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Analysis of Harvard University's Endowment Fund Management

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Abstrct: *This study aims to analyze Harvard University's endowment fund management strategies and their impact on long-term financial stability and institutional excellence. Using a descriptive qualitative approach through a documentation-based case study, data were collected from official reports of the Harvard Management Company (HMC), the university's annual reports, scholarly publications, and professional sources on higher-education finance. The findings show that Harvard has built the world's largest university endowment, reaching USD 53.2 billion in fiscal year 2024. Management strategies are implemented deliberately through portfolio diversification across private equity, hedge funds, real estate, and other alternative instruments. The endowment is used strategically to fund need-based scholarships, faculty compensation and facilities, flagship research, and campus infrastructure development. Trend graphs indicate a post-crisis recovery of endowment value and investment returns, although operating surplus has declined due to rising institutional expenditures. These results affirm that endowments are a key instrument for ensuring the sustainability and independence of higher-education institutions. The study also recommends Harvard's endowment model as a strategic reference for Indonesian universities, including Islamic higher-education institutions (PTKIN/PTKIS), to build funding systems grounded in professional governance, sustainability values, and Islamic economic principles. Implementing a sharia-based endowment model is expected to strengthen financial independence, enhance academic competitiveness, and promote sustainable higher education aligned with Islamic values.*

Keywords: *Endowment Fund, Portfolio Diversification, Harvard Management Company, Institutional Stability, Sharia Investment Strategy*

Introduction

The sustainability and quality of higher education depend heavily on long-term funding stability that can support various aspects of university operations. In this context, endowment funds have proven to be an effective funding instrument. Endowment funds are funds that are collected and managed professionally with the aim of generating sustainable income, which is then used to fund educational activities, research, infrastructure development, and scholarship programs. The superiority of this mechanism

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has been proven at various renowned educational institutions around the world, particularly Harvard University.

Harvard University is known as the higher education institution with the largest and most successful endowment fund globally. In fiscal year 2024, Harvard's endowment fund was valued at USD 53.2 billion[1], making it a leader in terms of financial strength among universities worldwide. These funds are managed by Harvard Management Company (HMC), which implements a long-term investment strategy based on a diversified portfolio. The portfolio composition includes private equity (39%), hedge funds (32%), property and infrastructure (10%), and other fixed assets. This approach has generated high and stable returns, amounting to 9.6% in 2024, exceeding the university's long-term target of 8%.[2]

Harvard's success in managing its endowment has had a significant impact on the sustainability and academic quality of the institution. These funds are used to support various strategic university programs, such as providing need-based scholarships, improving teaching quality through faculty salaries and incentives, funding leading research, and developing and maintaining campus infrastructure. In fact, in fiscal year 2024, Harvard allocated USD 749 million for financial aid, ensuring access to higher education for students from diverse economic backgrounds. At the same time, USD 2.4 billion was allocated to support academic and other operational activities.[3]

The distribution of endowment funds reflects careful strategic planning by the university. Approximately 35% of funds are used for scholarships and student financial aid,[4] 30% is allocated for faculty salaries and facilities, 20% for campus infrastructure development, and the remaining 15% for funding research and innovation activities. This balanced allocation not only strengthens Harvard's global competitiveness, but also ensures the sustainability of educational quality and inclusivity of access to education.[5]

Furthermore, Harvard's financial advantage through its endowment fund contributes 37% to its total annual operating income, which reaches USD

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[1]The Harvard Crimson, 'Harvard Endowment Jumps to $53.2 Billion, Delivers 9.6% Returns in 2024', *Lee, S. K., & Mete, T. J.*, 2025 https://www.thecrimson.com/article/2024/10/18/harvard-endowment-grows-in-2024/.

[2]harvard university, 'Financial Report Fiscal Year 2024', 2014, pp. 1–252 https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/14frusg/FR_02252015_Final.pdf.

[3]Crimson, 'Harvard Endowment Jumps to $53.2 Billion, Delivers 9.6% Returns in 2024'.

[4]harvard university, 'Financial Report Fiscal Year 2024'.

[5]Harvard Management Company, 'Harvard Management Company', 2024 https://www.hmc.harvard.edu/partners-performance/.

6.5 billion.[6] This proportion makes the endowment the main pillar of the university's financial stability, allowing Harvard to remain resilient in the face of global economic fluctuations, inflationary pressures, and the dynamics of higher education competition. With a strong financial foundation, Harvard can design long-term policies, innovate in research, and develop flagship programs that support its reputation as a world-leading institutionWhen compared to other renowned universities such as Yale, Stanford, Princeton, and MIT, Harvard remains significantly ahead. This data is illustrated in Table 1 below:[7]

Table 1
Comparison of Global University Endowment Funds (FY 2024)

School	U.S. News Rank	End of Fiscal Year Endowment 2023
Harvard University (MA)	3	$50,748,594,000
Yale University (CT)	5	$40,746,867,000
Stanford University (CA)	4	$36,494,893,000
Princeton University (NJ)	1	$33,380,863,000
Massachusetts Institute of Technology	2	$23,453,446,000

Based on the data in Table 1, it can be seen that Harvard University ranks first with total endowment funds of USD 53.2 billion, far surpassing other institutions such as Yale (USD 41.4 billion), Stanford (USD 36.3 billion), Princeton (USD 30.2 billion), and MIT (USD 23.5 billion). This significant difference confirms that Harvard not only leads in terms of quantity, but also in terms of its capacity for long-term educational asset management.

This financial advantage shows that endowments are not merely indicators of an institution's economic strength, but have become a strategic foundation that supports academic competitiveness, operational sustainability, and research innovation at the global level. Therefore, this study specifically focuses on Harvard University, as it is considered the most representative in terms of effective and impactful endowment management practices.

By understanding how Harvard manages, develops, and distributes its endowment funds, the results of this study are expected to provide

[6]'THe Wall Street Jounal', 2025 https://www.wsj.com/us-news/education/is-harvards-53-billion-endowment-big-enough-to-offset-federal-funding-cuts-a7fd1a27?utm_source.

