
Investment patterns reinforce this narrative. Europe accounts for roughly 30% of global EdTech deal activity, but sees smaller and more targeted funding rounds than the U.S. Within this trend, AI-driven education ventures are attracting steady capital as investors bet on solutions for workforce readiness. Training platforms such as MaxBrain and Edtake lead investment flows, while immersive learning ventures like Loft Dynamics, VRAI Simulation & Analytics, and ApoQlar Medical are gaining traction in applying extended reality ("XR") to professional training and healthcare. Though only 1.7% of the Europe EdTech funding goes directly into AI companies, EdTech firms are actively integrating AI into their products, signaling potential for growth in Education AI funding.

The policy tailwind is growing stronger. In early 2025, the European Union announced plans to mobilize US\$232.5 billion for AI-related projects, including digital infrastructure, data centers, and education-focused initiatives. This underscores a regional approach where Education AI is not a standalone market but a strategic component of Europe's broader digital and industrial agenda.

Main Players

Europe's EdTech and AI-in-education ecosystem has diversified significantly over the past five years. In 2020, the UK, France, and Germany accounted for more than 80% of startups, but by 2024 their share had dropped to 64% as other countries, including Italy, Spain, and the Nordics, gained momentum. The UK still leads the continent, with 37% of all startups, while Germany

(13%) and France (12%) closely follow.



United Kingdom

The UK government has taken a proactive stance in integrating AI into the education system, particularly with initiatives focused on easing teacher workload and boosting innovation. In August 2024, the Department for Science and Technology launched a GBP 3 million content store, which is a curated data library supplying high-quality educational information such as curricula and mark schemes to large language models. Alongside this, GBP 1 million in Innovate UK contracts for innovation was awarded to 16 companies developing AI tools to reduce teacher workload. An additional GBP 1 million in funding has since been announced to accelerate the transition of these prototypes into classroom-ready tools.

The government has also invested GBP 2.08 million in AI tools for Oak National Academy, a nonprofit provider of free digital curriculum resources. Oak has piloted an AI-powered lesson assistant, Aila, which teachers report saves them 3–4 hours per week on lesson planning. These initiatives collectively highlight the UK’s strategy of pairing public funding with EdTech innovation to directly support educators and modernize teaching practices.

Germany

Germany continues to emerge as a major AI-in-education hub, underpinned by substantial government programs. Roughly 29% of schools and universities are already experimenting with



AI for personalized learning, performance analytics, and administrative efficiency. Investments include the US\$6.98 billion DigitalPakt Schule, which modernizes digital infrastructure, and Germany's National AI Strategy, funded with US\$3.84 billion through 2025. The ecosystem includes global players like IBM, Google, and AWS, as well as local startups focusing on AI literacy and lifelong learning.

France

France has positioned itself as an ambitious leader in AI sovereignty and education. On 9 February 2025, just ahead of the AI Action Summit in Paris, President Emmanuel Macron announced a US\$126.7 billion investment in AI projects, signaling France's determination to be at the forefront of global AI development. Part of this vision includes investments in Education AI and talent development to build domestic capacity and reduce reliance on external providers.

A key initiative is the nationwide "AI Cafés" ("Café IA") program, launched in 2024. Designed to improve public awareness and understanding of AI, the program provides accessible educational resources and community engagement opportunities. By 2027, it aims to reach at least 2 million citizens, underscoring France's view of Education AI as not only a workforce necessity but also a civic priority.

