Identifying School Climate Variables Associated with Financial Literacy Outcomes in PISA 2018 Data

A Multilevel Structural Equation Modelling Approach

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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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To mum and dad, you deserve the most special thank-you on its own page and I present this thesis to fulfil my promise to be good and study hard made at the airport 18 years ago to this day. I hope I made you proud.

Abstract

A positive and healthy school climate

Using the latest wave of Programme for International Student Assessment (PISA) 2018 financial literacy data

A two-level multilevel structural equation model (MSEM) revealed that 33.5% of the variation in students' PISA 2018 financial literacy scores could be explained by student-level variables and 47.7% by school-level factors. The MSEM also highlighted key roles financial knowledge and financial confidence played in mediating students' financial literacy performance. Both school financial education and parental financial socialisation showed positive associations with financial knowledge and confidence but their direct effects on financial literacy scores were shown to be negative after mediation pathways have been accounted for.

Abstrakt

Chapter 1 Introduction

1.1 An Atlas of Financial Illiteracy

Repeated economic crises in recent memory have exposed the harsh consequences of financial *illiteracy* shared by high proportions of the general population. Low financial literacy was directly linked with negative credit behaviours such as high amount of credit card debt (Norvilitis & MacLean, 2010), high costs of borrowing (Huston, 2012; Pak, 2018), poor mortgage choices (Cox et al., 2015) and subsequent delinquency and home foreclosure (Agarwal, Chomsisengphet et al., 2015; Gerardi et al., 2010). Poor financial decisions made early in life can have profound long-term economic and societal impacts (Montoya & Scott, 2013) such as forgoing medical care (Lusardi et al., 2015), mental health crises (Stone et al., 2018) and geronto-poverty resultant from insufficient retirement provision (Lusardi & Mitchell, 2007, 2008). Borrowers' collective misjudgement on mortgage risks kicked start the subprime crises and in combination with Wall Street greed and laissez faire regulatory attitudes that eventually triggered the avalanche of 2008 financial crisis, the first domino of world-changing events whose impact continues reshaping global economics and geopolitics landscape.

Even more concerning is the pervasive global distribution of financial illiteracy. Deficiencies in financial capability had been observed not only in emerging economies (Karakurum-Ozdemir et al., 2019) such as Colombia (Cao-Alvira et al., 2020), Mexico (Arceo-Gómez & Villagómez, 2017; Böhm et al., 2021), India (Agarwal, Amromin et al., 2015; Kiliyanni & Sivaraman, 2016; Utkarsh et al., 2020), Indonesia (Cole et al., 2009; Khoirunnisaa & Johan, 2020), Turkey (Akben-Selcuk & Altiok-Yilmaz, 2014), and Eastern European countries (Belás et al., 2016; Opletalová, 2015; Reiter & Beckmann, 2020) but also in advanced economies such as Australia (Ali et al., 2014; Taylor & Wagland, 2013; Thomson & De Bortoli, 2017), Canada (Boisclair et al., 2017), Germany (Bucher-Koenen et al., 2017; Erner et al., 2016), Austria (Silgoner et al., 2015), the UK (Barnard et al., 2021) and the USA (Breitbach & Walstad, 2016; Gale et al., 2012; Lusardi et al., 2010). International comparisons also reported low financial literacy in many Asian countries (Yoshino et al., 2015) and member states of the Organisation for Economic Co-operation and Development (OECD) (Cupak et al., 2018; Lusardi, 2015), particularly amongst the young (De Beckker et al., 2019), females, lower educated (Klapper & Lusardi, 2019) and somewhat surprising, inhabitants of countries with more generous social security systems (Jappelli, 2010).

1.2 Financial Literacy as a Necessity

One major reason behind the escalating interests in citizens' financial literacy can be attributed to the policy adjustment taking place in the past two decades. The neo-liberal ideology of reducing government involvement in the economy had crowded out societal care such as pension, health and education from the collective via the state to the individuals (Gilbert, 2002). In a post-financialisation world (Krippner, 2005), the primary goal of political economy has shifted from the redistribution of wealth to the incorporation of individuals within the mainstream financial architecture (Regan & Paxton, 2003). The succession of the asset-based welfare system to the income-based model (Finlayson, 2009), however, was by no means unique to the Anglosphere. The Hartz reforms of 2003/04, according to Seeleib-Kaiser (2016), had significantly altered Germany's post-war social welfare arrangement, leading Ferragina et al. (2015) to re-classify Germany from a conservative welfare into a liberal welfare state comparable to the United Kingdom. Although a detailed account of the history, politics and moral philosophy of social welfare reforms is beyond the scope of this project, this background information does confirm financial literacy as a social necessity independent of one's believes or preference.

Strengthening citizen's financial literacy also generates substantial social returns. The latest U.S. Department of Justice statistics showed a total loss of near 3.25 billion dollars to financial fraud in 2017 (Morgan, 2021) while similar figure was estimated to be 190 billion pounds for the UK, more than the public spending on health and defence *combined* (Gee, 2018). A financially informed and alert individual is less likely to fall victim to fraud and scams (Gamble et al., 2015; Lusardi, 2012) although this effect was thought to be moderated by one's ability to recognise and resist manipulative tactics (Drew & Cross, 2016). In addition to the monetary benefit, some scholars see financial education as a service to civics and democracy since a financially literate population is more resilient to political opportunists. Teaching citizens—as well as the young who will be future voters—about taxation, tariff, outsourcing, labour market transition and career choices protects not only individuals' financial security and dignity but also informs and empowers voting behaviours through which governments are scrutinised and democracy is upheld (Davies, 2015) and even modified (Arthur, 2016). After all, financial literacy can be seen as an investment in human capital (Lusardi & Mitchell, 2014). Today's young people are growing up in a society in which the financial landscape is complex and the financial responsibilities of citizens are substantial.

1.3 Profiles of Successful Learners

As the cellular constituent of the broad economy, personal finance success has long attracted interests from policy makers and educators. Numerous research efforts have been devoted into identifying the common traits shared by individuals displaying knowledge, confidence and behaviour conducive to high financial literacy performance. Potrich, Vieira and Kirch (2015) found well-educated individuals from wealthy families and earning good income themselves had the highest propensity to demonstrate substantial financial literacy. The positive correlations between socioeconomic status and financial literacy performance was observed not only in adult samples but also in late year school students. Using school enrolment data from the State of Victoria, Australia, Ali et al. (2016) found socio-economic variables such as urban-rural locations, non-English speaking at home as well as parental education and occupations accounted for very high proportion of the variations in students' financial literacy test scores. Negative correlations, on the other hand, had been observed between cross-border relocation experience and financial literacy performance. Using 2012 PISA data, Gramaţki (2017) applied a propensity score matching technique to 15-year-old migrant students and concluded that, everything else being equal, second generation migrants underperformed their native peers by 0.15 standard deviations (SD) and this penalty increased to 0.30 SD for first generation migrants.

In addition to social factors, there appeared to be a persistent and sizeable sex difference in financial literacy performance with greater awareness of monetary matters amongst males (Atkinson & Messy, 2011; Lusardi et al., 2010) regardless of test question sophistication (Agnew & Cameron-Agnew, 2015; Agnew & Harrison, 2015) and across countries (Bucher-Koenen et al., 2017). Correlational studies largely discounted macroeconomic variables behind male advantages in financial literacy performance (Chambers & Asarta, 2018) in favour of factors at the family level (Chambers et al., 2019), corroborating the observation that females appeared to start falling behind too early in life (Driva et al., 2016) to allow market force to take effect (Preston & Wright, 2019). Culture did seem to play a partial role in explaining sex difference (Grohmann, 2016) with gender gaps appearing significantly smaller in countries with more egalitarian financial arrangement for custody and marriage (Hospido et al., 2021). Additional proposals were also put forward ranging from historic forces (Bottazzi & Lusardi, 2020), risk aversion (Chen & Garand, 2018), lacks of confidence (Bucher-Koenen et al., 2021; Danes & Haberman, 2007) or problem-solving attitudes (Longobardi et al., 2018), to imbalanced household decision-making (Fonseca et al., 2012). Consensus remains strong amongst existing literature advocating more inclusion of women in promoting population's financial literacy and well-being.

1.4 Measuring Financial Literacy

All intervention programs aiming for financial literacy advancement must be constructed based on sound evidence. Amongst competing inventories, OECD's Programme for International Student Assessment (PISA) stands out as a comprehensive and reliable source of data for measuring 15-year-olds' financial literacy outcomes thanks to OECD's careful sampling procedure and attention to construct validity of measurement. Four technical features of PISA are crucial for the architecture of this study. First, following statistical theory, PISA designers acknowledged the hierarchical nature of education research data such that students are nested in schools, and schools are further nested in countries. Second, one student weight is assigned to each observation in order to account for the fact that not all schools in a country are equally likely to be sampled by the PISA organiser; and given a particular school that has been chosen, not every student in this school is equally likely to be asked to participate in the test (Rust, 2014). A third complication arises from the "planned missingness" in students' responses because each participant is only given a small number of questions relative to the entire test bank in order to ensure their responses are not undermined by tiredness (von Davier, 2014), leading to the outcome variables being represented by multiple plausible values. Fourthly, PISA consulted and synthesised multiple schools of thoughts (OECD, 2019a) in constructing their financial literacy framework. As a result, 2018 PISA data set (OECD, 2020a) provides not only variables measuring behavioural competency outcomes but also cognitive and affective factors such as familiarity with concepts of finance and confidence about financial matters, enabling a nuanced study design involving decomposing the total effect of financial literacy performance into its knowledge, affect, and application components.

1.5 Program Effectiveness for Advancing Financial Literacy

Since youths partition their time between schools and families, research efforts aimed at promoting young people's financial literacy over the years evolved into two strands: on the design and evaluation of school financial education programs, and on the influence of home environment through the process of financial socialisation—the intentional or involuntary transmission of financial concepts which are required to functioning successfully in society (Bowen, 2002). A recent meta-analysis conducted by Kaiser and Menkhoff (2020) found that while school financial education programs had sizeable impacts on *financial knowledge* (+0.33 *SD*) similar to education interventions in other domains, their effect on students' *financial behaviour* is quite small (+0.07 *SD*). This conclusion added to a list of weak or non-findings regarding the long-term behavioural effect brought about by school financial education programs. Brown et al. (2016), for instance, reported mixed outcome in students' long-term financial well-being depending on the programs received; whereas Cole et al. (2016) observed that traditional personal finance courses lacked any explanatory power in accounting for graduates' financial outcome once the additional mathematics training in which finance topics were packaged has been controlled for. Despite careful controls and thoughtful study designs, correlating classroom interventions and young people's financial literacy outcomes has repeatedly yielded paradoxical results of non-significant or even negative relationship; some positive findings remained small in magnitudes and/or were sensitive to robust analyses.

Literature along the financial socialisation line of enquiry delivered more consistent findings. Building on the acknowledgement that families serve as information filters from the outside world (Danes & Haberman, 2007) as well as the foundation for youth's continued financial concept formation, Gudmunson and Danes (2011) put forward a family financial socialisation theory to accommodate both the process and the outcome for variations in young people's financial capabilities. Using structural equation modelling, Jorgensen and Savla (2010) was able to show that perceived parental influence had a direct and moderately significant influence on financial attitude, did *not* have an effect on *financial knowledge*, and had an indirect and moderately significant influence on financial behaviour, mediated through financial attitude. This attitude(A)–behaviour(B)–cognition(C) conceptualisation of financial literacy (Potrich, Vieira, Coronel et al., 2015) continues to influence subsequent research effort. More recently, Moreno-Herrero et al. (2018) continued this line of enquiry by applying multilevel regression analyses to the 2015 PISA data and reported that students' financial literacy was associated mainly with understanding the value of saving and discussing money matters with parents. In addition, exposure and use of financial products, in particular holding a bank account, improved students' financial knowledge as well.

1.6 Research Questions

The current study wishes to incorporate both the school intervention and family socialisation arms of existing literature under a uniform framework recently proposed by Wang and Degol (2016) named "school climate". Besides the classroom activities (ACADEMIC) and parental involvement (COMMUNITY) aspects reviewed earlier, the school climate framework also acknowledges the importance of school safety (SAFETY) and adequate resources (INSTITUTIONAL ENVIRONMENT) for cultivating a healthy and thriving young generation. By taking advantage of the latest wave of 2018 PISA financial literacy results, this project aims to answer these two research questions:

RQ1. To what extent can the variation in students' financial literacy outcomes be accounted for by each of the school climate variables?

RQ2. How does the school-level climate impact on individual learners' financial literacy acquisition process?

1.7 Thesis Overview

This thesis is structured as following: Key concepts such as school climate and financial literacy are explained in detail in Chapter 2 along with the hypothesised relationship between each construct. Chapter 3 will explain the 2018 PISA financial literacy data including sample characteristics and variable formation. A multilevel structural equation model will be proposed in this chapter as well as related technical considerations such as weights, estimators and the model evaluation procedure. Subsequently, analysis results will be presented in Chapter 4 including both descriptive and inferencial statistics. Coefficients from student- and school-levels will be presented separately first, then linked together by the contextual effects. Finally, Chapter 5 will discuss the pedagogical and policy implications of these findings, pointing out the limitation on causal inference as well as directions for future research effort.

Chapter 2 Conceptual Framework

2.1 School Climate

A positive school climate is easier to recognise but difficult to define (OECD, 2019b). When organising school attributes into frameworks, early studies loosely clustered themselves into two camps along the concrete–abstract spectrum. When researching on students' behavioural problems and emotional distress, for example, Kuperminc et al. (1997) recognised the insufficiency of using observable characteristics of a school as the metric for its managerial success but adopted a utilisation and perception approach based on social-ecological and developmental theories. Such emphasis on school users' *perception* continued into Esposito (1999)'s study of students' social disadvantages on their academic outcomes, with exploratory factor analysis results suggesting a five-factor model including student academic orientation, parent-school relationships, security, administration and teacher-student relationships. Freiberg and Stein (1999), on the other hand, took a more idealised view of school climate as "the heart and soul of a school"—the very "essence of a school that leads a child, a teacher, an administrator, a staff member to love the school and to look forward to being there each school day" (p. 11). However broad or narrow the definition, both ends of the spectrum signalled that the ultimate utility of any school climate framework should facilitate our understanding of student development.

With this goal in mind, Wang and Degol (2016) surveyed six theories for the purpose of building a multidimensional school climate framework. Since schooling is an interaction between individuals and every environment immersing them (the bio-ecological theory), students inevitably develop protective and/or maladaptive behaviours (risk and resilience perspective) in addition to all existing bonds they formed with parents (attachment theory). Thanks to students' ever-growing capabilities, schools may then encourage learners to connect, invest, participate and believe in their learning environment (social control theory), by bridging their motivation towards success criteria (social cognitive theory) and by removing barriers (stage-environmental fit theory) to growth. These theories jointly guided a literature review and coding exercise that led to a four-domain, 13-dimension structure of school climate framework (see Figure 1, Wang & Degol, 2016, p. 318). This current project approached Wang and Degol's

(2016) ontology from the domain-level and referred the ACADEMIC climate as the overall quantity and quality of the teaching-learning activities; COMMUNITY as the engagement and interpersonal ties schools maintain with stakeholders such as and in particular parents; SAFETY as the degree of physical and emotional security afforded by schools; and INSTITUTIONAL ENVIRONMENT as the organisational and structural features of schools in particular their educational resource availability. All four branches of the school climate framework serve as platforms upon which students' financial literacy can be constructed.

2.1.1 School Financial Education Programs (FEdu)

Amongst the many redress schemes aimed at promoting citizens' financial capability, the return on investment was the highest when direct classroom interventions were applied to the young. Lusardi and Mitchell (2014) have shown that providing financial knowledge to high schoolers before they enter the labour market increased their well-being by approximately 82% of their initial wealth, while the rate of return was around 56% for college graduates. In order to test the causal effects between classroom interventions and students' financial understanding Amagir et al. (2018) reviewed 24 studies evaluating the effectiveness of secondary school financial education programs using either random control trails or quasi-experimental research designs, and found all but two reported positive effects between school interventions and students' financial knowledge. The effect sizes, however, appeared to be dependent on the length of the delivery periods, with one long and intensive program yielding $d = 0.981$ for basic economic knowledge and 1.020 for personal finance but only $d = 0.221$ to 0.267 from a short series. The review paper also found general positive correlations between school programs and students' attitudes towards finance-related matters (FA) such as confidence. Kaiser and Menkhoff (2020) recently updated the literature using publications employing (quasi-)experiment designs and reported an average treatment effect of 0.331 for the 31 pooled samples and 0.369 for the 12 high school sub-samples on financial knowledge (FC) gains. Based on existing literature, the current project therefore hypothesises that

H1: There exists a positive association between FEdu and FC.

H2: There exists a positive association between FEdu and FA.

The relationships between school financial education programs and students' subsequent financial *behaviours* (FB), on the other hand, were more mixed. Early studies by Bernheim et al. (2001) examined the impact of the progressive introduction of financial curriculum mandates in many US states between 1957 and 1985 on recipients' saving behaviour and net worth at the end of 1995. Analyses showed that (a) systematic differences in saving rates across states did not appear until after mandates were imposed, (b) saving rates only started to raise many years after the mandate, and (c) net worth was higher by roughly one-year's worth of earnings for an average individual having been exposed to the mandate. This 20-year time horizon study led the authors to the conclusion that school financial education efforts *did* have meaningful impact on recipients' life-long financial well-being albeit with significant implementation lags. Most recently, a German study showed causal evidence that teaching financial literacy to 16-year-olds had significant short- and longer-term effects on risk and time preferences (Sutter et al., 2020). This result lent weight to an earlier randomised controlled trial with 3,000 Grade 9 students in Spain (Bover et al., 2018) where students showed more patience in hypothetical saving choices both immediately after the treatment and three months later. Frugality, delayed gratification, faster debt clearance and decreased reliance on credit financing were all documented by Carlin and Robinson (2012) in the US after a finance-related theme park training. Other publications, however, showed weak or even non-findings for financial behaviour improvement. A short financial education program on German high schoolers, for example, showed reduction in impulse purchases but no significant increase in savings (Lührmann et al., 2015). A review article by Fernandes et al. (2014) found school programs explained only 0.1% of the variance in financial behaviours and decaying to negligible levels 20 months later. Since the current literature is yet to reach consensus about the strength of the relationship between school interventions and students' financial behaviour, it is prudent to hypothesise:

H3: The relationship between FEdu and FB is non-negative.

