
UNIT 16 LIBRARY FINANCE

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16.0 OBJECTIVES

After reading this Unit, you will be able to:

know the need and purpose of financial management and its application in library and information centres (LIC);

identify its facets as far as libraries are concerned;

acquaint with the sources of finance and major categories of expenditure in different libraries;

apply norms and standards to work out financial estimates for different libraries; and recognise the value of financial management system in service-oriented and non-profit organisations.

16.1 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.

16.2 FINANCIAL 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 utilisation. It deals with the problems and procedures of acquiring, distributing and effectively utilising 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:

- financial planning
- forecasting of receipts and disbursements
- realisation of funds and revenues
- allocation of funds
- utilisation of funds
- financial accounting
- financial control
- 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 organisation 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 programmes, managing the funds appropriated and spending within the specified period, maintaining accounts, and finally preparing a report.

Self Check Exercise

1) Explain financial management in a library.

- Note:**
- i) Write your answer in the space given below.
 - ii) Check your answer with the answers given at the end of this Unit.

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16.2.1 Principles of Financial Management

For effective financial management, some guiding principles are necessary. An understanding of these principles is useful. These are:

- i) Effective Control
 - ii) Simplicity
 - iii) Regularity and Farsightedness
 - iv) Economy
 - v) Flexibility
- i) **Effective Control:** Financial management can work efficiently only when it is controlled properly. The method of financial control should be simple and easy. Control is also necessary for the economical use and chanelisation of resources so that there is little wastage and the limited financial resources can be put to maximum use.
- ii) **Simplicity:** Procedures for financial management should be simple and easy to operate. Simplicity results' in efficiency and economy.



- iii) **Regularity and Farsightedness:** Financial management programmes should have a typical timetable so as to acquaint everybody with what he/she is expected to do at a particular point of time. For example, in the preparation of the budget for a library, inputs should come from the heads of sections who would in turn expect cooperation from their staff. The preparation of the budget would be time-bound and the budget should be submitted to the authorities on time so that the budgetary sanctions can be obtained in time to operate it. Similarly subscriptions to current journals should be sent to the publishers at a particular time of the year. Sticking to a timetable facilitates advance thinking and preparation. Not only present needs but future requirements should be kept in view when making provisions for finance.
- iv) **Economy:** Economy should be effected in any activity and every activity, more so in financial matters. All precautions should be taken to avoid unnecessary expenditure and wasteful use of scarce finances.
- v) **Flexibility:** Financial management should keep in mind the virtues of elasticity so as to learn scope for adjustment according to circumstances. Only then can it be successful in times of emergency and crisis. But this does not mean that one should take undue advantage of its flexible nature. There are provisions and practices in utilising or diverting funds appropriated for a certain item of expenditure to the purchase of books or any equipment. But this flexibility should be within the framework of financial rules and procedures. This type of adjustment usually is done at the fag end of the financial year when unutilised funds are available in other items.

While these principles are useful in operating and managing finances in libraries, there are statutory financial rules and procedures laid down by the executive authorities. Libraries have no option but to follow financial rules.

The other related fields which need to be kept in mind by library and information professionals include cost accounting and economics (particularly welfare economics and theory of production), various tools and techniques of financial management, economics and cost accounting like funds flow analysis, ratio analysis, break even analysis, operating and financial averages. Financial forecasting, capital budgeting, economic theory, theory of production, costing, etc. have adequate scope for application in library and information centre management.

Self Check Exercise

1) State the principles that govern financial management.

Note: i) Write your answer in the space given below.

ii) Check your answer with the answers given at the end of this Unit.

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16.2.2 Financial Management in Service-Oriented and Not-for-Profit Organisations

Information centres are paternalistic, service-oriented and not-for-profit organisations. Financial management in such organisations is more complex and important than in profit-oriented organisations. Money management in service-oriented and not-for-profit organisations (NFP) involves systematic planning, getting funds, judicious spending and meticulous accounting of funds.



There are certain difficulties in the financial management of service-oriented and not-for profit organisations. Some important characteristics of such institutions and the difficulties in financial management are discussed below. The problem becomes acute if the budgets of such institutions are not planned as part of the planning of the parent body and if they worry more about accounting than planning.