Policy Landscape

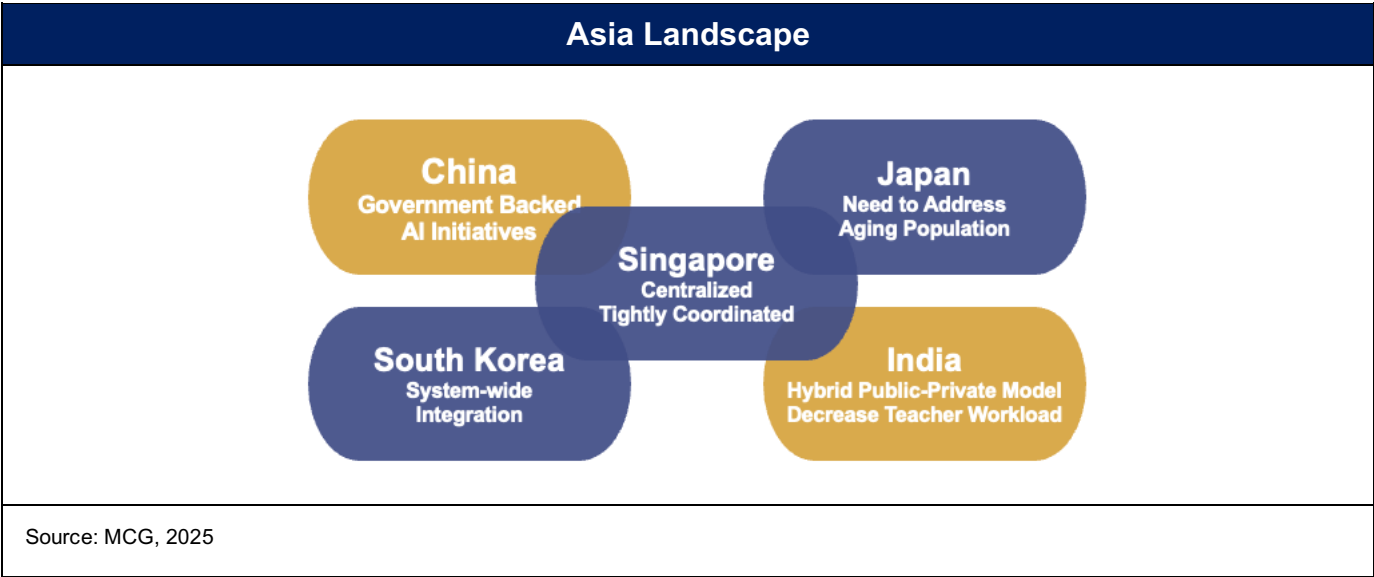
Europe views trust as a prerequisite for adoption. In this framework, Education AI is used to ensure fairness, preserve human oversight, and protect data, even if that means slower scaling compared to the U.S.

Germany's National AI Strategy illustrates this mindset. Backed by US\$5.81 billion through 2025, the plan couples AI research with skill development and ethical AI use. In education, the policy emphasizes improving digital infrastructure while ensuring fairness and ethical safeguards in AI-enabled tools.

At the continental level, the EU AI Act, adopted in March 2024, is the world's first comprehensive AI law. It classifies AI systems by risk, imposing strict requirements on applications in "high-risk" domains, including education. Providers must ensure transparency, data protection, and non-discrimination when deploying AI in classrooms.

For Education AI market, these policies act less like brakes and more like filters. The compliance burden raises entry barriers, concentrating capital and talent around fewer players. This favors institutional-facing models over consumer apps, since schools and universities increasingly demand pre-certified, regulatorily aligned solutions. As a result, the firms that emerge in Europe market are better positioned for long-term integration into public education systems and cross-border scaling within the EU's unified regulatory framework.

ASIA: NATIONAL AI STRATEGIES



Introduction

Asia has become the focal point for Education AI, combining scale, state-driven policy, and rapid adoption of digital learning tools. Countries such as China, India, Japan, Singapore, and South Korea are shaping the global market through national strategies that link education, innovation, and workforce readiness.

Adoption levels, however, vary widely. In India and Singapore, 68% of students already use generative AI tools, reflecting strong policy alignment and tech-savvy ecosystems. By contrast, only 22% of students in Japan report similar use, highlighting cultural caution and a slower pace of integration despite strong national strategies. These differences underline how Asia is not a single Education AI story, but rather a patchwork of approaches tied to local demographics, economic priorities, and regulatory philosophies.

