

# **Assessment of Values of Colombo Public Library: Application of Contingent Valuation Method**

**Dissertation submitted to the University of Sri Jayewardenepura as a partial  
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M.Sc. in Real Estate Management and Valuation Degree**

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**Student's Declaration**

The work described in this dissertation was carried out under the supervision of Ms. J. Edirisinghe and any report on this has not been submitted in whole or in part to any university or any other institution for another degree/examination or any other purpose.

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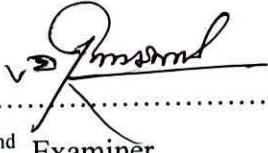
Hereby, I certify that Mr. Prathap Chandima Kaluthanthri, Reg. No. GS/MSc/REMV/3762/09 duly completed the research titled "Assessment of Values of Colombo Public Library: Application of Contingent Valuation Method" under my supervision and recommended for final submission.




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## Abstract

Public libraries are source of knowledge disseminating center. The historical remarks revealed that, landmark of libraries are started way back in 18<sup>th</sup> century. Sri Lankan context, reference place for Helatuwaa for Buddhist monks makes the “Pothgul Vihara” and leading to birth place for public libraries in Sri Lanka.

The digital era initiate new approaches to traditional library concepts and promote digital presentation of physical product. This makes threats to physical existence of libraries and makes universal discussion on rationalizing the local tax payer’s money on more effective utility functions of the local authorities. The rational argument on digitizing is the cost savings of library staff, utility services, and other services where local authority can provide reading, reference service with minimum cost without making burden to the local authority. The study argued that physical presence of the public libraries give higher contribution than to the cyber presence hence it is not lucid to close down the public libraries based on traditional financial valuation. Thus way of understanding the value of public libraries go beyond the narrower valuation of direct economic value, or cost approach sometimes used typical valuation studies. In this context it is important to concern the value of a good which answers the gap of monetary value and real value.

The objective of this study is to assess the values for maintain library services of Public Library in Colombo using Contingent Valuation Method. In brief the study measure the benefits to the citizens of public library in Colombo at today’s service level and thus determine whether the public library in Colombo worth with the total cost that spend on annual basis as seen from citizens perspectives.

The CV survey carried out altogether 14 days and 300 respondents sample was interviewed. All these 300 respondents are above age 18 and belong to viable population who has independent right on decision making. By removing outliers and protest bidders from the sample, 271 respondent’s information/data were taken to WTP analysis process.

The expenditure and income analysis of public library in Colombo revealed true nature of the services of public library. Total proposed budget of 2011 is amounted to Rs. 70,750,000. The cost of capital expenditure of public library in Colombo Rs. 7,100,000, which lead the total cost/expenditure of Rs. 77,850,000 for year 2011. The study found that the public library in Colombo earns on average of Rs. 5 million in this 2011, a marginal contribution to Colombo Municipal Council overall budget. Thus the Colombo public library and department of library in Colombo Municipal Council make a deficit of Rs. 72 million in this year.

The contingent valuation approach revealed the mean WTP of the sample is Rs. 1361.68, which indicate that respondents are agree to contribute Rs. 1361.68 for Colombo Public Library Trust Fund. In consequence the present value of total population of the study is Rs. 1,053,198,204.40, mounting to Rs. 105.32 million annual value of the library at a rate of 10 per cent inflation adjusted discount rate. Hence public library in Colombo makes surplus of Rs. 28.32 million compared to cost/expenditure of Rs. 77 million. For this reasons the study argued that public library in Colombo makes positive contribution to the nation as a whole. Closing down of public library makes negative impact to nation and support of closing down proposal discourage.

