CHAPTER III

Public Library Finance: A Study.
PUBLIC LIBRARY FINANCE: A STUDY

Public Library being a social institution renders free
dservice to all. Viewing from the point of economics, it is a
revenue spending organisation without any financial return.
To run the public libraries smoothly and effectively there
must be a constant flow and perennial source of finance. Once
the finance for public libraries is provided then it is the
duty of the public library authorities to spend the resources
in proper ways.

Public library finance primarily deals with the income
and expenditure of the finance allocated for the various pur-
poses so as to maximise the utility and minimise the disutility
for the welfare of the people or to secure maximum social,
economic, cultural and educational benefit. Provision of finance
for the public libraries is to be made by taking into consider-
ation the following fundamental concepts.
1) **Library is a spending institution.**

The libraries are not revenue fetching institutions.
Therefore, it is necessary that the provision for finance to
library is to be made available without the consideration of
the revenue.

ii) **Library is a growing organisation.**

The fifth law of library science as enunciated by
Dr. S.R. Ranganathan states "Library is a growing organism".
This further reveals that a library grows and grows endlessly
in the forms of books, readers and staff. The demand for books
by the readers, the demand of readers to make use of the books
and the demand for staff to process the books need a constant flow of finance to achieve the spirit of the 5th law.

iii) Financial demands are recurring.

Since the public libraries stand to stay for ever and its activities and functions improve gradually, it is necessary that the libraries require perennial source of income.

Functions.

Planning, controlling and co-ordinating are the three important functions of the finance.

Planning helps to avoid waste by furnishing policies and procedures which makes possible a closer co-ordination between the various functions of the institutions. The second step in planning is the determination of the policies that acts as guidelines in achieving the objectives. The planning of library services is a part of educational, cultural and scientific planning which is, in turn, part of the general development of a country or of a region. It is therefore, not an end in itself, but unlike educational planning, a means to an end i.e. the development of the community and of the individual. ¹

There are two phases of planning namely (i) Normative phase, (ii) Operational Phase.

Normative phase includes the principles, aims and objectives of planning where as the operational phase is to attain the normative phase rapidly and nationally.

After planning the aims and objects of the organisation, it is the duty of the authorities to make provision to achieve the targets. Provision of budget to meet the demand for library
services with proper planning shall be done in accordance with necessary guidelines which is otherwise known as "budgetary control" issued by the Finance Department from time to time. Budgetary Control helps the service organisation to divert its funds in most suitable heads to maximise its utility and the estimate for the next financial year is done in the like manner.

Stages of Planning:

Planning is a continuous process which requires constant reappraisal and it is not an end in itself but a means to the aims, objectives and targets fixed by the service organisations. It controls the unlimited requirements with due regard to the limited resources in a systematic manner and evaluates its results by coming over a number of stages like:-

a) Review of acquired experience
b) Diagnosis
c) Determination of requirements and the financial implications
d) Programming
e) Publicity
f) Execution and Evaluation
g) Financing

Financing of Library Service:

If a public library system or a network of public library shall be designed or developed and to ensure its proper maintenance and functioning shall require a large financial outlay in view of the fact that their services to be rendered
"free of charge". This sum obviously cannot be raised by donation or charity or philanthropy. These sources of income can not ensure a steady growth and maintenance of public libraries. Libraries being growing institutions, the financial burden increases with the passing of years. Perhaps the only source of income of financing public library is the receipt of Government grants which enable them to function as public libraries.

Further dependence on State or Central Government grants has many disadvantages like:

1) The grants may not continue in times of financial crisis in a country's economic affairs, and
2) The amount of grant varies from year to year as a result of which further development becomes impossible.

In both the circumstances, the planning commission or Finance Department whenever decides to impose a cut in outlay of funds, education is the first item which receives a major cut in expenditure. Hence it is not advisable to rely wholly on the State. A public library being essentially a people institution, it is to be maintained out of public funds. The only way to solve this problem is to impose taxes on the principle of give and take according to the needs. Further no taxation can be levied without the sanction of law. So inorder to collect the library cess, resort will have to be made to exact public library Act in the States.