[7] Sarah. (2025) Wood, '20 Colleges With the Biggest Endowments. USNews.', 2025 https://www.usnews.com/education/best-colleges/the-short-list-college/articles/universities-with-the-biggest-endowments.

strategic lessons for other higher education institutions, particularly in Indonesia, in developing an independent and sustainable financing system.

A. Theoretical Study

Long-term financial management in higher education is one of the strategic aspects in building a resilient, independent, and sustainable institution. One instrument that has been proven to support financial stability and the achievement of an educational institution's vision is an endowment fund. In this context, it is important to theoretically examine the basic concepts of endowment funds, their management strategies, and their role in supporting the sustainability of educational institutions, particularly universities.

This study focuses on three main aspects. First, understanding the concept and function of endowment funds in supporting the sustainability of higher education. Second, investment strategies and portfolio diversification as a managerial approach to effectively managing endowment funds. Third, the position of endowment funds as a strategic instrument in strengthening institutional excellence and achieving long-term goals in a sustainable manner. With a comprehensive theoretical understanding, it is hoped that this article can enrich the discourse on Islamic education management, particularly in terms of trustworthy and visionary financial management.

1. The Concept of Endowment Funds in Higher Education

An endowment is a form of long-term financial management that collects and invests a certain amount of principal funds permanently, with the investment returns used to support institutional programs. According to the Endowment Institute, endowments are designed to preserve the principal value, while the investment returns can be used sustainably to finance strategic activities such as scholarships, research, infrastructure development, and academic development.[8]

In higher education practice, endowment funds play an important role as a relatively stable financial resource. TIAA Institute[9] emphasizes that universities with endowment funds tend to have stronger financial resilience, especially when facing uncertain economic conditions. This makes endowment funds a strategic instrument, not only in the context of financing, but also in building the independence of higher education institutions.

[8]American Council on Education (ACE), 'Understanding College and University Endowments', 2021 https://www.acenet.edu/Documents/Understanding-College-and-University-Endowments.pdf.

[9]TIAA Institute, 'Endowments and Financial Resilience in Higher Education', 2020 https://www.tiaainstitute.org/publication/endowments-and-financial-resilience.

2. Investment Strategy and Portfolio Diversification

The effectiveness of endowment funds is largely determined by the investment strategies implemented by the managing institutions. The main strategy often used is long-term investment based on the principle of diversification. Markowitz (1952), in his Modern Portfolio Theory,[10] explains that portfolio diversification can reduce investment risk by combining assets that are not correlated with each other. This strategy allows institutions to maintain long-term return stability.

For example, Harvard University manages its endowment fund using a portfolio approach spread across various types of assets, such as private equity, public stocks, bonds, real estate, and other alternative instruments (Harvard Management Company, 2024). NACUBO (National Association of College and University Business Officers) recommends that endowment fund investment policies be transparent, accountable, and adaptive to global market dynamics. Therefore, managerial competence in managing risks and opportunities is key to optimizing endowment fund investment returns.[11]

3. Endowment Funds as Instruments for Institutional Sustainability

In addition to being a financial management tool, endowment funds also serve as a mechanism for the sustainability of higher education institutions. Brown, Garlappi, and Tiu (2010) state that endowment funds provide academic freedom because they do not depend on short-term funding or fluctuating government budget allocations.[12] With the support of endowment funds, universities can consistently and strategically design and implement flagship programs.

Furthermore, from a strategic management perspective, endowment funds provide added value in the form of competitive advantage. Institutions with large endowments are more flexible in attracting high-quality lecturers, providing competitive scholarships, building modern learning facilities, and establishing global partnerships. This directly contributes to enhancing the reputation and competitiveness of institutions at the national and international levels, including Islamic universities that want to emerge as centers of excellence in education and research.

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[10]Harry Markowitz, 'Portfolio Selection. The Journal of Finance', 1952, pp. 77-91., doi:https://doi.org/10.2307/2975974.

[11]National Association of College and University Business Officers (NACUBO), 'Endowment Management.', 2024 https://www.nacubo.org/Topics/Endowment-Management.

[12]C. Brown, K. C., Garlappi, L., & Tiu, 'Asset Allocation and Portfolio Performance: Evidence from University Endowment Funds. Journal of Financial Markets', 2010, pp. 13(2), 268–294 https://www.sciencedirect.com/science/article/abs/pii/S1386418109000743.

4. Endowment Funds in the Perspective of Islamic Management

Within the framework of Islamic education management, the concept of endowment funds has deep relevance to sharia values, such as maslahah (public benefit), istidam al-māl (sustainability of wealth), and al-amanah (responsibility for stewardship). Funds that are professionally invested to support education are part of the effort to maintain the sustainability of knowledge and educational services for the people.

The Qur'an has provided a very appropriate analogy regarding long-term investments in goodness, as in QS. Al-Baqarah [2]: 261:

"مَثَلُ ٱلَّذِينَ يُنفِقُونَ أَمْوَٰلَهُمْ فِي سَبِيلِ ٱللَّهِ كَمَثَلِ حَبَّةٍ أَنۢبَتَتْ سَبْعَ سَنَابِلَ فِي كُلِّ سُنۢبُلَةٍ مِّا۟ئَةُ حَبَّةٍ ۗ وَٱللَّهُ يُضَٰعِفُ لِمَن يَشَآءُ ۗ وَٱللَّهُ وَٰسِعٌ عَلِيمٌ"

"*Perumpamaan orang-orang yang menginfakkan hartanya di jalan Allah adalah seperti sebutir biji yang menumbuhkan tujuh bulir; pada setiap bulir terdapat seratus biji. Allah melipatgandakan (ganjaran) bagi siapa yang Dia kehendaki, dan Allah Maha Luas (karunia-Nya), Maha Mengetahui.*" (Al-Baqarah: 261)[13]

This verse illustrates the importance of having the courage to invest for long-term benefits. Endowment funds, which are used for education and research, are a tangible form of infaq fi sabilillah in the context of modern institutions.

