

# The Role of Financial Management in Library and Information Science

**Rajaram K.<sup>1\*</sup>, Jeyachitra S.<sup>2</sup>, Swaroop Rani B. S.<sup>3</sup>**

<sup>1</sup>Department of Library and Information Science, K.S. Rangasamy Institute of Technology, Tiruchengode, Tamil Nadu, India

<sup>2</sup>Departments of Library and Information Science, Urumu Dhanalakshmi College, Tiruchirappalli, Tamil Nadu, India

<sup>3</sup>Department of Library and Information Science, Bishop Heber College, Tiruchirappalli, Tamil Nadu, India

## Abstract

*Generally, a budget is prepared for one year. It may be in some cases for two years and sometimes development budgets are prepared for five years and ten years also. While preparing a budget one has to take into consideration, the previous years' expenditure, proposed new programmes and schemes. It is also necessary to take standards on various aspects for estimating from the standard figures. However, standards provide a rough estimation. The allotment of money for different items essentially requires that careful consideration and analysis be made of the year's expenditure.*

**Keywords:** Finance, Budget, Evaluation, Cost Effectiveness, Cost Benefit

**\*Author for Correspondence** E-mail: jairajaram6@gmail.com

## FINANCE

### Library Finances

Finance is the moving force for any organization. So it is with the libraries. In case of many institutions, one has to exercise to achieve a balance between the income and expenditure. In case of libraries, the expenditure is always far more than their income. Thus, libraries are 'spending institutions'. The expenditure of libraries goes on increasing with improvement of services. Their financial demands are recurring [1].

### Source of Revenue

1. Subscription from the members;
2. Endowments and private benefactions;
3. Library Cess (in case of public libraries);
4. Interest on deposits;
5. Government/Quasi-government grants;
6. Fines;
7. Gifts/Donations;
8. Fees recovered from certain services (like reprography, etc.), etc.

### Items of Expenditure

Major items of expenditure are:

1. Staff salaries and related charges; this is the largest budget item in all units and

often accounts for over half the total expenditure.

2. Purchase of documents; this is the second largest item though it occasionally-all too rarely-exceeds staff costs.
3. Expenditure on processing (use of the computer, production of bulletins, etc.).
4. Supplies.
5. Equipment (amortization, servicing and replacement).
6. Premises (only significant for large units).
7. Communications (mail, telephone, telex, transport, etc.).
8. Expenditure on subcontracting. This item can be quite important if certain functions (computer processing; are performed by other organizations or if certain jobs (elaboration of a thesaurus) are contracted out.

### Assessment of Financial Needs

There are different methods used for working out financial outlay of a library. These are described in brief.

### PER CAPITA METHOD

In this method, a minimum amount per head of population is fixed and financial estimates are

prepared. This type of estimate can be used for public libraries, where the literate persons or adults served is taken into consideration.

In case of university and college libraries, the UGC Library Committee Way back in 1957 suggested for a provision of Rs. 15 per student and Rs. 200 per teacher. Whereas, Kothari Commission suggested for an allocation of Rs. 25 per student and Rs. 300 per teacher.

### POPULATION METHOD

In this method a certain proportion of the general budget of a state or institution is recommended for providing library service.

In India, various standards have been suggested for public library finance. Dr. Ranganathan suggested that either 10% of the total budget or 6% of the education budget of a local/State/Federal Government, as the case may, should be earmarked for public library purposes. The working group on libraries suggested that "... the provision for public libraries should be such that the annual expenditure thereon is in no case less than 1.5% of the total annual expenditure on education, but only 1/213 (.0047%) of this was spent on public libraries".

### METHOD OF DETAILS

Another method of finding out the financial requirements of a library is called the 'Method of Details'. It implies that all items of expenditure are accounted for while preparing financial estimates for a library. These items, besides others, include salaries/wages, reading materials-books, periodicals and newspapers and other kindred materials; binding and newspapers and other kindred materials; binding and repairing, heating, cooling and lighting, rents and interest; posts, telegraphs and telephones; and stationery and other contingent and miscellaneous items [2].

### BUDGET

A Budget is an estimation of probable income and expenditure for the ensuing year. In other words, it may be described as statement of revenue and expenditure for a given period, usually one year. In a way, it is a planned estimation of expenditure within the available income. In the absence of such planning in the financial aspects, it is not possible to spend

money in a productive way. It is always essential to identify the things which are most necessary out of the lists of requirements. Similarly in the case of the library, it may need many things, but it is necessary to select those which are essential and necessary for the immediate future in view of its objectives. Therefore, planned expenditure enables us to derive the maximum satisfaction in our endeavour [3]. Besides, it is also necessary to limit our expenditure to the available income.