Main Players

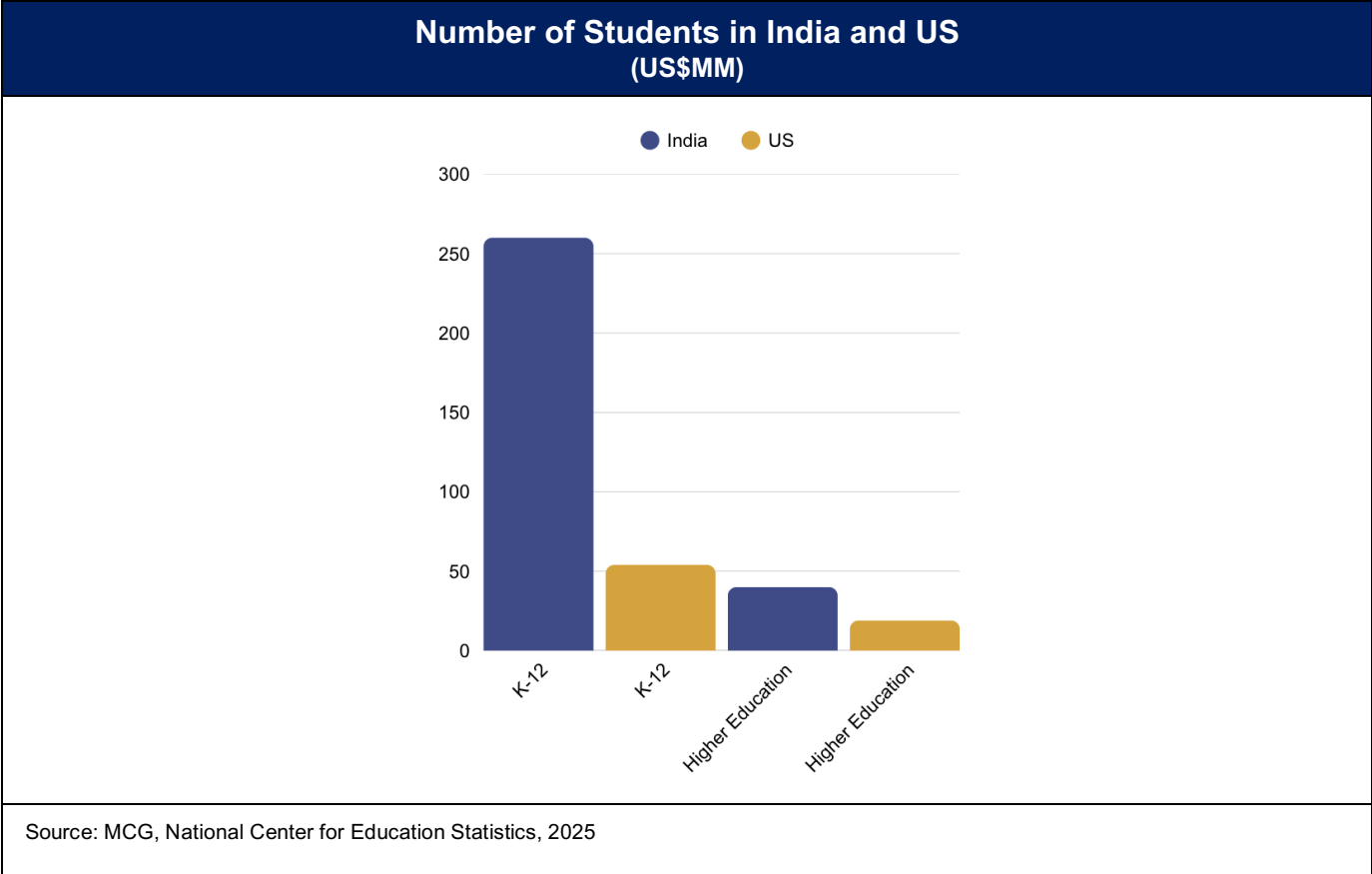
China

China stands out as the world’s most state-driven Education AI market. It accounts for 84.5% of global AI-in-education publications, reflecting the government’s heavy investment in research and strategy. With 1.43 billion people and 1.09 billion internet users, China’s market offers unmatched scale for piloting AI solutions.

Local companies such as TAL Education, NetEase Youdao, and Squirrel AI are embedding adaptive learning and analytics into schools. Squirrel AI’s tutoring platform, for example, delivers one-on-one personalized lessons to millions of students, directly supporting national education modernization goals. These initiatives are reinforced by policies like Education Modernization 2035, which promotes AI-driven smart campuses and systemic data integration. In China, progress in Education AI is inseparable from central government leadership.

India

India offers a striking contrast, blending scale with a hybrid public-private model. The country serves 260 million K–12 students and over 40 million higher education learners, making it the world’s second-largest education system. The government’s proposed US\$1.2 billion IndiaAI Mission, led by the Ministry of Electronics and Information Technology (“MeitY”), focuses on public infrastructure, skilling programs, and datasets to stimulate private innovation.



This policy approach mirrors India's earlier successes with Aadhaar and UPI, where open infrastructure enabled rapid digital transformation. Adoption on the ground is high: 68% of Indian students already use generative AI tools, highlighting strong demand. Complementing this, private companies like BYJU'S, Vedantu, and Unacademy are driving personalized and adaptive learning. Meanwhile, localized projects, such as Rajasthan's AI-based assessment system, demonstrate how AI can reduce teacher workload and lift hundreds of thousands of students out of learning poverty. Together, India illustrates how government platforms and private enterprise can reinforce one another to achieve scale.

Japan

Japan's approach is shaped by demographic pressures, an aging society and shrinking workforce that make lifelong learning and workforce reskilling central to its strategy. Adoption remains cautious, with only 22% of students using generative AI tools, but momentum is building under the Society 5.0 vision.

Government pilots are testing AI tutors in schools and immersive VR apprenticeships in vocational training, while companies like Arcterus and RoboMind are developing adaptive platforms. At the same time, cybersecurity and semiconductor training programs, supported by Synopsys, Google.org, and Google Cloud, reflect Japan's intent to align education with national industrial priorities. Unlike China and India, Japan's adoption pace is slower, but its emphasis on quality, ethics, and workforce relevance positions it as a careful but deliberate adopter.

Singapore

Singapore represents a more centralized and fast-moving model. Its Smart Nation strategy explicitly aims to make the country a global leader in AI by 2030, with education as a core pillar. Already, 68% of Singaporean students use generative AI tools, placing it among the world's leaders in adoption. Singapore's tightly coordinated, government-led approach shows how policy clarity and ecosystem alignment can accelerate adoption.