2.1.2 Parental Influence and Financial Socialisation (FSoc)

Although financial capability is an important integral of adulthood, the process of acquiring the financial knowledge and skills begins in early childhood. Parents provide a context in which children learn what money is, for instance, and how it is used and saved (Birbili & Kontopoulou, 2015). Whether intentionally or informally, financial intuition is passed around the household through frequent interactions, conversations, and lessons. Consequently, the financial knowledge and skills acquired while growing up at home form the foundation for the financial attitudes and behaviours carried into adulthood (Serido & Deenanath, 2016). Using a panel data set from the Dutch DNB Household Survey between 2000 and 2012, Bucciol and Veronesi (2014) reported that parental teaching about savings increased the likelihood of adult saving by 16% and the saving amount by approximately 30%. Similar intergenerational effect was observed from longitudinal studies in the US, linking adolescents' observation of parents' responsible financial behaviour to their own good decisions and actions later in life (Tang, 2017). Moreno-Herrero et al. (2018) further examined the relationship between students' financial socialisation experience and their financial literacy outcome using PISA 2012 data. By operationalising financial socialisation as the frequency of money-related discussions with parents, saving habits and bank account ownership, the authors reported positive associations between financial socialisation and PISA financial literacy scores. These studies suggested that

H4: The relationship between FSoc and FC is non-negative.

H5: FSoc is positively related to FA.

H6: FSoc is positively related to FB.

2.1.3 School Safety (Safety)

School safety is the prerequisite for any learning and growth. As a social construction, the definition of school safety can be subjective and coloured by one's social location, cultural experiences and school context (Cornell & Mayer, 2010). Since its initial definition as an absence of weapons and/or homicides in school settings (Skiba et al., 2006), the understanding of school safety has evolved substantially to emphasise the prevention of overt and covert violence such as bullying behaviours (physical safety, Jimerson et al., 2012), caring and supportive staff as well as the availability of mental health services (emotional safety, Kuperminc et al., 1997), and delinquent acts committed by students against their peers and teachers (school order and discipline, Gottfredson et al., 2005). Although studies specifically examining the relationship between adverse school experiences such as being bullied and financial literacy performance were yet to emerge, Kutsyuruba et al.'s (2015) review article on the associations between school safety and students' general academic attainment may serve as a general guide suggesting

H7: There is a positive association between Safety and FC.

H8: There is a positive association between Safety and FA.

H9: There is a positive association between Safety and FB.

2.1.4 Institutional environment (Resource shortage)

Both the physical and social infrastructure of schools greatly influence users' experience and functioning. An optimal learning environment requires appropriate heating and cooling, ample supply of lighting, necessary acoustic control and regular maintenance (environmental adequacy, Uline & Tschannen-Moran, 2008). Secondly, structural organisation such as class size was also linked to students' education outcomes (Finn & Achilles, 1999). Lastly, although the core of classroom instruction involves the interaction between teachers and students, the quality of such interaction is frequently facilitated by the equipment, materials, and supplies. Optimising resource utilisation has been attributed to improved student attainment particularly for schools in impoverished communities (Miles & Darling-Hammond, 1998). Based on the observed impact school resource had on learner outcomes, this study hypothesises that

H10: Resource shortage is negatively associated with students' average FB.

H11: Class size is negatively associated with students' average FB.

2.2 Financial Literacy

In its official publication *PISA 2018 Assessment and Analytical Framework* (OECD, 2019a), the OECD provided an explicit definition of "financial literacy" as

> the knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life (p. 128)

with emphases on both the thinking and behaviour that characterise such construct and the purposes for developing this particular literacy. Of particular relevance to the current project are the knowledge, confidence and application aspects of financial literacy.

2.2.1 Knowledge Aspect of Financial Literacy (FC)

Since poor financial behaviours have been associated with a lack of financial knowledge (Hastings et al., 2013; Lusardi & Mitchell, 2014), one major goal of financial literacy interventions is to ensure students receive the information and support they need to make responsible and appropriate financial decisions confidently, both in their school years and in adult lives (OECD, 2020b).

2.2.2 Confidence Aspect of Financial Literacy (FA)

The positive association between students' confidence and their academic attainment has also been well documented. By synthesising one decade of large-scale international assessment data, Lee and Stankov (2018) found self-beliefs (labelled "self-efficacy" in PISA and "confidence" in TIMSS) to be the strongest non-cognitive predictor for students' mathematics achievement. Similar relationships had also been observed in the realm of financial literacy such as Arellano et al.'s (2014) study using the Spanish portion of the PISA 2012 financial literacy data, and Borges Ramalho and Forte's (2019) results based on the Brazilian sub-sample of the 2016 OECD/INFE International Survey of Adult Financial Literacy Competencies.

2.2.3 Application Aspect of Financial Literacy (FB)

Although financial knowledge and confidence forms the very foundation upon which financial capability can be developed, it is individuals' willingness and ability to *apply* such capability through financial decision-making that counts as the ultimate outcome of their financial literacy (Huston, 2010). Operationalise financial behaviour as one's ability to solve real-world financial problems also make it feasible to capture financial behaviours within a one-hour test, with the result reflecting one's understanding, affinity and application of their financial capability. The OECD paid particular attention to upholding financial literacy as an independent construct. Such consideration was important because one's financial capability was known to covary with both numeracy (Geiger et al., 2020; Ozkale & Erdogan, 2020a, 2020b; Sole, 2014) and literacy (Bay et al., 2014) skills. Empirical studies using diverse samples from the Philippines (Indefenso & Yazon, 2020) to Sweden (Skagerlund et al., 2018) reported correlations between numeracy and financial knowledge/literacy to be between approximately .61 and .52. In order to minimise the impact of low arithmetic skills (Huston, 2010), financial formulæ were never required in any problem solving tasks and students may use the on-screen calculator at any time of the test. Furthermore, stimulus material and task statements were generally designed to be as clear, simple and brief as possible to minimise the impact of low reading ability on financial literacy scores.

Both financial knowledge and confidence are hypothesised to contribute to students' performance in finance-related problem solving:

H12: FC is positively related to FB.

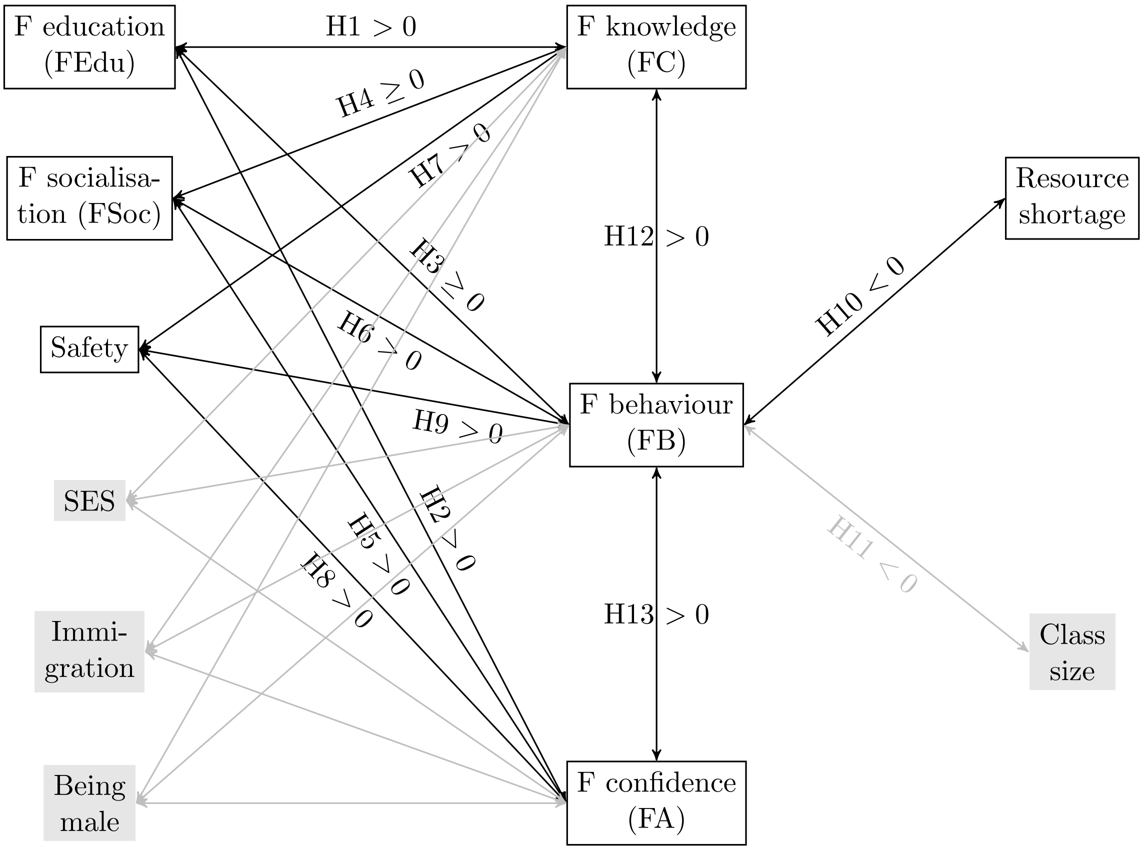
H13: FA is positively related to FB.

2.3 Summary of Relationships between Constructs

As discussed in Section 1.3, learners' demographic attributes such as socio-economic status, immigration history and sex were used as control variables, leading to the following diagram summarises all hypothesised relationship between concepts introduced in this chapter:

Figure 2.1

Summary of Study Hypotheses



Note. "F" is short for "Financial". Demographic control variables are shaded in grey and may covary with some or all of FC, FB, and FA.

Chapter 3 Methods

3.1 Sample

This study drew its primary data source from OECD's PISA 2018 database. Responses from both student (OECD, 2020a) and school questionnaires (OECD, 2020d) were captured and merged into a master data file using R's (Version 4.0.5, R Core Team, 2021) `intsvy` package (Version 2.5, Caro & Biecek, 2017) (see Section B.1 for analysis code) including the following 20 participating countries[1]: Brazil, Bulgaria, Canada, Chile, Estonia, Finland, Georgia, Indonesia, Italy, Latvia, Lithuania, the Netherlands, Peru, Poland, Portugal, Russian Federation[2], Serbia, Slovak Republic, Spain, and the USA. Twelve observations without school weights were dropped, leading to a sample size of 107,162 students nested in 6,631 schools (see Table B.1 for detailed sample profile). Under PISA 2018 sampling design, all student candidates were born in the year 2002 in international grades 7 or higher (Chapter 4 of *PISA 2018 Technical Report*, OECD (2020c), p. 29) and will be referred to as "15-year-old" in this study.

3.2 Measures

3.2.1 School Climate Variables

Following Wang and Degol's (2016) framework, this study selected variable `FLSCHOOL` "financial education in school lessons" as an indicator for the ACADEMIC domain of school climate; `FLFAMILY` "parental involvement in matters of financial literacy" for the COMMUNITY engagement dimension (i.e., "financial socialisation"), `NOBULLY` (reverse coding of `BEINGBULLIED` such that larger numbers imply safer schools) as an indicator for school SAFETY, and lastly `EDUSHORT` "shortage of educational material" as an indicator of the resource availability aspect of the INSTITUTIONAL ENVIRONMENT of schools. All four measures were derived variables based on IRT scaling, with good scale reliabilities for most countries and constructs (see Table B.2 for Cronbach's alphas). In addition, the OECD has applied multi-group concurrent calibrations to all latent constructs using the root mean square deviance below 0.3 criterion (for a technical discussion on RMSD, see Buchholz & Hartig, 2019, p. 244) in order to ensure cross-country measurement invariance (see Chapter 9 of *Technical Report* (OECD, 2020c, pp. 14–15) for

[1] Australia also participated in the 2018 PISA financial literacy test but chose to withhold its data from public release and is therefore not included in the current study.

[2] Moscow Region (`CNTRYID` = 982) and Tatarstan (983) have been merged into Russian Federation (643).

Table 3.1
Summary of Measures and Variables

Analysis level	Exogenous variable		Endogenous variable	
	School climate (Input, X)	Demographic control	Financial capability indicators FC & FA (Mediator, M)	FB (Outcome, Y)
School-level ($L2$)	$\texttt{FLSCHOOL}_B$ $\texttt{FLFAMILY}_B$ $\texttt{NOBULLY}_B$ EDUSHORT	STRAIO		$\texttt{FLIT}_B$
Student-level ($L1$)	$\texttt{FLSCHOOL}_W$ $\texttt{FLFAMILY}_W$ $\texttt{NOBULLY}_W$	ESCS IMMI1GEN IMMI2GEN MALE	FCFMLRTY FLCONFIN	$\texttt{FLIT}_W$

Note. The within- and between-level components are marked with subscript $_W$ and $_B$ respectively.

analytical details).

3.2.2 Financial Literacy Measures

Financial Knowledge (FC)

In order to ascertain candidates' current understanding of finance-related topics, FL164 of the financial literacy questionnaire presented 18 terminologies such as exchange rate, budget, and income tax and asked students to rate their familiarity with each term using a three-point scale: "Never heard of it", "Heard of it, but I don't recall the meaning" and "Learnt about it, and I know what it means". Sum scores of FL164 were used to construct "familiarity with concepts of finance" variable (FCFMLRTY, Chapter 16 of *PISA 2018 Technical Report*, OECD (2020c), p. 23). This scale had good reliability properties evidenced by its high Cronbach's alphas in Table B.2.

Financial Confidence (FA)

PISA 2018 included a set of questions in FL162 asking students about their confidence over six financial activities such as making money transfers, understanding bank statements, and plan their spendings using a four-point Likert scale ranging from "Not at all confident", "Not very confident", "Confident" to "Very confident". A variable "confidence about financial matters" was subsequently constructed using the IRT procedure (FLCONFIN, OECD (2020c), p. 23). Cronbach's alphas in Table B.2 suggested good reliability.

Financial Application (FB)

The financial literacy application problems were drawn from 43 questions distributed across 24 booklets. The actual test bank remained confidential for reuse, but the OECD was

Table 3.2

Structure of PISA 2018 Financial Literacy Construct

Domain [a]	Content areas	Distribution of score points (%)
Content	Money and transactions	30–40
	Planning and managing finances	25–35
	Risk and reward	15–25
	Financial landscape	10–20
Process	Identify financial information	15–25
	Analyse information in a financial context	15–25
	Evaluate financial issues	25–35
	Applying financial knowledge and understanding	25–35
Contexts	Education and work	10–20
	Home and family	30–40
	Individual	35–45
	Societal	5–15

Note. This table synthesised Table 5.1 to 5.3 of *PISA 2018 Assessment and Analytical Framework* (OECD, 2019a, p. 155). The PISA organiser used the term "score points" instead of "items" because partial credits can be awarded for some questions.

[a] *Content* comprises the areas of knowledge and understanding that are essential in the area of literacy in question; *processes* describes the mental strategies or approaches that are called upon to negotiate the material; and *contexts* refers to the situations in which the knowledge, skills and understandings of the domain are applied, ranging from the personal to the global. (OECD, 2019a, pp. 130–131)

able to provide examples that were comparable in style and difficulty in the *Analytical Framework* (OECD, 2019a, pp. 133–148). These exemplar questions illustrated the domains and content areas (see summary in Table 3.2) PISA 2018 covered for the purpose of constructing candidates' financial literacy scores. In order to succeed in the bank statement question (Figure 5.1, OECD (2019a), p. 133), for example, students should recognise that the necessary information was presented in multiple locations of the financial document and must be identified amongst distractions then summed together. This question covered the "money and transactions" content area of the "content" domain, the "identifying financial information" content area of the "process" domain, and the "home and family" content area of the "contexts" domain. Both constructed- and selected-responses were used in question design and 30 out of 43 items were automatically coded by computers. "Planned missingness" resultant from rotating booklet design was imputed into ten plausible values (von Davier, 2014) centred at 500 with standard deviations of 100 (OECD, 2019a). All ten plausible values (`PV1FLIT` to `PV10FLIT`, collectively written as

FLIT form here on) have been used in subsequent analyses following procedures prescribed by Rubin (1987).

3.2.3 Control Variables

In the 2018 PISA cycle, the OECD simplified its computation of the students' economic, social and cultural status (ESCS) index by taking the arithmetic mean of three indicators: PARED (parental education), HISEI (parental occupational status) and HOMEPOS (home possessions). Figure 16.4 of the *Technical Report* (OECD, 2020c) visualised the ESCS formation procedure while Avvisati (2020) further examined the validity and reliability of the ESCS construct. Students' immigration status was determined by synthesising responses from student questionnaire items ST019 (parents' country of birth) and ST021 (students' age of arrival in test country) (OECD, 2019b, pp. 212–213) into a categorical variable with levels 1 = Native, 2 = Second-Generation and 3 = First-Generation. This information enabled the derivation of two binary variables IMMI1GEN and IMMI2GEN to mark first- and second-generation migrants respectively, with natives being the reference group receiving zero entries for both categories. The variable ST004D01T from the student questionnaire (OECD, 2020a) represented students' gender and was transformed into a binary variable with female being the reference group: 0 = female; 1 = male.