In Islamic financial management, Sharia compliance principles are the main basis for determining endowment fund investment instruments.[14] Islamic higher education institutions need to ensure that funds are not placed in sectors that contain elements of usury, gharar, or maysir, and instead prioritize Islamic financial instruments such as sukuk, Islamic stocks, and Islamic mutual funds.[15]

Thus, endowment funds not only strengthen the economic sustainability of institutions, but also reflect spiritual responsibility in safeguarding the trust of the people and distributing its benefits widely. Professional management of endowment funds based on Islamic values can be an important pillar in the development of Islamic universities that are excellent, independent, and globally competitive.

[13]Al Quran, 'Al Bagarah' https://quran.nu.or.id/al-baqarah/261.

[14]M. S. Antonio, *BANK SYARIAH Dari Teori Ke Praktik*, 1st edn (Tazkia Cendekia, 2001) https://books.google.co.id/books?id=r3yFiZMvgdAC&printsec=frontcover&source=gbs_vpt_buy#v=onepage&q&f=false.

[15]Abdul Ghofur, 'Wakaf Dan Keuangan Islam Tinjauan Systematic Literature Reviews', *Journal Of Islamic Business Management Studies*, 3 (2022), pp. 2(1), 62–78.

Methods

1. Research Approaches and Types

This study uses a descriptive qualitative approach with a documentary case study method, which aims to analyze in depth the endowment fund management strategy at Harvard University through official financial reports and institutional publications. The qualitative approach was chosen because it allows researchers to comprehensively capture the meaning, dynamics, and complexity of the institutional context, especially in the realm of higher education governance.[16]

The documentation-based case study method is used to examine phenomena contextually in real life when the boundaries between phenomena and context are not clearly visible. This method is considered relevant because the research focuses on one specific entity, namely Harvard University, which has developed the world's most successful endowment model through official financial reports and academic publications published by Harvard Management Company (HMC).

This approach is effective in researching contemporary phenomena in real-life contexts, especially when the boundaries between the phenomena and their contexts are difficult to define clearly (Yin, 2018). In this study, data were obtained entirely from credible documentary sources, such as annual financial reports, institutional documents, and publications from professional organizations related to endowment management.[17] Thus, this method allows researchers to trace natural dynamics based on verified documentary evidence, rather than through direct observation or interviews.

2. Subject and Focus of Study

The subject of this study is Harvard University, a leading higher education institution in the United States known for having the largest and most influential endowment fund globally, reaching USD 53.2 billion in fiscal year 2024. Harvard was chosen as the subject of this study based on its relevance and institutional dominance in complex, innovative, and sustainable endowment fund management.

In qualitative research, subjects are entities that directly experience, feel, and understand the phenomena being studied.[18] Therefore, Harvard is not positioned as a passive object, but rather as an active institution that represents best practices in global higher education financial management.

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[16] Prof Dr Sugiyono, *Metode Penelitian Kuantitatif Kualitatif Dan R&D*, 19th edn (Bandung : Alfabeta., 2013) https://elibrary.stikesghsby.ac.id/index.php?p=fstream&fid=140&bid=1879#flipbook-pdf_collections/1/.

[17] Robert K. Yin, 'Case Study Research and Applications Design and Methods', 2018 https://uk.sagepub.com/en-gb/eur/case-study-research-and-applications/book250150.

[18]Sugiyono, *Metode Penelitian Kuantitatif Kualitatif Dan R&D*.

The research focuses specifically on the endowment fund management strategy of Harvard Management Company (HMC), a professional unit responsible for endowment asset investment and development. This study examines the following key aspects:

a) Diversify investment portfolios, including private equity, hedge funds, real estate, and other alternative assets;
b) Long-term asset allocation strategy to minimize risk and optimize investment returns;
c) Distribution and use of funds to support scholarships, faculty compensation, research funding, and infrastructure development;
d) The strategic role of endowment funds in ensuring academic sustainability, encouraging innovation, and maintaining the university's competitive advantage at the global level.[19]

As emphasized by Yin, the case study approach is highly relevant for examining contemporary phenomena in complex real-life contexts. Thus, this study not only provides an empirical description of Harvard's endowment management practices but also offers a conceptual model that can be replicated by universities in Indonesia in developing a sustainable and independent funding system.

3. Data Collection Techniques

This study applies the documentation study technique as the main method in the data collection process. This technique is carried out through searching, reviewing, and analyzing various official documents and credible publications relevant to the context of endowment fund management in higher education institutions, particularly Harvard University. According to Sugiyono, the documentation technique is used to obtain written data in the form of annual reports, archives, or official publications directly related to the focus of the research. This approach allows researchers to obtain factual, up-to-date, and contextual data, thereby supporting a deep and valid understanding of the phenomenon being studied.[20] The data sources used include:

a. Annual reports and official financial statements from Harvard Management Company (HMC), which provide detailed information on investment portfolios, fund allocations, asset management results, and managerial strategies implemented.
b. Scientific articles discussing the concept, strategy, and effectiveness of endowment funds in supporting the sustainability of higher education institutions. These articles are obtained from reputable journals such as the Journal of Financial Markets, TIAA Institute publications, and NACUBO reports..

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[19]Harvard Management Company, 'Partners & Performance', 2024 https://www.hmc.harvard.edu/partners-performance/.

[20]Sugiyono, *Metode Penelitian Kuantitatif Kualitatif Dan R&D*.

c. Reports from professional organizations, such as NACUBO (National Association of College and University Business Officers) and TIAA Institute, which provide benchmarking data, investment trends, and case studies on endowment fund management at various leading universities around the world.
d. The official website of Harvard University and publications issued by internal faculties (e.g., Harvard College, Harvard Medical School, and Harvard Graduate School of Education) that provide up-to-date information on the use of endowment funds, scholarship policies, infrastructure, and research activities.