South Korea

South Korea is positioning itself as a test bed for system-wide AI integration. From 2025, the Ministry of Education will begin rolling out AI-powered digital textbooks, designed to adapt tasks to student proficiency. By 2028, the program aims to cover nearly all subjects, balancing digital tools with traditional paper resources.

This push complements South Korea's investments in cybersecurity and semiconductor education, reflecting its broader goal of linking classroom innovation to industrial

competitiveness. South Korea thus represents a forward-looking model, where AI in schools is tied directly to workforce and economic policy.

Policy Landscape

Across Asia, the political landscape for Education AI is defined by strong state involvement, long-term strategies, and alignment with broader economic goals. Unlike in regions where markets or regulation dominate, Asian governments treat Education AI as a strategic national priority tied to competitiveness, workforce readiness, and technological sovereignty.

Most countries pursue top-down initiatives, either through centralized rollouts (e.g., digital textbooks in South Korea, nationwide modernization plans in China) or ambitious missions that build shared infrastructure (e.g., India's IndiaAI). This reflects a political consensus that AI is not just an educational tool but also an instrument of industrial policy, demographic resilience, and global positioning.

Overall, Asia's governments are shaping one of the most assertive, state-driven education technology environments worldwide, using policy not only to expand adoption in schools but also to prepare societies for the future of work.

EMERGING MARKETS: WHERE AI CAN LEAD

Introduction

Emerging markets sit at the fault line of two opposing forces: the digital divide and the AI opportunity. In sub-Saharan Africa, only 34% of primary schools had electricity in 2023, and access to computing infrastructure remain scarce. Yet Education AI is emerging here not as a luxury but as a development tool. Education AI serves as a mean to extend access, reduce teacher shortages, and personalize instruction where human and physical resources are constrained. In other words, emerging markets are not merely adopting AI tools. Instead, they are utilizing Education AI to close systematic education gaps and redefining Education AI from the ground up.

Main Players

Africa

In sub-Saharan Africa, only about one-third of primary schools had electricity in 2023, but the continent is taking bold steps to build the foundation for AI-driven education. Cassava Technologies, backed by Google and NVIDIA, is investing US\$500 million to expand data

centers across Africa, while Raxio Group, supported by the International Finance Corporation, is deploying US\$100 million across six countries to strengthen local data infrastructure. These efforts provide the technological backbone necessary for scalable Education AI adoption.

At the same time, workforce and policy initiatives are advancing. Microsoft aims to train one million South Africans in AI and cybersecurity by 2026, while Kenya and Uganda are embedding AI literacy and ethics into national education strategies. On the innovation side, EdTech startups such as AltSchool Africa and Moringa School are deploying AI-driven learning platforms designed around local languages, curricula, and connectivity constraints.

The African Education AI market, valued at approximately US\$35 million in 2024, is projected to exceed US\$150 million by 2030, reflecting rapid growth despite persistent challenges. With hybrid strategies that integrate infrastructure investment, teacher capacity building, and locally adapted innovation, Africa has the potential not just to adopt AI in education, but to lead in creating inclusive, scalable, and context-specific models for the global south.

Latin America

Latin America's Education AI momentum, by contrast, is student-centric. Countries are deploying AI where it directly improves learning outcomes. A landmark randomized controlled trial in Ecuador demonstrated that access to the ALEKS AI-powered mathematics system improved higher education students' test scores and pass rates. Meanwhile, governments are also deploying AI-driven early warning systems ("EWS") in Chile, Peru, and Uruguay to identify students at risk of dropping out, enabling timely interventions. These examples mark the clear effort that Latin America has made in using Education AI to solve the problems it already faces, from learning loss to student disengagement.

Policy Landscape

In Africa, governments are pursuing multi-stakeholder strategies to address connectivity and capacity gaps. Partnerships with the World Bank and Inter-American Development Bank are providing diagnostic tools to map school internet access and financing options for digital infrastructure. While explicit Education AI policies remain limited, the groundwork is being laid for scalable and ethical integration once connectivity and capacity in Africa improve.

While in Latin America, policy is increasingly focused on responsible classroom use and data integration. Chile's Ministry of Education has issued guidance on how teachers can use ChatGPT to support active learning, while countries are strengthening EMIS systems to enable predictive analytics for dropout prevention. The emphasis is on building the capacity for AI while safeguarding responsible use.

For Education AI market, these dynamics points to the uniqueness of emerging markets: innovations are driven by necessity rather than abundance. Unlike mature markets where AI augments existing systems, in Africa and Latin America it is helping build the systems themselves: automating dropout prevention, scaling teacher training, and localizing learning content in multiple languages. As infrastructure gaps narrow, Education AI in emerging markets is likely to evolve into one of the fastest-growing segments globally, because it shifts away from replicating Western models and redefines what locally adaptive Education AI would look like.

