Identifying School Climate Variables Associated with Students' Financial Literacy Outcomes

A Cross-Country Comparison Using PISA 2018 Data

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敬致父母

To my parents

Study hard what interests you the most in the most undisciplined, irreverent and original manner possible.

Richard P. Feynman

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Acknowledgement

Thank-you goes to

Popular Abstract

This is a press release style abstract.

Abstract

Repeated economic crises in recent memory have exposed the harsh consequences of financial *illiteracy* shared by high proportions of the general population. Policy makers experienced little resistance when identifying youth as the most effective group for bringing about improvement in citizens' ability to engage with economic and financial matters, but opinions quickly diverge over the optimal approaches for achieving such targeted outcome. Existing literature frequently reports the importance of family environment in cultivating students' financial literacy through the process of "financial socialisation" – [definition goes here] (reference). Such practice, however, encounters interrogation by educators over equity concerns should families remain the main arena for financial literacy development. Schools play vital roles in alleviating inequality in accessing education and training in general but scarce research so far has been devoted into identifying the specific classroom factors that are most effective in advancing students' financial literacy outcomes. The current study therefore attempts to contribute to this enquiry by investigating the relationship between school climate variables and students' financial literacy achievement with an aim of stimulating policy debate about the levers and instruments available to education interventionists for the purpose of improving young people's financial literacy and preparedness as they step into an increasingly uncertain world. Using the 2018 PISA dataset, this paper employs a three-level hierarchical model to conduct cross-country comparisons to highlight school climate variables that are most strongly associated with high financial literacy outcomes.

Chapter 1 Conceptual Framework

1.1 In-depth definitions of "financial literacy"

1.1.1 Every term my readers need in order to understand my research question

1.1.2 Survey not only PISA but also alternative definitions, even critiques of such definitions

1.1.3 Any practices that are common in maths/literature but uncommon in financial literacy? Meaning? Implies?

1.2 Country-level Financial Knowledge Index

PISA 2018 financial literacy dataset (OECD, 2020) provides rich information about students and schools. For the purpose of cross-country comparison, however, the country-level financial literacy information must be addressed separately by the researchers. Earlier attempts such as Moreno-Herrero et al. (2018) approximated this information using a variable "quality of math and science education" to control for country-level differences since consensus is yet to emerge about the most appropriate measure for countries' financial knowledge. Inspired by the UN's approach to forming Human Development Indices, a recent publication by Oliver-Márquez et al. (2020) proposed a macroeconomic measure for countries' general financial knowledge levels by examining their economic capability, educational training, existing practices in the financial markets as well as incentives to interact with financial products. More specifically, the authors considered a country's economic capability, represented by its GDP per capita, to be a key dimension in bringing about its financial knowledge index (FKI). Secondly, literature converges on the importance of educational training for a country's financial knowledge capability (OECD, 2005). Thirdly, countries with regular engagement with sophisticated financial products and financial markets should possess higher FKI. Lastly, countries with higher aggregate consumption levels and with ageing populations are likely to possess higher FKI due to more frequent exposure and pressure in retirement provision, respetively. Macroeconomic data needed for these computations can be sourced from the World Bank (World Bank, 2020) and the United Nations' *Human Development Reports* (United Nations, 2020).

Combining individual and institutional data cources can be a productive approach in international large-scale assessment (ILSA) research. According to the framework for comparative education analyses (Bray & Thomas, 1995), this project extends education outcome measures to a country level, addresses the aspect of society and labour market, and relates countries' entire populations to ILSA research (Strietholt & Scherer, 2018). By combining education outcome data with countries' economic performance indicators, this project remains most comparable to Hanushek and Woessmann (2012)—while these authors looked into the relationship between countries' education achievement and their GDP growth, the current investigation highlights how countries' GDP, along with other macroeconomic practices, in turn systematically impacts on their youth's educational performance.