3.3 Multilevel Structural Equation Modelling (MSEM)

Conventional multilevel modelling approaches assume the observed group means to be perfectly reliable when individual-level characteristics are aggregated to the group-level—a particularly questionable assumption in current study. Thanks to recent advancement in both theoretical derivations (Lüdtke et al., 2008; Marsh et al., 2009) and computation power (Muthén & Muthén, 1998–2017), the multilevel latent covariate (MLC) approach has enabled the current project to decompose $L1$ school climate variables FLSCHOOL, FLFAMILY, NOBULLY as well as financial literacy scores FLIT into their corresponding within- and between-level components (subscript $_W$ and $_B$ respectively). This doubly latent MSEM approach controlled measurement error at both the student- and school-levels as well as sampling error due to the aggregation of $L1$ variables to form $L2$ constructs (Lüdtke et al., 2011; Lüdtke et al., 2009; Marsh et al., 2012). Subscript $_{ij}$ in the MSEM model below represents the within-group component of the MLC decomposition and subscript $_j$ stands for the between-group component:

Student-level ($L1$):

$$\begin{aligned}
\texttt{FCFMLRTY} = \alpha_j^{M_1} &+ \gamma_{11}\texttt{FLSCHOOL}_{ij} + \gamma_{21}\texttt{FLFAMILY}_{ij} + \gamma_{31}\texttt{NOBULLY}_{ij} \\
&+ \gamma_{41}\texttt{ESCS}_{ij} + \gamma_{61}\texttt{IMMI2GEN}_{ij} + \gamma_{71}\texttt{MALE}_{ij} + r_{ij}^{M_1} \\
\texttt{FLCONFIN}_{ij} = \alpha_j^{M_2} &+ \gamma_{12}\texttt{FLSCHOOL}_{ij} + \gamma_{22}\texttt{FLFAMILY}_{ij} + \gamma_{32}\texttt{NOBULLY}_{ij} \\
&+ \gamma_{42}\texttt{ESCS}_{ij} + \gamma_{62}\texttt{IMMI2GEN}_{ij} + \gamma_{72}\texttt{MALE}_{ij} + r_{ij}^{M_2} \\
\texttt{FLIT}_{ij} = \alpha_j^{Y} &+ \beta_1\texttt{FCFMLRTY}_{ij} + \beta_2\texttt{FLCONFIN}_{ij} \\
&+ \gamma_{1}\texttt{FLSCHOOL}_{ij} + \gamma_{2}\texttt{FLFAMILY}_{ij} + \gamma_{3}\texttt{NOBULLY}_{ij} \\
&+ \gamma_{4}\texttt{ESCS}_{ij} + \gamma_{5}\texttt{IMMI1GEN}_{ij} + r_{ij}^{Y_W}
\end{aligned} \tag{3.1}$$

School-level ($L2$):

$$\begin{aligned}
\alpha_j^Y = \alpha_{00}^Y &+ a_1\texttt{FLSCHOOL}_j + a_2\texttt{NOBULLY}_j + a_3\texttt{FLFAMILY}_j + a_4\texttt{EDUSHTG}_j \\
&+ a_5\texttt{STRATIO}_j + \varepsilon_j^{Y_B}
\end{aligned} \tag{3.2}$$

with the residual distribution assumptions

$$\begin{pmatrix} r_{ij}^{M_1} \\ r_{ij}^{M_2} \\ r_{ij}^{Y_W} \end{pmatrix} \sim \mathrm{MVN}\left[\begin{pmatrix} 0 \\ 0 \\ 0 \end{pmatrix}, \begin{pmatrix} \sigma_{M_1}^2 & 0 & 0 \\ 0 & \sigma_{M_2}^2 & 0 \\ 0 & 0 & \sigma_{Y_W}^2 \end{pmatrix}\right], \text{ and } \varepsilon_j^{Y_B} \sim \mathcal{N}\left(0,\ \sigma_{Y_B}^2\right), \tag{3.3}$$

where $\mathrm{MVN}(\cdot)$ and $\mathcal{N}(\cdot)$ stand for multivariate normal and normal distribution respectively.

Using Kaplan's (2009) notation $\boldsymbol{y}_{ij} = \boldsymbol{\alpha}_j + \mathbf{B}_j\boldsymbol{y}_{ij} + \boldsymbol{\Gamma}_j\boldsymbol{x}_{ij} + \boldsymbol{r}_{ij}$ for student-level ($L1$) and random intercept $\boldsymbol{\alpha}_j = \boldsymbol{\alpha}_{00} + \boldsymbol{A}\boldsymbol{w}_j + \boldsymbol{\varepsilon}_j$ for school-level ($L2$), the model equations can be further condensed into the matrix form, with the corresponding path diagram in Figure 3.1:

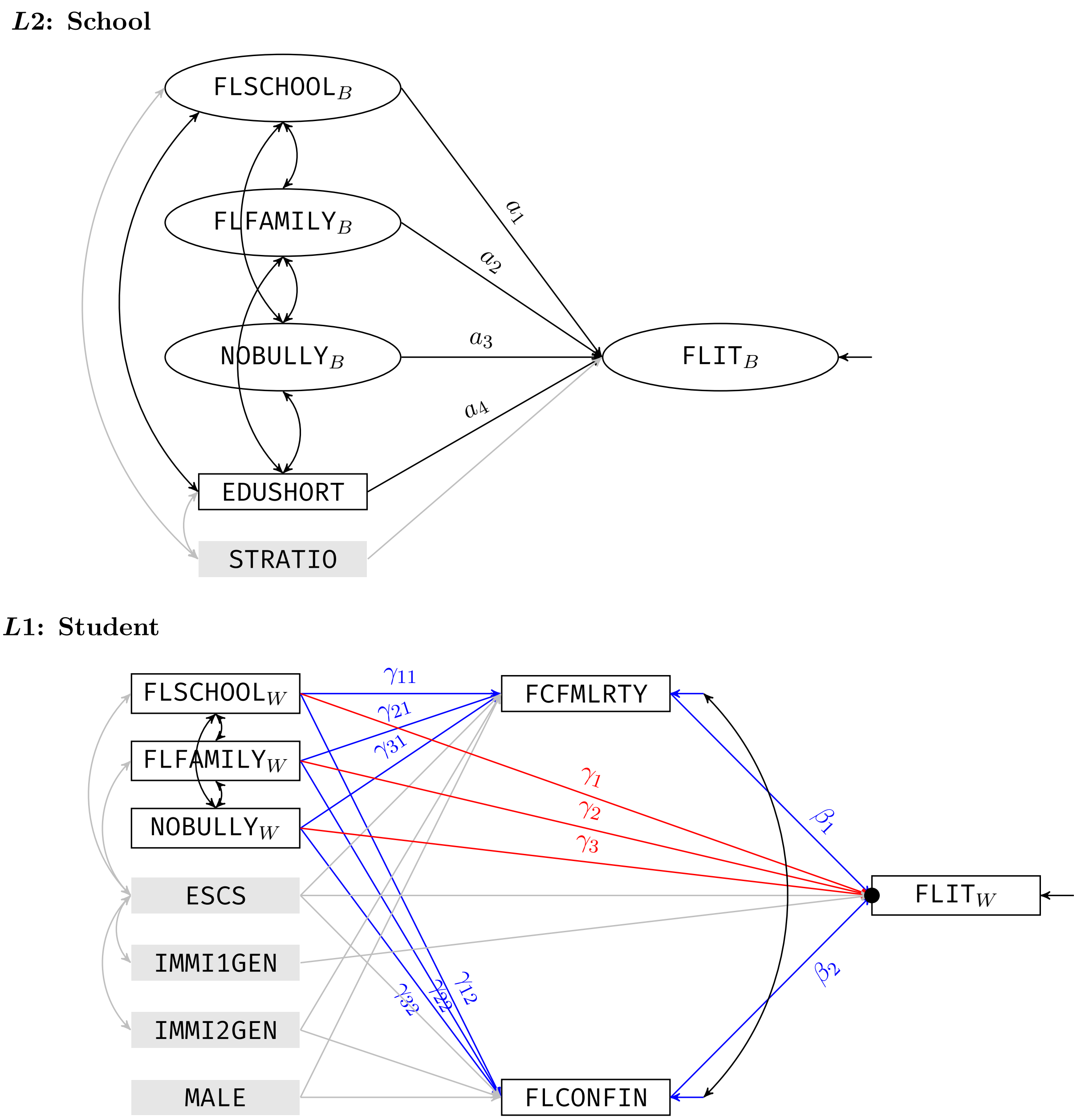
$$\begin{aligned}
\begin{bmatrix} \texttt{FCFMLRTY}_{ij} \\ \texttt{FLCONFIN}_{ij} \\ \texttt{FLIT}_{ij} \end{bmatrix} &= \begin{pmatrix} \alpha_j^{M_1} \\ \alpha_j^{M_2} \\ \alpha_j^{Y_W} \end{pmatrix} + \begin{pmatrix} 0 & 0 & \beta_1 \\ 0 & 0 & \beta_2 \\ 0 & 0 & 0 \end{pmatrix}^{\intercal} \begin{bmatrix} \texttt{FCFMLRTY}_{ij} \\ \texttt{FLCONFIN}_{ij} \\ \texttt{FLIT}_{ij} \end{bmatrix} \\
&+ \begin{pmatrix} \gamma_{11} & \gamma_{12} & \gamma_1 \\ \gamma_{21} & \gamma_{22} & \gamma_2 \\ \gamma_{31} & \gamma_{32} & \gamma_3 \\ \gamma_{41} & \gamma_{42} & \gamma_4 \\ 0 & 0 & \gamma_5 \\ \gamma_{61} & \gamma_{62} & 0 \\ \gamma_{71} & \gamma_{72} & 0 \end{pmatrix}^{\intercal} \begin{bmatrix} \texttt{FLSCHOOL}_{ij} \\ \texttt{FLFAMILY}_{ij} \\ \texttt{NOBULLY}_{ij} \\ \texttt{ESCS}_{ij} \\ \texttt{IMMI1GEN}_{ij} \\ \texttt{IMMI2GEN}_{ij} \\ \texttt{MALE}_{ij} \end{bmatrix} + \begin{pmatrix} r_{ij}^{M_1} \\ r_{ij}^{M_2} \\ r_{ij}^{Y_W} \end{pmatrix}, \\
\begin{pmatrix} \alpha_j^{M_1} \\ \alpha_j^{M_2} \\ \alpha_j^{Y_W} \end{pmatrix} &= \begin{pmatrix} \alpha_{00}^{M_1} \\ \alpha_{00}^{M_2} \\ \alpha_{00}^{Y} \end{pmatrix} + \begin{pmatrix} 0 & 0 & a_1 \\ 0 & 0 & a_2 \\ 0 & 0 & a_3 \\ 0 & 0 & a_4 \\ 0 & 0 & a_5 \end{pmatrix}^{\intercal} \begin{bmatrix} \texttt{FLSCHOOL}_j \\ \texttt{FLFAMILY}_j \\ \texttt{NOBULLY}_j \\ \texttt{EDUSHTG}_j \\ \texttt{STRATIO}_j \end{bmatrix} + \begin{pmatrix} 0 \\ 0 \\ \varepsilon_j^{Y_B} \end{pmatrix}.
\end{aligned} \tag{3.4}$$

3.4 Missing Data Treatment

Missing data are the norm rather than the exception in empirical studies and they demand great care from the researchers to ensure analytical validity. While full information

Figure 3.1

Path Diagram Illustrating the Two-level SEM Predicting Youth's Financial Literacy Outcomes



Note. School climate variables `FLSCHOOL`, `FLFAMILY`, and `NOBULLY`, as well as cognitive outcome `FLIT` are decomposed into the within- and between-components (subscript $_W$ and $_B$ respectively) using the multilevel latent covariate (MLC) approach. Direct pathways are coloured in red while indirect in blue. Control variables are shaded in grey.

maximum likelihood has the benefit of being well understood and readily available in software, the multiple imputation (MI) approach outperforms (a) when the data set contains mixtures of incomplete categorical and continuous variables, (b) when dealing with questionnaire data where items usually come in parcels, (c) when auxiliary variables are required, and (d) when the missing completely at random assumption cannot be reasonably assumed (Enders & Mansolf, 2018). These considerations conclusively directed the current study towards the multilevel MI under the assumption that data were missing at random (Little & Rubin, 2019). In addition, since PISA 2018 financial literacy source files contain missing data at both student- and school-levels and in both continuous and categorical variables, the joint modelling approach is adopted under the advisory of Grund et al. (2018). More specifically, ten sets of imputed data were ordered through **M*plus***'s (Version 8.5, Muthén and Muthén (1998–2017)) unrestricted variance-covariance model ("JM-AM H1", Asparouhov & Muthén, 2010b), using the Bayes estimator with uninformative priors and 4-chain Gibbs sampler to verify convergence as per suggestion by Little and Rubin (2019, p. 230) and Lambert (2018, p. 314). Finally, the first 50,000 burn-in iterations were discarded and any two draws were separated by 5,000 iterations to avoid autocorrelation (see Section B.2.1 for input file)—a safe setting even for moderate to high percentage missings (Grund et al., 2016). See Table B.3 for imputation results and diagnostic plots.

3.5 Sampling Weights

Due to PISA's two-stage sampling design, schools and students were selected with *unequal* probabilities (Chapter 3, OECD (2009), pp. 47–56). A proper incorporation of sampling weights is therefore crucial for establishing unbiased estimations. This study has made use of both student and school weights. Under the advisory of Asparouhov (2006), $L1$ weights were scaled such that they sum to the sample size in each cluster while $L2$ weights were adjusted so that the product of the between- and within-weights sums to the total sample size (Muthén & Muthén, 2017, pp. 622–624).

3.6 Estimator

This study accepted **M*plus***'s default setting of pseudo maximum likelihood (MLR) estimator for the hierarchical modelling (Chapter 16, Muthén & Muthén, 2017, pp. 666 & 668). MLR's robust standard errors are in general Huber-White sandwich estimators (Huber, 1967; White, 1982) with asymptotic standard error corrections using observed residual variances. Literature has long recognised MLR's robust χ^2 tests and standard errors as being more accurate than the asymptotic tests when data are non-normal and when models are mis-specified (Chou et al., 1991; Curran et al., 1996). In the multilevel modelling context, robust χ^2 and standard errors may also provide protection against unmodelled heterogeneity resultant from mis-specification at the group-level or from omitting a level (Hox et al., 2010).

3.7 Model Evaluation

Multiple imputation substantially complicates model fit interpretations. It is important to reflect that Rubin's (1987) rules apply only to *model parameters* under the assumption that over repeated samples, estimates eventually form normal curves peaked at some population values. The distributions of fit indices, on the other hand, are almost always unknown or non-normal, imposing high standards of proof on any proposed aggregation procedures. Early work such as Meng and Rubin (1992) on pooled likelihood-ratio statistic, the precursor to many model fit indices, has been substantiated by simulation studies more recently with encouraging results that it is feasible to construct pooled information criteria (Claeskens & Consentino, 2008) as well as pooled model fit indices (Asparouhov & Muthén, 2010a) under MI. Enders and Mansolf (2018) further suggested that with large samples ($N > 100$) and low missing rates ($< 30\%$–40%), common cut-off criteria such as Hu and Bentler (1999) remain valid. This study took advantage of **M*plus***'s capability of automatically pooling model fit information in the presence of MI. Supported by large sample size ($N = 107,162$) and low missing rate (maximum 22.08%), conventional cut-offs of RMSEA $\leq .06$, SRMR $\leq .08$, CFI $\geq .95$ and TLI $\geq .95$ are likely to be suitable for model comparison purposes.

Iterations whose model fit indices fell short of the abovementioned cut-off criteria were further investigated using modification indices and (fully standardised) expected parameter change (EPC). Modification indices (ModInd) suggest how much a model's χ^2 statistic would decrease by should a fixed parameter were freely estimated; a ModInd greater than 3.84 (critical value of χ^2_1 at $\alpha = .05$) warrants further consideration for theoretical plausibility (Whittaker, 2012). The EPCs, in contrast, indicate the estimated value of a fixed parameter if it were added to a model and freely estimated, providing a more direct estimate of the size of the misspecification for the parameters under consideration. Kaplan (1989) compared ModInd and EPC's impact on empirical studies and concluded that the former had a tendency to suggest freeing implausible parameters while the latter were more likely to recommended reasonable candidates to the model. This study made use of the decision rule prescribed by Saris et al. (1987) to freely estimate a parameter when both ModInd and EPC are large. Model modification decisions were applied sequentially under the advisory of MacCallum et al. (1992) and with close consideration to theoretical ground to ensure underlying substantive assumptions were justified.

Two operational concerns were relevant to the current study. Firstly, since **M*plus*** Version 8.5 only accepts one data set for the modification procedures, the file containing the first plausible value was selected for the model evaluation purposes. Secondly, three versions of the EPC were reported by **M*plus***: E.P.C. (Saris et al., 1987), Std E.P.C (Kaplan, 1989) and StdYX E.P.C. (Chou & Bentler, 1993). This study adopted the latter most version largely due to its invariance property resultant from both parameter and residual standardisations. Improper solutions with standardised estimates greater than 1.0 and/or with negative variances (i.e., Heywood cases) were ignored during decision-making process.

Chapter 4 Results

4.1 Descriptive Statistics and Correlations

Table 4.1 presents descriptive statistics of all measures included in the MSEM model. $L1$ variable `NOBULLY` and $L2$ variable `STRATIO` were highlighted as particularly non-normal due to sizeable disagreements between their means and medians in combination with significant skewness. The MLR estimator introduced in Section 3.6 explicitly takes non-normality into account when computing robust standard errors, safeguard the validity of subsequent analyses. These asymmetric variables suggested that the majority of 15-year-olds experienced safe schools and classrooms overcrowding was uncommon in PISA 2018.

Correlations in Table 4.2 further suggested that schools and families cared about youth's financial literacy in synchrony ($\overline{\rho} \approx .23$) and both efforts were associated with higher cognitive and affective outcomes ($\overline{\rho}$ between .17 and .28). Additionally, students' ESCS were positively correlated with both familiarity with ($\overline{\rho} = .23$) and achievement in ($\overline{\rho} \approx .29$) financial literacy. Lastly, there was a positive correlation between familiarity and confidence ($\overline{\rho} \approx 0.23$) and a similar strength existed between confidence and performance ($\overline{\rho} = 0.23$).