This technique allows researchers to obtain factual, up-to-date, and contextual data, thereby providing a comprehensive and valid picture of Harvard's endowment management practices. The validity of sources is ensured by prioritizing primary documents and sources that have undergone a formal editorial process.

4. Data Analysis Techniques

Data analysis in this study was conducted using descriptive thematic analysis, a qualitative approach that aims to identify, categorize, and interpret the main themes that emerge from the documents and written data sources that have been collected. This method was chosen because it is in line with the characteristics of documentation studies and allows researchers to understand the implied meaning in documents in a deep, contextual, and systematic manner.[21] The analysis procedure was carried out through three main stages as follows:

a. Data Reduction
   This stage involves filtering information by selecting the most relevant data from various sources, such as Harvard Management Company (HMC) financial reports, scientific articles, and institutional publications. Information that is not directly related to the research focus is eliminated in order to maintain focus and efficiency in the analysis.[22]
b. Data Presentation
   The reduced data is systematically organized in a logical and informative format, such as tables, matrices, graphs, or thematic narratives. This presentation aims to show the relationships between concepts and thematic patterns that support understanding of endowment management strategies.[23]
c. Drawing Conclusions and Verification

[21]V. Braun, V., & Clarke, 'Using Thematic Analysis in Psychology. Qualitative Research in Psychology, 3(2), 77–101.', 2016 https://doi.org/10.1191/1478088706qp063oa.

[22]Sugiyono, *Metode Penelitian Kuantitatif Kualitatif dan R&D*.

[23]Yin, 'Case Study Research and Applications Design and Methods'.

At this stage, researchers draw conclusions based on the themes that have been analyzed, then verify them by linking them to relevant theories, such as higher education financial management theory, investment diversification principles, and institutional sustainability concepts. This process is carried out to ensure that the conclusions drawn have a strong theoretical basis and interpretive validity that can be accounted for.[24]

With this approach, the results of the analysis are not only descriptive, but also provide strategic insights into Harvard University's endowment management practices.

5. Data Validity Test

The validity of the data in this study is ensured through the application of source triangulation techniques, which are verification strategies that involve comparing and confirming information from various credible sources. This technique is used to improve the validity and reliability of data obtained through documentation studies.[25]

Triangulation is done by identifying the consistency of data from several types of sources, including:

a. Official institutional reports, such as the Annual Financial Report from Harvard Management Company (HMC), Scientific publications and indexed academic journals, which provide theoretical and empirical foundations for endowment management,
b. Official documents and websites of Harvard University, which present data directly from institutional sources,
c. Reports from professional organizations such as NACUBO and TIAA Institute, which provide comparative studies and benchmarking of endowment fund management at various universities around the world.[26]

In addition to triangulation, document selection also considers academic and institutional credibility, prioritizing sources that have authority, relevance, and timeliness.[27] This step ensures that all analyzed data has a high level of validity and is suitable as a basis for compiling research findings and conclusions.

6. Research Contributions

This study contributes to two main areas, namely theoretical and practical, which are relevant in the context of higher education financial management.

a. Theoretically, this study enriches the literature on endowment fund management strategies with an in-depth case study of Harvard

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[24]TIAA Institute., 'Endowment Management: Practices and Trends.', 2020 https://www.tiaainstitute.org.

[25]Sugiyono, *Metode Penelitian Kuantitatif Kualitatif dan R&D*.

[26]Yin, 'Case Study Research and Applications Design and Methods'.

[27]Institute., 'Endowment Management: Practices and Trends.'

University, as an institution with best practices in long-term financial management. This study also highlights the relationship between investment strategies, fund allocation, and institutional sustainability, which can serve as a basis for further research examining the relationship between financial stability and the academic performance of an institution.

b. In practical terms, the results of this study provide a model and strategic inspiration for higher education institutions in Indonesia, particularly in designing an independent, adaptive, and sustainable funding system. This study can be used as a reference by university policymakers, educational philanthropic institutions, and the government in formulating endowment fund development policies that are appropriate to the local context but meet global standards. By emulating Harvard's best practices, it is hoped that campuses in Indonesia can strengthen their fiscal independence, improve academic quality, and build competitiveness in the global education ecosystem.

Results and Discussion

1. Sources of Income for Harvard University's Endowment Fund

Harvard University's endowment is the primary financial foundation that supports the institution's academic and operational sustainability. The endowment's revenue comes from several main components, with philanthropic donations being the largest contributor at 45%. These donations come from alumni, foundations, generous individuals, and external institutions that believe in Harvard's mission of education and research. In addition, income from education contributed significantly to the growth of endowment value, accounting for 21%, followed by income from investments included in miscellaneous items, accounting for 18%, and research, which was divided into two categories: government-funded research, which generated 11% of endowment funds, and non-government research, which generated 5%.[28] This can be seen in the following data, which illustrates the proportion of each source's contribution to Harvard's endowment income in fiscal year 2024:

Table 2
Sources of Harvard Endowment Income (FY 2024)

Sources of Income	**Percentage (%)**
Philanthropic Donations	45%
Education (Costs & Executive Programs)	21%
Government-Funded Research	11%
Non-Government Research	5%
Others	18%

Source: Harvard University Financial Report FY2024

[28]harvard university, 'Financial Report Fiscal Year 2024'.

Based on the data in Table 2, it can be concluded that the main source of Harvard's endowment income comes from philanthropic donations of 45%, which is the most important pillar in supporting the sustainability of university funding. The next source of income is from tuition fees and executive programs, which account for 21%, indicating that academic activities and professional training also contribute significantly to the university's income. In addition, research funding from the government (11%) and non-government sources (5%) demonstrates strong external support for Harvard's research activities, while the remaining 18% includes investment returns and commercial sources.