Project Examples

Early Warning System

AI-powered EWS are proving effective in helping schools identify students at risk of dropping out and intervene before disengagement becomes irreversible. Traditional EWS models have already reduced dropout rates in many contexts, and the integration of AI has further enhanced their predictive accuracy and timeliness.

Several Latin American countries have taken the lead. Chile rolled out a nationwide EWS in 2020, following a successful pilot the year before. Peru embedded its own platform, Alerta Escuela, within the existing national school management system. Uruguay has also developed AI-based models to anticipate dropout risks and trigger targeted support for vulnerable learners.

Centralized Assignment Mechanism

AI is also helping governments address one of the most persistent issues in emerging markets: inequitable teacher distribution. Disadvantaged schools and regions often struggle to attract qualified educators, exacerbating learning gaps. Centralized teacher assignment systems, powered by algorithms, offer a promising solution by matching candidates to vacancies based on their qualifications and stated preferences.

Ecuador provides a notable example. Since 2013, its Ministry of Education has operated Quiero Ser Maestro (“I Want to Be a Teacher”), a system that uses a deferred acceptance algorithm to place teachers into schools. Recent studies show that when candidates were given personalized information about their likelihood of placement, along with alternative school recommendations, they were more likely to adjust their preferences and secure positions. This low-cost intervention not only improved outcomes for teachers but also increased the number of vacancies filled and raised the overall quality of teacher-school matches.

KEY IMPLICATIONS

The launch of OpenAI's ChatGPT in November 2022 marked a turning point for education. By reaching 100 million users within just two months, it became the fastest-growing consumer application in history and exposed both the promise and fragility of existing EdTech models. In May 2023, Chegg admitted that ChatGPT was eroding its customer base, triggering a 42% drop in its share price within a week, and similar stocks hit firms like Fiverr and Upwork. In less than a year, AI had exposed both the fragility of traditional EdTech model and the enormous potential for new ones built on adaptability, personalization, and scale.

For educators, administrators, and investors alike, the implications are twofold. First, AI has already become a productivity engine inside classrooms and institutions, automating administrative workflows, personalizing instruction, and optimizing resource allocation. From enrollment forecasting to grading automation, these efficiencies are not theoretical, they are producing measurable ROI for institutions under financial pressure. Second, AI is redefining education's business architecture. The revenue models of content licensing, tuition dependency, and static course delivery are giving way to data-driven ecosystems where value creation depends on engagement metrics, learning outcomes, and subscription-based access. Universities, startups, and investors are being forced to reevaluate their positioning within this new digital hierarchy.

Against this backdrop, the education AI market is bifurcating into two horizons:

1. **Emerging opportunities:** segments where strong demand exists but scalable, ethical, or technically viable solutions remain underdeveloped; and
2. **Mature investment lanes:** areas where policy alignment, proven use cases, and measurable adoption are already attracting institutional capital.