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## List of Abbreviations

<b>CMC:</b>	Colombo Municipal Council
<b>CVM:</b>	Contingent Valuation Method
<b>CV:</b>	Contingent Valuation
<b>DC:</b>	Dichotomous Choice
<b>DC-CV:</b>	Dichotomous Choice Contingent Valuation
<b>NUV:</b>	Non Use Value
<b>RP:</b>	Revealed Preference Method
<b>SP:</b>	Stated Preference Method
<b>TEC:</b>	Total Economic Value
<b>UV:</b>	Use Value



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# CHAPTER ONE

## Introduction

### 1.1 Introduction

Libraries are knowledge hubs and knowledge sharing centers for societies. It is well accepted that libraries provide exceptional service to society. The collection of written knowledge in some sort of repository is a practice as old as civilization itself. The ancient Greeks had the idea and interest in literacy and intellectual life and public and private libraries flourished through a well-established process with the help of Greeks interest: authors wrote on a variety of subjects, scriptoria or copy shops produced the books, and book dealers sold them.

Though the public library first appeared by the fourth century BC, the private library was more prevalent (Survivor: The History of the Library, 2011). Aristotle, for instance, amassed a large private collection. Ancient geographer Strabo said "Aristotle was the first to have put together a collection of books and to have taught the kings in Egypt how to arrange a library" (Survivor: The History of the Library, 2011). Benjamin Franklin, understanding that free and open access to recorded knowledge is the intellectual foundation of a democratic society and free market economy, created the first public library in Philadelphia in the United States of America at the turn of the 19<sup>th</sup> century (Hawkins, 1998).

Sri Lanka has a proud history on library which started with civilization of the society with the philosophical background of Buddhism. Buddhist literature and working "Helatuwaa" in the 3<sup>rd</sup> century B.C. was promoting library system in Sri Lanka and gradually this came to its peak at the time of writing 'Thiripitaka in the 1<sup>st</sup> century of B.C. The evidence of formal library system was found in Anuradhapura with the concept of 'Pothgul Vihara' (literal meaning place to store books) which was promoted by Sinhala King Prarakramabahu I (1153-1186 AD) and managed and uplifted by Queen Chandrawathi; consort of King Parakarmabahu I. (Kusummulla, 2011). Later this concept spread on all parts of the country with the effect of changes and movements of kingdoms and permeating of Buddhist temples and Aramas in other parts of the country.

Printed books and habit of private and public library collection started with arrival of British to Sri Lanka. The concept of printed book collection open to general public is heightened with the

introduction to paper and printing mechanism in the 19<sup>th</sup> century. The library system in Sri Lanka started with “Colombo Library” “Pettah” Library and the “United Services Library”, which are identify as three mile stones of library system in Sri Lanka. Later United Services Library merged with Colombo Library and then in year 1925 Colombo Library and Pettah Library were merged and named as public library in Colombo.

One of the land mark in the history of library in Sri Lanka is starting of Jaffna library in 1933, which later become a fully fledge library in South Asia (Thurairajah, 2002). The library also became a repository of archival material written in palm leaf manuscripts, original copies of regionally important historic documents in the contested political history of Sri Lanka and newspapers that were published hundreds of years ago in the Jaffna peninsula. It, thus, became a place of historic and symbolic importance to all Sri Lankans.

Then gradually in the 20<sup>th</sup> century public libraries started all over the world making knowledge sharing at utmost level.

The origin of word “library” is from late Middle English via Old French from Latin *libraria* meaning ‘bookshop’ (Oxford University Press, 2011). The term library is defined in Oxford English Dictionary (2010) as a building or room containing collections of books, periodicals, and sometimes films and recorded music for use or borrowing by the public or the members of an institution. Accordingly it is a collection of sources, resources, and services, and the structure in which it is housed; it is organized for use and maintained by a public body, an institution, or a private individual.