Among the important characteristics of service-oriented and not-for-profit organisations are these are normally labour intensive compared to profit-oriented organisation, will not have any inventory of services, will have dominance of professionals and the quality of service cannot be inspected and measured in advance i.e., before rendering the service.

Further, there appears to be lack of a profit measure in such institutions and the absence of a profit motive treasure is quite typical to service-oriented and not-for-profit organisations. Profit-oriented organisations measure their output by the amount of revenue earned based on prices charged for goods and services sold. For individual profit centres, revenue is measured by transfer prices. Service-oriented and not-for-profit organisations either should devise similar monetary measures of output or rely on nonmonetary measures. By and large, the output measurement is a problem in service and NFP institutions.

Generally, there is no single criterion to measure the success of such organisations. Multiple objectives, lack of a relationship between costs and benefits and difficulties in measuring performance and comparing performance of different units of the same organisation are some peculiarities of such organisations.

There appears to be no direct relationship between the costs and benefits in service organisations. There is a clear difficulty in measuring the performance of service-oriented and not-for-profit organisations. Further, due to dissimilar functions, the organisational units cannot be compared in service-oriented and not-for-profit organisations.

Market forces play a less significant role in service-oriented and not-for-profit organisations. Due to lack of shareholders, there appear to be differences in ownership and power. Consequently there is a tendency for service-oriented and not-for-profit organisations to be political organisations.

Historically the cost accounting and other control techniques were developed for manufacturing (i.e., profit-oriented) companies and hence they have less applicability to service-oriented and not-for-profit organisations. Further, inadequate management controls have become a tradition in such institutions. Lastly, most service organisations are relatively small and operate at a single location.

Information centres have not given adequate attention to output measurement. In the absence of a monetary output measure, certain non-monetary measures could be employed by service and NFP organisations. The non-monetary output measures could be classified in many ways. They can be subjective or objective, discrete or scalar, quantitative or qualitative. Important non-monetary output measures are:

- i) Results measures
- ii) Process measures
- iii) Social indicators
- iv) Inputs as proxy output measures

Self Check Exercise

1) Enumerate the characteristics of service-oriented and not-for-profit organizations.

- Note:**
- i) Write your answer in the space given below.
 - ii) Check your answer with the answers given at the end of this Unit.

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16.3 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 organising their activities, programmes and services. In dealing with this, ensuring a continuous supply of funds not merely on an yearly basis but over a period of time, i.e., one or five years is very important. Finance plays a very significant role in the organisation 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 come 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:

- i) Regular grants from parent body (public fund raised through taxes)
- ii) Ad hoc grants from other departments/institutions (public fund)
- iii) Grants from endowments and charitable institutions
- iv) 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)
- v) 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 meagre. 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
- vi) 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 organisation for allocation through normal budgeting.

The financial support 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.

16.3.1 Academic Libraries

a) **University libraries:** University libraries receive their funds, in varying degrees from two sources. They get financial support from the universities out of their own Ends and as special grants from both the University Grants Commission and the state governments.

The UGC grants are mainly plan grants, whereas the state government grants are mainly non-plan grants. However, government grants are not given to the libraries directly.



Usually the government gives grants to the university and then the university allots to the library the necessary share out of be same. Grants from the University Grants Commission are mainly of three types - recurring, non-recurring, and ad hoc.

Few university libraries charges a fee from their student members for the use of the library. A charge or fee for library use is not made without protest from users. These days there is a growing feeling that the university should provide library services free of charge, just as it provides lecture rooms, laboratories, and other facilities free.

b) College libraries: A question often asked is “How much does it cost each year to run a good library?” The amount will vary from college to college, depending on the nature of the curriculum, the quantity and quality of service expected, and the quality of the present collection. The total student strength in a college is another criterion to be taken into consideration while allotting funds for the library. The problems of financing the library of an established institution are very different from those of a new college. The needs of the former are confined to acquiring materials to remedy weaknesses and to keep the collection up-to-date; the latter must provide for a complete basic collection.