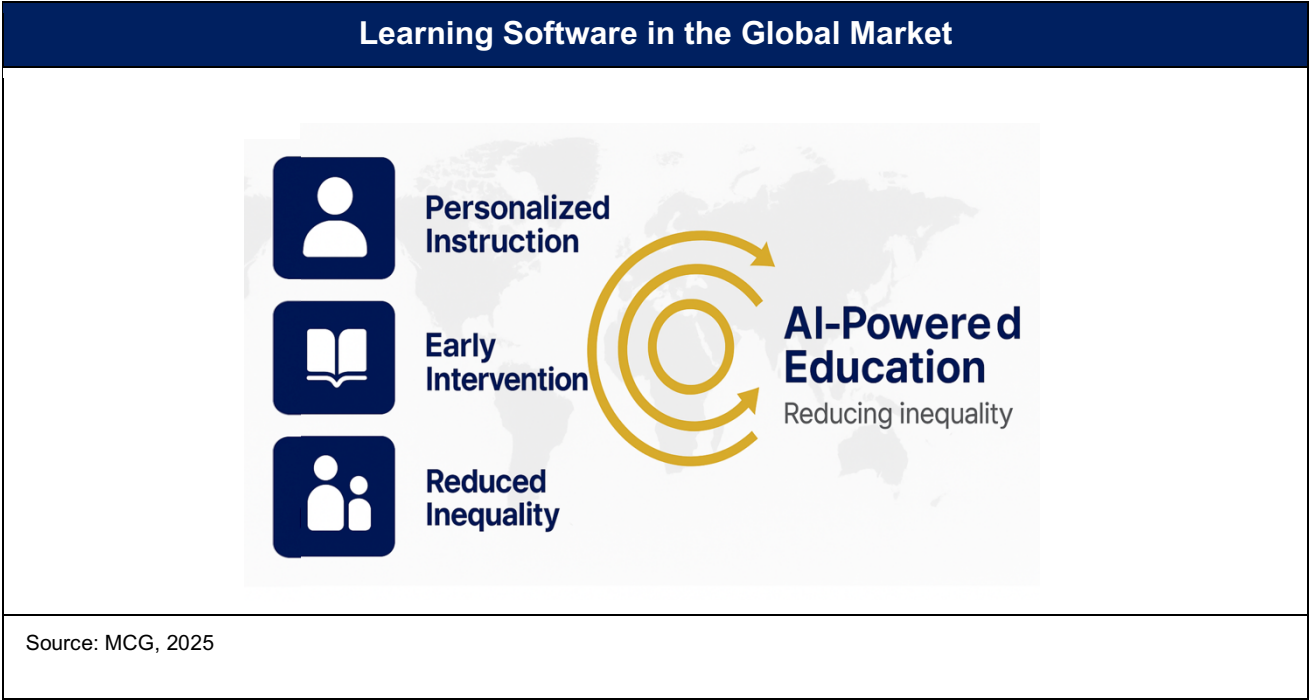
OPPORTUNITIES: UNLOCKING VALUE

Opportunities in education AI are no longer abstract or speculative, they correspond directly to structural gaps in how education systems teach, manage, and measure learning in an AI-driven world. Three areas stand out as immediate, scalable frontiers for innovation and investment.

Personalization Learning and Inclusion

AI is making education more equitable by adapting instruction to each learner’s pace, language, and cognitive style. In early education, adaptive reading and numeracy platforms provide individualized feedback that previously required one-on-one instruction. In K–12 schools, predictive analytics help teachers identify students at risk of falling behind, enabling timely intervention and tailored support. These systems are particularly transformative in low-resource environments, where teacher-to-student ratios are high and learning outcomes uneven.

In higher education, AI-driven tutoring and feedback engines are helping instructors design differentiated coursework and monitor learning outcomes at scale. Over the next five years, the global market for adaptive learning software is projected to exceed US\$25 billion, growing at a CAGR above 35%. For investors, the opportunity lies not in replacing teachers but in supporting scalable systems that reduce inequality while improving efficiency.



Administrative Efficiency and Institutional Performance

Education institutions, from preschools to universities, are heavily burdened by administrative complexity. AI streamlines these processes by automating admissions, financial aid, scheduling, and student engagement management. In primary and secondary education, intelligent scheduling systems can balance class sizes and optimize teacher assignments. In universities, AI-supported enrollment analytics predict attrition, align budgets with student demand, and improve allocation of limited staff resources.

These tools convert operational data into actionable insights, allowing institutions to function more like adaptive organizations. For governments facing constrained budgets, Education AI can raise productivity without proportional increases in expenditure. The efficiency dividend, typically a 15–25% reduction in administrative workload, represents a compelling investment case in software and workflow automation platforms that strengthen institutional sustainability.

Academic Integrity and Learning Authenticity

Generative AI has triggered what many academics now describe as an arms race between instructors designing assessments and students using AI to complete them. In most universities, students adopted AI far faster than institutional policy could keep up: surveys from 2024–25 consistently show that 60–80% of students use AI for assignment planning or writing, often without disclosure. This rapid and widespread adoption has forced universities to rethink long-standing assumptions about authorship, originality, and mastery.

Institutions are now shifting from a policing model toward a *redesign model*:

- assessments are being rebuilt around process over product,
- assignments require iterative drafts, oral defenses, or in-class reasoning,
- AI use is being reframed as a skill to be disclosed and integrated, not hidden.

Next-generation integrity tools are part of this transition, but the deeper transformation is pedagogical. AI is pushing universities toward forms of assessment that reward critical thinking, applied problem-solving, and human judgment, rather than memorization or surface-level writing. This shift is redefining learning authenticity for the AI era.