Therefore **Budget Formulation, Budgetary Control and Cost Benefit analysis** are the three important ingredients for financing libraries.
The purpose of budget formulation is to limit the expenditure on income and to assure planned spending on economic basis. A budgetary plan is generally prepared in advance and the factors likely to affect the economy and the income and expenditure are considered before new proposals for expansion, development and increased service points etc. are incorporated in the budget. If a proper budgetary plan is not prepared, no useful purpose is served.

While formulating an annual budget estimates the following points are taken into consideration by the library authorities:

1. By comparison with past expenditure
2. Objectives/ goals of the coming financial year
3. Requirement of inputs for the performance of these activities and what are the costs of each? What is the overall cost for the establishment, operation and maintenance i.e. start up or initial costs, annual operating costs, etc.
4. What are the source for the capital or finance and its ways of financing.
5. Are there any cost recovery programmes?
6. What are the future financial requirements?

Budgetary requirements also make the sanctioning authorities to know its priority for implementation.
Budgetary Requirements.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Item</th>
<th>Initial Costs</th>
<th>Annual Operating Budget</th>
<th>Future Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Facilities</td>
<td>Preparation of physical space (reconstruction, partitions, wiring, lighting, decorating)</td>
<td>Renovations as needed</td>
<td>Extensions or new facilities</td>
</tr>
<tr>
<td>2.</td>
<td>Equipment and furnishings</td>
<td>Purchase of equipment and furnishings</td>
<td>Repairs, replacements and additions as needed</td>
<td>New or improved equipment, furnishing for new space</td>
</tr>
<tr>
<td>3.</td>
<td>Salaries and Wages</td>
<td>Consultants, start-up; requirements</td>
<td>Professional, non-professional clerical service labour</td>
<td>Periodical raises expansion</td>
</tr>
<tr>
<td>4.</td>
<td>Collection of documents</td>
<td>Purchase of basis documents, journals and Secondary publications</td>
<td>Annual subscriptions, addition to document collections; services</td>
<td>Extension of collection to new fields</td>
</tr>
<tr>
<td>5.</td>
<td>Materials and supplies</td>
<td>Initial materials and supplies</td>
<td>Yearly expendables</td>
<td>Contingency and new procedure</td>
</tr>
<tr>
<td>6.</td>
<td>Miscellaneous</td>
<td>Consultants; travel during planning and Start-up</td>
<td>Travel, education; service; evaluation of activities</td>
<td>Contingency research and evaluation</td>
</tr>
</tbody>
</table>

Methods of financial estimation:

The following are some of the methods that can be employed for calculating the annual financial requirements for efficient and effective library service.

(a) Per Capita Method.

A realistic and equitable approach to the quantum of the Annual finance necessary for running Public Library Services in the States by applying the following formulae.
a) \( L \times S \)

Where \( L \) = Literate population

\( S \) = The average unit cost of library Service for each Literate person.

Another method of per capita to know the quantum of annual financial requirement is to take into account a minimum amount per user depending upon the type of user is fixed which is considered essential for providing library service.

b) **Cost of additions Method**.

This method as applied by taking into account the total number of documents which are expected to be added at the end of five years. This method is helpful like the per capita method in an organisation where data on the total annual expenditure is not available.

c) **Method of Details**.

In this method the total annual expenditure is estimated on the basis of all items of expenditure- salaries of staff, cost of documents, binding, photo copying services etc. and other overheads incurred on the library. This method may not always be good with the changing situations in the library.

**Budgetary Control**.

After passing of the budget, now the library gets its sanction to go ahead with plans and programmes formulated in the budget items. But there are some necessary checks and balances to spend the approved budget which is sometimes imposed either by library authorities or financial authorities. This is otherwise known as control over the approved budget. These are basically two kinds of control external and internal.
The external controls over the public library budget are contained in authority's financial regulation. These are a standard set of instructions issued to all spending departments by the Chief Finance Officer after getting approval from the Government.