### Types of Budgets

The different types of budgets are: On what budget which lists details of expenditure on various items successively: Formula Budget allocates the funds to various items on the basis of their assumed relationship which are important to the services to be rendered; Unit-Cost budget estimates the cost Unit by Unit and what quantity of a services each Unit performs; Lump-sum Budget allocates a certain amount arbitrarily depending upon the management concerned; programme Budget categories the expenses by functions to be undertaken [4]. Operating Budget estimates revenues and expenditure for a given period of time, indicating annual recurring expenditures; Capital Budget estimates nonrecurring items as part of long range plans of the organization; and Balance-Sheet Budget lists detailed information of funds—the amount allocated, spent and still available for use.

### Objectives of a Library Budget

1. To present a statement of estimated revenue and expenditure-financial situation-for a given period of time;
2. To serve as a plan for the efficient and effective coordination of resources and expenditures during a particular period of time;
3. To present details regarding the services that are to be given at a future date;
4. To serve as a basic financial control mechanism;
5. To serve as device for evaluating results;
6. To serve as a forecast, of the means of carrying the plan into effect, a current guide, cost summary of operations, etc.;
7. To serve as a tool for the management; and
8. To form the basis for the formulation of future policy.

### **Practical Procedure for Preparing the Budget**

Budget is not prepared within a day or two or by mere oral discussion, but it is a continuous job. All the requirements and policy decisions which are taken from time to time during the year are incorporated into an annual estimate. The following three ways may be adopted to prepare library budgets [5].

1. By comparison with past expenditures;
2. By budgeting in accordance with the work programme; and
3. By using widely accepted standards and norms.

A proper procedure should be followed for ensuring a faultless budget. Successful implementation of various plans depends upon exact and faultless budget.

### **TIPS FOR SUCCESSFUL BUDGET MAKING**

1. A general budget file should be maintained. In it all policy decisions should be field from time to time. It would be better if the relevant decisions are recorded on bigger slips/cards and are kept in vertical files in a classified order.
2. Each section should be asked to maintain a budget file so that they can from time note down their financial requirements, which are to be incorporated in the budget.
3. These records should be based on 'object classification' as mentioned above. In other words, each estimate must be detailed one and the minutes point should be taken into consideration before an estimate is actually sent finally to the Librarian.
4. All the departmental reports should be incorporated in a general budget form. It should be in accordance with the system of expenditure classification, which has been adopted by the library and its authorities.
5. The accounts assistant should carefully do the accumulation work, so that an exact idea is got as to what total amount is required for each operating unit of service.
6. Similarly, the accumulation should be done for the sources of income so that it becomes easy to know the probable income.

7. The net amount required should be struck down by bringing out the difference between the estimated expenditure and income.
8. The budget estimates should be framed carefully. Plausible reasons should be advanced for each increased and/or decreased estimate so that only proper recommendations are incorporated in the budget.
9. Ways and means should be suggested for procuring additional revenue to meet the deficit.

### **FACTORS TO BE CONSIDERED IN BUDGET MAKING**

1. The type of organization—academic, industrial, research of which it is a part;
2. The size of the organization;
3. Whether the library budget is independently prepared or whether it forms part of the general budget for the organization;
4. The type of users of library service;
5. The document collection;
6. The services offered by the library, etc.; and
7. Adherence to budgetary plans unless otherwise warranted.

### **Methods of Budget Making**

- (i). Per Capita method.
- (ii). Cost of Additions Method.
- (iii). Method of Details.
- (iv). Method of Proportions.
- (v). Programmed Budgeting.
- (vi). Zero-base Budgeting.

Planning Programming Budgeting System (PPBS). Many complex organizations including some libraries are using PPBS or some kind of its modified form. PPBS is a technique, which combines the best of programme budgeting and performance budgeting [6].

The important steps in PPBS are:

- (i). Identifying the objectives of the library.
- (ii). Presenting alternative ways to achieve those objectives with cost benefits ratios presented for each programme for each.
- (iii). Identifying the activities that are necessary to each programme.

- (iv). Evaluating the result so that corrective actions can be taken.

PPBS enable a librarian to enumerate programmes as well as assign costs to these. Above all it allows authorities to look at programmes in proper perspective. As a result they will be able to notice the effects of cutting or adding money to the budget [7].