These findings reflect the application of prudent and diversified financial management principles, which enable Harvard to maintain long-term funding stability and reduce dependence on any single source of income. These results are consistent with research by Brown, Garlappi, & Tiu (2010), which confirms that diversifying income through an endowment fund portfolio can increase a university's financial resilience to global economic fluctuations. In this context, Harvard's strategy serves as a concrete example of financial sustainability practices that can be adapted by other universities, including higher education institutions in Indonesia.

2. Endowment Fund Investment Strategy

Harvard University's endowment fund is managed by Harvard Management Company (HMC), which implements a long-term investment strategy with a diversified portfolio. This approach aims to optimize investment returns while minimizing systemic risk, in line with prudent risk management principles. In fiscal year 2024, the allocation of Harvard's endowment fund investment portfolio is as follows:

Table 3
Harvard Endowment Fund Investment Portfolio (FY 2024)

Types of Investment	**Percentage (%)**
Private Equity	39%
Hedge Fund	32%
Public Equity	14%
Property & Infrastructure	5%
Bonds & Fixed Assets	5%
Other Assets	5%

Source: Harvard Management Company. (2024).

Based on Table 3, it can be seen that the composition of Harvard's investment portfolio is highly diversified. Private equity, at 39%, is the dominant asset class, offering high long-term return potential. Furthermore, hedge funds (32%) serve as risk mitigation and profit stabilization instruments. Public equities (14%) provide higher liquidity, while allocations to property, infrastructure, bonds, and fixed assets, each at 5%, demonstrate a balance of investment in the real sector and fixed income instruments.

The consistency between Table 2 and Table 3 shows that Harvard's strategy focuses not only on diversifying sources of income, but also on diversifying investment instruments. This is in line with Markowitz's Modern Portfolio Theory (1952), which asserts that combining assets with different risks can minimize volatility and maximize long-term returns. This strategy also enabled Harvard to maintain financial stability and restore the value of its endowment fund to USD 53.2 billion in fiscal year 2024.

3. Distribution and Use of Funds

Harvard University's endowment is not only developed through long-term investment strategies, but also distributed strategically to support various operational and academic aspects of the university. In fiscal year 2024, distributions from the endowment reached $2.4 billion, accounting for approximately 37% of Harvard's total operating income of $6.5 billion.[29] The use of endowment funds covers various important areas, including scholarship programs, faculty salaries and facilities, infrastructure development, and research and innovation funding. This distribution reflects Harvard's commitment to ensuring accessibility to education, the welfare of teaching staff, and the quality of excellent research, as well as sustainable academic innovation. The following is a breakdown of the distribution of Harvard's endowment funds:

Table 4
Harvard Endowment Fund Distribution (FY 2024)

Use of Funds	**Percentage (%)**
Scholarships & Financial Aid	35%
Faculty Salaries & Benefits	30%
Infrastructure	20%
Research & Innovation	15%

Source: Harvard University. (2024). Financial Report Fiscal Year 2024.

Based on Table 4, the distribution of Harvard's endowment shows that the university applies the principle of balance between social advocacy, academic strengthening, and long-term investment. The largest portion, 35%, is allocated for scholarships and financial aid, reflecting Harvard's commitment to inclusive access to education for students from various economic backgrounds.

Furthermore, 30% is allocated for faculty salaries and facilities, which play a role in maintaining teaching quality and attracting the best academic

[29]Harvard University, 'Endowment', 2024 https://www.harvard.edu/about/endowment/.

talent from around the world. Meanwhile, 20% is used for campus infrastructure development, including modern learning and research facilities, which form the foundation for long-term innovation. The remaining 15% is used to fund research and innovation activities, as a form of support for the advancement of science and Harvard's academic reputation at the global level.

This distribution reflects the application of the principle of strategic expenditure diversification, which ensures academic sustainability and financial stability for the university. The results of research by Brown, Garlappi, & Tiu (2010) also confirm that a balance between operational funding, scholarships, and research is key to the success of endowment funds in strengthening the competitiveness of higher education institutions in the global era.

4. The Impact of Endowment Funds on Financial Stability

Harvard University's endowment fund plays a crucial role in maintaining the institution's financial stability, especially when facing the 2008 global economic crisis and the COVID-19 pandemic. Although the value of the endowment fund declined significantly during the crisis period, Harvard was still able to maintain academic sustainability and support its community thanks to conservative management strategies and investment portfolio diversification.

a. Financial Sustainability

During the 2008 global financial crisis, the value of Harvard's endowment fell by nearly 30%, from USD 37 billion to around USD 26 billion. However, the university was still able to carry out its operations in a stable manner. Much of this sustainability was due to the distribution of endowment funds, which contributed approximately 35% of the university's annual operating income. A conservative distribution approach, coupled with adequate liquidity reserves, allowed Harvard to avoid major cuts to academic programs and scholarships.[30]

b. Improvement of Academic Quality

The endowment also enables Harvard to recruit and retain the best faculty in the world by offering competitive salaries and benefits. In addition, it supports the development of innovative and interdisciplinary academic programs, thereby strengthening Harvard's position as a global leader in education and research.[31]

c. Access to Education

Harvard's commitment to educational accessibility is reflected in its allocation of endowment funds for need-based scholarships. In fiscal year

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[30]The Harvard Crimson, 'Harvard Faced a Recession Eleven Years Ago. Today, It's Facing...' https://www.thecrimson.com/article/2020/3/23/harvard-coronavirus-recession-planning/.

[31]harvard university, 'Financial Report Fiscal Year 2024'.