Financial regulations are not meant for controlling of expenditure rather it gives instructions to utilise the funds so as to achieve the maximum social advantage or to obtain full advantage to benefit the services.

Secondly the External Control is exercised through the Audit system. There are two types of Audit (i) Internal Audit (ii) External Audit.

Internal Audit is done and provided by the authority's own staff and concerned to ensure that the financial regulations are properly observed; that adequate security arrangements are made, that the expenses are properly entered in the cash transactions Registers to verify the accountancy and record-keeping procedures.

External audit is conducted by the Central Government auditing annually on local authorities. This provides an independent check on the financial integrity of local authorities and their sub-ordinate offices and also go through the final audited accounts together with the internal auditors report and recommendations. The findings are submitted to the authorities each year. Again the Central Government auditors have power to inspect the public library's financial systems and transactions as part of their review of the authority's work.
Cost Benefit Analysis

Cost Benefit Analysis (CBA) is a study to determine the proper allocation of resources for Public expenditure. It aims at maximisation of the present value of net benefits—i.e., aggregate benefits minus aggregate costs of an economic programme subject to specified constraints. The objective function of CBA in symbolic terms is as follows:

\[ \text{NSB} = \text{Net Social Benefits} \]
\[ \text{TSB} = \text{Total Social Benefits} \]
\[ \text{TSC} = \text{Total Social Costs} \]

Therefore \[ \text{NSB} = \text{TSB} - \text{TSC} \]

The cost analysis is based on the assessment of expenditure for various purposes and can be classified into two categories:

a) Capital expenditure
b) Current expenditure.

Capital expenditure is made to acquire permanent assets of library like site, building, equipment, furniture, permanent collections of materials, vehicles, etc. These expenditures will be heavy at a stage when such services are initially established and when the isolated functioning of libraries are integrated to a common network or system and organised in a hierarchical order, but it will diminish the resources and services of the library are gradually well equipped according to the respective development plans.

Current expenditure includes annual acquisition of books and periodicals, salaries of the personnel, running costs for electricity, communication, maintenance costs for building, equipment, vehicles and other official expenses.
Assessment of Expenditure:

For the purpose of identifying the expenses for library services at all levels, it would be very useful to compare them with the "National Indicators".

For instance, the percentage of expenses of library services in relation to:

- Expenditure on education
- Expenditure on Cultural activities

or, in more detailed and in order to obtain more precise percentage for instance:

Percentage in relation to the Ministry of Education's total expenses and expenses for:

- Acquisition of books;
- Acquisition of Audio-Visual material;
- Acquisition of Text Books;
- Staff Salaries etc. 14

This detailed analysis of expenditure should be made in accordance with precise financing sources such as the budget of library services within the total budget of Ministry of Education, using the patterns suggested above. In this way comparative indices of existing resources could be obtained and the increase of such resources could be measured in order to expand and develop the library system adequately.

Expenditure for different types of activities:

In order to determine the trends of library services expenditure, it would be necessary to know what is actually
being spent on the different services already begun approved. A break-down of the total expenditure incurred on acquisitions, processing of acquired materials, storage etc. as well as staff costs would provide valuable guidelines for more effective use of available financial resources. 15

Analysis of costs:

A better understanding of the use of resources is not possible without an analysis of the cost. The cost per unit of utilization of Library systems and comparison with those of other countries for instance, would enable the system's productivity to be measured.

Measurement of costs could be divided into the following two main categories:

**Average Unit Cost.**

This method is calculated with the probable number of clientele to be served, the size of the reserve and general circulation, the demands for bibliographical services and the books and other materials which will probably be acquired, catalogued and bound during the year. When these conditions are set forth quantitatively, it is necessary to compute the costs in terms of personnel, equipment and materials.

**Unit Normative Costs or Standards.**

These costs should represent "Optimum" values for a given service and could be calculated by taking into account an increasing number of generally accepted practices. As these practices are commonly approved, they are recognised as norms or standards and are regularly followed until more satisfactory
methods are devised. The rates of library expenditure to total institutional expenditure per user or expenditure per library staff member are sometimes considered by a library to set up arbitrary standards which are suitable for financial planning of library service in a particular library concerned.