Correlations at the school-level exhibited interesting patterns. Schools with strong emphases on financial education also tended to have engaging parents ($\overline{\rho} \approx .24$), a relationship similar to its $L1$ counterpart in size and magnitude. Although the negative correlation between resource shortage and school safety ($\overline{\rho} \approx -.21$) was expected, it remained counterintuitive that schools that were less safe ($\overline{\rho} \approx -.47$) and were suffering from resource shortages ($\overline{\rho} \approx .31$) tended to be more active in delivering financial education programs. Finally, average performance tended to be higher in safer ($\overline{\rho} \approx .43$) and better equipped ($\overline{\rho} \approx -.44$) schools; while higher levels of school ($\overline{\rho} \approx -.53$) and family interventions ($\overline{\rho} \approx -.36$) have been observed from schools that under-performed in financial literacy.

4.2 Intraclass Correlation and Effective Sample Size

The intraclass correlation ρ_1 can be computed from the random effects ANOVA model ("Null model" in Table 4.3):

Table 4.1

Descriptive Statistics

Analysis level	Variable label	Non-missing sample size	Missing rate (%) [a]	Median	M	SD	Variance	Skewness	Excess kurtosis	Minimum	Maximum
Student (within, $L1$)	`FLSCHOOL`	96435	10.01	0.126	0.018	1.020	1.040	0.189	−0.343	−1.564	2.317
	`FLFAMILY`	95133	11.23	0.011	0.064	1.044	1.090	0.121	0.030	−2.042	2.452
	`NOBULLY`	83499	22.08	0.782	−0.059	1.054	1.110	−1.078	0.664	−3.859	0.782
	`ESCS`	104784	2.22	−0.158	−0.241	1.088	1.183	−0.533	0.184	−7.711	4.234
	`IMMI1GEN`	103317	3.59	0.000	0.029	0.167	0.028	5.608	29.446	0.000	1.000
	`IMMI2GEN`	103317	3.59	0.000	0.042	0.202	0.041	4.542	18.627	0.000	1.000
	`MALE`	107160	0.00	1.000	0.502	0.500	0.250	−0.007	−2.000	0.000	1.000
	`FCFMLRTY`	99969	6.71	7.000	7.049	5.455	29.752	0.223	−1.039	0.000	18.000
	`FLCONFIN`	90130	15.89	−0.027	−0.072	1.017	1.034	−0.084	0.355	−2.210	2.322
	`FLIT` [b]	107162	0.00	481.970	478.291	97.074	9,423.320	−0.089	−0.340	114.256	827.977
School (between, $L2$)	`EDUSHORT`	6346	4.30	0.100	0.131	1.036	1.073	0.341	−0.188	−1.421	2.959
	`STRATIO`	5626	15.16	11.886	13.873	10.171	103.449	4.021	25.425	1.000	100.000

Note. [a] Missing rates were computed based on $N_{L1} = 107,162$ students and $N_{L2} = 6,631$ schools. [b] For descriptive statistics purpose *only*, `FLIT` was obtained by averaging ten plausible values `PV1FLIT` to `PV10FLIT`.

Table 4.2

Correlations between Variables used in the MSEM

	*L*1/within-level	1	2	3	4	5	6	7	8	9	10
1	FLSCHOOL$_W$										
2	FLFAMILY$_W$	.227***									
3	NOBULLY$_W$	−.032***	−.044***								
4	ESCS	.054***	.093***	−.003							
5	IMMI1GEN	−.002	−.001	.006	.038**						
6	IMMI2GEN	−.009	.003	.019†	.040*	−.046***					
7	MALE	.049***	−.039***	−.071***	.026*	−.003	−.006				
8	FCFMLRTY	.280***	.174***	.023*	.230***	−.009	−.017	.029**			
9	FLCONFIN	.201***	.190***	−.020*	.070***	.002	−.029**	.116***	.228***		
10	FLIT$_W$	−.021†	.021*	.053***	.288***	−.029*	.025†	.020†	.230***	.068***	

	*L*2/between-level	11	12	13	14	15	16
11	FLSCHOOL$_B$						
12	FLFAMILY$_B$	.239**					
13	NOBULLY$_B$	−.468***	−.065				
14	EDUSHORT	.313***	.053	−.207**			
15	STRATIO	−.082*	.131*	.026	−.043		
16	FLIT$_B$	−.529***	−.356***	.426***	−.438***	−.101**	

Note. The MLC procedure decomposes school climate variables FLSCHOOL, FLFAMILY and NOBULLY as well as financial literacy outcomes FLIT into their within- and between-components (subscript $_W$ and $_B$ respectively). Correlations at each level refer to the maximum-likelihood estimated within- and between-covariance matrices respectively. All statistics are average results over ten imputed data sets, denoted as $\overline{\rho}$ in the text.

$^\dagger p < .10$. $^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

$$\rho_1 = \frac{\text{School-level residual variance}}{\text{Total residual variance}} = \frac{\text{var}\left(\varepsilon_j^{Y_B}\right)}{\text{var}\left(r_{ij}^{Y_W}\right) + \text{var}\left(\varepsilon_j^{Y_B}\right)} = \frac{5240}{6122 + 5240} = 0.461. \quad (4.1)$$

This result suggested that 46.1% of the variation in financial literacy performance was due to the clustering in schools.

For sample size adjustment, Snijders and Bosker (2012) advised to first of all calculate the design effect of one's multilevel model:

$$\text{design effect} = 1 + (\text{average group size} - 1)\rho_1 = 1 + \left(\frac{107,162}{6,631} - 1\right) \times 0.461 = 7.989, \quad (4.2)$$

then compute the effective sample size:

$$N_{\text{effective}} = \frac{N_{\text{original}}}{\text{design effect}} = \frac{107,162}{7.989} = 13,414. \quad (4.3)$$

This result signaled that students from the same school were so similar in their financial literacy outcomes that the sample size of 107,162 used by this study was equivalent to a simple random sample using 13,414 students. This result not only provided assurance of a sufficiently large sample size required by asymptotic theories but also highlighted the strong effect of schools for understanding youth's financial literacy development.

4.3 Intermediate Models

In order to separate the incremental effect attributable to school-level variables, a student-level only model was first established as a reference ("Single-level model" in Table 4.3). Even with $L1$-only variables, model fit indices CFI = .97, TLI = .927 and SRMR = .016 jointly suggested that the proposed input (school climate)–mediator (FC & FA)–output (FB) model was a meaningful one. Next, school-level variables were allowed to covary between one other on top of the $L1$ structure, forming a two-level saturated model. This procedure had an effect of decomposing the total residual variances into student- and school-levels. As a result, $L1$ residual variance reduced by more than a quarter from 7,866 to 5,764, indicating the necessity of the $L2$ structure.

4.4 Full Model

Relationships amongst school-level variables were further introduced at $L2$, transforming the saturated model into the final MSEM model illustrated in Figure 3.1.

4.4.1 Model Fit

Model fit indices CFI $=$ .968, SRMR_{L1} $=$ .015 and SRMR_{L2} $=$ .030 all satisfied the cut-off criteria suggested by Hu and Bentler (1999) while TLI $=$ .903 fell slightly short of being good but still acceptable—a penalty on the growing number of variables introduced. On balance, there was sufficient evidence suggesting good fit between the proposed MSEM model and financial literacy data.

4.4.2 Student-level Relationships

School Climate Variables

All three $L1$ school climate variables shared statistically significant relationships with financial literacy performance (`FLIT`). A safe school environment (`NOBULLY`) was positively correlated with financial literacy via both the direct pathway and through mediation with familiarity (`FCFMLRTY`).

Efforts by schools (`FLSCHOOL`) and families (`FLFAMILY`), on the other hand, had more nuanced relationships with the cognitive outcome. Both variables had strong positive associations with `FLIT` via mediation pathways, but statistically significant *negative* relationships via direct pathways. Such positive-negative pair happened to cancel each other for `FLFAMILY`, leading to a non-significant result should financial socialisation and financial literacy were correlated superficially. The negative cognitive path overshadowed the positive affective pathways for `FLSCHOOL`, leading to a seemingly paradoxical negative overall relationship between classroom efforts and financial literacy scores.

Demographic Attributes

The strongest covariation identified by this study was between students' ESCS and their financial literacy outcomes. Substantial positive associations have been observed along both the direct and indirect pathways. Having controlled ESCS as a confounder is therefore essential for the study of school climate effects.

The relationship between one's immigration history and their financial literacy performance also delivered important insight. Children who relocated to the host country between births and reaching 15-year-old (`IMMI1GEN` $= 1$) seemed to possess less application skills in financial matters whereas the offspring of migrants did not show deficiency via knowledge and confidence.

Meanwhile, school curricula addressing students' affinity towards finance-related topics would likely to benefit not only second-generation migrants but also young girls. This conjecture was made based on the observed male advantage in financial literacy performance—everything

Table 4.3

Model Parameters and Fit Indices of Multilevel Regressions for the Global Sample

Variable — path	Model parameter	Null model Coef	Null model *SE*	Single-level model Coef	Single-level model *SE*	Two-level saturated Coef	Two-level saturated *SE*	Two-level structured Coef	Two-level structured *SE*
FIXED EFFECTS									
Intercept		454.154	2.690***	451.451	1.449***	445.812	2.578***	486.820	4.500***
Student-level Predictors									
`FLSCHOOL` (total)	$\gamma_1 + \gamma_{11}\beta_1 + \gamma_{12}\beta_2$			−0.073	0.008***	−0.036	0.011**	−0.036	0.011**
— direct	γ_1			−0.125	0.008***	−0.088	0.011***	−0.088	0.011***
— total indirect	$\gamma_{11}\beta_1 + \gamma_{12}\beta_2$			0.051	0.003***	0.052	0.003***	0.052	0.003***
— via `FCFMLRTY`	$\gamma_{11}\beta_1$			0.049	0.002***	0.047	0.003***	0.047	0.003***
— via `FLCONFIN`	$\gamma_{12}\beta_2$			0.002	0.001	0.005	0.002**	0.005	0.002**
`FLFAMILY` (total)	$\gamma_2 + \gamma_{21}\beta_1 + \gamma_{22}\beta_2$			0.008	0.007	0.005	0.009	0.005	0.009
— direct	γ_3			−0.016	0.007*	−0.019	0.009*	−0.019	0.009*
— total indirect	$\gamma_{21}\beta_1 + \gamma_{22}\beta_2$			0.023	0.002***	0.024	0.002***	0.024	0.002***
— via `FCFMLRTY`	$\gamma_{21}\beta_1$			0.022	0.002***	0.019	0.002***	0.019	0.002***
— via `FLCONFIN`	$\gamma_{22}\beta_2$			0.002	0.001	0.005	0.002**	0.005	0.002***
`NOBULLY` (total)	$\gamma_3 + \gamma_{31}\beta_1 + \gamma_{32}\beta_2$			0.075	0.007***	0.053	0.009***	0.053	0.009***
— direct	γ_3			0.064	0.007***	0.046	0.009***	0.046	0.009***
— total indirect	$\gamma_{31}\beta_1 + \gamma_{32}\beta_2$			0.011	0.002***	0.007	0.002***	0.007	0.002***
— via `FCFMLRTY`	$\gamma_{31}\beta_1$			0.011	0.002***	0.007	0.002***	0.007	0.002***
— via `FLCONFIN`	$\gamma_{32}\beta_2$			0.000	0.000	0.000	0.000	0.000	0.000
`ESCS` (total)	$\gamma_4 + \gamma_{41}\beta_1 + \gamma_{42}\beta_2$			0.497	0.007***	0.289	0.016***	0.289	0.016***
— direct	γ_4			0.445	0.007***	0.248	0.015***	0.248	0.015***
— total indirect	$\gamma_{41}\beta_1 + \gamma_{42}\beta_2$			0.052	0.003***	0.041	0.003***	0.041	0.003***
— via `FCFMLRTY`	$\gamma_{41}\beta_1$			0.052	0.002***	0.040	0.003***	0.040	0.003***
— via `FLCONFIN`	$\gamma_{42}\beta_2$			0.001	0.001	0.001	0.001*	0.001	0.001*
`IMMI1GEN` (direct)	γ_5			0.004	0.008	−0.040	0.012**	−0.040	0.012**
`IMMI2GEN` (total indirect)	$\gamma_{61}\beta_1 + \gamma_{62}\beta_2$			−0.003	0.002†	−0.006	0.002**	−0.006	0.002**
— via `FCFMLRTY`	$\gamma_{61}\beta_1$			−0.003	0.002†	−0.005	0.002*	−0.005	0.002*
— via `FLCONFIN`	$\gamma_{62}\beta_2$			0.000	0.000	−0.001	0.000*	−0.001	0.000*
`MALE` (total indirect)	$\gamma_{71}\beta_1 + \gamma_{72}\beta_2$			0.004	0.002*	0.007	0.002**	0.007	0.002**
— via `FCFMLRTY`	$\gamma_{71}\beta_1$			0.003	0.002*	0.004	0.002*	0.004	0.002*
— via `FLCONFIN`	$\gamma_{72}\beta_2$			0.001	0.001	0.003	0.001**	0.003	0.001**

Continued

Variable	Model parameter	Null model		Single-level model		Two-level saturated		Two-level structured	
		Coef	*SE*	Coef	*SE*	Coef	*SE*	Coef	*SE*
School-level Predictors									
`FLSCHOOL`	a_1							−0.295	0.066^{***}
`FLFAMILY`	a_2							−0.225	0.057^{***}
`NOBULLY`	a_3							0.233	0.069^{**}
`EDUSHORT`	a_4							−0.292	0.038^{***}
`STRADIO`	a_5							−0.132	0.026^{***}
RANDOM EFFECTS (residual variances of `FLIT`)									
Student-level	$\text{var}\left(r_{ij}^{Y_W}\right)$	6121.904	131.192	7866.408	114.555	5763.677	130.133	5763.690	130.133
School-level	$\text{var}\left(\varepsilon_{j}^{Y_B}\right)$	5240.477	202.004			3264.618	193.892	1705.616	135.044
MODEL FIT INDICES		Est	*SD*	Est	*SD*	Est	*SD*	Est	*SD*
AIC		1253984	1093	3429058	1534	3468075	1661	3468108	1650
BIC		1254013	1093	3429566	1534	3468727	1661	3468740	1650
χ^2 Test of Model Fit		2.193	1.468	304.405	13.167	187.655	10.486	201.645	11.746
RMSEA		0.000	0.000	0.017	0.000	0.009	0.000	0.009	0.000
CFI		0.000	.000	.970	.002	.970	.002	.968	.002
TLI		1.000	.000	.927	.004	.899	.007	.903	.007
SRMR $L1$		.005	.003	.016	.000	.015	.000	.015	.000
SRMR $L2$		.011	.005			.014	.002	.030	.006

Note. All p values in this table are two-tailed.

$^{\dagger}p < .10$. $^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

else being equal, 15-year-old boys on average demonstrated higher financial capability, a fully mediated effect particularly through higher confidence.

4.4.3 School-level Relationships

Shortages in either capital or labour resources were associated with lower average financial literacy outcomes at the school-level. The MSEM showed a negative relationship between the fourth element of school climate variable, educational resource shortage `EDUSHORT`, and average `FLIT`. In fact, the association between schools' physical capital and their educational output remained one of the strongest statistical relationships identified by this study, over twice the size of that between labour arrangement (student-teacher ratio `STRATIO`) and financial literacy achievement.

4.4.4 Contextual Effects

One particular strength of an MSEM is its ability to model contextual effects. In a school research context, there exists a *contextual effect* when school-level characteristics contribute to individual learners' outcomes beyond what can be explained by student-level characteristics. Following Marsh et al. (2009)'s procedure, this study obtained the point estimate of the unstandardised contextual effect for `FLSCHOOL`:

$$\text{Unstandardised contextual effect} = \widehat{a}_1 - \widehat{\gamma}_1 = -49.339 - (-7.078) = -42.261, \tag{4.4}$$

and its standardised solution:

$$\begin{aligned}
&\text{Standardised contextual effect} \\
&= \frac{\text{Unstandardised contextual effect} \times \sqrt{\widehat{\mathrm{var}}\left(\mathtt{FLSCHOOL}_B\right)}}{\sqrt{\widehat{a}_1^2 \cdot \widehat{\mathrm{var}}\left(\mathtt{FLSCHOOL}_B\right) + \widehat{\mathrm{var}}\left(\mathtt{FLIT}_B\right) + \widehat{\gamma}_1^2 \cdot \widehat{\mathrm{var}}\left(\mathtt{FLSCHOOL}_W\right) + \widehat{\mathrm{var}}\left(\mathtt{FLIT}_W\right)}} \\
&= \frac{(-42.261) \times \sqrt{0.114}}{\sqrt{(-49.339)^2 \times 0.114 + 3226.753 + (-7.078)^2 \times 1.009 + 6576.975}} \\
&= -0.163, \ (-0.142 \text{ if calculated manually due to cumulative rounding errors})
\end{aligned} \tag{4.5}$$

while the associated standard error can be obtained using the delta method (Raykov & Marcoulides, 2004). Table 4.4 summarised the contextual effect estimates for `FLSCHOOL`, `FLFAMILY`, and `NOBULLY`. These results suggested that students' financial literacy performance was not only affected by individual characteristics and endeavour but also heavily influenced by the larger school environment surrounding the learners. Lastly, the effect size (ES) statistics in Table 4.4 further suggested that the significant contextual effect findings were unlikely to be a mere statistical artefact out of large sample sizes, evidenced by their large sizes ($|\mathrm{ES}| \approx .38$ and $.33$) and robustness against various of calculation methods (conventional ES1 by Tymms (2004) and recent innovations ES2 and ES3 by Marsh et al. (2009)).