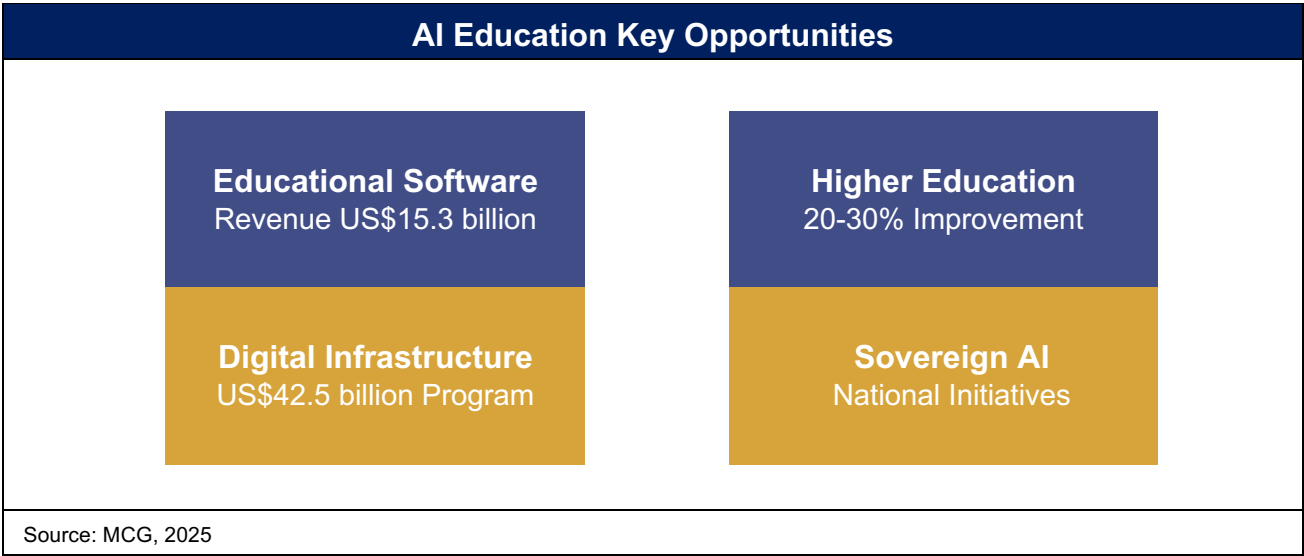
Research Enablement and Knowledge Discovery

In higher education and research institutions, Education AI is accelerating discovery by automating literature analysis, data synthesis, and experiment design. AI-driven research assistants can review thousands of papers, identify knowledge gaps, and suggest hypotheses far beyond human capacity. Within laboratories, automation of repetitive processes—such as data entry, experiment tracking, or grant reporting, frees researchers to focus on creative inquiry.

However, most universities lack the computational infrastructure to harness these tools at scale. This creates a clear opening for AI research enablement platforms and shared data environments that extend enterprise-level capability to smaller institutions. As the line between teaching, research, and innovation continues to blur, Education AI will underpin the next generation of academic productivity.

CAPITAL MEETS CAPABILITIES

While early-stage experimentation continues, several subsectors of Education AI have reached maturity and are now attracting concentrated investment from private capital, governments, and institutional partnerships. These are defined by strong demand signals, measurable returns, and strategic alignment with national education priorities.



Educational Software and Platform Integration

The educational software sector has evolved into one of the most dynamic areas within Education AI. Global revenues are projected to reach US\$15.3 billion by 2025, growing at an annual rate of 5.5%, with AI features now embedded in most mainstream platforms. Adoption rates vary by region: in North America, approximately 76% of K–12 educators report using AI-based lesson planning or grading tools; in Europe, adoption is closer to 60%, largely concentrated in higher education and vocational training; in Asia, policy-driven initiatives are accelerating usage, particularly in South Korea and Singapore.

This rising adoption has made software ecosystems increasingly “sticky.” Once institutions integrate AI features into core operations, student records, performance analytics, and

curriculum design, switching providers becomes costly. For investors, this generates strong retention and recurring revenue potential. The sector is expected to consolidate further as private equity and sovereign funds target scalable Education AI platforms capable of cross-border expansion.

Higher Education and Institutional Transformation

Higher education remains the strategic nucleus of Education AI deployment. Universities face structural pressures, rising costs, declining enrollment, and shifting employer expectations, that make digital modernization a survival imperative. Education AI enhances competitiveness by improving student outcomes, optimizing teaching resources, and strengthening institutional resilience.

Key applications include adaptive course design, virtual teaching assistants, and data-driven student success systems. Institutions that adopt these solutions have reported 20–30% improvements in retention rates and significant reductions in faculty workload. Yet, disparities persist: elite universities have the resources to develop proprietary AI ecosystems, while smaller institutions depend on partnerships or external vendors. For investors, this asymmetry creates an opportunity to finance shared infrastructure, cloud-based academic platforms, regional data hubs, and performance analytics, that democratize access to Education AI benefits.

A fundamental shift is occurring: universities are not simply adopting tools, they are building enterprise-level AI strategies. Presidents and provosts now emphasize governance, compliance, and value alignment over experimentation. AI strategy offices, cross-functional steering committees, and institution-wide AI task forces have become common, reflecting the recognition that AI affects teaching, assessment, research integrity, IT architecture, and student success simultaneously.

Digital Infrastructure and Accessibility

Digital infrastructure is the foundation of every Education AI ecosystem. Without reliable connectivity, device access, and secure data management, even the most advanced tools remain underutilized. The United States' US\$42.5 billion Broadband Expansion Program, the EU's Digital Education Action Plan, and Japan's GIGA School Program all recognize that AI-driven education depends on equal digital access.

