

## INFORMAL LEARNING AS THE FORM OF EXTENDING KNOWLEDGE IN THE AREA OF FINANCIAL MANAGEMENT

Iva Buljubašić<sup>1</sup>, Ivana Bestvina Bukvić, Ph.D.<sup>2</sup>, Bojan Bodražić, M.Sc.<sup>3</sup>

<sup>1</sup>Ph.D. Candidate, A.C. Buljubašić Ltd, Osijek, Republic of Croatia, iva1988@gmail.com

<sup>2</sup>Zagrebačka banka JSC, Zagreb, Republic of Croatia, ivana.bestvina.bukvic@os.htnet.hr

<sup>3</sup>Promo-media Ltd, Osijek, Republic of Croatia, bojanbodrazic@hotmail.com

---

### ABSTRACT

In time of crises, the financial management knowledge proved to be one of the fundamental elements of preserving businesses from weakening. The part of the business owners and managers at the right time identified their gaps in knowledge in the field of financial management. Considering their awareness of the potential consequences of inadequate financial management skills, part of them tried to gain additional knowledge by attending various courses and seminars in this field.

The question is, are these common channels of informal education sufficient to enable entrepreneurs to acquire a level of knowledge which will secure their companies adequate financial decision making.

The authors carried out a research with the aim of gathering the information and drawing conclusions on actual usability of courses and seminars in financial management organized by various training centers for their targeted groups. For that reason through this study the authors explored the scale of difference in the level of knowledge before and after attending learning courses in the area of financial management and other business categories. In addition to the above, the authors tried to determine usability, in business reality, of knowledge that managers acquired through informal education channels. The study was carried with the purpose of improvement of existing informal education models in area of financial management and with the aim to strengthen the companies and, indirectly, economy in general.

JEL Classification: D83

**Keywords:** financial management, knowledge, lifelong learning, upgrade, opportunities, education

---

## INTRODUCTION

Today's learning opportunities are limitless, borderless and instantaneous. Individuals learn and acquire new skills and competences not only in the traditional setting of the classroom (formal learning) but more and more outside it. Important learning takes place at work, through participation in civil society organizations or in the virtual space provided by the internet and mobile devices, individually or with peers. Increasingly often, companies offer their workers training opportunities to upgrade their skills through organized, but non-formal, learning. Informal learning is also becoming increasingly important in a global and interconnected world where technology allows individuals to learn in a plethora of different ways through for example open educational resources and at a distance.<sup>1</sup>

Informal education is completing the existing knowledge and broadening the learners skills. Curiosity and the need for continuous upgrade of knowledge and skills are usual motivators for attending informal educations. Informal education is important for human resource development and for individuals to stay competitive on the labor market. It is also important for people to relate more to term „learning“ than the term „education“, because „learning“ is more connected with what people do for themselves, compared to „education“ which is perceived as something that is done to them.<sup>2</sup> Authors have experience in informal education through attendance and teaching in several seminars in the area of entrepreneurship, guerilla marketing, finance etc. This experience made them conduct a research about the forms and usefulness of informal learning in their society.

Formal education is organized, guided by a formal curriculum, leads to a formally recognized credential such as a high school completion diploma or a degree, and is often guided and recognized by government at some level. Teachers are usually trained as professionals in some way.<sup>3</sup>

Informal education is the lifelong process by which every individual acquires and accumulates knowledge, skills, attitudes and insights from daily experiences and exposure to the environment—at home, at work, at play: from the example

---

<sup>1</sup> Source: [http://ec.europa.eu/education/lifelong-learning-policy/doc/informal/proposal2012\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/informal/proposal2012_en.pdf) (05.03.2013.)

<sup>2</sup> Source: [http://www.nsf.gov/funding/pgm\\_summ.jsp?pims\\_id=504793&org=DRL&from=home](http://www.nsf.gov/funding/pgm_summ.jsp?pims_id=504793&org=DRL&from=home) (01.03.2013.)