Criteria for estimating future expenditure:

Patterns for expenditure of library services be determined either on the basis of total population or literate population, annual growth rate of population or the number of users by applying the above mentioned norms or standards.

Cost Benefit Analysis in Libraries.

Financing the libraries by Central or State or Statutory Autonomous or private organisations make an evaluation or analysis of the total costs spent for running the public library services and the benefits received in turn. This is otherwise known as cost benefit analysis which is exercised by the following measures.

Direct Vs Indirect Measures:

Measuring the benefit of library service directly from the users needs intended is known Direct benefit measure and when some presumably related criteria are substituted as basis to know the benefits is called Indirect benefit measures. The kind of benefit measure to be followed totally depends upon the nature of need for a service intended to meet, i.e., need for specific documents, for specific items of information etc.

There are also other approaches to measure benefit like:

a) Use of performance measure
b) Benefit in terms of cash

c) Time spent by the users/ clients

d) Charging of services

e) Charging for specific information inputs etc.

**Accounting and Financial Reporting.**

Budgeting, accounting and reporting are three integral parts of the financial administration. The purpose of financial accounts is to provide information about past, current and future financial operations. Maintenance of financial accounts is to ensure adequate and accurate information for the preparation of:

a) Annual Budget

b) Control of budget operations

c) to know the internal efficiency

d) to conserve the assets (Physical plants, books and equipment)

e) Planning for future activities

f) Reporting to the local Government and Public

g) Comparisons with other libraries.

Financial statistics included in Annual Reports should show itemwise important expenditure in a concise form.

Financing the library services by the State or National budget is the only source of funds and it could also be supplemented by provincial or municipal contribution etc. (depending upon the political and administrative organisation of the country). Financial help from private institutions and outside
resources also strengthen the functioning of the libraries. This is also important that norms and methods of economic analysis must be applied to this field. This is necessary if the maximum benefits are to be obtained from the resources available which are always insufficient to meet the requirements for the development and extension of library services. The Planners' role is to make an attempt to obtain the maximum benefit from available resources.

Thus the study of Public library finance has become quite essential for the public library authorities as well as the State and Central Government to propose a planned financing of public libraries so as to maximise the satisfaction of the users. The aim of financial planning is to achieve optimum satisfaction with minimum resources according to a set of priorities and goals. The methods and procedures explained in the previous paragraphs are only the guidelines for the designers to eliminate the possibility of wastage of resources and to strengthen the finance of the public libraries.

To meet the capital as well as current expenditure of public libraries, it is necessary to seek the possible sources of public library finance. What are these sources and how to make these sources a perennial source to strengthen the public library resources and services are discussed in the following Chapter IV entitled "Sources of Public Library Finance."
A statement showing the per capita expenditure on public libraries in the States and Union Territories of India in descending order and expenditure incurred by Central Government and voluntary organisations is given in Appendix-I & II which will help the State/Central Government as well as Planners and Designers to exercise financial planning for public library services.
### APPENDIX - I

**STATEMENT SHOWING THE LEVEL OF EXPENDITURE ON PUBLIC LIBRARIES IN THE STATES AND UNION TERRITORIES OF INDIA IN DESCENDING ORDER FOR THE YEAR 1986-87.**