Zero-based budgeting (ZBB): It was developed by peter Phytor to achieve greater effective planning and fiscal control. "The term zero base is derived from the first steps in the process-the development of a hierarchy of functions based on the assumption that the unit or agency is starting operations for the first time (point zero)". Thus, the focus of planning and development is on the purpose(s) of the unit and on the function(s), which it should perform so that it meets the reasons for its existence. Basically, it is not concerned with happened previously but rather with what is required to be done in future [8].

### Items in the Library Budget

The library budget usually includes one or more of the following items:

1. Books
2. Periodicals
3. Back sets of Periodicals
4. Furniture
5. Building
6. Salaries
7. Stationery
8. Binding Materials
9. Equipment and Machinery
10. Rent
11. Insurance
12. Lighting
13. Transport, Postage
14. Miscellaneous

The items of expenditure may broadly be divided into recurring and nonrecurring.

The items of expenditure-salaries, office-equipment, supplies, telephones, postage, stationery and miscellaneous items which are of a regular nature come under the recurring category. The expenditure on those items is inevitable and unavoidable for a running institution.

The items furniture, equipment, and erection of building or development of a portion of building are stated under nonrecurring or capital outlay. Those are required once in few years' time. Though items like books and periodicals from part of regular expenditure, they may vary from year to year, depending on the availability of money in the budget [9].

This classification of items of expenditure may also be shown on the basis of the 'Object' that is based on service rendered, materials acquired and facilities provided. It may also be shown on a department-wise basis such as the technical section, the periodicals section, etc.

### General Standards

The University Grants Commission has suggested that 50% of the total university library budget should be spent on books, other reading material, etc. and 50% on the library staff. In this regard, Dr. Ranganathan has suggested that the total budget should be distributed as follows [10]:

Staff	50%
Books, reading material	40%
Others	10%

### EVALUATION OF ACTIVITIES

This is not theoretical and purposeless exercise but one of management's essential instruments, which should be applied to all aspects of a unit's work.

One method is to check a unit's operations and functions by regularly monitoring some of their essential aspects. The number would depend on the type of operation or function: for example, 5 per cent of the queries processed each mention could be taken to ascertain whether the time needed for the answers, their precision and exhaustivity, and the procedure followed were in accordance with the standards fixed. From time however, particularly when a medium- or long-term plan is being prepared, it is a good idea to undertake a systematic evaluation [11].

There are three levels of evaluation: the evaluation of effectiveness, of the cost-effectiveness ratio and of the cost-benefit ratio. The first level attempts to assess how far the unit is meeting its objectives or, in short, how far it satisfies its users. The second attempts to

determine the cheapest and most efficient way of running the unit while the third is focused on the benefits derived by users of the service or services and whether they justify the cost.

Evaluation is a form of research which states its hypotheses and objectives, defines the objects to be examined, collects the necessary data (by means of documents, observation, measurement and interviews), analyses them and draws conclusions. Each operation or function has its own special methods of evaluation, which can be adapted as necessary. It is also possible to employ advanced techniques such as; models, simulation or operational research.

The evaluation can be centred on some or all of the functions of an information unit, and each function calls for special evaluation techniques and criteria. The sectors with which evaluation is most often concerned are the holdings, the provision of primary documents, question-answer services, information retrieval, databases and documentary products, catalogues, technical services, computerization and management [12].

The most usual criteria include standards, costs, effort amount and complexity of the work involved for staff and users, response time, qualitative criteria such as exhaustivity, precision, recall, novelty and relevance, and the various signs of user satisfaction.

When these studies are carried out by or for information units, they have a very specific and practical purpose: either to detect and put right any weaknesses or to help select and organize new activities, and in many cases both. Clearly, the cost of an evaluation and the effort involved must be commensurate with the advantages to be derived from its conclusions; it would hardly be reasonable to allocate resources at the expense of production itself. But this argument is no reason for the systematic refusal to undertake evaluations, which is often in reality a refusal to change. Without evaluation, any information unit is likely to take the wrong direction, lose its adaptability or become obsolete.

### **Cost Effectiveness and Cost Benefit**

Efficiency, effectiveness and benefit are the three important things we have to consider in the context of economics of information. Efficiency in the context of the library is really how well we do the things, in our own terms, in terms of our own value system and our own measurements.

### **VALUE OF INFORMATION**

Information is understood as the act of informing. The value of information is as if the value of a delivery service depended on the value of what is being delivered. The easiest way of determining the value of information is in terms of monetary gains resulting from access to right information at the right time within the setting of scientific research; corporate decision-making etc. but, the value cannot be in terms of money always. Value can be the social, political and attitudinal changes the information can bring in an individual or society. Further the value of information may be of momentary value; whereas, some of long – standing value. The value of information is realized with its use [13].