<sup>3</sup> Source: <http://drsaraheaton.wordpress.com/2010/12/31/formal-non-formal-and-informal-learning-what-are-the-differences/> (01.02.2013.)

and attitude of families and friends; from travel, reading newspapers and books; or by listening to the radio or viewing films or television. Generally informal education is unorganized, unsystematic and even unintentional at times, yet accounts for the great bulk of any person's total lifetime learning—including that of a highly 'schooled' person<sup>4</sup>. The basic terms of informal learning (e.g. objectives, content, means and processes of acquisition, duration and evaluation of outcomes, applications) are determined by the individuals and groups that choose to engage in it).<sup>5</sup>

The difference between formal and informal learning is:

Formal education is organized and sponsored by school or institutions, classroom-based and highly structured. Informal education is difficult to organize and control, non-routine, tacit and it is incidental so it can take place despite an environment not highly conducive to learning. It differs also from formal education it encourages individual and social learning, it develops attitude and values and it is complementary to formal education. What is most attractive in informal education? It is voluntarily, people can relate to their interests and learn something they can benefit from. Most common reason for attending informal education is filling the gaps in the professional sense, usually in the business processes, finance management etc.

Financial management is important in all types of businesses, including banks and other financial institutions, as well as industrial and retail firms. Financial management is also important in governmental operations, from schools to hospitals to highway departments. The job opportunities in financial management range from making decisions regarding plant expansions to choosing what types of securities to issue when financing expansion. Financial managers also have the responsibility for deciding the credit terms under which customers may buy, how much inventory the firm should carry, how much cash to keep on hand, whether to acquire other firms (merger analysis), and how much of the firm's earnings to plow back into the business versus pay out as dividends.<sup>6</sup>

<sup>4</sup> Source: Coombs, M., Ahmed M., Israel B.B., (1971.) *Attacking Rural Poverty: How Nonformal Education Can Help*, A research report for the World Bank, ICED, Available on: <http://www.quality-researchinternational.com/glossary/informallearning.htm> (20.02.2013.)

<sup>5</sup> Source: <https://tspace.library.utoronto.ca/bitstream/1807/2735/2/21adultsinformallearning.pdf> (05.03.2013.)

<sup>6</sup> Source: An overview of financial management [http://cfa.goldenglobal.org.cn/uploadfile/append\\_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf](http://cfa.goldenglobal.org.cn/uploadfile/append_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf) (01.03.2013.)

Financial education is very similar to other educational programs. It takes place in formal, non-formal, and informal educational settings. Formal settings include credit courses offered in high school and colleges. Non-formal settings include financial education training workshops and counseling programs provided by various organizations and individuals outside of formal educational institutions. Informal financial education comes from everyday interactions with people and mass media.<sup>7</sup>

## DESCRIPTION OF SAMPLE AND SURVEYS

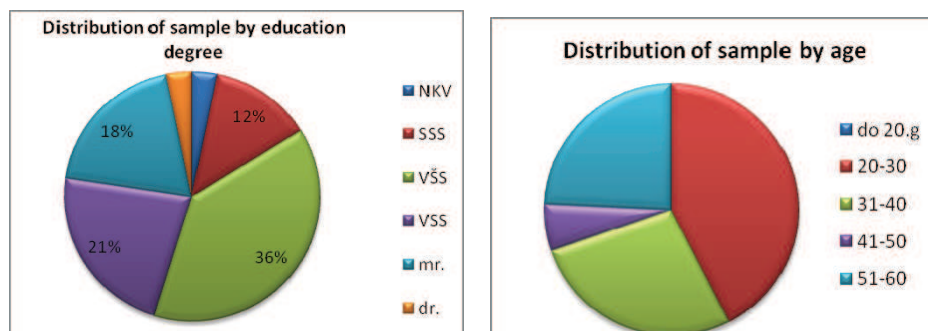
Research on informal seminar attendance (in the field of financial management) was conducted in eastern Croatia on a sample of 107 people. Data was collected by contacting examinees via e-mail, and authors of the respondents submitted their responses via e-mail. Examinees were defined as business owners, employees and unemployed, students or others. Structured questionnaire was divided into two parts. The first part of the questionnaire contained six general questions like gender, age, years of working experience etc. The second part of the survey contained assessment of business areas, knowledge before training and after training knowledge.

## DESCRIPTION OF EXAMINEE IN THE SAMPLE

All examinees included in the sample are from eastern Croatia. Most of the examinees were 20 and 30 years old and least of them were 41 and 50 years old. Most of the respondents graduated from the university, school or college (36%) and only a small number of examinees have a secondary school or high school (12%). Also a small number of respondents have a master's degree (18%). Faculty of Economics, usually referred to as an educational institution at which the respondents were graduates (62.4%), followed by the higher school of economics (19.8%).