Table 1.1

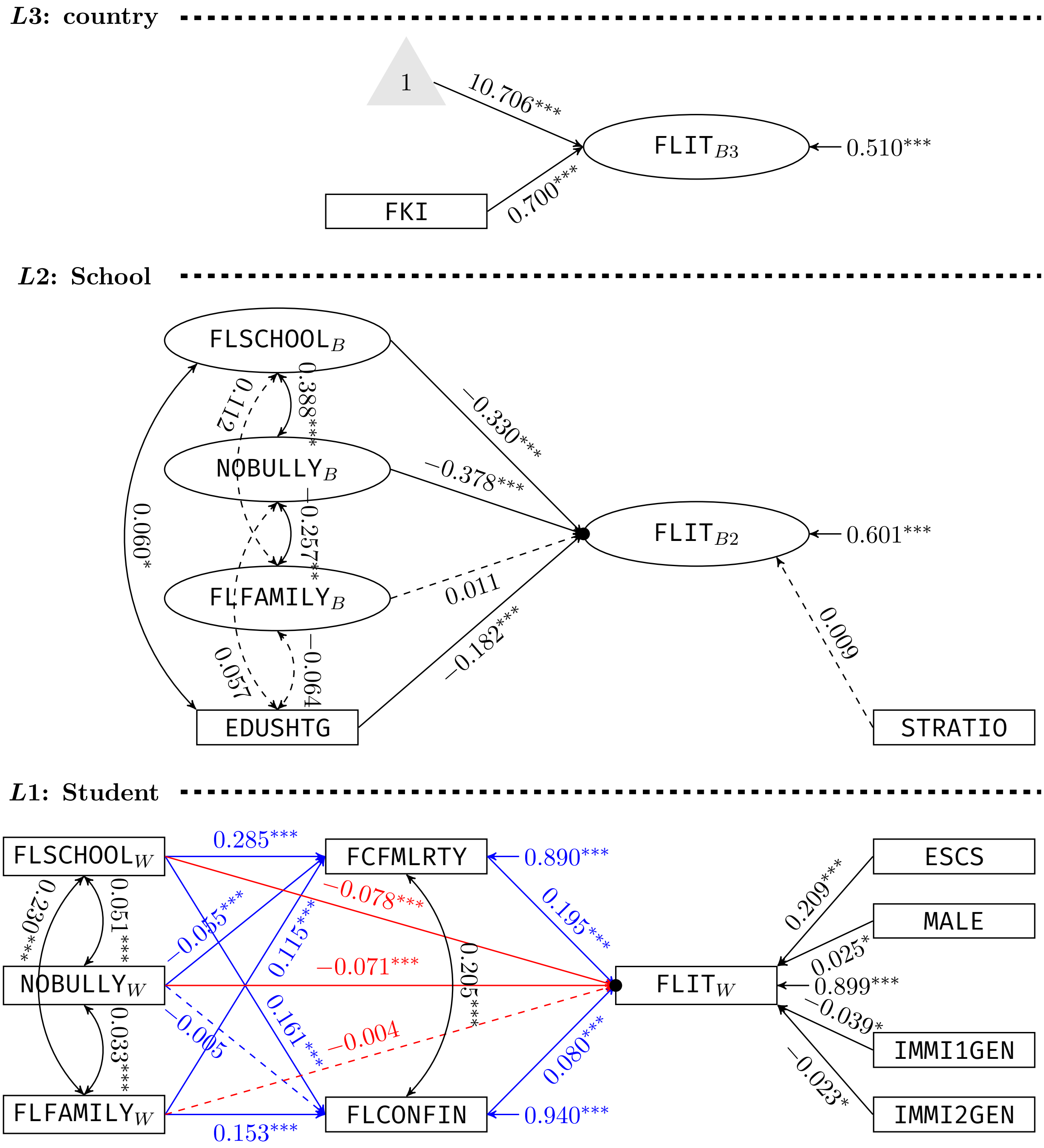
Percentages of Missing Values

CNT	MALE	IMMI1GEN	IMMI2GEN	ESCS	FCFMLRTY	FLCONFIN	PERFEED	TEACHINT	FLSCHOOL	DISCRIM†	BELONG	BULLY	FLFAMILY	CURSUPP†	PASCHPOL†	STRATIO	EDUSHT	STAFFSHT
BGR	0	6	6	3	12	27	10	10	21	28	19	31	22	100	100	8	3	3
BRA	0	5	5	2	12	34	9	8	21	36	23	40	24	17	19	12	6	7
CAN†	0	7	7	5	11	15	100	100	13	100	8	14	14	100	100	100	2	2
CHL	0	4	4	3	10	24	5	4	13	30	15	34	15	9	8	18	9	9
ESP	0	3	3	2	5	21	3	2	7	25	9	29	8	100	100	11	5	6
EST	0	3	3	3	4	8	3	3	6	9	5	11	6	100	100	0	0	0
FIN	0	2	2	2	4	10	3	3	6	100	6	11	7	100	100	2	7	7
GEO	0	5	5	2	9	26	9	9	17	100	15	22	21	4	5	1	2	2
IDN	0	3	3	1	3	6	3	2	5	3	2	5	5	100	100	23	14	14
ITA	0	4	4	3	7	17	4	4	10	23	10	27	12	16	17	9	3	3
LTU	0	3	3	3	4	12	3	3	5	17	8	20	7	100	100	0	0	0
LVA	0	2	2	2	5	9	3	3	6	14	6	15	7	100	100	6	3	4
NLD	0	3	3	2	3	5	3	2	4	100	4	8	4	100	100	11	5	5
PER	0	2	2	1	2	11	5	4	4	56	31	65	5	100	100	2	0	0
POL	0	1	1	1	3	7	2	1	5	9	3	11	5	100	100	0	0	0
PRT	0	6	6	5	8	11	6	6	10	15	8	17	10	10	10	11	1	1
RUS	0	3	3	2	8	13	5	4	11	13	8	15	11	100	100	3	3	3
SRB	0	3	3	1	10	25	8	7	18	25	15	27	19	100	100	8	1	1
SVK	0	2	2	1	4	12	4	3	7	14	6	17	8	100	100	6	6	7
USA	0	3	3	2	3	6	2	1	4	100	4	6	4	100	100	16	10	10

Note. Using shades of red in addition to numbers (measured in %), this table visualises the missing percentages by variable and by country. Variables `DISCRIM`, `CURSUPP` and `PASCHPOL` are no longer pursued in the model because too many countries chose not to respond to these questions. Canada (CAN) is not included due to 100 percent missings on multiple variables. † marks the country and variables that are excluded from subsequent analyses.

Figure 1.1

Three-level Structural Equation Model Predicting Youth's Financial Literacy Outcomes



Note. This multilevel structural equation model predicts youth's financial literacy outcomes using PISA 2018 data, with mediating effects of familiarity with, and confidence in, financial matters at student-level (direct and indirect pathways). Statistics are standardised regression coefficients. Numbers following short arrows ← stand for residual variances. Relations fail to reach $\alpha = 0.05$ significant levels are represented in dashed versions. FKI = financial knowledge indices, FLIT = financial literacy, subscript $_W$ = within, $_B$ = between.
$^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

References

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Appendices

Appendix A GDPR Documentation and Ethical Approval

This research project discharges its duty imposed by the EEA's general data protection regulation (GDPR) by following Norwegian Centre for Research Data (NSD)'s notification test on Friday, 11 September 2020. Both PISA 2018 Database and the World Bank Open Data contain only aggregated and de-personalised datasets with no possibility of back-tracing to any particular participant. Resultantly, no identifiable personal data were collected or used at any stage of this research. The NSD's assessment letter outlines the agency's decision of not subjecting this project to the GDPR notification. The NSD decision letter also satisfies University of Oslo's ethical approval requirement and concludes the approval process.

Will you be processing personal data?

Are you unsure whether your project is subject to notification? Feel free to try our informal Notification test. Note that the test is intended as a guidance and is not a formal assessment.

Will you be collecting/processing directly identifiable personal data? ○Yes ◉No

A person will be directly identifiable through name, social security number, or other uniquely personal characteristics.

Read more about personal data (/personvernombud/en/help/vocabulary.html?id=8) and notification (/personvernombud/en/notify/index.html).

NB! Even though information is to be anonymized in the final thesis/report, check the box if identifying personal data is to be collected/processed in connection with the project.

Will directly identifiable personal information be linked to the data (e.g. through a reference number which refers to a separate list of names/scrambling key)? ○Yes ◉No

Note that the project will be subject to notification even if you cannot access the scrambling key (/personvernombud/en/help/vocabulary.html?id=11), as the procedure often is when using a data processor (/personvernombud/en/help/vocabulary.html?id=3), or in register-based studies (/personvernombud/en/help/research_methods/register_studies.html).

Will you be collecting/processing background information that may identify individuals (indirectly identifiable personal data)? ○Yes ◉No

A person will be indirectly identifiable if it is possible to identify him/her through a combination of background information (such as place of residence or workplace/school, combined with information such as age, gender, occupation, etc.).

Will there be registered personal data (directly/indirectly/via IP or email address, etc.) using online surveys? ○Yes ◉No

Please note that the project will be subject to notification even if you as a student/researcher cannot access the link to the IP or email address, as the procedure often is when using a data processor.

Read more about online surveys (/personvernombud/en/help/research_methods/online_surveys.html).

Will there be registered personal data using digital photo or video files? ○ Yes ◉ No

Photo/video recordings of faces will be regarded as identifiable personal data. In order for a voice to be considered as identifiable, it must be registered in combination with other background information, in such a way that people can be recognized.