Table 4.4

Contextual Effects and Effect Sizes

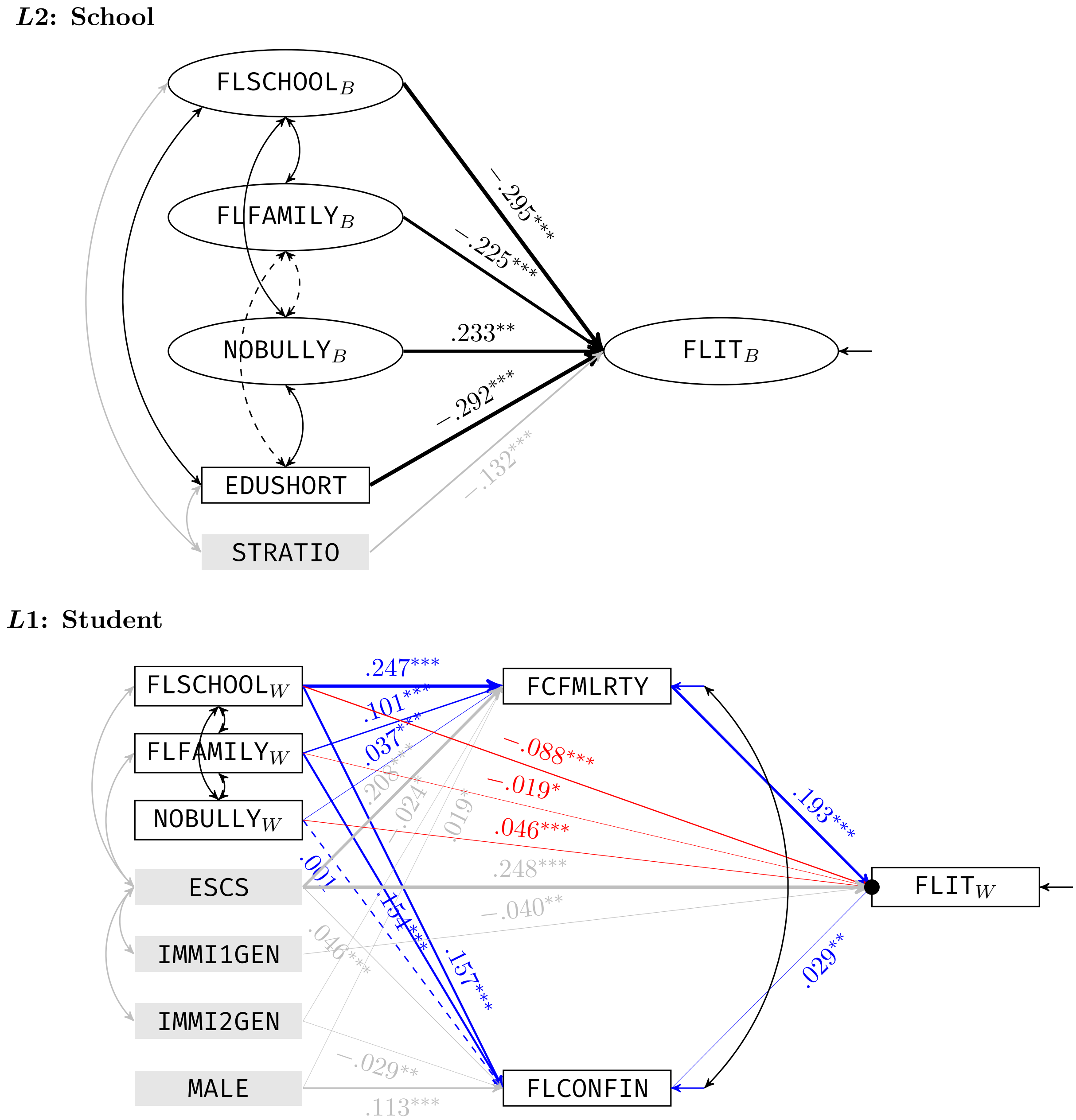
Contextual relationship	Contextual effect Est	Contextual effect *SE*	**Standardised contextual effect** Est	**Standardised contextual effect** *SE*
FLSCHOOL	−42.261	10.720***	−0.163	0.041***
FLFAMILY	−75.808	20.353***	−0.144	0.037***
NOBULLY	60.071	19.673**	0.144	0.046**

Contextual relationship	Effect size 1 Est	Effect size 1 *SE*	**Effect size 2** Est	**Effect size 2** *SE*	Effect size 3 Est	Effect size 3 *SE*
FLSCHOOL	−0.380	0.099***	−0.378	0.098***	−0.369	0.092***
FLFAMILY	−0.332	0.084***	−0.332	0.084***	−0.328	0.081***
NOBULLY	0.331	0.107**	0.331	0.107**	0.326	0.102**

Note. Contextual effect computations and standardisations were based on the procedure documented in Marsh et al.'s (2009) supplemental Model 8. Marked in bold, standardised contextual effect and effect size 2 were recommended for decision-making. Effect sizes 1 (Tymms, 2004) was provided as reference due to its compatibility with Cohen's d (Cohen, 1992). More recently, Marsh et al. (2009) advocated for an effect size procedure involving total variances from *both* levels (ES3) over that from only $L1$ (ES2) (see Marsh et al., 2009, p. 792). Since consensus so far appears to be with ES2, ES3 was provided for future reference.

Figure 4.1

Two-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. Statistics are standardised regression coefficients. Dashed lines represent nonsignificant relations at $\alpha = .05$ level. Student-level school climate variables and cognitive outcome are decomposed into the within- and between-components (subscript $_W$ and $_B$ respectively) using the MLC approach. Direct pathways are coloured in red and indirect in blue. Control variables are shaded in grey.

$^{\dagger}p < .10$. $^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

Chapter 5 Discussion

5.1 Overview

"It takes a village to raise a child." This study thus looked into the dual mechanisms of how 15-year-old students develop financial literacy (RQ 1) and how the school environment surrounding them facilitated such process (RQ 2). MSEM results showed that 33.5% of the variation in students' `FLIT` scores can be explained by student-level variables and 47.7% by school-level factors (see Section B.3.2), suggesting the importance of schools in cultivating youth's financial literacy development. By accounting for the hierarchical data structure, sampling weights, missing data imputation, as well as measurement error and sampling error, this study was able to ascertain the marginal effects of the four school climate variables: ACADEMIC, COMMUNITY, SAFETY and INSTITUTIONAL ENVIRONMENT (Wang & Degol, 2016) respectively (see Figure 4.1 and Table 4.3). This study added empirical evidence to Kutsyuruba et al.'s (2015) review article by showing the importance of school safety for students' development of financial knowledge, confidence, and application behaviour. The student-level model extended Jorgensen and Savla's (2010) structural equation approach to financial literacy studies and confirmed key roles financial knowledge ($R^2 = .136$) and confidence ($R^2 = .077$) played in mediating youth's financial literacy formation.

The study results also revealed key insight that was initially less intuitive. At both individual- and school-levels, the associations between explicit teaching of finance-related topics (FEdu) and contemporaneous financial literacy performance (FB) were found to be *negative*. In addition, the relationships between parental involvement (FSoc) for cultivating youth's financial literacy outcomes were shown to be positive along the mediation pathways (via FC and FA) but negative along the application pathway (FB). Interestingly, these two effects happened to be similar in size but opposite in sign, leading to an apparent nil result should one superficially correlate parental effort with outcome measure. At the school-level, both classroom activities and parental care, on average, tended to be more visible around students who were yet to demonstrate their mastery of financial capabilities. Sizeable contextual effects further suggested schools rather than learners as the source of the observed negative correlations between financial literacy outcome (FB) and teaching efforts (FEdu), and between

FB and financial socialisation (FSoc).

5.2 Responses to Research Questions and Hypotheses

5.2.1 Research Question 1

All four school climate variables were found to carry significant explanatory power in accounting for the variation in youth's financial literacy outcomes. Financial knowledge (FC) and confidence (FA) played significant mediation roles for explaining financial literacy scores (FB), confirming Hypotheses 12 and 13. Both financial education at school (FEdu) and parental involvement at home (FSoc) delivered strong positive effects along the mediation pathways (confirming H1, H2, H4 and H5) but negative effects along the direct pathways (contradicting H3 and H6). FEdu's direct effect overshadowed the mediation effects, leading to a negative total effect. The direct and indirect effects for FSoc, on the other hand, were similar in size but opposite in sign, yielding a total effect that was not statistically significant. Safety was found to have positive effects for the development of students' financial knowledge, confidence, as well as application behaviour (confirming H7 to H9).

5.2.2 Research Question 2

All four school climate variables at the school-level were shown to be statistically significant for explaining the variation in school-average financial literacy scores. MSEM results revealed that educational resource shortages as well as high student-teacher ratios both correlated with lower average financial literacy performance, confirming H10 and H11. FEdu, FSoc and Safety all had significant contextual effects, suggesting individual students' financial literacy development was strongly affected by their school environment.

5.3 Conjectures about Negative Pathways

Although causal inferences could not be established from a correlational study design, a negative association between input and output variables may still *suggest* some interesting possibilities for future studies. If one hypothesises a causal direction `FLSCHOOL` $\longrightarrow$ `FLIT`, the negative relationship between the two variables could signal potential improvement opportunities for current financial education practices. While students have benefited from educational interventions with growing knowledge and confidence, existing pedagogy may yet to explicitly train students to link their learning to real-world finance problem-solving. Bridging the disconnect between minds and hands has long been emphasised in science (Harlen, 1999) and mathematics (Smith et al., 1996) education and voices for learning from sister subjects' success started to grow in the field of financial education (Marley-Payne et al., 2021). Parents may similarly adapt by introducing financial problem-solving skills in addition to sharing knowledge and affects at home. Alternatively, a causal direction $\texttt{FLSCHOOL} \longleftarrow \texttt{FLIT}$ may suggest that educational and parental attention was being directed preferentially towards students who were most in need of developing problem-solving skills—it was not the quality of interventional efforts but the insufficient quantity that needed to be addressed. Future research may investigate the plausibility of such constraint optimisation behaviour by teachers and parents and estimate the sizes of the Lagrange multipliers as evidence for the potential marginal improvement should schooling and parenting resources were expanded. A third possibility involves a hidden confounder $\texttt{FLSCHOOL} \longleftarrow \text{confound} \longrightarrow \texttt{FLIT}$. Jappelli's (2010) observation that students' financial literacy tended to be lower in countries with stronger social safety net could serve as a starting point for this line of investigation under the reasonable assumption that such countries also devote higher social resources into education input. Should this direction of study become fruitful, financial educators would then be reminded the importance of social arrangement as a moderator, where it would be desirable to re-allocate educational resources taking into account each society's social contracts.

A non-linear relationship could be a fourth possibility for the negative association between FLSCHOOL and FLIT. Using 2015 TIMSS data, Teig et al. (2018) demonstrated a curvilinear relationship between inquiry-based teaching practice and students' science achievement with high frequency inquiry-based teaching being linked to a reduced performance. A quadratic relationship was reported between learning time and science achievement using PISA 2015 data (Zhang et al., 2021) especially in Eastern cultures, possibly indicating that non-linearity could become a relative common consideration when analysing large-scale international assessment data. A verification of similar curvilinear relationship in the financial literacy filed is important so that educational and parental resources can be further optimised.

A final hypothesis can be made based on the implementation lags observed by Bernheim et al. (2001). Financial literacy could be unique in a sense that it requires a longer time for FEdu and FSoc to be consolidated, incorporated and then turned into observable behaviour improvement, including application and problem-solving behaviour. That is to say the negative relationship between $\texttt{FLSCHOOL}_t$ and $\texttt{FLIT}_{t-1}$ reflected the maturing effect of financial skill acquisition process. A longitudinal study is required in order to confirm this intertemporal growth model.

5.4 Limitations

The correlational research design used by this study imposed a limit on its ability to make causal inferences. Using Shadish et al.'s (2002) taxonomy, this study demonstrated strong statistical conclusion validity by showing both the presence and strength of the covariation between school climate variables and students' financial literacy outcomes. It was unable to, however, demonstrate whether school climate preceded financial literacy in time, neither was it able to exclude all other relationships as plausible explanations for the covariation between the two. By this measure, the current study's internal validity is not yet strong. As the scholarly world is yet to reach consensus on the best construct to represent financial literacy, this study inherited one particular version of financial literacy operationalised by the PISA organiser, whose construct validity continues to attract scrutiny by both theorists and practitioners (Schuhen & Schürkmann, 2014). Lastly, statistical parameters derived in this study were based on data drawn from predominantly industrialised countries, questioning its strength on external validity.

The other limitation originated from the data design. Since this study pooled all 20 participating countries into a global data structure, the subsequent analyses and statistical results must be interpreted as the global, rather than country-specific outcomes. This observation is important for education policy making since global averages may not serve the interests of local conditions correctly. Since industrialised economies were over-represented in the 20-country sample, pedagogical and policy implications may be skewed towards countries with similar socio-economic profiles. Further studies are encouraged to replicate procedures employed by this project by counties in order to obtain evidence better situated with the local environment.

5.5 Future Research Direction

Based on the limitations discussed above, future research efforts may consider upgrading the study design from a correlational to a causal one by using, amongst others, instrumental variable (Pokropek, 2016) or panel data (Salas-Velasco, 2019) techniques. Country-by-country comparisons would also provide additional insight into the similarities and differences across economies, aiding pedagogy design and education policy formation processes.

5.6 Contribution

This research project contribute to financial literacy literature in a number of ways. It first of all linked a substantive theoretical framework of school climate to youth's financial literacy development process in order to examine how individuals' capability is formed *in the context of* their school environment. This person-ecological approach reconciled two strands of research efforts that focused either on students or on schools into one unified structure. In terms of methodology, this study attempted a recent development in the MSEM literature using a multilevel latent covariate approach ("doubly-latent model") to correct for unreliability at higher-level when lower-level constructs were aggregated up. The successful application of this new technique to the most recent PISA 2018 data set showcased the advancement in the field of educational measurement.

5.7 Conclusion

A well-functioning society relies on citizens' financial literacy for the betterment of their own well-being and that of the the collective. Policy-makers, school leaders, teachers and parents all have progressively come to terms with the cost of neglect and demanded evidence-based action plans. The current research project answered this call by exploring four aspects of school climate using the latest international large-scale assessment data—Education matters. Parenting matters. Safety and resource fundings do matter. These conclusions shed light to the policy priorities that can be actioned upon without delay. This study served only as a starting point for a vibrant scholarly conversation about better preparing our young for an ever challenging future. May they benefit and succeed.

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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.

About us (/personvernombud/en/about_us.html)
Norwegian (/personvernombud/meld_prosjekt/meldeplikttest.html)

NSD (/) > Personverntjenester (/personvernombud/) > Data Protection Services (/personvernombud/en/) > Notify project (/personvernombud/en/notify/) > Notification Test

Denne siden på norsk (/personvernombud/meld_prosjekt/meldeplikttest.html)

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, Additional Tables and Figures

Full analysis code can be obtained from the author's GitHub page:

https://github.com/tonyctan/CEMO-master-thesis

B.1 Data Merging

```r
# 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
        "FLSCHOOL", # Financial education in school lessons (WLE)
    # Safety
        "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)
    ),
    countries = c(
        "BRA", "BGR", "CAN", "CHL", "EST",
        "FIN", "GEO", "IDN", "ITA", "LVA",
        "LTU", "NLD", "PER", "POL", "PRT",
        "RUS", "QMR", "QRT", # Russian Federation and other regions
        "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
names(finlit)

# Some var need recording
library(car)

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

finlit$CNTRYID <- recode(finlit$CNTRYID, "
    982 = 643;
```

```
    983 = 643
")

# Input country-level FKI
FKI ← recode(finlit$CNT, "
    'NLD' = 0.940;
    'USA' = 0.937;
    'CAN' = 0.784;
    'ITA' = 0.762;
    'FIN' = 0.724;
    'ESP' = 0.627;
    'LTU' = 0.613;
    'PRT' = 0.591;
    'BGR' = 0.583;
    'EST' = 0.577;
    'SVK' = 0.559;
    'POL' = 0.555;
    'LVA' = 0.550;
    'CHL' = 0.544;
    'RUS' = 0.450;
    'GEO' = 0.424;
    'SRB' = 0.423;
    'PER' = 0.309;
    'BRA' = 0.141;
    'IDN' = 0.122
")

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

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

# Stitch spreadsheet together
names(finlit)
finlit ← cbind(
    FKI, finlit[, c(2:35)], MALE, IMMI1GEN, IMMI2GEN,
    finlit[, c(38:41)], NOBULLY, finlit[, c(43:46)]
)
head(finlit)
names(finlit)

# Remove cases whose school weights (col #45) are NA
obs0 ← dim(finlit)[1]
finlit ← finlit[complete.cases(finlit$W_FSTUWT_SCH_SUM), ]
obs1 ← dim(finlit)[1]
obs0 - obs1 # 12 cases contained missing school weights and have been dropped
rm(obs0, obs1)
```

Table B.1

Summary of Participating Countries

Country ID	Country code	Country name	School n	School %	Student n	Student %	Male n	Male %
76	BRA	Brazil	595	8.97	8,310	7.75	4,045	48.68
100	BGR	Bulgaria	197	2.97	4,110	3.84	2,147	52.24
124	CAN	Canada	492	7.42	7,762	7.24	3,858	49.70
152	CHL	Chile	251	3.79	4,482	4.18	2,254	50.29
233	EST	Estonia	229	3.45	4,166	3.89	2,080	49.93
246	FIN	Finland	204	3.08	4,328	4.04	2,199	50.81
268	GEO	Georgia	319	4.81	4,320	4.03	2,239	51.83
360	IND	Indonesia	395	5.96	7,132	6.66	3,454	48.43
380	ITA	Italy	539	8.13	9,182	8.57	4,706	51.25
428	LVA	Latvia	307	4.63	3,151	2.94	1,587	50.36
440	LTU	Lithuania	349	5.26	4,075	3.80	2,060	50.55
528	NLD	The Netherlands	151	2.28	3,042	2.84	1,549	50.92
604	PER	Peru	337	5.08	4,732	4.42	2,390	50.51
616	POL	Poland	235	3.54	4,294	4.01	2,080	48.44
620	PRT	Portugal	276	4.16	4,568	4.26	2,320	50.79
643	RUS	Russian Federation	558	8.42	9,124	8.51	4,601	50.43
688	SRB	Serbia	186	2.81	3,874	3.62	1,951	50.36
703	SVK	Slovak Republic	357	5.38	3,411	3.18	1,683	49.34
724	ESP	Spain	491	7.40	9,361	8.74	4,695	50.15
840	USA	The USA	163	2.46	3,738	3.49	1,871	50.05
		Total	6,631	100	107,162	100	53,769	50.18

χ^2 goodness-of-fit test	School χ^2_{19}	School p	Student χ^2_{19}	Student p	Male χ^2_{19}	Male p
	1,105.8	$< .001$	16,984	$< .001$	20.9	.34

Note. Twelve observations with missing school weights were removed. χ^2 goodness-of-fit tests revealed that the data set was balanced in sex, but not all countries contributed equally to school and student counts.