---

<sup>7</sup> Source: Dr. Karalalage, S., Dr. Lyons, C. A., Dr. Palmer, L., (2011.), Financial Education, NEFE, Available on: <http://toolkit.nefe.org/Portals/0/Toolkit-Manual.pdf> (07.03.2013.)



### INFORMAL EDUCATION: SITUATION IN CROATIA

The Centers for Entrepreneurship, Higher institutions, Universities of applied sciences, Public schools for adults etc. offer informal education in all economic fields like leadership, business communication, marketing and finance <sup>8</sup> etc. The offer of those courses is broad, but there are few issues regarding to the area of informal education offer.

The quality of these educational programs is questionable because in Croatia there are no standard control valuations and quality grading of the programs they offer.

The following question is course/program certificates which are not recognized in the European Union. It can be an issue for those students who are willing to make their professional career in EU.

When it comes to informal education in Croatia, there are rare examples of informal trainings corporate financing. In most cases individuals/students have to acquire, in some cases, significant funds for informal education financing.

From existing legislation there are some efforts for systematic supporting the education and prequalification of unemployed, but usually in the area of craft occupations.

<sup>8</sup> List of informal educations in Croatia can be found on various internet pages, such as: <http://www.moja-edukacija.com/tecajevi/poslovni-seminari/grad-osijek/3/> (15.03.2013.)

If the individual is willing to expand existing knowledge the education costs must bear alone<sup>9</sup>. Furthermore employers in Croatia still are not active enough in informal education supporting like the employers in EU countries. According to research on the competitiveness of the labor force, Croatian companies are investing in the development of the competitiveness of their employees below all international and European standards.<sup>10</sup>

### THE BENEFITS OF INFORMAL EDUCATION IN FINANCIAL MANAGEMENT

There are many benefits of informal education in financial management and putting effort in taking classes of financial management. Young and adults can think wiser about their financial state (in private and business life - making better financial decisions) and trying to understand how the world of finance works (corporate finance, investment financing, crediting, stocking exchange etc.).

For example, a bank lending officer cannot do his or her, job well without a good understanding of financial management, because he or she must be able to judge how well a business is being operated. The same thing holds true for security analysts and stockbrokers, for example Merrill Lynch's<sup>11</sup>, who must have an understanding of general financial principles if they are to give their customers intelligent advice.<sup>12</sup> Further more entrepreneurs knowledge must be wide to be able to successfully cope with the business challenges.

It is hard to do a good job of any kind without a solid base of financial knowledge.

Well-informed, financially educated consumers are better able to make good decisions for their families and thus are in position to increase their economic security well-being. Financially secure families are able to contribute to vital, thriving

<sup>9</sup> Source: Povjerenstvo za obrazovanje odraslih: Strategija i akcijski plan za obrazovanje odraslih, July, 2004.

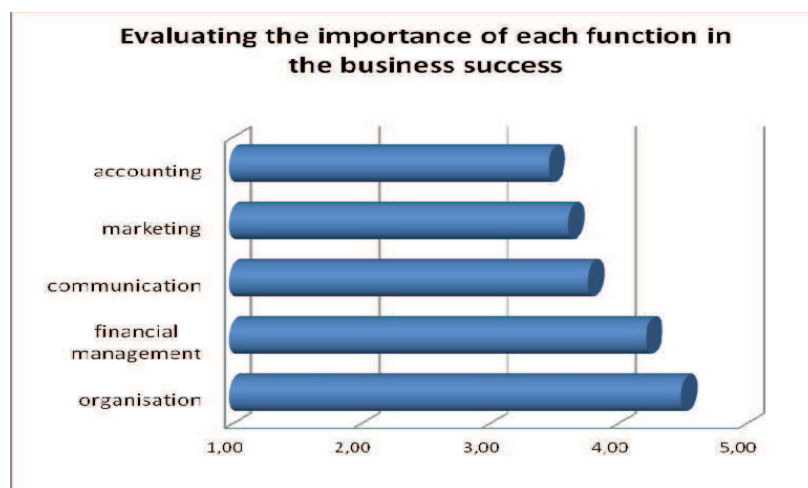
<sup>10</sup> Source: Pološki, N., Frajlić, D.; Pokazatelji konkurentnosti hrvatske radne snage – rezultati empirijskog istraživanja

<sup>11</sup> Merrill Lynch is one of the world's premier providers of wealth management, securities trading and sales, corporate finance and investment banking services, Source: [http://www.ml.com/index.asp?id=7695\\_8134\\_8296](http://www.ml.com/index.asp?id=7695_8134_8296) (05.03.2013.)