Show results

Notify project

Do I have to notify my project? (/personvernombud/en/notify/index.html)

Notification Form (/personvernombud/en/notify/meldeskjema_link)

Notifying changes (/personvernombud/en/notify/notifying_changes.html)

Get help notifying your project

Processing the notification (/personvernombud/en/help/index.html)

Frequently asked questions (/personvernombud/en/help/faq.html)

Vocabulary (/personvernombud/en/help/vocabulary.html)

Research topics (/personvernombud/en/help/research_topics/)

Research methods (/personvernombud/en/help/research_methods/)

Information and consent (/personvernombud/en/help/information_consent/)

Other approvals (/personvernombud/en/help/other_approvals/)

Result of Notification Test: Not Subject to Notification

You have indicated that neither directly or indirectly identifiable personal data will be registered in the project.

If no personal data is to be registered, the project will not be subject to notification, and you will not have to submit a notification form.

Please note that this is a guidance based on information that you have given in the notification test and not a formal confirmation.

For your information: *In order for a project not to be subject to notification, we presuppose that all information processed using electronic equipment in the project remains anonymous.*

Anonymous information is defined as information that cannot identify individuals in the data set in any of the following ways:

- directly, through uniquely identifiable characteristic (such as name, social security number, email address, etc.)
- indirectly, through a combination of background variables (such as residence/institution, gender, age, etc.)
- through a list of names referring to an encryption formula or code, or
- through recognizable faces on photographs or video recordings.

Furthermore, we presuppose that names/consent forms are not linked to sensitive personal data.

Kind regards,
NSD Data Protection

Appendix B Analysis Code

B.1 Chapter 1

There is no analysis code in ??.

B.2 Chapter 2

B.2.1 Data Import

```
# Housekeeping
library(Orcs)
setwdOS(lin = "~/", win = Sys.getenv("USERPROFILE"))

# Import SPSS file into R
library(intsvy)
finlit <- pisa.select.merge(
    student.file = "CY07_MSU_FLT_QQQ.SAV", # file ext in capital
    school.file = "CY07_MSU_SCH_QQQ.sav", # file ext in lower case
    student = c(
        # Control variables
        "ST004D01T", # Student (Standardized) Gender
        "IMMIG", # Index Immigration status
        "ESCS", # Index of economic, social and cultural status
        # Mediators
        "FCFMLRTY", # Familiarity with concepts of finance (Sum)
        "FLCONFIN", # Confidence about financial matters (WLE)
        # Academic
        "PERFEED", # Perceived feedback (WLE)
        "TEACHINT", # Perceived teacher's interest (WLE)
        "FLSCHOOL", # Financial education in school lessons (WLE)
        # Safety
        "DISCRIM", # Discriminating school climate (WLE)
        "BELONG", # Sense of belonging to school (WLE)
        "BEINGBULLIED", # Student's experience of being bullied (WLE)
        # Community
        "FLFAMILY", # Parental involvement in matters of Financial Literacy (WLE)
        "CURSUPP", # Current parental support for learning at home (WLE)
        "PASCHPOL" # School policies for parental involvement (WLE)
    ),
    school = c(
        "STRATIO", # Student-teacher ratio
        "EDUSHORT", # Shortage of educational material (WLE)
        "STAFFSHORT" # Shortage of educational staff (WLE)
    ),
    countries = c(
        "BGR", "BRA", "CAN", "CHL", "ESP",
        "EST", "FIN", "GEO", "IDN", "ITA",
        "LTU", "LVA", "NLD", "PER", "POL",
        "PRT", "QMR", "QRT", "RUS", "SRB",
        "SVK", "USA"
    )
)
```

```r
# Inspect table header
names(finlit)

# Remove columns that I do not need
finlit <- finlit[, -c(5, 7:86)] # 5 = BOOKID; 7:86 = resampling weights

# Some var need recording
library(car)

# Re-code Russian territories to RUS
finlit$CNT <- recode(finlit$CNT, "
    'QMR' = 'RUS';
    'QRT' = 'RUS'
")

# Recode ST004D01T from Sex to Male
MALE <- finlit$ST004D01T - 1

# Recode IMMIG to 1st and 2nd generation
IMMI1GEN <- recode(finlit$IMMIG, "
    1 = 0;
    2 = 0;
    3 = 1
")

IMMI2GEN <- recode(finlit$IMMIG, "
    1 = 0;
    2 = 1;
    3 = 0
")

# Revert coding direction: bigger number => safer school
NOBULLY <- finlit$BEINGBULLIED * (-1)

# Stitch spreadsheets together
finlit <- cbind(
    finlit[, c(1:35)],
    MALE, IMMI1GEN, IMMI2GEN,
    finlit[, c(38:45)],
    NOBULLY,
    finlit[, c(47:53)]
)

# Use data.table for better RAM management
library(data.table); setDTthreads(0) # 0 means all the available cores
# Export data into a CSV file for faster import next time
fwrite(finlit,
    file = "finlit.csv",
    na = "NA", row.names = F, col.names = T
)
```

B.2.2 Missing Pattern Inspection

```r
library(Orcs)
setwdOS(lin = "~/", win = Sys.getenv("USERPROFILE"))

library(data.table); setDTthreads(0)
finlit <- fread("finlit.csv", nThread = getDTthreads())

library(dplyr)
```

```r
# Record how many missings each country has for each var
missings <- finlit %>%
    select(everything()) %>%
    group_by(CNT) %>%
    summarise_all(funs(sum(is.na(.))))
# Give me the headcount for each country
headcount <- finlit %>%
    group_by(CNT) %>%
    summarize(n())
# Stitch these two tables together
missing_table <- tibble(headcount, missings[, -1])
# Save this file
fwrite(missing_table, "missing_table.csv", row.names = F, col.names = T)

# Inspect the missing table using Excel
# Throw away the following countries
#   CAN: 100% missing on too many var
#   BRA, FIN, LVA, NLD, RUS, SRB: private/public info missing
# Throw away these var
#   DISCRIM, CURSUPP, PASCHPOL: Too many countries have 100% missing
```