Table B.2

Scale Reliabilities (Cronbach's alphas) and Item Parameter References for Derived Variables based on IRT Scaling

Country ID	Country code	Country name	School climate variable FLSCHOOL	FLFAMILY	NOBULLY	EDUSHORT	Financial literacy FLCONFIN
76	BRA	Brazil	.896	.871	.794	.858	.929
100	BGR	Bulgaria	.912	.836	.851	.814	.927
124	CAN	Canada	.904	.856	.758	.816	.900
152	CHL	Chile	.885	.851	.784	.818	.915
233	EST	Estonia	.865	.833	.709	.752	.872
246	FIN	Finland	.883	.819	.760	.783	.896
268	GEO	Georgia	.891	.834	.846	.862	.920
360	IND	Indonesia	.878	.827	.756	.892	.931
380	ITA	Italy	.857	.798	.795	.840	.898
428	LVA	Latvia	.846	.813	.703	.780	.897
440	LTU	Lithuania	.909	.869	.846	.779	.921
528	NLD	The Netherlands	.849	.792	.638	.792	.874
604	PER	Peru	.847	.813	.758	.882	.903
616	POL	Poland	.878	.830	.771	.839	.913
620	PRT	Portugal	.896	.844	.775	.849	.899
643	RUS	Russian Federation	.892	.855	.726	.874	.911
688	SRB	Serbia	.926	.853	.838	.786	.939
703	SVK	Slovak Republic	.874	.829	.783	.799	.907
724	ESP	Spain	.879	.812	.779	.854	.912
840	USA	The USA	.908	.839	.756	.881	.909
Reference for scale reliabilities [a]		OECD countries	16.89	16.89	16.58	16.63	16.89
		Partner countries	16.90	16.90	16.59	16.64	16.90
Reference for item parameters [b]			16.93	16.94	16.61	16.66	16.91

Note. [a] [b] Worksheet names in the associated Excel file accompanying Chapter 16 of *PISA 2018 Technical Report* (OECD, 2020c).

B.2 Multilevel Multiple Imputation

B.2.1 *Mplus* Input

```
TITLE:
    Multilevel multiple imputation using JM-AM H1   ! Unrestricted var-cov


DATA:
    file = "~/finlit.dat";


VARIABLE:
    names =
        FKI CNTRYID CNTSCHID CNTSTUID W_STU         ! Administrative vars
        PV1MATH PV2MATH PV3MATH PV4MATH PV5MATH     ! Plausible values for MATH
        PV6MATH PV7MATH PV8MATH PV9MATH PV10MATH
        PV1READ PV2READ PV3READ PV4READ PV5READ     ! Plausible values for READ
        PV6READ PV7READ PV8READ PV9READ PV10READ
        PV1FLIT PV2FLIT PV3FLIT PV4FLIT PV5FLIT     ! Plausible values for FLIT
        PV6FLIT PV7FLIT PV8FLIT PV9FLIT PV10FLIT
        MALE IMMI1GEN IMMI2GEN ESCS                 ! Demographic info
        FCFMLRTY FLCONFIN                           ! Affects
        FLSCHOOL                                    !   Lat var "Academic"
        NOBULLY                                     !   Lat var "Safety"
        FLFAMILY                                    !   Lat var "Community"
        W_SCH STRATIO                               ! School characteristics
        EDUSHORT                                    !   Lat var "inst. env."
        ;

    usevar =                                        ! Var to be imputed
        MALE IMMI1GEN IMMI2GEN ESCS
        FCFMLRTY FLCONFIN
        FLSCHOOL NOBULLY FLFAMILY
        STRATIO EDUSHORT
        ;

    within =                                        ! Amongst which, L1 var are
        MALE IMMI1GEN IMMI2GEN ESCS
        FCFMLRTY FLCONFIN
        FLSCHOOL NOBULLY FLFAMILY
        ;

    between =                                       ! L2 are
        STRATIO EDUSHORT
        ;

    auxiliary =                                     ! Var not participating in
        PV1MATH PV2MATH PV3MATH PV4MATH PV5MATH     ! MI but still to be
        PV6MATH PV7MATH PV8MATH PV9MATH PV10MATH    ! included in final output
        PV1READ PV2READ PV3READ PV4READ PV5READ
        PV6READ PV7READ PV8READ PV9READ PV10READ    ! PVs are already "guesses"
        PV1FLIT PV2FLIT PV3FLIT PV4FLIT PV5FLIT     ! themselves so do NOT use
        PV6FLIT PV7FLIT PV8FLIT PV9FLIT PV10FLIT    ! PVs to guess others
        FKI CNTRYID CNTSTUID W_STU
        W_SCH                                       ! Admin vars
        ;

    cluster = CNTSCHID;

    missing = all (-99);


ANALYSIS:
    processors = 64;                                ! Use all cores of HPC

    type = twolevel;
    estimator = Bayes;

    fbiterations = 50000;                           ! Number of burn-in
```

```
    chains = 4;                                     ! Verify convergence
    bseed = 1234;                                   ! For replication study

DATA IMPUTATION:
    impute =
        MALE (c) IMMI1GEN (c) IMMI2GEN (c) ESCS     ! Categoricals have (c)
        FCFMLRTY FLCONFIN
        FLSCHOOL NOBULLY FLFAMILY
        STRATIO EDUSHORT
        ;

    ndatasets = 10;                                 ! To merge with 10 PVs
    save = FLIT_MMI_*.dat;
    thin = 5000;                                    ! To Avoid autocorrelation

SAVEDATA:
    bpar = bpar.dat;                                ! Capture Bayesian paths

PLOT:
    type = plot2;                                   ! For R's MplusAutomation
```

B.2.2 Selected M*plus* Output

```
MODEL FIT INFORMATION

Number of Free Parameters                              22

Bayesian Posterior Predictive Checking using Chi-Square

          95% Confidence Interval for the Difference Between
          the Observed and the Replicated Chi-Square Values

                              28408.938         28906.315

          Posterior Predictive P-Value                0.000

Information Criteria

          Deviance (DIC)                        2100842.641
          Estimated Number of Parameters (pD)        22.054


MODEL RESULTS

                                Posterior  One-Tailed         95% C.I.
                    Estimate       S.D.      P-Value   Lower 2.5%  Upper 2.5%  Significance

Within Level

 Means
    MALE               0.502       0.002      0.000       0.499       0.505      *
    IMMI1GEN           0.029       0.001      0.000       0.028       0.030      *
    IMMI2GEN           0.042       0.001      0.000       0.041       0.044      *
    ESCS              -0.241       0.003      0.000      -0.247      -0.234      *
    FCFMLRTY           7.049       0.017      0.000       7.015       7.083      *
    FLCONFIN          -0.072       0.003      0.000      -0.079      -0.065      *
    FLSCHOOL           0.018       0.003      0.000       0.011       0.024      *
    NOBULLY           -0.059       0.004      0.000      -0.067      -0.052      *
    FLFAMILY           0.064       0.003      0.000       0.057       0.070      *

 Variances
    MALE               0.250       0.001      0.000       0.248       0.252      *
    IMMI1GEN           0.028       0.000      0.000       0.028       0.028      *
    IMMI2GEN           0.041       0.000      0.000       0.040       0.041      *
    ESCS               1.183       0.005      0.000       1.173       1.193      *
    FCFMLRTY          29.753       0.134      0.000      29.494      30.016      *
    FLCONFIN           1.034       0.005      0.000       1.025       1.044      *
    FLSCHOOL           1.040       0.005      0.000       1.031       1.049      *
    NOBULLY            1.110       0.005      0.000       1.100       1.121      *
```

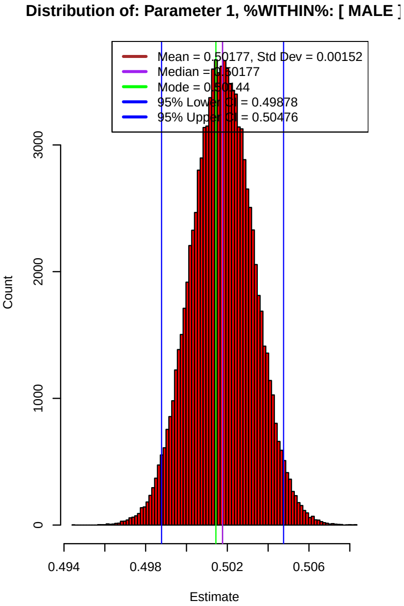
```
    FLFAMILY           1.090      0.005      0.000      1.080      1.100      *

Between Level

 Means
    STRATIO           13.873      0.136      0.000     13.608     14.140      *
    EDUSHORT           0.131      0.013      0.000      0.106      0.157      *

 Variances
    STRATIO          103.514      1.948      0.000     99.805    107.425      *
    EDUSHORT           1.074      0.019      0.000      1.038      1.112      *
```

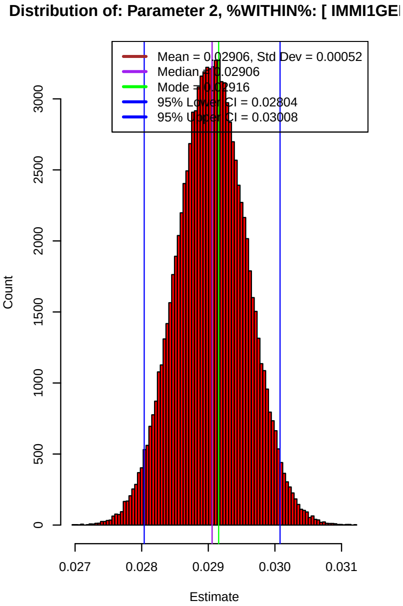
Table B.3

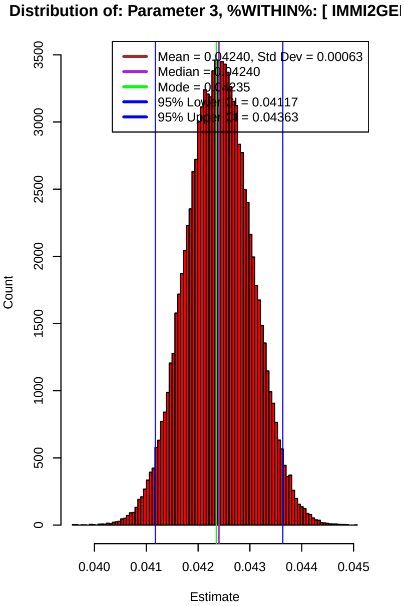
Summary of Diagnostic Plots of Multilevel Multiple Imputation

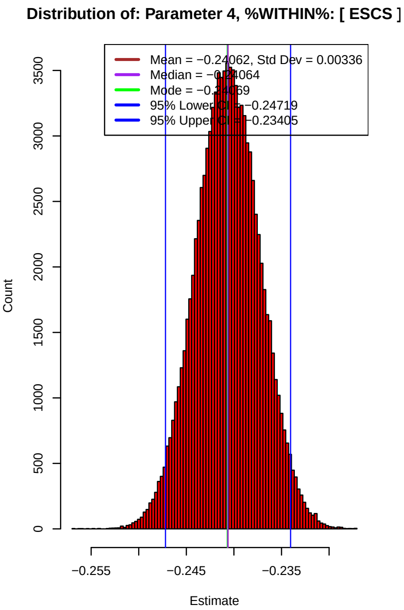
Parameter number	Parameter label	Modelling level	Brief description	Posterior mean	Posterior variance	95% credibility interval	Chain converged	AR-free chains
1	`MALE`	Within	Whether participant is male	0.502		(0.499, 0.505)	Yes	4
2	`IMMI1GEN`	Within	Whether participant migrated to this country	0.029		(0.028, 0.030)	Yes	4
3	`IMMI2GEN`	Within	Whether their parent did	0.042		(0.041, 0.044)	Yes	4
4	`ESCS`	Within	Index of economic, social and cultural status	−0.241		(−0.247, −0.234)	Yes	4
5	`FCFMLRTY`	Within	Familiarity with concepts of finance	7.049		(7.015, 7.083)	Yes	4
6	`FLCONFIN`	Within	Confidence about financial matters	−0.072		(−0.079, −0.065)	Yes	4
7	`FLSCHOOL`	Within	Financial education in school lessons	0.018		(0.011, 0.024)	Yes	4
8	`NOBULLY`	Within	Participant's experience of being bullied (reverse)	−0.059		(−0.067, −0.052)	Yes	4
9	`FLFAMILY`	Within	Parental involvement in matters of financial literacy	0.064		(0.057, 0.070)	Yes	4
10	`MALE`	Within	Whether participant is male		0.250	(0.248, 0.252)	Yes	4
11	`IMMI1GEN`	Within	Whether participant migrated to this country		0.028	(0.028, 0.028)	Yes	4
12	`IMMI2GEN`	Within	Whether their parent		0.041	(0.040, 0.041)	Yes	4
13	`ESCS`	Within	Index of economic, social and cultural status		1.183	(1.173, 1.193)	Yes	4
14	`FCFMLRTY`	Within	Familiarity with concepts of finance		29.754	(29.495, 30.016)	Yes	4
15	`FLCONFIN`	Within	Confidence about financial matters		1.034	(1.025, 1.044)	Yes	4
16	`FLSCHOOL`	Within	Financial education in school lessons		1.040	(1.031, 1.049)	Yes	4
17	`NOBULLY`	Within	Participant's experience of being bullied (reverse)		1.111	(1.100, 1.121)	Yes	4
18	`FLFAMILY`	Within	Parental involvement in matters of financial literacy		1.090	(1.080, 1.100)	Yes	4
19	`STRAIO`	Between	Student−teacher ratio	13.873		(13.607, 14.139)	Yes	4
20	`EDUSHORT`	Between	Shortage of educational material	0.131		(0.106, 0.157)	Yes	4
21	`STRAIO`	Between	Student−teacher ratio		103.532	(99.750, 107.430)	Yes	4
22	`EDUSHORT`	Between	Shortage of educational material		1.074	(1.037, 1.112)	Yes	4

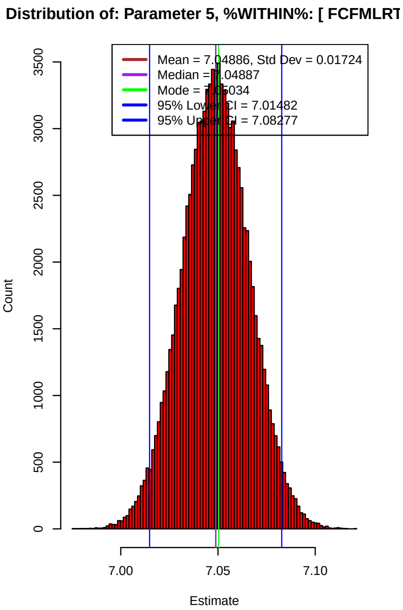
Note. Notes go here.

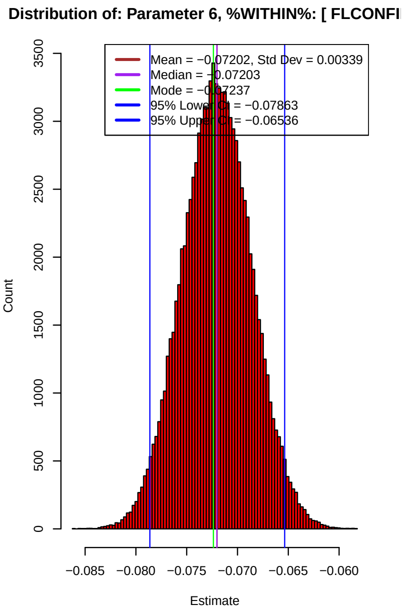

Distribution of: Parameter 1, %WITHIN%: [MALE]
Mean = 0.50177, Std Dev = 0.00152
Median = 0.50177
Mode = 0.50144
95% Lower CI = 0.49878
95% Upper CI = 0.50476
Count
Estimate

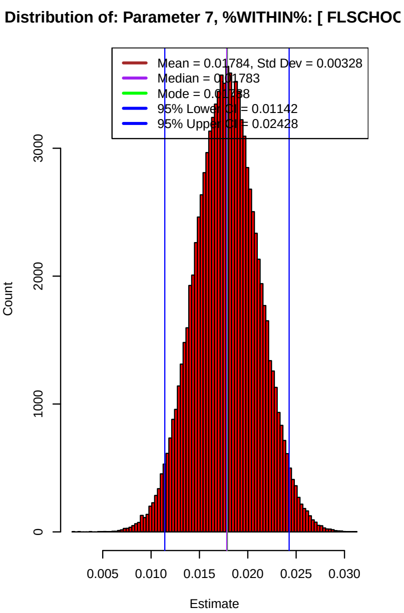

Distribution of: Parameter 2, %WITHIN%: [IMMI1GE
Mean = 0.02906, Std Dev = 0.00052
Median = 0.02906
Mode = 0.02916
95% Lower CI = 0.02804
95% Upper CI = 0.03008
Count
Estimate

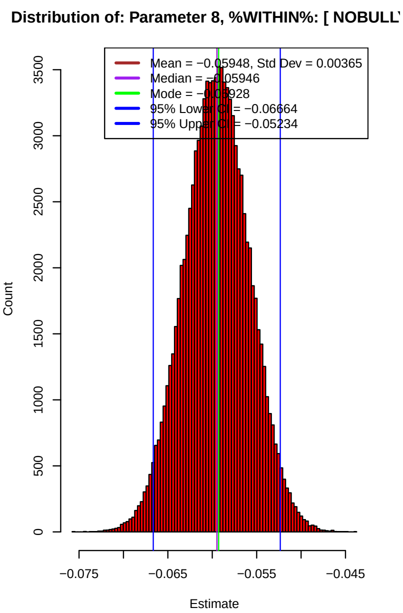

Distribution of: Parameter 3, %WITHIN%: [IMMI2GE
Mean = 0.04240, Std Dev = 0.00063
Median = 0.04240
Mode = 0.04235
95% Lower CI = 0.04117
95% Upper CI = 0.04363
Count
Estimate