<sup>12</sup> Source: An overview of financial management [http://cfa.goldenglobal.org.cn/uploadfile/append\\_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf](http://cfa.goldenglobal.org.cn/uploadfile/append_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf) (17.03.2013.)

communities and thereby further foster community economic development. Thus, financial education is important not only to individual households and families but to their communities as well.<sup>13</sup> As it was earlier already mentioned it is recommended for individuals to attend education in financial management because they handle wiser their financial situation and achieve economic well being. From informal education the individuals should learn how to handle their financial being, making financial decisions, manage their cash flow, debt, credits, savings and planning for the future.

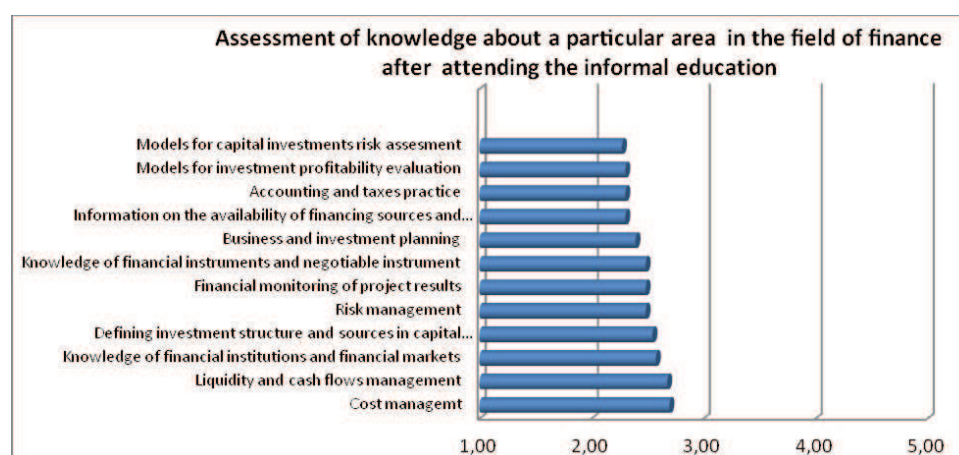
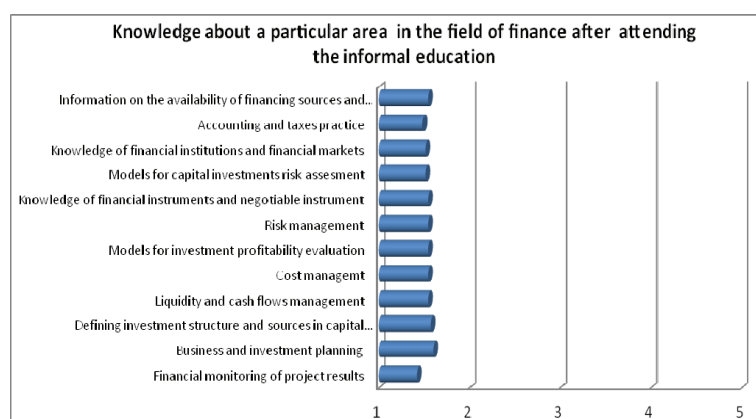
## REVIEW OF RESEARCH RESULTS



### Average grade

	BEFORE INFORMAL EDUCATION	AFTER INFORMAL EDUCATION
EVALUATION OF KNOWLEDGE IN ALL BUSINESS FIELDS	1,58	2,60
EVALUATION OF KNOWLEDGE IN FIELD OF FINANCE	1,53	2,46

<sup>13</sup> Source: Hilgert, Marianne A.; Hogarth, Jeanne M.; Beverly, Sondra G., (2003.), Household Financial Management: The connection between knowledge and behavior, University of Kansas, Available on: <http://www.federalreserve.gov/pubs/bulletin/2003/0703lead.pdf> (12.03.2013.)