2024, Harvard allocated approximately USD 749 million for financial aid, ensuring that students from diverse economic backgrounds can obtain a high-quality education without financial barriers.[32]

d. Global Competitiveness
Financial stability supported by endowment funds also strengthens Harvard's global competitiveness. Sustainable funding support allows the university to invest in infrastructure, technology, and international research. This ensures that Harvard remains an academic innovation center that attracts students and researchers from around the world.

e. Financial Data Analysis (2021–2024)
The following is a summary table of Harvard University's finances for the 2021–2024 fiscal years from Harvard University's official website and other relevant sources, complete with graphs showing trends in income and expenditure**:**

Table 5
Harvard Financial Summary 2021–2024

Fiscal Year	**Total Revenue (USD Billion)**	**Total Expenses (USD Billion)**	**Operating Surplus (USD Million)**
2021	5.2	5.0	283
2022	5.8	5.4	406
2023	6.1	5.9	186
2024	6.5	6.4	45

a. Revenue continues to increase from $5.2 billion (2021) to $6.5 billion (2024), reflecting growth in academic activities and funding.
b. Expenditures grew faster from $5.0 billion to $6.4 billion during the same period, due to increased staff compensation and technology investments.
c. Operating surplus declined sharply, from $406 million (2022) to only $45 million (2024), indicating fiscal pressure despite stable revenue growth.
d. The return on endowment was negative in 2022 (-1.8%) but recovered significantly to 9.6% in 2024, proving the effectiveness of HMC's portfolio diversification.
e. The value of the endowment fund will recover to $53.2 billion in 2024, after declining for two consecutive years.

Based on Harvard University's official financial reports for fiscal years 2021 to 2024, there has been significant change in the institution's financial structure. Revenue increased from USD 5.2 billion to USD 6.5 billion, while expenses also grew from USD 5.0 billion to USD 6.4 billion. This resulted in a sharp decline in operating surplus, from USD 406 million in 2022 to only USD

[32]harvard university, 'Financial Report Fiscal Year 2024'.

45 million in 2024. Nevertheless, the endowment's value recovered to USD 53.2 billion with a return of 9.6%, proving that Harvard Management Company's diversification strategy successfully maintained long-term resilience.

To understand the scale and dynamics of Harvard University's financial strength, it is important to examine changes in the value of its endowment over the past few years. These fluctuations reflect the institution's response to global economic turmoil, as well as the effectiveness of its long-term investment strategy. The following shows the trend in the value of Harvard's endowment from fiscal year 2021 to 2024:

Figure 1
Trends in Fluctuations in the Value of Harvard University's Endowment Fund (2021–2024)

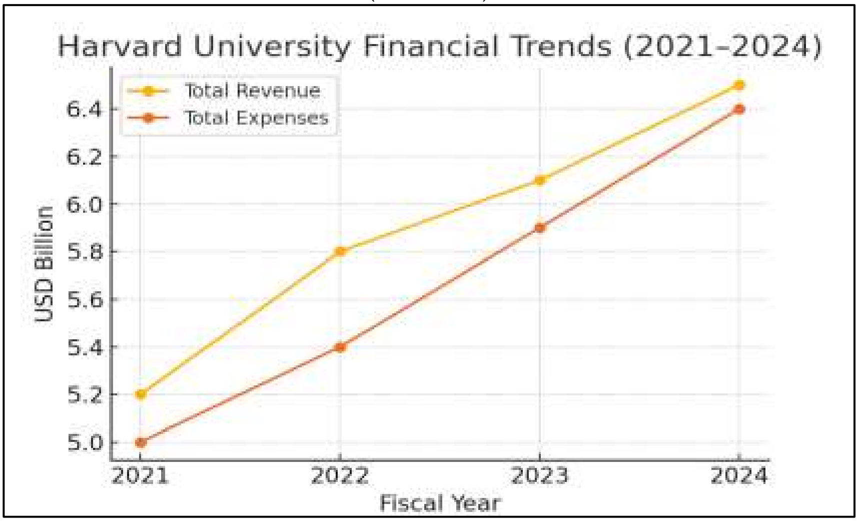

Figure 1 shows the upward trend in Harvard University's revenue and expenditure during the 2021–2024 fiscal years. It can be seen that:

a. Revenue grew from $5.2 billion (2021) to $6.5 billion (2024).
b. Expenditures increased more sharply from $5.0 billion to $6.4 billion..
c. The gap between the two narrowed, explaining the decline in operating surplus..

This graph reinforces the analysis that although Harvard experienced revenue growth, fiscal pressure due to increased operating costs became a major challenge, which could only be offset by the recovery and positive performance of the endowment fund in 2024.

The success of the endowment is greatly influenced by the rate of return generated from a professionally managed portfolio. To see how effective Harvard's diversification strategy is in dealing with market uncertainty, the following chart presents the endowment's annual returns from 2021 to 2024.

Figure 2
Effectiveness of Harvard's Investment Strategy Based on Annual Returns

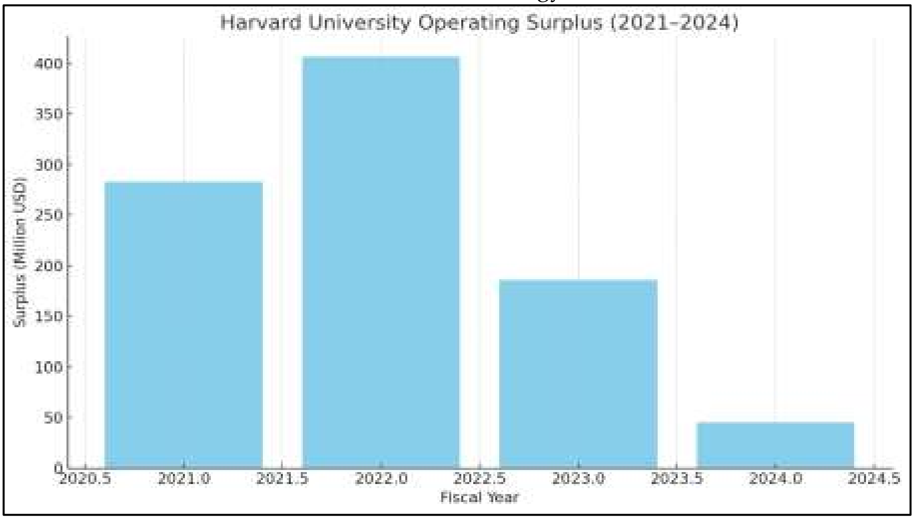

Figure 2 shows the trend in Harvard University's operating surplus from fiscal year 2021 to 2024. It can be seen that:

- The surplus peaked in 2022 at USD 406 million.
- However, it declined sharply in 2023 and fell dramatically again to only USD 45 million in 2024.[33]

This indicates internal fiscal pressure, despite increased university revenues. This trend is consistent with increased spending on staff compensation, technology investments, and post-pandemic recovery.