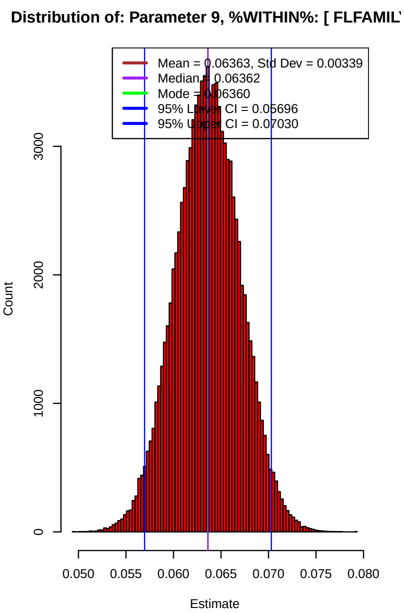

Distribution of: Parameter 4, %WITHIN%: [ESCS]
Mean = −0.24062, Std Dev = 0.00336
Median = −0.24064
Mode = −0.24059
95% Lower CI = −0.24719
95% Upper CI = −0.23405
Count
Estimate


Distribution of: Parameter 5, %WITHIN%: [FCFMLRT
Mean = 7.04886, Std Dev = 0.01724
Median = 7.04887
Mode = 7.05034
95% Lower CI = 7.01482
95% Upper CI = 7.08277
Count
Estimate

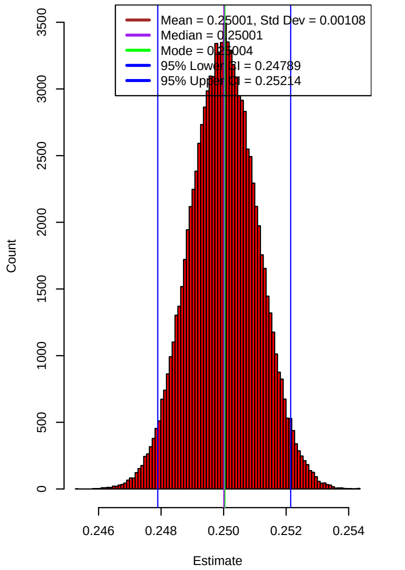

Distribution of: Parameter 6, %WITHIN%: [FLCONFI
Mean = −0.07202, Std Dev = 0.00339
Median = −0.07203
Mode = −0.07237
95% Lower CI = −0.07863
95% Upper CI = −0.06536
Count
Estimate


Distribution of: Parameter 7, %WITHIN%: [FLSCHOO
Mean = 0.01784, Std Dev = 0.00328
Median = 0.01783
Mode = 0.01838
95% Lower CI = 0.01142
95% Upper CI = 0.02428
Count
Estimate

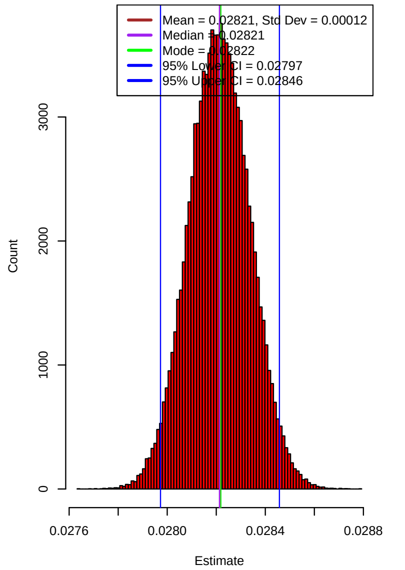

Distribution of: Parameter 8, %WITHIN%: [NOBULLY
Mean = −0.05948, Std Dev = 0.00365
Median = −0.05946
Mode = −0.05928
95% Lower CI = −0.06664
95% Upper CI = −0.05234
Count
Estimate


Distribution of: Parameter 9, %WITHIN%: [FLFAMILY
Mean = 0.06363, Std Dev = 0.00339
Median = 0.06362
Mode = 0.06360
95% Lower CI = 0.05696
95% Upper CI = 0.07030
Count
Estimate

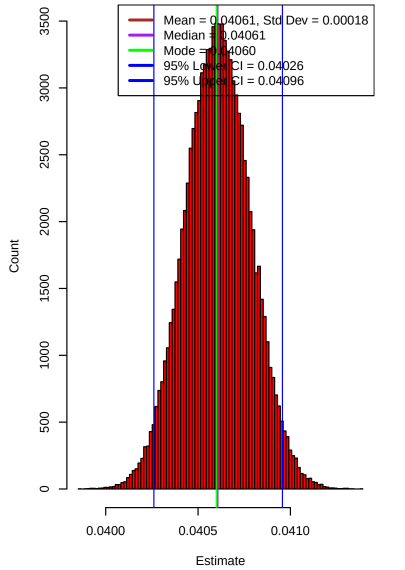
Distribution of: Parameter 10, %WITHIN%: MALE



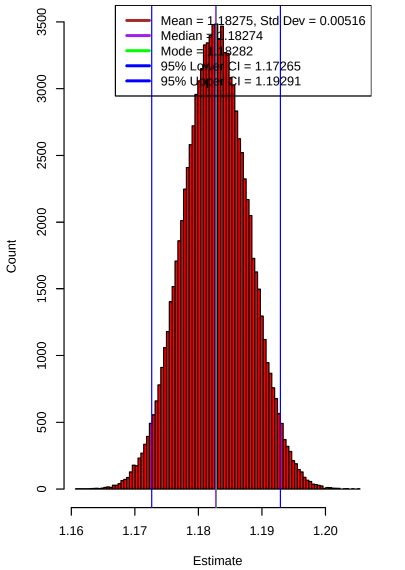
Distribution of: Parameter 11, %WITHIN%: IMMI1GE



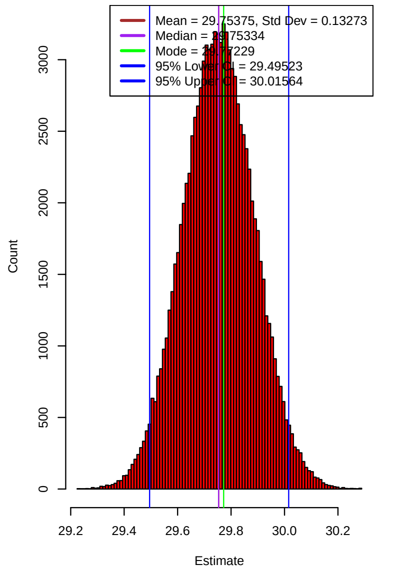
Distribution of: Parameter 12, %WITHIN%: IMMI2GE



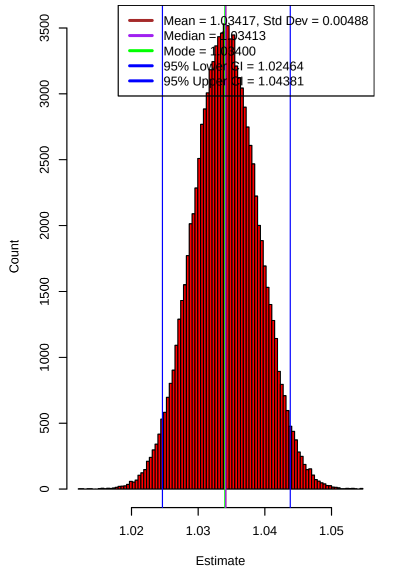
Distribution of: Parameter 13, %WITHIN%: ESCS



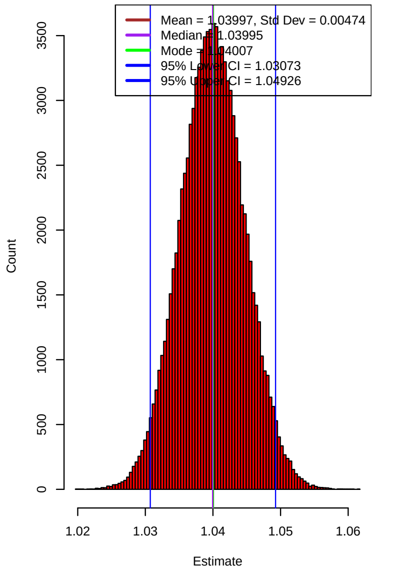
Distribution of: Parameter 14, %WITHIN%: FCFMLRT



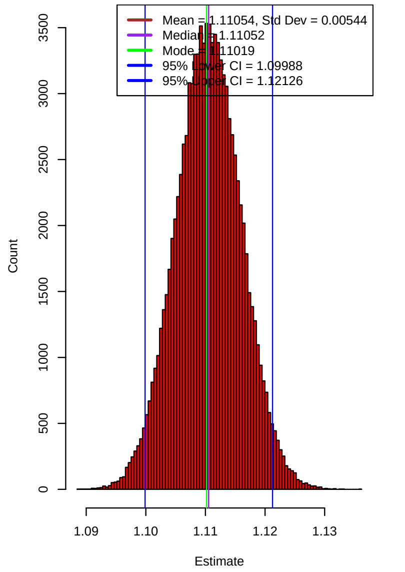
Distribution of: Parameter 15, %WITHIN%: FLCONF



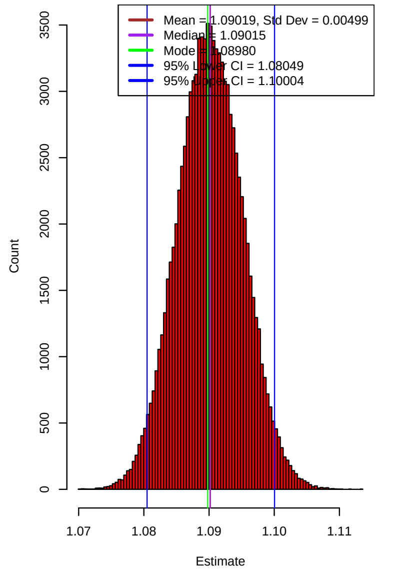
Distribution of: Parameter 16, %WITHIN%: FLSCHO



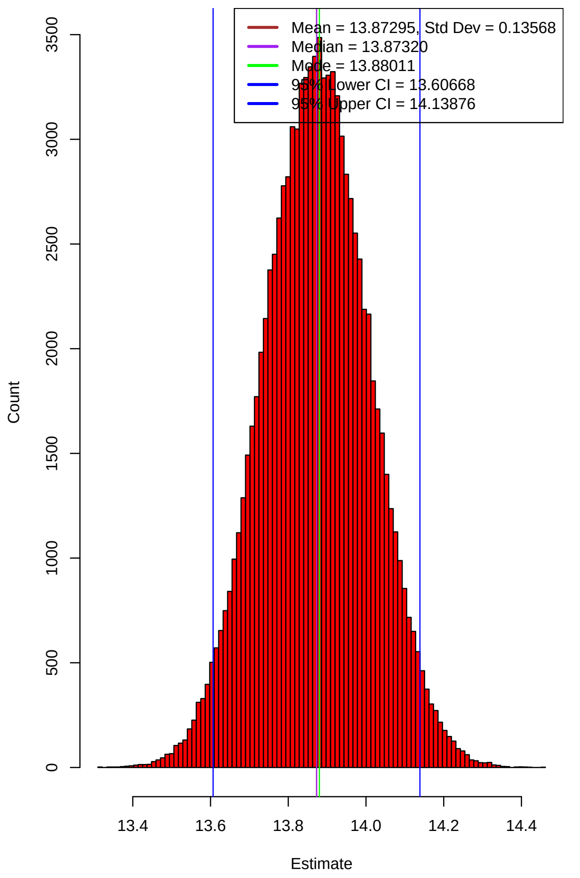
Distribution of: Parameter 17, %WITHIN%: NOBULL



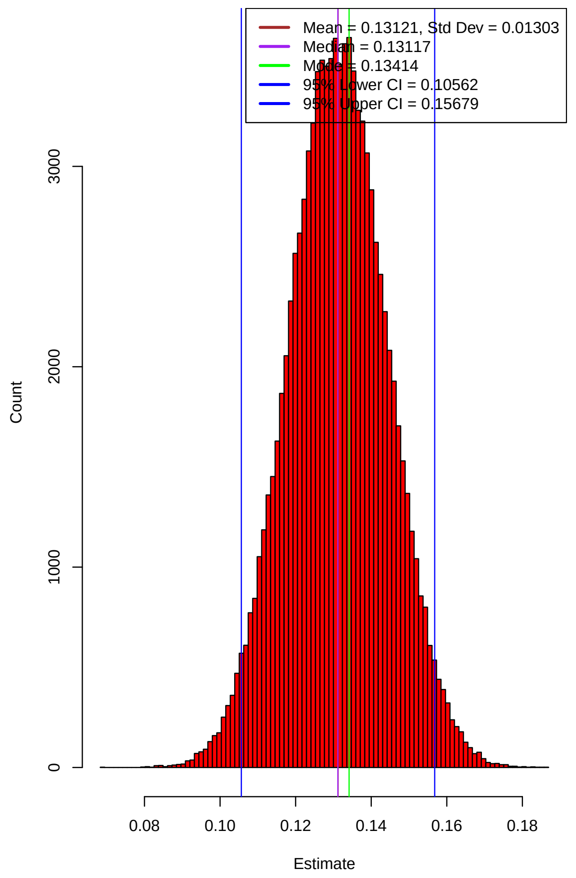
Distribution of: Parameter 18, %WITHIN%: FLFAMIL



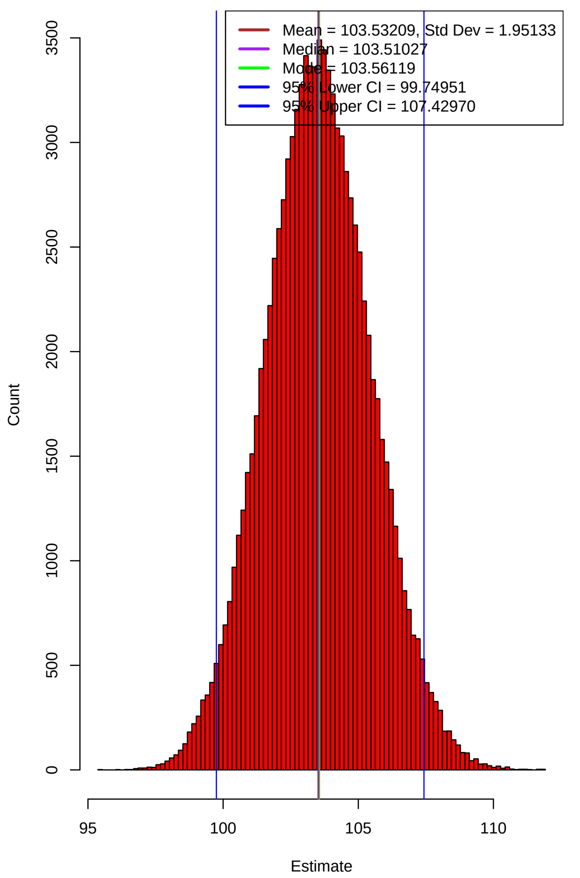
Distribution of: Parameter 19, %BETWEEN%: [STRATIO]



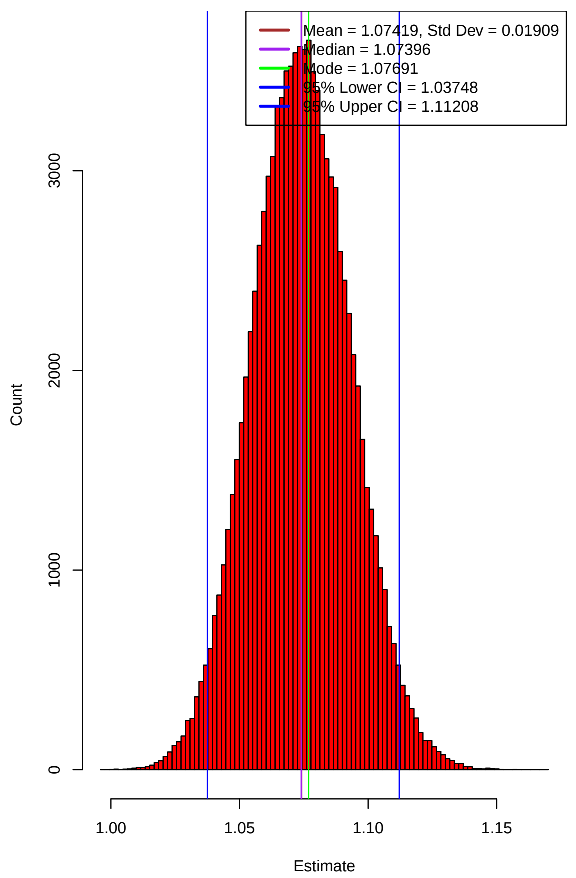
Distribution of: Parameter 20, %BETWEEN%: [EDUSHORT]



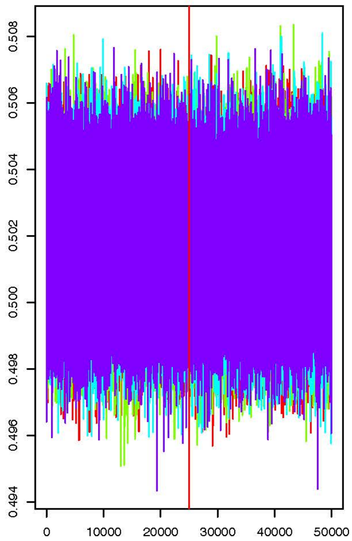
Distribution of: Parameter 21, %BETWEEN%: STRATIO



