

**Master of Library and Information Science
Second Semester**

Library Finance

1. Introduction:

Libraries are not revenue earning institutions. Most of them are service components of academic and other institutional bodies. Hence they have a special obligation to manage their finances with great care and judiciousness. The public library service is generally free because it is supported by public funds,, either through special grants from the government or through a library cess.

The importance of the provision of a continuous flow of adequate finance to libraries cannot be exaggerated. A few principles, however, are required to be kept in view, as finance is also an instrument of control and evaluation.

No study of an important public activity like library services can be complete and fruitful unless it also covers financial aspects. A basic knowledge of library finance, library expenditure, budgeting and accounting is, therefore, very important for any librarian or student of library science.

2. Finance management:

Financial management is not just managing cash or providing funds. It is the study of the principles and practices involved in the financial operations of an institutions, industry or state. The finance function is the task of providing funds needed for the enterprise i.e., provision of funds and their effective utilization. It deals with the problems and procedures of acquiring, distributing and effectively utilizing funds, balancing of revenue and expenditure and accounting of the entire transactions for better control and evaluation. In other words, important phases or components of financial management are:

1. Financial planning

2. Forecasting of receipts and disbursements
3. Realization of funds and revenues
4. Allocation of funds
5. Utilization of funds
6. Financial accounting
7. Financial control
8. Financial auditing

The task of finding money, investing funds, managing property and getting the sanction for the budget and all other related matters of finance are the responsibility of the central executive authority of the parent organization to which the library belongs. However, the library has a major share of responsibility in estimating its own financial requirements, preparing a budget for its functions, activities and programs, managing the funds appropriated and spending within the specified period, maintaining accounts, and finally preparing a report.

3. Sources of funds:

Library finance includes both the funds appropriated to a library and its expenditure. Libraries depend heavily on a continuous supply of funds for organizing their activities, programs and services. In dealing with this, ensuring a continuous supply of funds not merely on a yearly basis but over a period of time, i.e., three or five years is very important. Finance plays a very significant role in the organization and management of any institution, more so in the case of libraries which have to acquire and build up a collection on a continuous basis throughout the year and even longer. With the increasing costs of books and journal subscriptions, it would be impossible to plan a collection development programme, consistent with the needs of users, without an ensured supply of funds. While

appropriations are made for the acquisition of books and journals, funding bodies quite often overlook or underestimate the necessity of funds for processing the acquired materials and making them available for use. So competent persons should invariably process the expenditure on books. Further, a regular flow of funds ensures the rhythm and tempo of the user services. These services have to run on a continuing basis. Unless adequate funds are provided for all these activities, libraries will remain ineffective.

Different types of libraries receive funds from different sources, though some sources are common, such as government grants. The greatest percentage of operating funds increasingly comes from public funds raised through taxes. Funds are required on a continuing basis (paternalistic nature of library) and a judicial estimation of funds required has to be done well in advance. The sources of funds for libraries can be broadly grouped as follows:

1. Regular grants from parent body (public fund raised through taxes)
2. Ad hoc grants from other departments/institutions (public fund)
3. Grants from endowments and charitable institutions
4. Fees, subscriptions, sale of service and miscellaneous revenues earned by the library (ad hoc, non-recurring and meant for specific purposes with restrictions on allocation and use)
5. Fines and miscellaneous sources: Some libraries impose fines on the late return of books as well as for loss or misuse of books. Income from this source is very meager. As a matter of fact, it cannot be considered as a source of income, because the aim of the fine is not to raise revenue but to compel the user to return the borrowed book in time and not to damage or lose it during his/her possession. Moreover, libraries may not have the authority to reappropriate amount collected as fine or overdue charges for any purpose

6. Miscellaneous sources may consist of money received by the sale of library publications and waste paper, reprographic services, translation and other documentation services rendered, etc. These services are rendered by libraries usually on a non-profit basis. Normally, such (limited) funds are added to the general fund of the parent organization for allocation through normal budgeting.

The financial supports given to libraries are of two types: i) recurring and ii) non-recurring. The recurring grants are generally given for the purchase of books and periodicals, maintenance of regular services, and for anticipated contingent expenditure. The non-recurring grants are given for specific purposes such as construction of library building, purchase of furniture and equipment and sometimes for special collections. The third type of grant, known as an ad hoc grant is given on special recommendations for special purchases.

4. Sources of Public Libraries:

The main sources of public library revenues are subscriptions, a library cess, and grants from the government and endowments. Considering the library subscription as a source of funds is widely disputed. An equally forceful opposite view is that subscription defeats the whole concept of a free public library service advocated by Ranganathan. The report of the Advisory Committee for Libraries, Government of India (1957), also supports the inadvisability of considering subscription as a source of revenue. The Advisory Committee describes such subscription libraries as "stagnating pools."