There are three main sources of funds for college libraries. The principal source is the allocation from the current operating funds of the college. Whether the college is public (government) or privately controlled matters less in this connection than the amount of additional money the library may need during any one budgetary year. Sometimes a part of the Amalgamated Fund Collection is given to the college library for the purchase of reading materials. Occasionally some portion of the contingency grant of the college is made available to the library by the principal. A second source of income for college libraries is grants, individual gifts, and endowments. But this is not very popular in India. A large number of college libraries throughout our country receive grants from the University Grants Commission. Other sources of income for college libraries are subscription/membership fee charged from the students, and annual recurring and non-recurring grants from the state government concerned or the governing body of the institution.

c) School libraries: Promoting a good library service in schools depends very much on finance. In the case of middle schools, lower fee rates for library services can be fixed as there will be less expensive books needed for students of lower classes. At present there are no fixed norms for the provision of finances to school libraries in India.

The library fund of a school should preferably comprise a fee collected from pupils, and equal contribution from the management, a matching contribution from the government or local body, other gift or special grants that may at any time be received specifically for the library and donations from the public.

The library fee collected from students should be spent exclusively on books and equipment. The state government or any education authority administering the school should meet the initial expenditure on be setting up of the school library including cost of new library buildings and the initial expenditure on fittings and books covering the basic stock needed as a nucleus for library activities.

Self Check Exercise

4) List the sources of finance for university libraries.

Note: i) Write your answer in the space given below.

ii) Check your answer with the answers given at the end of this Unit.

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16.3.2 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 per cent 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 meagre and cannot be considered a significant source of revenue.

16.3.3 Special Libraries

Special libraries get their funds from appropriations made by their respective parent organisations. Whenever the parent body takes up a new project or programme, which needs library and information support, adequate finances may be provided to the library to meet the special support facilities. The library is expected to ask for funds for any additional or special services which are usually examined before funds are provided for such services. In addition, ad hoc grants from governmental agencies are obtained for specific purposes. Of late, special libraries have been seriously considering the ways and means of generating part of their own resources.

Self Check Exercise

4) State how public libraries get their funds. Give your answer in four sentences.

Note: i) Write your answer in the space given below.

ii) Check your answer with the answers given at the end of this Unit.

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16.4 FINANCIAL ESTIMATION

By now you have realised the fact that the success of any institution depends upon an adequate and regular flow of finances. This is true of libraries also. 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:

- i) User population and its composition
- ii) Material to be acquired (media, nature and type of information source)
- iii) Services to be provided vis-à-vis objectives
- iv) Hardware and software requirement
- v) Unsatisfied service pressures, if any, are the most frequently used factors in determining the financial needs of a library
- vi) 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
- vii) Increase in prices of reading materials and inflation. Three methods generally used for estimating library finances are discussed below

16.4.1 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.



16.4.2 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 organisations are much larger than the budgets of pure research, social science and humanities institutions.

16.4.3 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.

Lastly, a suitable combination of the above methods may be ideal in some situations.

Self Check Exercise

6) List the methods of estimating funds for libraries.

Note: i) Write your answer in the space given below.

ii) Check your answer with the answers given at the end of this Unit.

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16.5 LIBRARY EXPENDITURE PLANNING

You now have an idea of how a library gets finances for running its services. Expenditure is the second important aspect of financial management. Library expenditure occupies the same place in the study of financial management as consumption does in the daily life of an individual. As consumption is the end of all economic activities, so also library expenditure is the end of all the financial activities of a library.



16.5.1 Importance of Library Expenditure

Just as you spend money on your books and studies, so do libraries spend money on books and periodicals, readers' services, references and bibliographical services, documentation and information services, etc. The objective behind all these is the supply of the right document to the right reader at the right time. The library expenditure is generally undertaken to satisfy the intellectual requirements of the readers and provide those documents which the readers in their individual capacity cannot and do not want to purchase. Besides, no individual can purchase all the literature which comes out of the printing presses of different countries, on different subjects, in various languages, and *in diverse forms*. The only agency which can acquire, process and make available all this literature to readers is the library. All this means spending money and more money.

16.5.2 Nature of Library Expenditure

There are three major characteristics in the nature of library expenditure.