<table>
<thead>
<tr>
<th>Rank</th>
<th>State/Union Territories</th>
<th>Expenditure (1986-87)</th>
<th>Population</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Pondicherry</td>
<td>1,500,000</td>
<td>604,471</td>
<td>Rs. 2.48</td>
</tr>
<tr>
<td>2.</td>
<td>Arunachal Pradesh</td>
<td>1,500,000</td>
<td>631,839</td>
<td>Rs. 2.37</td>
</tr>
<tr>
<td>3.</td>
<td>Meghalaya</td>
<td>3,000,000</td>
<td>1,335,819</td>
<td>Rs. 2.24</td>
</tr>
<tr>
<td>4.</td>
<td>Chandigarh</td>
<td>1,000,000</td>
<td>451,610</td>
<td>Rs. 2.21</td>
</tr>
<tr>
<td>5.</td>
<td>Mizoram</td>
<td>1,000,000</td>
<td>493,757</td>
<td>Rs. 2.02</td>
</tr>
<tr>
<td>6.</td>
<td>Goa</td>
<td>2,000,000</td>
<td>1,007,749</td>
<td>Rs. 1.98</td>
</tr>
<tr>
<td>7.</td>
<td>Nagaland</td>
<td>1,500,000</td>
<td>774,930</td>
<td>Rs. 1.94</td>
</tr>
<tr>
<td>8.</td>
<td>West Bengal</td>
<td>92,813,000</td>
<td>54,580,647</td>
<td>Rs. 1.70</td>
</tr>
<tr>
<td>9.</td>
<td>Sikkim</td>
<td>500,000</td>
<td>316,385</td>
<td>Rs. 1.58</td>
</tr>
<tr>
<td>10.</td>
<td>Tripura</td>
<td>3,000,000</td>
<td>2,053,058</td>
<td>Rs. 1.46</td>
</tr>
<tr>
<td>11.</td>
<td>Lakshadweep</td>
<td>50,000</td>
<td>40,249</td>
<td>Rs. 1.24</td>
</tr>
<tr>
<td>12.</td>
<td>Andaman &amp; Nicobar Islands</td>
<td>200,000</td>
<td>188,741</td>
<td>Rs. 1.06</td>
</tr>
<tr>
<td>13.</td>
<td>Manipur</td>
<td>1,500,000</td>
<td>1,420,953</td>
<td>Rs. 1.05</td>
</tr>
<tr>
<td>14.</td>
<td>Tamil Nadu</td>
<td>45,142,358</td>
<td>48,408,077</td>
<td>Rs. 0.93</td>
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<tr>
<td>15.</td>
<td>Diu</td>
<td>25,000</td>
<td>30,421</td>
<td>Rs. 0.82</td>
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<tr>
<td>16.</td>
<td>Delhi</td>
<td>5,000,000</td>
<td>6,220,406</td>
<td>Rs. 0.80</td>
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<tr>
<td>17.</td>
<td>Andhra Pradesh</td>
<td>35,703,000</td>
<td>53,549,573</td>
<td>Rs. 0.66</td>
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<tr>
<td>18.</td>
<td>Karnataka</td>
<td>23,210,289</td>
<td>37,135,714</td>
<td>Rs. 0.63</td>
</tr>
<tr>
<td>Rank</td>
<td>State/ Union Territories</td>
<td>Expenditure (1986-87)</td>
<td>Population</td>
<td>Per Capita</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------</td>
<td>-----------------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>19.</td>
<td>Himachal Pradesh</td>
<td>2,500,000</td>
<td>4,280,818</td>
<td>Rs. 0.58</td>
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<tr>
<td>20.</td>
<td>Daman</td>
<td>25,000</td>
<td>48,560</td>
<td>Rs. 0.51</td>
</tr>
<tr>
<td>21.</td>
<td>Dadra and Nagar Haveli</td>
<td>50,000</td>
<td>103,676</td>
<td>Rs. 0.48</td>
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<tr>
<td>22.</td>
<td>Kerala</td>
<td>11,304,000</td>
<td>25,453,680</td>
<td>Rs. 0.44</td>
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<tr>
<td>23.</td>
<td>Rajasthan</td>
<td>12,000,000</td>
<td>34,261,862</td>
<td>Rs. 0.35</td>
</tr>
<tr>
<td>24.</td>
<td>Gujarat</td>
<td>11,700,000</td>
<td>34,085,799</td>
<td>Rs. 0.34</td>
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<tr>
<td>25.</td>
<td>Assam</td>
<td>6,000,000</td>
<td>19,896,843</td>
<td>Rs. 0.30</td>
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<tr>
<td>26.</td>
<td>Jammu and Kashmir</td>
<td>1,732,000</td>
<td>5,987,389</td>
<td>Rs. 0.29</td>
</tr>
<tr>
<td>27.</td>
<td>Haryana</td>
<td>3,500,000</td>
<td>12,922,618</td>
<td>Rs. 0.27</td>
</tr>
<tr>
<td>28.</td>
<td>Madhya Pradesh</td>
<td>12,000,000</td>
<td>52,178,844</td>
<td>Rs. 0.23</td>
</tr>
<tr>
<td>29.</td>
<td>Orissa</td>
<td>6,000,000</td>
<td>26,370,271</td>
<td>Rs. 0.22</td>
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<tr>
<td>30.</td>
<td>Maharashtra</td>
<td>12,373,873</td>
<td>62,784,171</td>
<td>Rs. 0.20</td>
</tr>
<tr>
<td>31.</td>
<td>Punjab</td>
<td>3,000,000</td>
<td>16,788,915</td>
<td>Rs. 0.18</td>
</tr>
<tr>
<td>32.</td>
<td>Uttar Pradesh</td>
<td>13,756,000</td>
<td>110,862,013</td>
<td>Rs. 0.12</td>
</tr>
<tr>
<td>33.</td>
<td>Bihar</td>
<td>2,585,996</td>
<td>69,914,734</td>
<td>Rs. 0.03</td>
</tr>
</tbody>
</table>