B.2.3 Financial Knowledge Index

```r
# Section 0: Housekeeping
library(Orcs) # Set working directory depending on operating system
setwdOS(
    lin = "~/uio/", win = "M:/",
    ext = "pc/Dokumenter/MSc/Thesis/Data/L3/"
)

# Set up a "bookshelf" to hold variables nessary to compute FKI
fki_raw <- matrix(NA,
    nrow = 19, ncol = 10, dimnames = list(
        c( # row names
            "BRA", "BGR", "CHL", "EST", "FIN",
            "GEO", "IDN", "ITA", "LVA", "LTU",
            "NLD", "PER", "POL", "PRT", "RUS",
            "SRB", "SVK", "ESP", "USA"
        ),
        c( # column names
            "gdp_per_capita", # economic capability (sub_ind_ec)
            "highly_skilled", "mean_year_of_schooling", # (sub_ind_et)
            "gpea", "ica", "ius", # use (sub_ind_use)
            "pfa", "ac", "gdp", "ageing" # need (sub_ind_need)
        )
    ) # End list()
) # End matrix()


# Section 1: Economic Capacity (EC)

gdp_per_capita <- read.csv("gdp_per_capita.csv", header = T, sep = "\t")
# Delete CAN
gdp_per_capita <- gdp_per_capita[-c(3), ]

fki_raw[, 1] <- log(gdp_per_capita[, 2])

rm(gdp_per_capita)


# Section 2: Educational Training (ET)
```

```r

# Subsection 2.1: Highly skilled

# Masters
isced_7 ← read.csv("isced_7.csv", header = T, sep = "\t")
isced_7 ← isced_7[, -c(3)]

# PhDs
isced_8 ← read.csv("isced_8.csv", header = T, sep = "\t")
isced_8 ← isced_8[, -c(3), ]

# Total tertiary
total_tertiary ← read.csv("total_tertiary.csv", header = T, sep = "\t")
total_tertiary ← total_tertiary[, -c(3)]

# Compute highly skilled (master + PhD) to total tertiary ratio
highly_skilled ← ts(
    (isced_7 + isced_8) / total_tertiary,
    start = 2013, end = 2018, frequency = 1
)

# # Visualise highly_skilled. Turn off GEO, IDN, SRB and RUS
# pdf("../../Figures/skilled.pdf")
# ts.plot(100 * highly_skilled[, -c(6, 7, 15, 16)],
#     type = "b", col = 1:15,
#     xlab = "Year", ylab = "Percent"
# )
# legend("topright", colnames(highly_skilled[, -c(6, 7, 15, 16)]),
#     col = 1:15, lty = 1, cex = 0.65
# )
# dev.off()

# Decision: naive forcasts, i.e., copy-paste nearest available year
library(forecast)
# Create a placeholder matrix
placeholder ← matrix(NA, nrow = 19, ncol = 1)

# Run a loop to foreecast all 19 countries, using naive method
for (.i in 1:19) {
    m_naive_i ← naive(highly_skilled[, .i], h = 1)
    placeholder[.i] ← data.frame(unlist(m_naive_i[5])[6])[1, 1]
}
# [5] = fitted values; [6] = 2018; [1,1] = only the numeric value

# GEO and IDN have 2018 data, plug actual numbers back
placeholder[c(6, 7)] ← highly_skilled[6, c(6, 7)]

# RUS needs separate calculation
# ISCED 7 = 101766 (Type 1) + 170437 (Type 2) = 272203 (total masters)
# ISCED 8 = 15465 (Type 1) + 330 (Type 2) = 15795 (total PhDs)
# Total tertiary WITHOUT PhD = 933153
# ⇒ Total tertiary = 933153 + 15795 = 948948
# highly_skilled (RUS) = (272203 + 15795) / 948948 = 0.30349187
placeholder[15] ← 0.30349187

# Save results to "bookshelf"
fki_raw[, 2] ← placeholder * 100

rm(
    isced_7, isced_8, total_tertiary,
    highly_skilled, placeholder, m_naive_i
```

```r
)

# Sub-section 2.2: Mean year of schooling
mean_year_of_schooling <- read.csv("mean_year_of_schooling.csv",
    header = F, sep = "\t"
)
fki_raw[, 3] <- mean_year_of_schooling[-c(3), 2]

rm(mean_year_of_schooling)


# Section 3: Use

gpea <- read.csv("gpea.csv", header = T, sep = "\t")
gpea <- gpea[, -c(3)]
gpea <- ts(gpea, start = 2011, end = 2017, frequency = 1)

# # Visualise data in both original and ln forms. Contain trend?
# pdf("../../Figures/use.pdf", width = 12.94, height = 9.15)

# # Re-set canvas layout to 2x2
# par(mfcol = c(2, 2))

# # Add extra space to the right of plot area
# par(mar = c(5.1, 4.1, 4.1, 2.1), xpd = TRUE)

# # Plot GPEA in original form
# ts.plot(gpea,
#     type = "b", col = 1:29,
#     xlab = "Year", ylab = "Percent", main = "GPEA to GDP ratio"
# )

# # Remove extra gap between the two graphs
# par(mar = c(5.1, 4.1, 0, 2.1), xpd = TRUE)

# # Repeat GPEA, but for the ln() version
# ts.plot(log(gpea),
#     type = "b", col = 1:19,
#     xlab = "Year", ylab = "ln( percent )"
# )

# # Plot ICA in original form
# par(mar = c(5.1, 4.1, 4.1, 6.1), xpd = TRUE)
# ts.plot(ica,
#     type = "b", col = 1:19,
#     xlab = "Year", ylab = "Percent", main = "ICA to GDP ratio"
# )
# # Add the legend
# legend("topright",
#     inset = c(-0.2, 0), colnames(ica),
#     col = 1:19, lty = 1, cex = 0.875
# )

# # Remove extra gap between the two graphs
# par(mar = c(5.1, 4.1, 0, 6.1), xpd = TRUE)

# # Repeat, but for the ln()
# ts.plot(log(ica),
#     type = "b", col = 1:19,
#     xlab = "Year", ylab = "ln( percent )"
```

```r
# )
# # Add the legend
# legend("topright",
#     inset = c(-0.2, 0), colnames(ica),
#     col = 1:19, lty = 1, cex = 1.07
# )
# dev.off()

# Decision: since the ln() version is not flat, original time series
# contain trend. Use Holt method rather than simple exponential smoothing.

# Run a time series forecast using Holt method

# Create a placeholder matrix
placeholder <- matrix(NA, nrow = 19, ncol = 1)

# Run a loop to forecast all 13 countries, using Holt method
for (.i in 1:19) {
    m_holt_i <- holt(gpea[, .i], h = 1)
    placeholder[.i] <- m_holt_i[2]
}

# Only keep the 2018 forecasts
placeholder <- unlist(placeholder)

# Run PER (#8) separately because it misses both 2017 and 2018 data
m_holt_PER <- holt(gpea[, 12], h = 2); summary(m_holt_PER)
placeholder[12] <- 16.02698

# Push placeholder to fki_raw
fki_raw[, 4] <- placeholder

rm(gpea, placeholder, m_holt_i, m_holt_PER)

# Sub-section 3.2: Insurance company assets (ica)

ica <- read.csv("ica.csv", header = T, sep = "\t")
ica <- ica[, -c(3)]
ica <- ts(ica, start = 2011, end = 2017, frequency = 1)

placeholder <- matrix(NA, nrow = 19, ncol = 1)

for (.i in 1:19) {
    m_holt_i <- holt(ica[, .i], h = 1)
    placeholder[.i] <- m_holt_i[2]
}

placeholder <- unlist(placeholder)

m_holt_IND <- holt(ica[, 7], h = 2); summary(m_holt_IND)
m_holt_ITA <- holt(ica[, 8], h = 2); summary(m_holt_ITA)
m_holt_POL <- holt(ica[, 13], h = 2); summary(m_holt_POL)
m_holt_USA <- holt(ica[, 19], h = 2); summary(m_holt_USA)

placeholder[c(7, 8, 13, 19)] <- c(
    4.611597, 51.2596, 9.534750, 30.18295
)

fki_raw[, 5] <- placeholder
```

```r
rm(ica, placeholder, list = ls(pattern = "^m.holt"))

# Sub-section 3.3: Individuals using the Internet (ius)

ius <- read.csv("ius.csv", header = T, sep = "\t")
ius <- ius[, -c(3)]
ius <- ts(ius, start = 2009, end = 2018, frequency = 1)

m_holt_CHL <- holt(ius[1:9, 3], h = 1); summary(m_holt_CHL)
m_holt_USA <- holt(ius[1:9, 19], h = 1); summary(m_holt_USA)

ius_2018 <- ius[10, ] # Only want 2018 data
ius_2018[3] <- 89.5309 # CHL
ius_2018[19] <- 84.88108 # USA

fki_raw[, 6] <- ius_2018

rm(list = ls(pattern = "^ius"))
rm(list = ls(pattern = "^m_holt_"))


# Section 4: Need

# Subsection 4.1: Pension fund assets (pfa)
pfa <- read.csv("pfa.csv", header = T, sep = "\t")
pfa <- pfa[, -c(3)]
# Delete GEO (#4) due to all missing. Will come back to it later.
pfa <- ts(pfa[, -6], start = 2008, end = 2017, frequency = 1)

placeholder <- matrix(NA, nrow = 18, ncol = 1)

for (.i in 1:18) {
    m_holt_i <- holt(pfa[, .i], h = 1)
    placeholder[.i] <- m_holt_i[2]
}

placeholder <- unlist(placeholder)

# Calculate GEO
# From Georgia Pension Agency:
#   2019 mesub_ind_eting minute: 372,113,933 GEL
# From GeoStat website:
#   2018 gdp = 44.6 billion GEL

fki_raw[, 7] <- c(
    placeholder[1:5],
    372113934 / 44600000000 * 100, # Insert GEO figure
    placeholder[6:18]
)

rm(pfa, placeholder, m_holt_i)

# Subsection 4.2: Aggregate consumption (ac)

ac <- read.csv("ac.csv", header = F, row.names = 1, sep = "\t")
ac <- ac[-c(3), ]
gdp <- read.csv("gdp.csv", header = F, row.names = 1, sep = "\t")
gdp <- gdp[-c(3), ]

fki_raw[, 8] <- unlist(ac * 0.02 / gdp * 100)
```

```r
fki_raw[, 9] <- unlist(gdp)

rm(ac, gdp)

# Subsection 4.3: Ageing

ageing <- read.csv("ageing.csv", header = T, sep = "\t")
ageing <- ageing[-c(3, 23), ]
attach(ageing)
names(ageing)

# Calculate total population
poptotal_f <- pop0to14_f + pop15to64_f + pop65plus_f
poptotal_m <- pop0to14_m + pop15to64_m + pop65plus_m
# Calculate population between 15 and 19
# Need to divide by 100 to get decimals
pop15to19_f <- poptotal_f * per15to19_f / 100
pop15to19_m <- poptotal_m * per15to19_m / 100
# Calculate population between 0 and 19
pop0to19_f <- pop0to14_f + pop15to19_f
pop0to19_m <- pop0to14_m + pop15to19_m
# Calculate population between 20 and 64
pop20to64_f <- poptotal_f - pop0to19_f - pop65plus_f
pop20to64_m <- poptotal_m - pop0to19_m - pop65plus_m
# Calculate 64+ / 20-to-64 ratio
ageing_ratio <- I(
    (pop65plus_f + pop65plus_m) / (pop20to64_f + pop20to64_m)
)
# Split data into 2018 [ , 1] and 2009 [ , 2] portions
ageing <- cbind(ageing_ratio[1:19], ageing_ratio[20:38])
fki_raw[, 10] <- (ageing[, 1] - ageing[, 2]) / ageing[, 2]

rm(ageing, ageing_ratio, list = ls(pattern = "^pop"))


# Section 5: FKI

fki_raw <- fki_raw[, -9] # Throw away gdp (already in ac)
round(fki_raw, digits = 3) # Inspect data

# Save data to an external file
library(data.table); setDTthreads(0)
fwrite(round(fki_raw, digits = 3), file = "fki_raw.csv", row.names = T)

# Subection 5.0: Standardise each variable to [0.01,0.99] range
fki_stand <- matrix(NA, nrow = dim(fki_raw)[1], ncol = dim(fki_raw)[2])
dimnames(fki_stand) <- dimnames(fki_raw)

library(scales) # I wish this function could have "by.col = T". Oh well.
for (.j in 1:dim(fki_raw)[2]) {
    fki_stand[, .j] <- rescale(fki_raw[, .j], to = c(0.01, 0.99))
}

rm(fki_raw)

fki_stand <- data.frame(fki_stand)
attach(fki_stand)

# Subsection 5.1: Economic capacity (sub_ind_ec)

sub_ind_ec <- gdp_per_capita
```

```r

# Subsection 5.2: Education and training (sub_ind_et)

wt_highly_skilled <- 1 / sd(highly_skilled)
wt_mean_year_of_schooling <- 1 / sd(mean_year_of_schooling)

sub_ind_et <- (highly_skilled^wt_highly_skilled *
    mean_year_of_schooling^wt_mean_year_of_schooling)^
    (1 / (wt_highly_skilled + wt_mean_year_of_schooling))

rm(list = ls(pattern = "^wt"))

# Subsection 5.3: Use (sub_ind_use)

sub_ind_u <- (gpea + ica)^ius

# Subsection 5.4: Need (sub_ind_need)

sub_ind_n <- (pfa + ac)^ageing

## Subsection 5.5: FKI

wt_ec <- 1 / sd(sub_ind_ec)
wt_et <- 1 / sd(sub_ind_et)
wt_u <- 1 / sd(sub_ind_u)
wt_n <- 1 / sd(sub_ind_n)

fki <- (
    sub_ind_ec^wt_ec *
        sub_ind_et^wt_et *
        sub_ind_u^wt_u *
        sub_ind_n^wt_n
) ^ (
    1 / (wt_ec + wt_et + wt_u + wt_n)
)

rm(list = ls(pattern = "^wt"))

l3 <- data.frame(
    round(
        cbind(fki, sub_ind_ec, sub_ind_et, sub_ind_u, sub_ind_n),
        digits = 3
    )
)
rownames(l3) <- rownames(fki_stand)
attach(l3)

rm(fki_stand, fki, sub_ind_ec, sub_ind_et, sub_ind_u, sub_ind_n)

# Display country-level FKI, default by country code
l3

# Sort FKI by country (highest to lowest)
l3_ordered <- l3[order(-fki), ]
l3_ordered
fwrite(l3_ordered, file = "fki.csv", row.names = T)

pdf("../../Figures/FKI.pdf")
    barplot(l3_ordered$fki,
        names.arg = rownames(l3_ordered),
```

```
        xlab = "Country", las = 2, ylab = "Financial Knowledge Index (FKI)",
        ylim = c(0, 1), main = "FKI of 19 participating countries"
    )
dev.off()
```