## CONCLUSION

Lifelong learning is considered to be a continuing “from cradle to grave”. The role and importance of informal education at the present time is very high, especially because of the permanent and rapid changes in business and in life which require quick and effective respond. It is important to create affordable options in terms of timing, pace, location, education quality and affordability, with the extra motivation to take part in learning. And, finally, one would want to invest time, effort and money in further education to advance the knowledge, skills, and expertise if they will be visibly increased and help them in business practice.



The question was: are the present informal education programs in the field of financial management enough for the employees and entrepreneurs to independently lead the finance in their firms, regardless of its activity and size.

On the market of informal educations there are no quality evaluations of the informal programs and the gradation of the best informal education institutions. The field of financial management is complex. Furthermore, successful financial managing and decision-making requires a set of specific knowledge that is not easy to acquire.

Objective of this study was to determine whether the non-formal education is enough to acquire sufficient knowledge in finance for later independent financial management and decision-making.

According to the results of research presented in this paper the non-formal education participants subjectively assessed the increase of the level of their knowledge in the field of finance after non-formal education participating, as the increase of 81%. But it should be noted that the participants self assessment showed that before the non-formal education, their average score for the field of finance was 1,43 (in the scale from 1 to 5), and after the non-formal education participation, still inadequate 2,43.

Furthermore the 52% of the participants noted that, although their knowledge isn't sufficient, they are no longer willing to attend the informal educations in the field of financial management.

Although, there is a large portion of subjective assessment, the presented scores clearly state that the quality of non-formal education programs is inadequate for the participant to gain a sufficient level of knowledge to independently manage the business finances.

Therefore, it is necessary to redefine and concretize the existing non-formal programs in the field of finance, introduce a non-formal education program qualitative assessment and quality controls or direct the participants to the formal educational channels with defined educational programs and curriculum on the level of University and with embedded systems of educational programs quality control.

## REFERENCES

[http://ec.europa.eu/education/lifelong-learning-policy/doc/informal/proposal2012\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/informal/proposal2012_en.pdf) (05.03.2013.)

[http://www.nsf.gov/funding/pgm\\_summ.jsp?pims\\_id=504793&org=DRL&from=home](http://www.nsf.gov/funding/pgm_summ.jsp?pims_id=504793&org=DRL&from=home) (01.03.2013.)

<http://drsaraheaton.wordpress.com/2010/12/31/formal-non-formal-and-informal-learning-what-are-the-differences/> (01.02.2013.)

Coombs, M., Ahmed M., Israel B.B., (1971.) *Attacking Rural Poverty: How Nonformal Education Can Help*, A research report for the World Bank, ICED, ISBN 0-8018-1600-9, D.C. Washington

<http://www.qualityresearchinternational.com/glossary/informallearning.htm> (20.02.2013.)

<https://tspace.library.utoronto.ca/bitstream/1807/2735/2/21adultsinformallearning.pdf> (05.03.2013.)

[http://cfa.goldenglobal.org.cn/uploadfile/append\\_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf](http://cfa.goldenglobal.org.cn/uploadfile/append_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf) (01.03.2013.)

Dr. Karalalage, S., Dr. Lyons, C. A., Dr. Palmer, L., (2011.), *Financial Education*, NEFE, Available on: <http://toolkit.nefe.org/Portals/0/Toolkit-Manual.pdf> (07.03.2013.)

List of informal educations in Croatia can be found on various internet pages, such as: <http://www.moja-edukacija.com/tecajevi/poslovni-seminari/grad-osijek/3/> (15.03.2013.)

Povjerenstvo za obrazovanje odraslih: *Strategija i akcijski plan za obrazovanje odraslih*, July, 2004.

Pološki, N., Frajlić, D.; *Pokazatelji konkurentnosti hrvatske radne snage – rezultati empirijskog istraživanja*

An overview of financial management [http://cfa.goldenglobal.org.cn/uploadfile/append\\_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf](http://cfa.goldenglobal.org.cn/uploadfile/append_file/%E8%B5%84%E6%96%99%E4%B8%8B%E8%BD%BD/CFA%E5%AD%A6%E4%B9%A0%E8%B5%84%E6%96%99/01%20-%20An%20Overview%20of%20Financial%20Management.pdf) (17.03.2013.)

Hilgert, Marianne A.; Hogarth, Jeanne M.; Beverly, Sondra G., (2003.), *Household Financial Management: The connection between knowledge and behavior*, University of Kansas

<http://www.federalreserve.gov/pubs/bulletin/2003/0703lead.pdf> (12.03.2013.)