Of the five States of the Indian Union which have library legislation, some, viz., Tamil Nadu, Andhra Pradesh and Karnataka, have provision for a library cess. Tamil Nadu and Andhra Pradesh Library Acts have provided for a cess in the form of a surcharge on land and property tax at the rate of six per cent. The Karnataka Act has provided for a library cess in the form of a surcharge at the rate of three

percent not only on land and house tax but also on octroi duty, vehicle tax and professional tax. In addition to the library cess, Karnataka public libraries receive a grant from the government equivalent to three per cent of the total land revenue collection. The other two states i.e., Maharashtra and West Bengal, have not proposed any library cess. In these states the respective governments have made provision for grants for public libraries. Experience shows that library cess/rate alone cannot be sufficient to meet the continuously growing needs of public libraries. Besides, the taxable capacities of various local areas differ, thereby making standard and uniform public library service throughout the country difficult.

A public library service should be totally supported by regular budget grants of the government, just like education, public health and so on. Unfortunately, in many countries including India, this is not the position. As a result finances for public libraries have become inadequate. Only library legislation at the national level can change things for the better. It would be proper for the government to provide for the initial expenditure, while recurring demands of the libraries should be met from the proceeds of library cess, etc. Moreover, the local authorities should be encouraged to collect more funds by giving them matching government grants.

Endowments, charitable trusts and private benefactions could be another source of public library revenue. In countries like the USA this is a common feature, whereas in India it is not so. The financial demands of the libraries are recurring in nature, whereas endowments may not be so. Hence endowments and benefactions, though welcome, should not be taken as a permanent or continuing and adequate source of income. Endowments can best be used for constructing library buildings, acquiring furniture and fittings and so on.

Other sources of public library revenue are fees and fines, gifts in cash or kind. The income from these sources is generally very meager and cannot be considered a significant source of revenue.

5. Financial Estimation:

The foundation of proper financing depends upon correct and effective estimation. Just like the government, institutions, individuals and families attempt to make financial estimations of their needs and resources, libraries also have to prepare financial estimates. How to estimate, on what basis, and how much finance a library requires depends upon the age, jurisdiction, quantity and quality of reading material, number of readers, and other factors relating to that particular library.

Some important bases for financial estimation for libraries are:

1. User population and its composition
2. Material to be acquired (media, nature and type of information source)
3. Services to be provided vis-à-vis objectives
4. Hardware and software requirement
5. Unsatisfied service pressures, if any, are the most frequently used factors in determining the financial needs of a library
6. Established national and international standards for quality in services often expressed as minima of materials, personnel and operational funds for a given size of library
7. Increase in prices of reading materials and inflation. Three methods generally used for estimating library finances are discussed below

i. per Capita Method

In this method, a minimum amount per head is fixed which is considered essential for providing standard library services. The educational and cultural standards of a community, the expectations of its future needs, the per capita income of the society, the average cost of published reading material, and the salary levels of the library staff are the common factors that go to determine the per capita library finance in public and academic libraries. The per capita estimate can be based either on the number either of literate persons or of adults. However, the safest method is to calculate library finance per head of population.

The University Grants Commission Library Committee recommended that a university should provide Rs. 15 per student and Rs. 200 per teacher for acquiring reading material for its library. The Kothari Education Commission (1964-66), however, recommended that as a norm, a university should spend each year about Rs. 25 for each student and Rs. 300 per teacher. Ranganathan suggested that per capita expenditure on university and college libraries should be Rs. 20 per student and Rs. 300 per teacher, or Rs. 50 per student. In schools, per student appropriation at the rate of Rs. 10 should be made available for the library. **For public libraries, Ranganathan** suggested a 50 paise per capita expenditure way back in 1950. Now, the per capita figure must be much higher and this is the inherent limitation of the method as it does not provide for inflation and devaluation.

ii. Proportional Method

This method presupposes that the authorities provide adequate finances to the library out of their regular budget, and that a particular minimum limit is fixed. A generally used measure of adequate support is the percentage of the institutional budget which is allocated for library purposes. Various standards have been

recommended for deciding this limit in India. The University Education Commission had recommended that 6.5 per cent of a university's budget would be a reasonable expenditure on its library. The Commission suggested that "this expenditure could vary from 6.5 to 10 per cent, depending on the stage of development of each university library". In practice, the majority of the universities in India hardly spend three percent of their total budget on their libraries. It is generally agreed by most authorities that a college should allocate to the library four to five per cent of its total expenditure. Ranganathan suggested that either 10 per cent of the total budget or 6 per cent should be earmarked for **public library purposes**. This method is likely to lead to a high disparity in case of special libraries as the budgets of high technology and capital intensive organizations are much larger than the budgets of pure research, social science and humanities institutions.

iii. Method of Details

According to this method all items of expenditure of a library are accounted for while preparing the financial estimates. These are of two types, viz., i) recurring or current expenditure and ii) non-recurring or capital expenditure.

For estimating public library finances, Ranganathan suggested the circulation of recurring/ current expenditure and non-recurring/capital expenditure. The Advisory Committee for libraries, Government of India followed almost a similar method for estimating the financial requirements for establishing a **countrywide public library system**.

The UGC Library Committee in its report suggested a staff formula for finding out the quantum of library staff members of various categories required for college and university libraries. It has also laid down their respective pay scales. The total amount required for meeting the cost of the staff can be calculated by this formula.

For cost of books and other reading materials, the Committee has suggested a per capita expenditure formula.