B.2.4 Data Reimport

```
# Housekeeping
library(Orcs)
setwdOS(lin = "~/", win = Sys.getenv("USERPROFILE"))

# Import SPSS file into R
library(intsvy)
finlit ← pisa.select.merge(
    student.file = "CY07_MSU_FLT_QQQ.SAV", # file ext in capital
    school.file = "CY07_MSU_SCH_QQQ.sav", # file ext in lower case
    student = c(
    # Control variables
        "ST004D01T", # Student (Standardized) Gender
        "IMMIG", # Index Immigration status
        "ESCS", # Index of economic, social and cultural status
    # Mediators
        "FCFMLRTY", # Familiarity with concepts of finance (Sum)
        "FLCONFIN", # Confidence about financial matters (WLE)
    # Academic
        "PERFEED", # Perceived feedback (WLE)
        "TEACHINT", # Perceived teacher's interest (WLE)
        "FLSCHOOL", # Financial education in school lessons (WLE)
    # Safety
        "BELONG", # Sense of belonging to school (WLE)
        "BEINGBULLIED", # Student's experience of being bullied (WLE)
    # Community
        "FLFAMILY" # Parental involvement in matters of Financial Literacy (WLE)
    ),
    school = c(
        "STRATIO", # Student-teacher ratio
        "EDUSHORT", # Shortage of educational material (WLE)
        "STAFFSHORT" # Shortage of educational staff (WLE)
    ),
    countries = c(
        "BRA", "BGR", "CHL", "EST", "FIN",
        "GEO", "IDN", "ITA", "LVA", "LTU",
        "NLD", "PER", "POL", "PRT", "RUS",
        "SRB", "SVK", "ESP", "USA"
    )
)

names(finlit)
# Throw away columns that I do not need
finlit ← finlit[, -c(5,7:86)] # 5 = BOOKID; 7:86 = resampling weights

# Some var need recording
library(car)

# Re-code Russian territories to RUS
finlit$CNT ← recode(finlit$CNT, "
    'QMR' = 'RUS';
    'QRT' = 'RUS'
")

