

Central Banks in Higher Education

The “central bank” concept has a long history in higher education dating back to the first implementation at Harvard University in the late 1980s. Since then, central banks (also known as internal banks) have been implemented at institutions across the country to enhance capital structures with the aim of generating additional unrestricted net assets. Moreover, central banks have other important benefits including stabilizing an institution’s internal cost of capital, broadening the external debt structures institutions can consider, funding strategic initiatives, and, in some cases, serving as a form of liquidity and operating support during challenging times, such as the financial impact of Covid-19.

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