Average: Rs. 0.46
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Public Libraries</th>
<th>Plan Rs.</th>
<th>Non-Plan Rs.</th>
<th>Total Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>National Library, Calcutta.</td>
<td>1,02,00,000</td>
<td>1,94,46,000</td>
<td>2,96,46,000</td>
</tr>
<tr>
<td>2.</td>
<td>Delhi Public Library</td>
<td>55,00,000</td>
<td>69,50,000</td>
<td>1,24,50,000</td>
</tr>
<tr>
<td>3.</td>
<td>Central Reference Library, Calcutta.</td>
<td>12,00,000</td>
<td>18,40,000</td>
<td>30,40,000</td>
</tr>
<tr>
<td>4.</td>
<td>RRR Library Foundation, Calcutta.</td>
<td>1,40,20,000</td>
<td>12,50,000</td>
<td>1,52,50,000</td>
</tr>
<tr>
<td>5.</td>
<td>Khuda Baksh Oriental Public Library, Patna</td>
<td>25,50,000</td>
<td>12,48,000</td>
<td>37,98,000</td>
</tr>
<tr>
<td>6.</td>
<td>Indian Council of World Affairs, New Delhi.</td>
<td>6,00,000</td>
<td>2,50,000</td>
<td>8,50,000</td>
</tr>
<tr>
<td>7.</td>
<td>TMSSM Library, Thanjavur, Tamil Nadu</td>
<td>15,00,000</td>
<td>-</td>
<td>15,00,000</td>
</tr>
<tr>
<td>8.</td>
<td>Rampur Raza Library, Rampur, U.P.</td>
<td>11,50,000</td>
<td>-</td>
<td>11,50,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>3,67,00,000</td>
<td>3,09,84,000</td>
<td>6,76,84,000</td>
</tr>
</tbody>
</table>

Per capita Rs. 0.10
## SUMMARY

<table>
<thead>
<tr>
<th>Public Libraries</th>
<th>Total Expenditure</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Governments</td>
<td>Rs. 31,71,70,516</td>
<td>Rs. 0.46</td>
</tr>
<tr>
<td>Central Government</td>
<td>Rs. 6,76,84,000</td>
<td>Rs. 0.10</td>
</tr>
<tr>
<td>Voluntary Organisations</td>
<td>Rs. 9,59,25,856</td>
<td>Rs. 0.14</td>
</tr>
<tr>
<td><strong>India Total</strong></td>
<td><strong>Rs. 48,07,80,372</strong></td>
<td><strong>Rs. 0.70</strong></td>
</tr>
</tbody>
</table>
REFERENCE


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