Beyond broadband, next-generation infrastructure investment is focusing on data interoperability, cybersecurity, and localized compute capacity for schools and universities. This creates steady demand for both hardware and cloud services dedicated to educational workloads. For private investors, infrastructure-linked Education AI projects combine long-term stability with measurable social impact, a combination increasingly sought after by ESG-focused capital.

Sovereign Education AI and National Ecosystems

As Education AI becomes intertwined with public data and learning outcomes, questions of sovereignty and governance have become central. Governments are treating educational data as a strategic national asset, mandating domestic data storage and compliance frameworks. “Sovereign Education AI” refers to systems that maintain local control over data, algorithms, and compute resources while aligning with ethical and regulatory standards.

National initiatives, such as France’s AI for Education Framework, India’s IndiaAI Mission, and the UAE’s AI Schools Strategy, illustrate how public-sector leadership is shaping this field. These programs are not limited to regulation; they create open architectures and certification standards that invite private participation. For investors, this means partnering with governments to build compliant, scalable ecosystems that balance innovation with accountability.

The Convergence Ahead

The next phase of Education AI investment will blur the boundaries between infrastructure, pedagogy, and policy. Digital platforms will increasingly connect early learning, formal education, and lifelong training within a single data continuum. Capital will flow toward solutions that demonstrate three traits: measurable learning outcomes, regulatory alignment, **and** institutional integration.

In short, the future of Education AI will not be defined by faster algorithms but by smarter systems, those capable of scaling human potential while reinforcing trust, inclusion, and transparency. The intersection of technology and pedagogy is no longer a frontier; it is the foundation of a global education economy built for the 21st century.

AI: A Vision for Education

The story of Education AI is no longer about digital tools entering classrooms—it marks the reengineering of human capital formation itself. The sector has matured beyond experimentation, as artificial intelligence becomes embedded in the infrastructure of how societies teach, measure, and credential skills.

Three converging trends define this shift. First, investment is moving from consumer apps toward institutional-scale Education AI. In 2024, more than US\$8.5 billion in global education technology funding flowed into enterprise-grade platforms that integrate directly into universities, workforce systems, and government pipelines. These models generate long-term contracts, richer data depth, and higher switching costs, establishing the foundation for sustainable returns.

Second, Education AI has become a matter of digital sovereignty. Governments in Singapore, France, and the UAE now treat education data as national infrastructure, developing domestic models hosted on local cloud systems. Control over learning data and algorithms is increasingly seen as a strategic asset, essential for economic competitiveness and cultural autonomy.

Third, the productivity delta is measurable. Early deployments across higher education show 30–40% time savings for instructors and administrators, alongside 20–25% gains in student engagement and up to 18% reductions in back-office costs. These quantifiable results are re-energizing institutional capital, shifting Education AI from a speculative market to an evidence-based growth sector.

Globally, emerging markets will drive the next wave of adoption. Over 1.2 billion learners in low- and middle-income economies are entering the digital ecosystem, and AI-native platforms delivered via mobile devices are reducing per-student delivery costs by up to 90% compared to

traditional schooling models. With blended capital bridging infrastructure and outcomes, these regions could redefine scalability for the sector.

The next phase of Education AI will be disciplined by results, not hype. Funding will concentrate around platforms that demonstrate verifiable learning gains, defensible algorithms, and recurring institutional partnerships. Ultimately, the success of Education AI will not be measured by how many tools reach classrooms, but by how effectively those systems expand access, accelerate learning, and transform education into a durable engine of productivity and inclusion.

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¹ Sources: from various sources—M Capital Group Research, including data from “The Digital Divide Persists. Now Is The Time To Close It”, August 2024; “IDC’s 2024 AI opportunity study: Top five AI trends to watch”, November 2024; “Educational Software in the US”, July 2025; “2025 AI in Education: A Microsoft Special Report”, June 2025; “AI Revolution in Education”, June 2024; “Shaping the Future of Learning: The Role of AI in Education 4.0”, April 2024; “Navigating the future of AI in education and education in AI”, April 2025; “Generative AI and higher education”, July 2024; “AI trends 2025: Adoption barriers and updated predictions”, September 2025; “How higher education can realize the potential of Generative AI”, September 2024; “AI & Universities”, July 2024; “Generative AI Is Set to Shake Up Education”, December 2023; “Artificial Intelligence Index Report 2025”, April 2025; “Artificial Intelligence in Education Market Report 2024-2029: Investments in AI-Driven Learning Platforms Fuel Growth with North America Leading”, November 2024; “Artificial intelligence in education: AI + HI = ROI”, August 2023; “GERMANY AI IN EDUCATION”, November 2024; “Investment in online education groups plummets following rise of AI”, December 2024; “Microsoft Elevate: Putting people first”, July 2025; “Systemic AI, Strategic Skills: Q1 2025 Education Trends Outlook”, April 2025; “EdTech funding drops again in early 2025. Fewer deals, but bigger bets”, April 2025; “The Global A.I. Divide”, June 2025.



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