```

```r
# Input country-level FKI
FKI <- recode(finlit$CNT, "
    'NLD' = 0.957;
    'USA' = 0.947;
    'ITA' = 0.771;
    'FIN' = 0.733;
    'ESP' = 0.637;
    'LTU' = 0.614;
    'PRT' = 0.598;
    'BGR' = 0.585;
    'EST' = 0.579;
    'SVK' = 0.562;
    'POL' = 0.559;
    'CHL' = 0.552;
    'LVA' = 0.547;
    'RUS' = 0.449;
    'SRB' = 0.424;
    'GEO' = 0.419;
    'PER' = 0.309;
    'BRA' = 0.145;
    'IDN' = 0.122
")

# Recode ST004D01T from Sex to Male
MALE <- finlit$ST004D01T - 1

# Recode IMMIG to 1st and 2nd generation
IMMI1GEN <- recode(finlit$IMMIG, "
    1 = 0;
    2 = 0;
    3 = 1
")

IMMI2GEN <- recode(finlit$IMMIG, "
    1 = 0;
    2 = 1;
    3 = 0
")

# Revert coding direction: bigger number => safer school
NOBULLY <- finlit$BEINGBULLIED * (-1)

# Stitch spreadsheet together
names(finlit)
finlit <- cbind(FKI, finlit[, c(2:35)], MALE, IMMI1GEN, IMMI2GEN, finlit[, c(38:50)])

# Remove cases whose school weights (col #48) are NA
obs0 <- dim(finlit)[1]
finlit <- finlit[complete.cases(finlit[, 48]), ]
obs1 <- dim(finlit)[1]
obs0 - obs1 # 12 cases contained missing school weights and have been dropped
rm(obs0, obs1)

# Use data.table for better RAM management
library(data.table); setDTthreads(0) # 0 means all the available cores
# Export data into a CSV file for faster import next time
fwrite(finlit, file = "finlit.csv", na = "NA", row.names = F, col.names = T)
```

Appendix C Derivation of Moderated Mediation Effect

C.1 Models with Mediators Only

Consider a SEM model shown in Figure C.1 (excluding any paths in green), where

$$\begin{cases} Y = \mu_0 + b_1 M_1 + b_2 M_2 + c_1 X_1 + c_2 X_2 + c_3 X_3 \\ M_1 = \mu_1 + a_{11} X_1 + a_{21} X_2 + a_{31} X_3 \\ M_2 = \mu_2 + a_{12} X_1 + a_{22} X_2 + a_{32} X_3 \end{cases}$$

or, in matrix form

$$\begin{cases} Y = \mu_0 + \boldsymbol{b}^\intercal \boldsymbol{m} + \boldsymbol{c}^\intercal \boldsymbol{x} \\ \boldsymbol{m} = \boldsymbol{\mu} + \boldsymbol{A}^\intercal \boldsymbol{x} \end{cases} \tag{C.1}$$

where

$$\underset{3\times 1}{\boldsymbol{x}} = \begin{bmatrix} X_1 \\ X_2 \\ X_3 \end{bmatrix}, \underset{2\times 1}{\boldsymbol{m}} = \begin{bmatrix} M_1 \\ M_2 \end{bmatrix}, \underset{2\times 1}{\boldsymbol{b}} = \begin{pmatrix} b_1 \\ b_2 \end{pmatrix}, \underset{3\times 1}{\boldsymbol{c}} = \begin{pmatrix} c_1 \\ c_2 \\ c_3 \end{pmatrix}, \underset{2\times 1}{\boldsymbol{\mu}} = \begin{pmatrix} \mu_1 \\ \mu_2 \end{pmatrix} \text{ and } \underset{3\times 2}{\boldsymbol{A}} = \begin{pmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \\ a_{31} & a_{32} \end{pmatrix}$$

Equation (C.1) can be written as a total equation:

$$Y = \mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{b}^\intercal \boldsymbol{A}^\intercal \boldsymbol{x} + \boldsymbol{c}^\intercal \boldsymbol{x} = \left(\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu}\right) + \boldsymbol{x}^\intercal (\boldsymbol{A}\boldsymbol{b} + \boldsymbol{c}) \tag{C.2}$$

where $\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu}$ is the intercept, $\boldsymbol{A}\boldsymbol{b}$ is the indirect effect and $\boldsymbol{c}$ is the direct effect.