Despite having substantial revenues and endowments, the financial stability of higher education institutions is still measured by operational efficiency. The following chart shows how Harvard's operating surplus has trended downward over the past four years, as a result of increased spending and strategic investments in institutional development.

[33]Harvard University Office of Institutional Research & Analytics, 'Fact Book: Endowment', 2025 https://oira.harvard.edu/factbook/fact-book-endowment/.

Figure 3
Movement of Harvard University Endowment Fund Values Fiscal Year 2021–2024

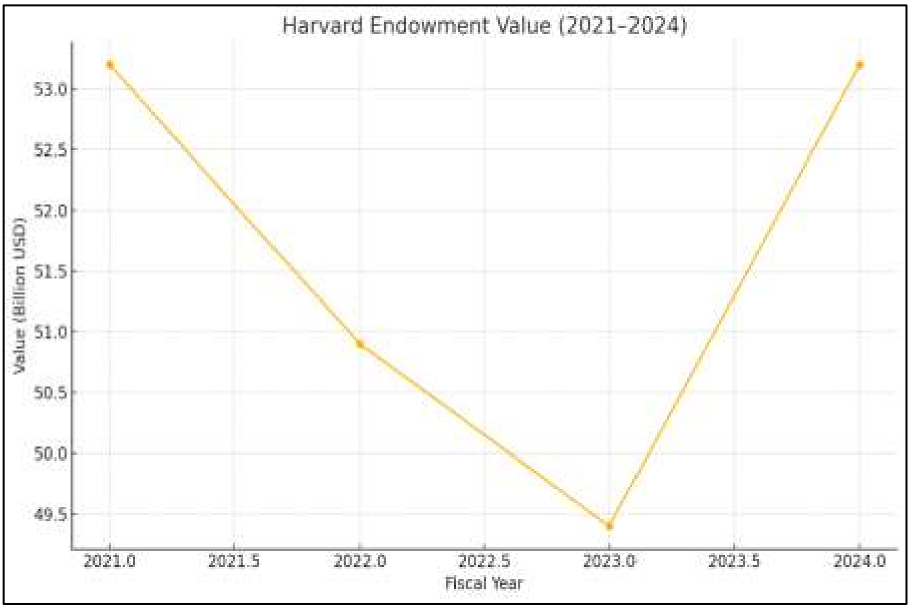

Figure 3 shows the dynamics of Harvard University's endowment value over the past four years, reflecting the institution's response to global market pressures and the recovery strategies implemented. In fiscal year 2021, the value of Harvard's endowment reached a high of USD 53.2 billion, reflecting solid investment performance before economic uncertainty hit. However, in 2022, there was a significant decline to USD 50.9 billion, and it fell again to USD 49.4 billion in 2023. This decline cannot be separated from external factors such as global inflation, capital market turmoil, and the long-term impact of the COVID-19 pandemic on investment asset performance. However, the graph shows that in fiscal year 2024, Harvard managed to restore the value of its endowment fund to USD 53.2 billion, the same as in 2021. This recovery reflects the resilience of Harvard Management Company (HMC) in implementing adaptive and asset-diversified investment strategies, which have proven capable of responding to economic pressures and generating competitive returns.

This return to its highest value reaffirms the importance of professional governance and long-term financial planning in managing endowment funds, and strengthens Harvard's position as the higher education institution with the most stable and sustainable financial foundation in the world.

Figure 4
Harvard University Endowment Fund Return Trends for Fiscal Year 2021–2024

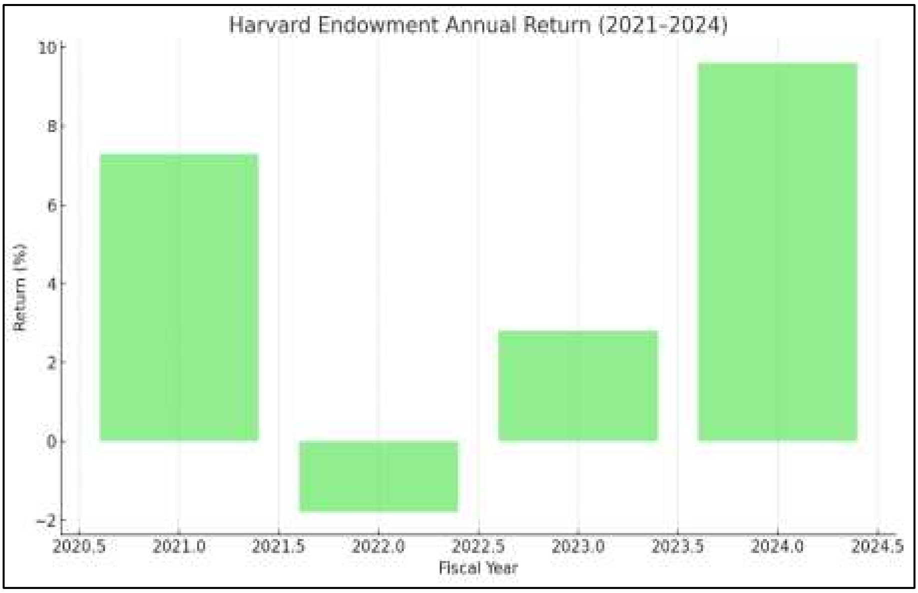

Figure 4 shows the fluctuations in the rate of return on investment from Harvard University's endowment fund over the past four years, namely fiscal years 2021 to 2024. The data shows that in 2022 there was a significant decline with a negative return of -1.8%. This reflects global pressures caused by post-pandemic economic uncertainty, high inflation, and geopolitical tensions that have affected the stability of international financial markets.