The "library" has itself acquired a secondary meaning: "a collection of useful material for common use." (Wikipedia, 2011). This sense is used in fields such as computer science, mathematics, statistics, electronics and biology. In addition to print books and periodicals, most public libraries today have a wide array of other media including audio books, e-books, CDs, cassettes, videotapes, DVDs, and video games, as well as facilities to access the Internet and inter-library loans which facilitate borrowing items from other libraries (Library, 2011). Most of public libraries in the world provide other services, such as community meeting rooms, storytelling for infants and children, or after-school programs. In person and on-line programs for reader development, language learning, free lectures, mobile library service and cultural



performances, and other community service programs are common offerings of public libraries. In Europe and USA one of the most popular programs offered in public libraries is summer reading programs for children, families, and adults. In rural areas, the local public library may have, in addition to its main branch, a mobile library service, consisting of one or more buses furnished as a small public library, serving the countryside according to a regular schedule.

As the beginning of the 21<sup>st</sup> century approaches, the survival of traditional library system was threatened. Present digital environments makes fundamental threats on the existence of public libraries. This is because internationally, public libraries are facing fundamental changes due to the IT development and digitizing of society and to increasing pressure to reduce the size of public sector, of which most libraries are an integrated part (Aabø, 2005). While the electronic superhighway promises vast amounts of information available in an almost ubiquitous fashion, economic and technological forces are narrowing their citizens' access to information. School libraries are closing all over the world, public libraries are cutting hours, and research libraries are cutting subscriptions to journals and library materials at an alarming rate (Hawkins, 1998).

As great as the economic threats to libraries are, however, perhaps the greater threat is the perception that technology will solve these problems, and all that someone has to search the World Wide Web for any information one needs. Even though it is possible to search instantly large amount of "information" from Web, most of the information are commercial in nature and it is not in a logical manner. It is also noted that, the amount of scholarly, intellectual, and aesthetic information is truly minimal. Therefore scholars argued that internet or web is not a "true" substitute for physical libraries.

## **1.2 Background of the Problem**

Most public libraries do not receive extensive funding from outside their immediate local area or region because they are local in nature and they tend to recycle local tax rupees. Hence, there is an argument on existence of public libraries and instead utilizing tax collection for other essential utility services. One of the main arguments posed is that public libraries "eat up" millions of locals hard earned tax money. Accelerated development of internet and e-books confirmed the argument that there is no need to have such public libraries and people search information, literature and other essentials through browsing internet.



Financing for libraries and other public agencies has become increasingly difficult and the competition for public funds becomes fiercer each year for government or local authority. The reductions in budgeted funds for libraries, and nearly all other governmentally-related agencies, are forced to make stand-still budget or closedown of the part of service of public library, branches or entire library network. This means that the budget has to be prepared at the same level of funding for the subsequent year as it is for the current year. This effectively reduces the purchasing power of the budget due to the rise in salaries and operating costs each year of public library.

The tax payer's main argument against government and administrative officers is that, local authorities and relevant bodies should utilize the their hard earned money payments on more meaningful and urgent local utility supplies such as thoroughfare, waste disposals, management of nuisance, electricity, water and drainage, rather than using on secondary usages like maintaining public libraries. This idea come with the prejudged decision which highlighted that benefit of library to the wider society is less than the cost of maintaining such libraries for public uses.

In the United States, among other countries, libraries in financially-strapped communities compete financially with other public institutions, such as police, firefighters, and schools. Many communities are closing down or reducing the capability of their library systems, at the same time balancing their budgets. Jackson County, Oregon (US) closed its entire 15-branch library system for six months in 2007, reopening with a reduced schedule. In December 2004, Salinas, California almost became the first city in the United States to completely close down its entire library system. A tax increase passed by the voters in November 2005 allowed the libraries to open, but hours remain limited. The American Library Association highlighted that it has compiled in 2004 which showed some \$162 million in funding cuts to libraries nationwide (Funding Problems: Public Library, 2011). At a glance it can be argued that public libraries are less valuable for society and it just creates a burden for the local residents. Also the gradual decrease in the number of users of library at physical level makes per person cost become very high and makes negative impact for overall financial budget of the municipality or governing