### **EVALUATION**

Evaluation is basically a judgment of worth an appraisal of value. The performance of an organization, in our context the library, is evaluated in terms of the success of attainment of its objectives. Evaluation also includes accountability to the parent body or funding agency; end-user's satisfaction; cost effectiveness and benefits.

Evaluation studies as to Swanson are intended to:

1. Assess a set of goals, a programme plan or an design prior to implementation;
2. Determine whether and how well goals or performance expectations are being fulfilled;
3. Probe into the reasons for specific successes and failures;
4. Explore techniques for increasing programme effectiveness;
5. Establish a foundation for further research on the reasons for the relative success of alternative techniques; and

6. Improve the means employed for attaining objectives or to redefine-subgoals in view of research findings.

### **COST VERSUS PRICE**

Unfortunately, cost and price are used interchangeably. The cost is what it costs to do something; whereas, price is a matter of strategic decision. In a 'for-profit' situation, the price presumably, will be higher than the cost. In another kind of situation, it can be lower than the cost, if one can figure out how to make up the difference between the cost and price. This can happen in a 'not-for-profit' organization (funded by government).

### **COST**

Cost of an information system can be broadly grouped as to the following:

1. Staff costs in relation to time spent on each operation;
2. Material costs like renting, depreciation, spares, consumables; etc.;
3. Running costs like electricity, machine time, (data, entry devices, printing equipment, communication facilities; new acquisitions, new equipment); and
4. Overhead costs including premises, insurance, upkeep, general servicing, etc.

### **EFFECTIVENESS**

It is measure of how well the service satisfies the demand placed upon it by its users. It can be subjective (based on opinions of user) or objective (success measured in quantitative terms) or a combination of the two.

### **COST EFFECTIVENESS**

The evaluation of cost effectiveness is impossible without prior knowledge of the performance and cost of the system. Cost effectiveness shows whether performance can be improved at an increased cost or at no cost or whether costs can be reduced without unduly affecting performance. In any case, it is desirable to define a unit of cost, which can be the search, the profile or the retrieved reference. However, the most suitable unit of cost is the relevant references found for the user since this takes the system's performance into account. Generally speaking costs tend to rise with the number of documents processed and particularly with the exhaustivity of the search process. On the other hand, cost can be

reduced by a more rigorous Acquisition policy based on an examination of the distribution of sources among the retrieved references.

As for, contents description the potential improvement in performance as a result of a given rise in exhaustivity can be estimated by means of tests on a representative sample of already analysed documents or queries. The more specific the documentary language, the more expensive it is to handle and develop. Its degree of specificity should therefore correspond to the desired level of performance fearing in mind the present and foreseeable increase in the size of the collection, as the collections grow the language has to become more discriminating.

Where search procedures are concerned, one possibility is to recognize the service, either by separating search activities from the other functions of the information unit or on the contrary by seeing that they are effectively integrated. Another is to cut down the time spent on discussing queries with the user or on screening the results. It is also possible to analyse clerical operations in order to identify the main causes of error such as in the transcription of numbers or intermediate data.

Equipment costs generally also include the cost of installation, depreciation and utilization taking into account the type of operation and the type of product the equipment makes possible. For example, a system giving access to abstracts can tolerate a lower precision ratio because the selection of relevant references is much quicker and easier to handle than in the case of a system that provides citations only.

### **BENEFIT**

This is the gain accruing to the individual or organization or the society at large from the use of a library or information system. Benefit could be in the form of satisfaction derived by a user, time saved, knowledge growth, creation of wealth, addition to wealth, and increase in productivity and help in decision-making.

### **COST-BENEFIT EVALUATION**

Cost-benefit evaluations are never easy to handle because the direct benefits of a retrieval service are difficult to identify and measure. It is, however, possible to compare the cost of



the service with the cost of obtaining the same information by some other means. Another method is to estimate the time gained or the increase in productivity resulting from the use of the service, even if this can only be done by estimating losses owing to the lack of such a service. The existence of an information service may also allow an organization to reduce the number of its staff or to employ staff with lower qualifications.

If such evaluations prove impossible it is always possible to seek the opinion of the users by means of a questionnaire or interview designed to find out how satisfied they are with the service and to obtain their own assessment of the benefits they have derived. This said, however, every effort should be made to arrange for regular evaluations so as to ensure that the system functions satisfactorily and is of real value to those for whom it was designed.

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### Cite this Article

Rajaram K, Jeyachitra S, Swaroop Rani BS. The Role of Financial Management in Library and Information Science. *Journal of Advancements in Library Sciences*. 2016; 3(1): 35–41p.