C.2 Models with Moderated Mediators

Now introduce two moderators D_1 and D_2 (green paths in Figure C.1).

In scalar notation:

$$\begin{aligned}
Y_{\text{mod}} = \mu_0 &+ b_1 M_1 + b_2 M_2 + c_1 X_1 + c_2 X_2 + c_3 X_3 \\
&+ f_1 D_1 + f_2 D_2 \\
&+ g_{11} X_1 D_1 + g_{12} X_1 D_2 \\
&+ g_{21} X_2 D_1 + g_{22} X_2 D_2 \\
&+ g_{31} X_3 D_1 + g_{32} X_1 D_2 \\
&+ h_{11} M_1 D_1 + h_{12} M_1 D_2 \\
&+ h_{21} M_2 D_1 + h_{22} M_2 D_2
\end{aligned}$$

and in matrix notation:

$$Y_{\text{mod}} = \mu_0 + \boldsymbol{b}^\intercal \boldsymbol{m} + \boldsymbol{c}^\intercal \boldsymbol{x} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{G}^\intercal \boldsymbol{x} \boldsymbol{d}^\intercal\right) + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{m} \boldsymbol{d}^\intercal\right) \tag{C.3}$$

where,

$$\underset{2\times 1}{\boldsymbol{f}} = \begin{pmatrix} f_1 \\ f_2 \end{pmatrix}, \quad \underset{2\times 1}{\boldsymbol{d}} = \begin{bmatrix} D_1 \\ D_2 \end{bmatrix}, \quad \underset{3\times 2}{\boldsymbol{G}} = \begin{pmatrix} g_{11} & g_{12} \\ g_{21} & g_{22} \\ g_{31} & g_{32} \end{pmatrix}, \quad \underset{2\times 2}{\boldsymbol{H}} = \begin{pmatrix} h_{11} & h_{12} \\ h_{21} & h_{22} \end{pmatrix},$$

and $\operatorname{tr}(\cdot)$ is the trace operator.

Since $\boldsymbol{m} = \boldsymbol{\mu} + \boldsymbol{A}^\intercal \boldsymbol{x}$, Equation (C.3) can be expanded into:

$$\begin{aligned}
Y_{\text{mod}} &= \mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{b}^\intercal \boldsymbol{A}^\intercal \boldsymbol{x} + \boldsymbol{c}^\intercal \boldsymbol{x} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{G}^\intercal \boldsymbol{x}\boldsymbol{d}^\intercal\right) + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right) + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{A}^\intercal \boldsymbol{x}\boldsymbol{d}^\intercal\right) \\
&= \left[\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right)\right] + \left[\left(\boldsymbol{b}^\intercal \boldsymbol{A}^\intercal + \boldsymbol{c}^\intercal\right)\boldsymbol{x} + \operatorname{tr}\left(\boldsymbol{d}^\intercal \left(\boldsymbol{G}^\intercal + \boldsymbol{H}^\intercal \boldsymbol{A}^\intercal\right)\boldsymbol{x}\right)\right] \\
&= \left[\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right)\right] + \left[\left(\boldsymbol{b}^\intercal \boldsymbol{A}^\intercal + \boldsymbol{c}^\intercal\right)\boldsymbol{x} + \boldsymbol{d}^\intercal \left(\boldsymbol{G}^\intercal + \boldsymbol{H}^\intercal \boldsymbol{A}^\intercal\right)\boldsymbol{x}\right] \\
&= \left[\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right)\right] + \boldsymbol{x}^\intercal \left[\boldsymbol{A}\boldsymbol{b} + \boldsymbol{c} + \boldsymbol{G}\boldsymbol{d} + \boldsymbol{A}\boldsymbol{H}\boldsymbol{d}\right] \\
&= \left[\mu_0 + \boldsymbol{b}^\intercal \boldsymbol{\mu} + \boldsymbol{f}^\intercal \boldsymbol{d} + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right)\right] + \boldsymbol{x}^\intercal \left[\boldsymbol{A}\left(\boldsymbol{b} + \boldsymbol{H}\boldsymbol{d}\right) + \left(\boldsymbol{c} + \boldsymbol{G}\boldsymbol{d}\right)\right]
\end{aligned} \tag{C.4}$$

Equation (C.4) differs from Equation (C.2) by one extra term $\boldsymbol{f}\boldsymbol{d}^\intercal + \operatorname{tr}\left(\boldsymbol{H}^\intercal \boldsymbol{\mu}\boldsymbol{d}^\intercal\right)$ in the intercept. The indirect effect $\boldsymbol{A}\boldsymbol{b}$ expanded to $\boldsymbol{A}\left(\boldsymbol{b} + \boldsymbol{H}\boldsymbol{d}\right)$ as a result of introducing the moderators and the direct effect grows from $\boldsymbol{c}$ to $\boldsymbol{c} + \boldsymbol{G}\boldsymbol{d}$.

Expand the indirect and direct effects back to their scalar forms:

$$
\begin{aligned}
&\text{indirect effects}\\
=&\boldsymbol{A}\left(\boldsymbol{b}+\boldsymbol{H}\boldsymbol{d}\right)\\
=&\begin{pmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \\ a_{31} & a_{32} \end{pmatrix} \left[\begin{pmatrix} b_1 \\ b_2 \end{pmatrix} + \begin{pmatrix} h_{11} & h_{12} \\ h_{21} & h_{22} \end{pmatrix} \begin{bmatrix} D_1 \\ D_2 \end{bmatrix}\right]\\
=&\begin{pmatrix} a_{11} & a_{12} \\ a_{21} & a_{22} \\ a_{31} & a_{32} \end{pmatrix} \begin{pmatrix} b_1 + h_{11}D_1 + h_{12}D_2 \\ b_2 + h_{21}D_1 + h_{22}D_2 \end{pmatrix}\\
=&\begin{pmatrix} a_{11}b_1 + a_{11}h_{11}D_1 + a_{11}h_{12}D_2 + a_{12}b_2 + a_{12}h_{21}D_1 + a_{12}h_{22}D_2 \\ a_{21}b_1 + a_{21}h_{11}D_1 + a_{21}h_{12}D_2 + a_{22}b_2 + a_{22}h_{21}D_1 + a_{22}h_{22}D_2 \\ a_{31}b_1 + a_{31}h_{11}D_1 + a_{31}h_{12}D_2 + a_{32}b_2 + a_{32}h_{21}D_1 + a_{32}h_{22}D_2 \end{pmatrix};\\
&\text{direct effects}\\
=&\boldsymbol{c}+\boldsymbol{G}\boldsymbol{d}\\
=&\begin{pmatrix} c_1 \\ c_2 \\ c_3 \end{pmatrix} + \begin{pmatrix} g_{11} & g_{12} \\ g_{21} & g_{22} \\ g_{31} & g_{32} \end{pmatrix} \begin{bmatrix} D_1 \\ D_2 \end{bmatrix}\\
=&\begin{pmatrix} c_1 + g_{11}D_1 + g_{12}D_2 \\ c_2 + g_{21}D_1 + g_{22}D_2 \\ c_3 + g_{31}D_1 + g_{32}D_2 \end{pmatrix}.
\end{aligned}
$$

C.3 Mplus Execution

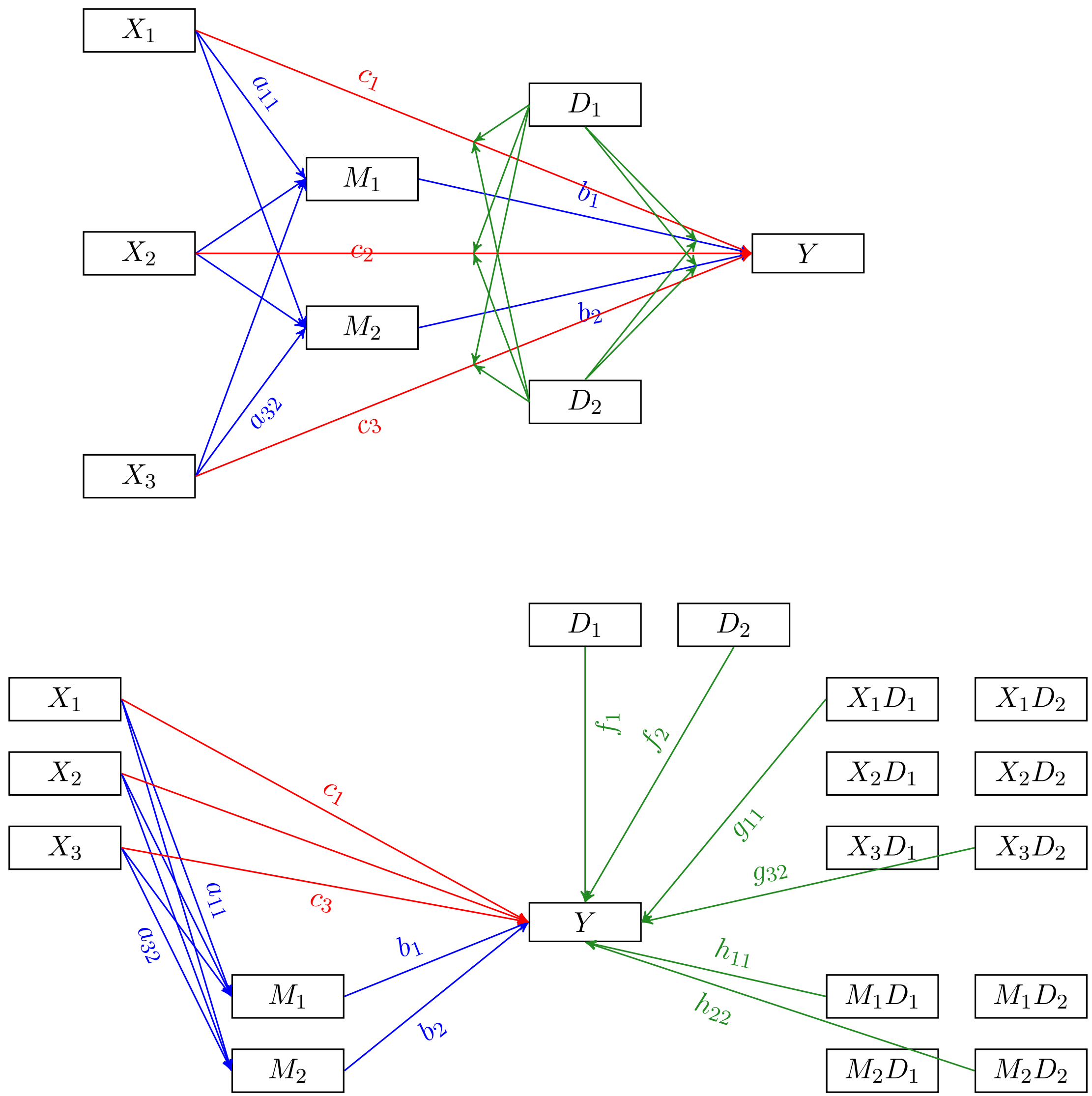
The `DEFINE:` and `MODEL:` sections of the Mplus code is given as following:

```
DEFINE:

    ! G matrix
    X1D1 = X1 * D1;
    X2D1 = X2 * D1;
    X3D1 = X3 * D1;
    X1D2 = X1 * D2;
    X2D2 = X2 * D2;
    X3D2 = X3 * D2;
```

```
    ! H matrix
    M1D1 = M1 * D1;
    M2D1 = M2 * D1;
    M1D2 = M1 * D2;
    M2D2 = M2 * D2;

MODEL:

    [Y] (mu0);
    Y on M1 (b1);
    Y on M2 (b2);
    ! ---
    Y on M1D1 (h11);
    Y on M2D1 (h21);
    Y on M1D1 (h12);
    Y on M2D1 (h22);
    ! ---
    Y on X1 (c1);
    Y on X2 (c2);
    Y on X3 (c3);
    ! ---
    Y on D1 (f1);
    Y on D2 (f2);
    ! ---
    Y on X1D1 (g11);
    Y on X2D1 (g21);
    Y on X3D1 (g31);
    Y on X1D2 (g12);
    Y on X2D2 (g22);
    Y on X3D2 (g32);

    [M1] (mu1);
    M1 on X1 (a11);
    M1 on X2 (a21);
    M1 on X3 (a31);

    [M2] (mu2);
    M2 on X1 (a12);
    M2 on X2 (a22);
    M2 on X3 (a32);

```

Figure C.1

Moderated Mediation Model



Note. A moderated mediation is shown in both model diagram (upper panel) and statistical diagram (lower panel). Direct paths, indirect paths and moderations are differentiated by colour.