- a) **Library is a spending institution:** Libraries, unlike many government departments, are not revenue-fetching agencies. They are spending institutions, and they participate in nation-building activities. The money spent by the library is a long-term investment in human capital.
- b) **Library is a growing organism:** The library trinity of documents, readers and staff always grows. It implies that the requirements of the library will always go on increasing day by day. All this means more expenditure.
- c) **Library expenditure is recurring:** Libraries are not only spending and growing institutions, they are also permanent bodies. In an era of educational advancement, library services will have to maintain a continuous rhythm to cope with the academic requirements of the clientele. This means that library expenditure is recurring in nature.

16.5.3 Principles of Library Expenditure

- a) **Principle of maximum aggregate benefit:** The library exists for the service of different types of readers. Therefore as a librarian, you should be neutral, and should see that no particular individual is specially benefited by your expenditure policy. You should plan your library expenditure in such a manner that the majority of readers derive maximum benefit of library use.
- b) **Principle of advance planning:** Library expenditure should be planned in advance and a proper estimate should be made for different items so that adequate and balanced revenue may be allotted to different heads. Orders should be placed in advance so that the needed materials are acquired in time. The librarian should avoid last minute purchases.
- c) **Principle of equitable allocation:** Library funds should be equitably allocated for spending on different types of reading material covering various subject areas. For example, books on science and technology are costlier than language books. Costly reference books become out of date faster in some subject areas than others. However, in special libraries their principle may be applicable as most document has to be spent in reference and periodical literature. Normally, 70% of the publication grant is allowed for periodicals. All such factors are to be taken into consideration while spending money for library use.
- d) **Principle of economy:** It means that you should not spend more than the necessary amount on any item, and the expenditure should not exceed your sanctioned grant. Duplication should be avoided, because the extra amount thus saved could be better spent on purchasing new alternative titles covering additional subject areas.

16.5.4 Classification of Library Expenditure

Generally speaking, money spent on buildings, costly equipment and furniture is shown against capital expenditure, and other items which occur almost throughout the year like books and periodicals, stationery and postage, binding and contingency, salaries and wages,

etc. are shown against current expenditure. However, you can classify library expenditure according to different heads, viz.

(a) salaries and wages, (b) binding, (c) stationery, (d) postage, (e) contingency, (f) books and periodicals, (g) furniture, (h) building, (i) equipment, and 0) publications.

Self Check Exercise

7) State the major items of expenditure of libraries.

Note: i) Write your answer in the space given below.

ii) Check your answer with the answers given at the end of this Unit.

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16.6 SUMMARY

This Unit deals with the financial management of libraries. Financial management in service and NFP organisations has several problems attributable to the characteristics of such institutions. Libraries, being service institutions, seldom earn revenue and hence have to be funded almost entirely by their respective parent organisations or by governments as in the case of public libraries. Adequate and continuous supply of funds is necessary to sustain library and information services.

There are a number of sources like regular grants from parent organisations, ad hoc grants from other organisations, grants from endowments, fees, subscriptions, sale of service, etc., through which finance for libraries flows.

Libraries spend their funds on books and journals, salaries and allowances of their staff, development of library, documentation and information services, building, equipment, furniture, etc. The expenditure is normally channelled according to set rules and procedures, conforming to some guiding principles to get maximum benefits.

It is also necessary to estimate funds to be allocated to libraries. Three methods are generally considered, viz., per capita method, proportional method, and method of details. Per capita method suggests a minimum sum of money per user such as students, faculty and research scholars in the case of university and college libraries. Population is a factor to work out funds for public libraries. The proportional method prescribes a percentage on the total budget of the parent organisations of libraries whereas the method of details takes items of expenditure for libraries as the working data for allocation of funds.

Libraries have, by and large, restricted their financial management to preparing a budget and managing their operational fund to procure reading materials. Most of the exercises of costing and cost benefit analysis are academic in nature and have not led to any significant changes in decision making by librarians. The economic theory of the library is still a little known phenomenon for many practitioners. A vast array of financial management techniques and tools is largely unexplored in the library content.

16.7 ANSWERS TO SELF CHECK EXERCISES

1) Financial management is the study of the principles and practices involved in financial operations of a library. Its scope includes acquisition, distribution and utilisation of funds, balancing revenue and expenditure, general control and evaluation of financial matters.