However, Harvard was able to reverse this trend in the following two years. In fiscal year 2023, there was a moderate recovery, and in 2024, returns jumped sharply to 9.6%. This increase is evidence of the success of Harvard Management Company (HMC) in implementing a long-term investment strategy based on portfolio diversification. HMC combines private equity instruments, hedge funds, real estate, and other alternative assets to reduce systemic risk and maximize long-term returns.

This increase in returns directly contributes to the university's financial stability, enabling Harvard to continue funding strategic programs such as student financial aid, leading research, and campus infrastructure development. Thus, this graph illustrates the power of endowment funds as instruments of fiscal resilience and sustainability for higher education institutions in the face of global market dynamics.

Furthermore, graphs 3 and 4 above illustrate the financial dynamics and endowment of Harvard University during the 2021 to 2024 fiscal years. Based on Harvard University's official financial report (Harvard Financial

Report FY2024), there were significant changes in the institution's income and expenditure structure during this period. Total university revenue increased steadily from USD 5.2 billion in 2021 to USD 6.5 billion in 2024, reflecting expansion in academic activities, research, increased contributions from executive programs, and the results of endowment management.

University expenditures grew more sharply, from USD 5.0 billion to USD 6.4 billion, mainly due to increases in labor compensation, investments in digital infrastructure and technology, and the development of online learning programs. Pressure on the expenditure side led to a sharp decline in operating surplus, from USD 406 million in 2022 to only USD 45 million in 2024.

Nevertheless, Harvard continues to demonstrate strong fiscal resilience, thanks in part to the performance of its endowment fund, which generated a positive investment return of 9.6% in 2024, after experiencing a negative return the previous year. This demonstrates the effectiveness of the diversification strategy implemented by Harvard Management Company in maintaining the long-term stability of the institution.

Harvard University's operating surplus trend shows significant fluctuations throughout the 2021 to 2024 fiscal years. In 2021, the operating surplus was recorded at USD 283 million, then increased sharply to a peak of USD 406 million in 2022. However, this trend did not continue; in 2023, the surplus decreased to USD 186 million, and then declined dramatically to only USD 45 million in 2024. This decline reflects increasing fiscal pressure, even though the university's total revenue continues to show a growth trend. This indicates that expenditures increasing faster than revenue is the main challenge in maintaining the institution's short-term financial balance.

Harvard University's Endowment Fund and Investment Returns experienced significant dynamics throughout the 2021 to 2024 fiscal years. In 2021, the endowment fund reached USD 53.2 billion, but declined for two consecutive years. In 2022, the endowment fund fell to USD 50.9 billion with a negative return of -1.8%, reflecting global market pressures and post-pandemic economic uncertainty. In 2023, the value declined again to USD 49.4 billion, although a positive return of 2.8% began to show signs of recovery. In 2024, the endowment finally recovered and returned to its original position at USD 53.2 billion, driven by an investment return of 9.6%.

This recovery reflects the success of Harvard Management Company's (HMC) portfolio diversification strategy, which carefully allocates funds to various types of assets, including private equity, hedge funds, public equity, bonds, and property and infrastructure. This positive performance demonstrates that a long-term, adaptive managerial approach to market dynamics is key to the sustainability of Harvard's endowment. (HMC, 2024)[34]

[34]Harvard University, 'Financial Report Fiscal Year 2024', 2024 https://finance.harvard.edu/files/fad/files/fy24_harvard_financial_report.pdf.

Conclusion

This study confirms that Harvard University's endowment fund is a leading model in long-term financial management that successfully ensures the stability, sustainability, and competitiveness of higher education institutions amid global challenges. With a value of USD 53.2 billion in fiscal year 2024, Harvard is not only the owner of the largest endowment fund in the world, but also able to use it strategically to support its academic and institutional mission.

This success cannot be separated from four main pillars, namely:

1. Diversification of funding sources, which come from philanthropic donations, investment returns, tuition fees, and research income;
2. Long-term investment strategy through Harvard Management Company (HMC), which implements a diversified portfolio in private equity, hedge funds, real estate, bonds, and other assets;
3. Targeted distribution of funds, including scholarship financing, faculty compensation, infrastructure development, and leading research; and
4. Contribution to institutional resilience, enabling Harvard to remain resilient in the face of the global economic crisis and the COVID-19 pandemic.

However, when Harvard's endowment model is to be adapted in Indonesia, there are a number of opportunities and challenges that need to be considered. The main opportunity lies in the enormous potential of Islamic philanthropy (waqf, zakat, and productive alms) which can be developed into a sharia-based endowment. This is in line with the spirit of *maslahah* (public benefit) and *istidam al-māl* (sustainability of wealth) in Islamic teachings. The challenges lie in the aspects of governance, transparency, and the managerial capacity of higher education institutions in Indonesia, which still vary.

In the context of PTKIN and PTKIS, the implementation of endowment funds needs to be integrated with sharia investment models that comply with sharia principles. For example, fund management through state sukuk instruments, sharia stocks, and sharia education mutual funds, the proceeds of which can be used to fund scholarships, research, and campus development. This model has been trialed at several Islamic universities in Malaysia and the United Arab Emirates, demonstrating the effectiveness of combining modern governance with Sharia principles.

From a comparative analysis perspective, the practice of endowment funds at Muslim universities such as the International Islamic University Malaysia (IIUM) and Al-Azhar University shows that the success of endowment funds is highly dependent on the transparency of reports, the professionalism of managers, and the diversification of investment instruments in accordance with Islamic values. Lessons learned from these models can serve as a strategic foundation for Islamic universities in Indonesia to develop independent, sustainable, and worship-oriented endowments.

Thus, the development of sharia-based endowment funds in Indonesia not only enables financial independence for universities, but also serves as a means of economic empowerment for the community through education. The Harvard model provides managerial inspiration, while Islamic values provide a moral and spiritual foundation for the fair and sustainable management of endowment funds.

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