- 2) The principles that govern financial management are: i) Effective Control ii) Simplicity, iii) Regularity and farsightedness, iv) Economy and v) Flexibility.
- 3) Service-oriented and not-for-profit organisations have certain characteristics distinct from those of profit-oriented organisations. They are as follows:
 - i) Services cannot be stored and hence there is no "inventory" in service-oriented organisations. Services unsold are services lost.
 - ii) They are labour intensive organisations.
 - iii) There is a dominance of professionals in such organisations.
 - iv) Service-oriented organisations face the difficulty of measuring the quantity and quality of services rendered. The success of these organisations is based on how much service is rendered and how well rendered.
 - v) The quality of service cannot be inspected and measured before rendering.
 - vi) There is no single criterion (like profit) to measure the success of a service-oriented organisation. Multiple objectives, lack of a relationship between costs and benefits and difficulties in measuring the performance and comparing performance of different units of the same organisation are some peculiarities of service-oriented organisations.
 - vii) Market forces play a less significant role in service-oriented organisations.
 - viii) Service-oriented organisations tend to become political organisations due to lack of shareholders and differences in ownership and power.
 - ix) Inadequacy management controls has become a tradition in such organisations as cost accounting and other control techniques are believed to be for profit-oriented organisations.
 - x) They are relatively small and operate usually on a single location basis.
- 4) The sources of finance for university libraries are:
 - i) Grants from the university budget
 - ii) Special grants from the University Grants Commission
 - iii) Library fees
 - iv) Fines or overdue charges
 - v) Sale of publications, etc.
- 5) Public libraries get their funds from:
 - i) A library cess collected in states where public library acts are in force.
 - ii) State governments provide matching grants equal to the amount collected by way of library cess.
 - iii) In some states, all the funds come from government grants.
 - iv) Member-subscription is also sometimes a source but is very negligible.
- 6) The method of estimating library funds are:
 - i) Per Capita method whereby a minimum sum of money is determined for every student, faculty member or research scholar in the university or college library.
 - ii) Proportional method prescribes a fixed percentage on the total budget of the parent organisation's research budget or the education budget of the states.
 - iii) The methods of details takes into account the actual amount of expenditure made on each item.
- 7) The major items of expenditure in libraries are: i) Books and journals ii) Salaries and allowances, iii) Binding, iv) Publications like library bulletin or documentation lists, v) Building, equipment and machinery, vi) Contingencies, etc.



16.8 KEY WORDS

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|----------------------------------|---|--|
| Breakeven Analysis | : | The point at which consumption expenditures have been just equal to income. |
| Capital Budgeting | : | A budget which mainly covers items of current revenue and expenditure. |
| Economics | : | Is descriptive and concerned with what is and what ought to be. It deals with the relationship of inputs to output and eventually to supply, demand, markets, sales, prices, value, utility, etc. |
| Elastic | : | Ability to recover readily from depression, adversity or the like. |
| Financial Estimation | : | Estimating the amount of money required for running the services of an Estimation institution. |
| Financial Forecasting | : | involves a systematic projection of expected actions of management in Forecasting terms of financial statements, budgets etc. using past records, funds flow behaviours, financial ratios and expected economic conditions in the industry and the firm. |
| Financial Management | : | An element of management dealing with acquisition, distribution and Management utilisation of funds. |
| Library Expenditure | : | Money spent by a library on different heads such as purchase of reading Expenditure materials, salaries and allowances, stationery, postage, furniture, equipment, etc. |
| Library Finance | : | Sources of financial flows and expenditures. |
| Library Income | : | Funds which accrue to a library from different sources such as grants, membership fee, endowments, fines, service charges, sale of publications etc. |
| Macroeconomics | : | This is an industry and national level economic system with the objective of maximising profit, e.g., Economics of information and information industry. |
| Microeconomics | : | This is concerned with the behaviour of individuals, firms and markets. |
| Non-plan Grants | : | Regular budgeted grants given every year. |
| Non-recurring Expenditure | : | Expenditure, that does not repeat every year, e.g., monthly report on building, equipment, machinery etc. |
| Plan Grants | : | Funds made available on projects that go under annual plans, five-year plans, etc. |
| Recurring Expenditure | : | Expenditure that repeats every year, e.g., books, journals, staff salaries, etc. |
| Welfare Economics | : | An economy which seeks to increase the satisfaction of individuals in a society. |

16.9 REFERENCES AND FURTHER READING

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