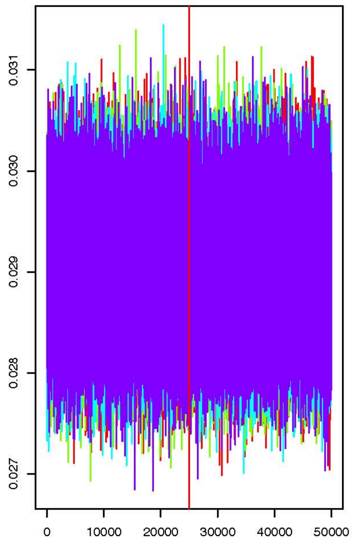
Distribution of: Parameter 22, %BETWEEN%: EDUSHORT



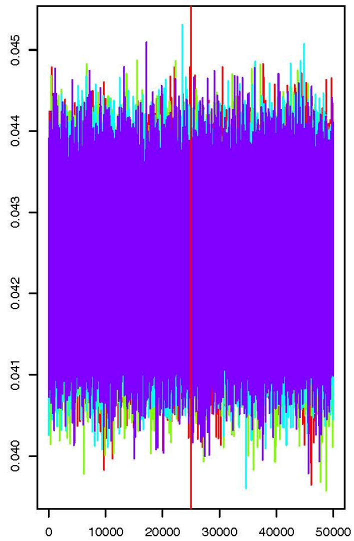
Trace plot of: Parameter 1, %WITHIN%: [MALE]



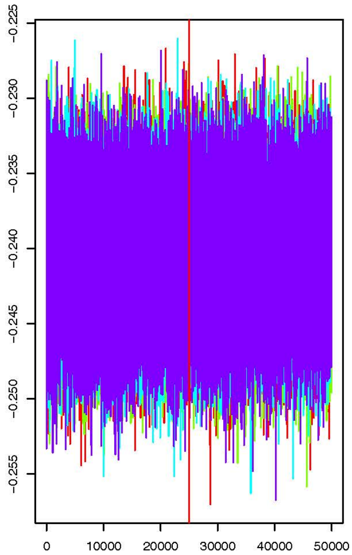
Trace plot of: Parameter 2, %WITHIN%: [IMMI1GEN



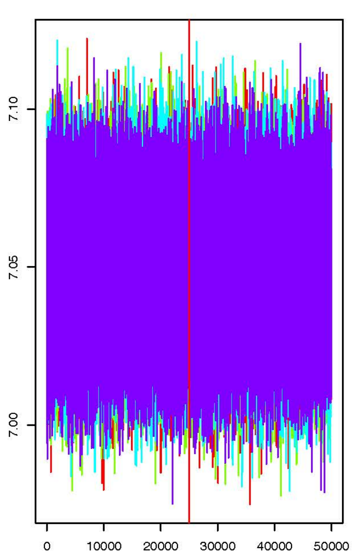
Trace plot of: Parameter 3, %WITHIN%: [IMMI2GEN



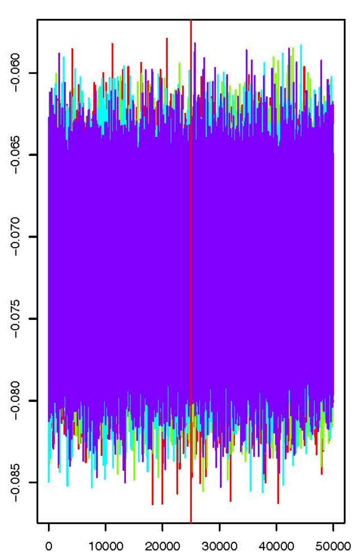
Trace plot of: Parameter 4, %WITHIN%: [ESCS]



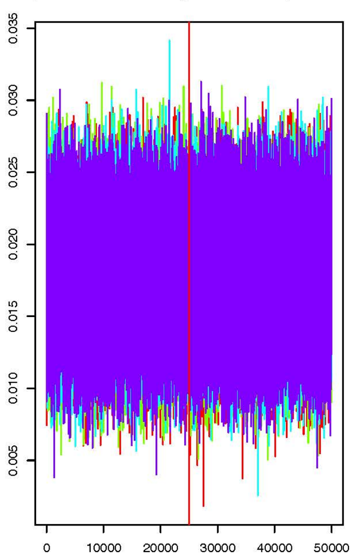
Trace plot of: Parameter 5, %WITHIN%: [FCFMLRTY



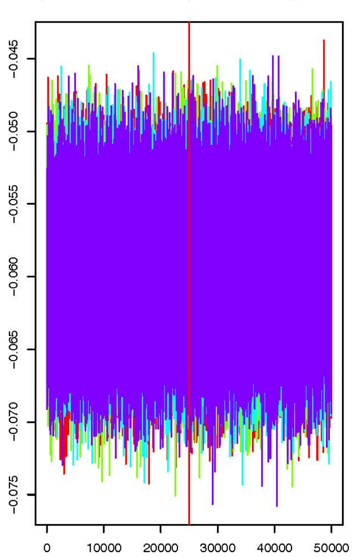
Trace plot of: Parameter 6, %WITHIN%: [FLCONFIN



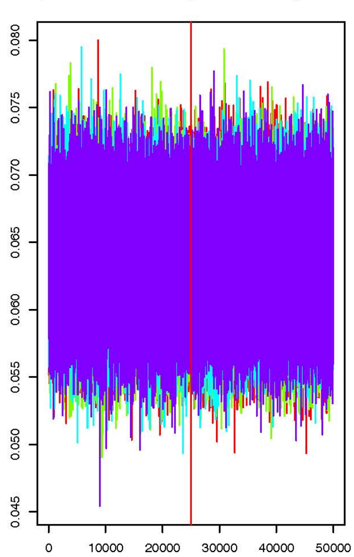
Trace plot of: Parameter 7, %WITHIN%: [FLSCHOOL



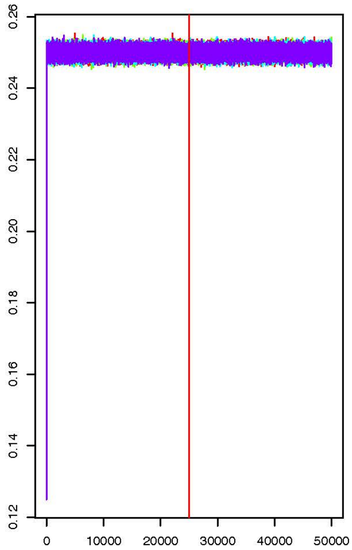
Trace plot of: Parameter 8, %WITHIN%: [NOBULLY



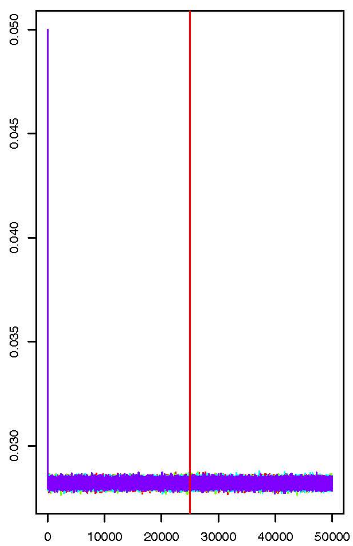
Trace plot of: Parameter 9, %WITHIN%: [FLFAMILY



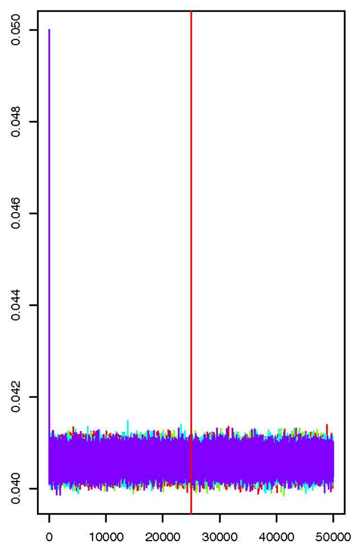
Trace plot of: Parameter 10, %WITHIN%: MALE



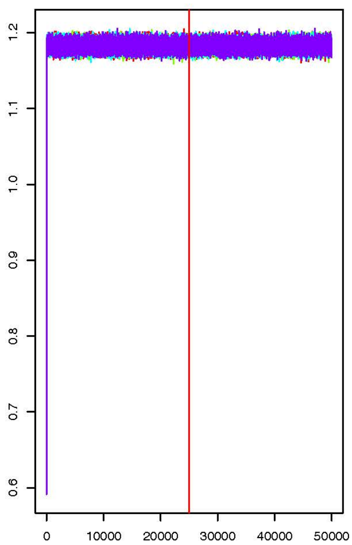
Trace plot of: Parameter 11, %WITHIN%: IMMI1GEI



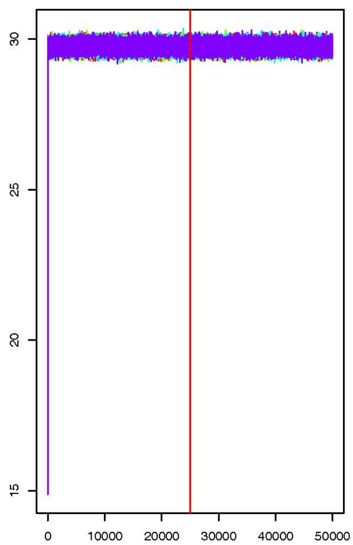
Trace plot of: Parameter 12, %WITHIN%: IMMI2GEI



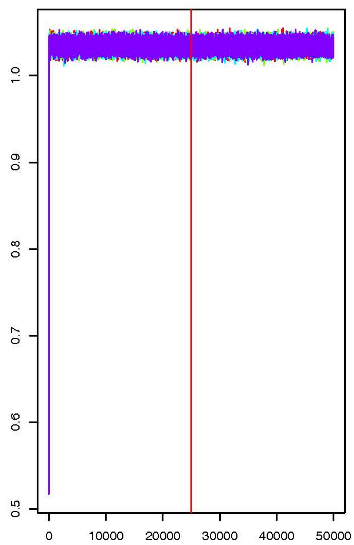
Trace plot of: Parameter 13, %WITHIN%: ESCS



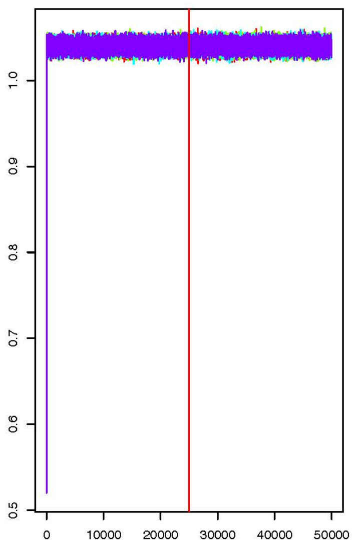
Trace plot of: Parameter 14, %WITHIN%: FCFMLRT



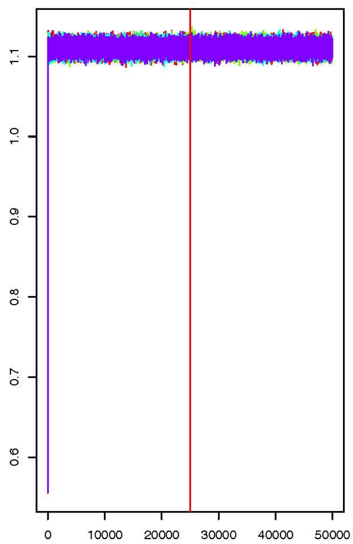
Trace plot of: Parameter 15, %WITHIN%: FLCONFII



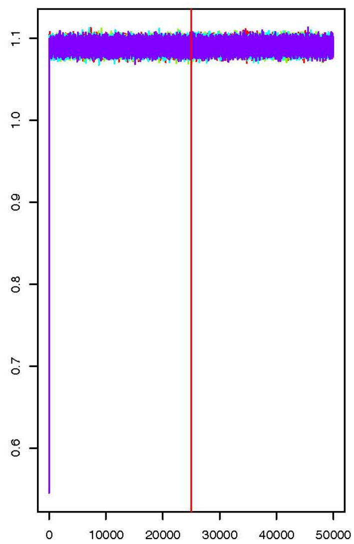
Trace plot of: Parameter 16, %WITHIN%: FLSCHOO



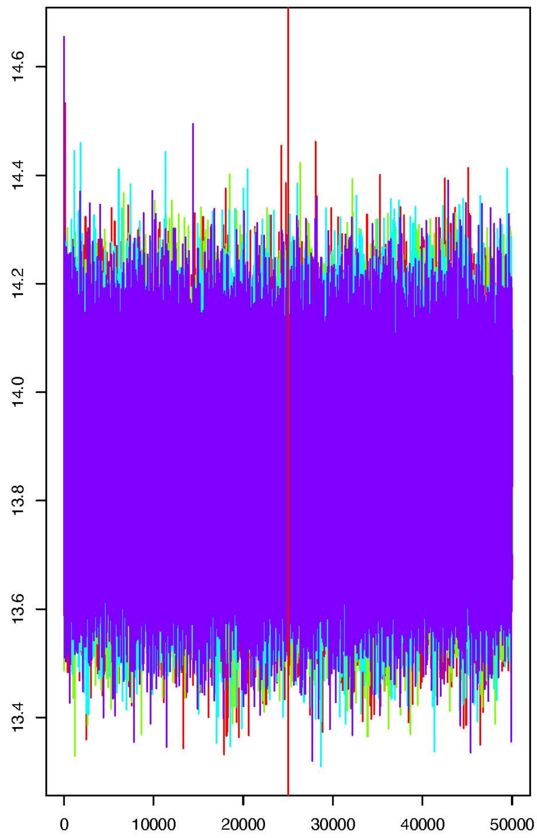
Trace plot of: Parameter 17, %WITHIN%: NOBULLY



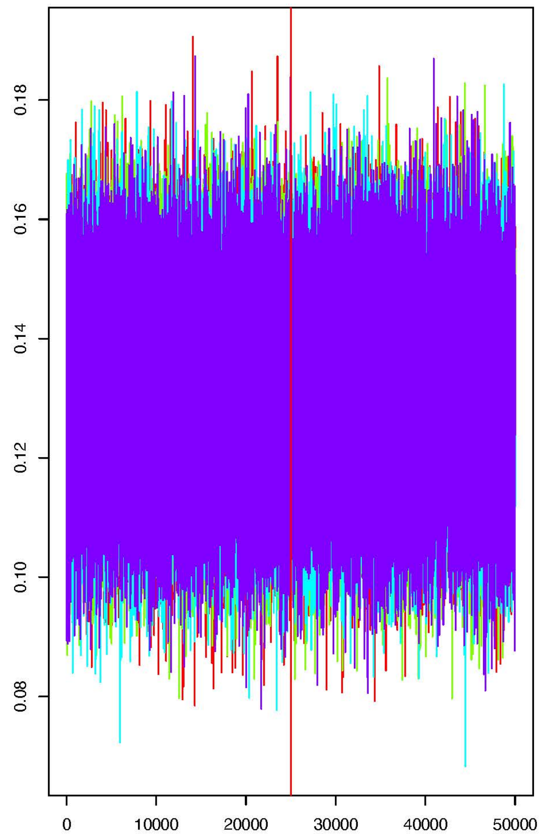
Trace plot of: Parameter 18, %WITHIN%: FLFAMILY



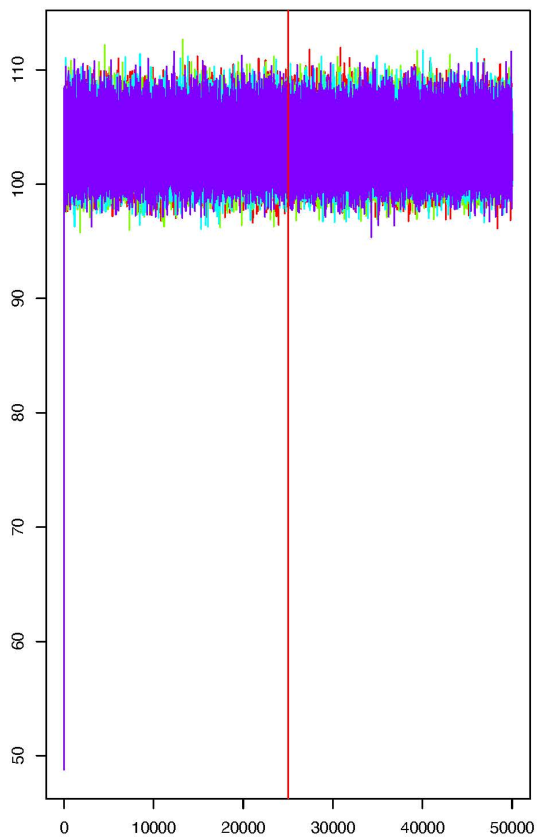
Trace plot of: Parameter 19, %BETWEEN%: [STRATIO]



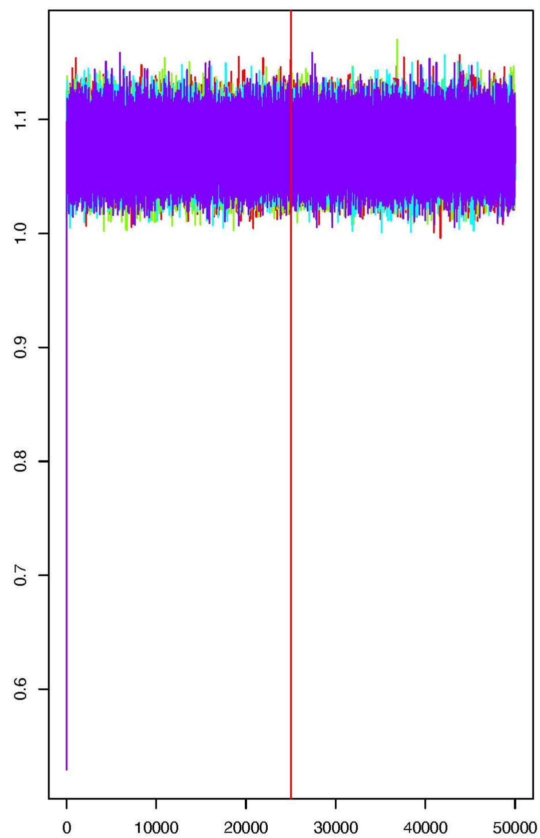
Trace plot of: Parameter 20, %BETWEEN%: [EDUSHORT]

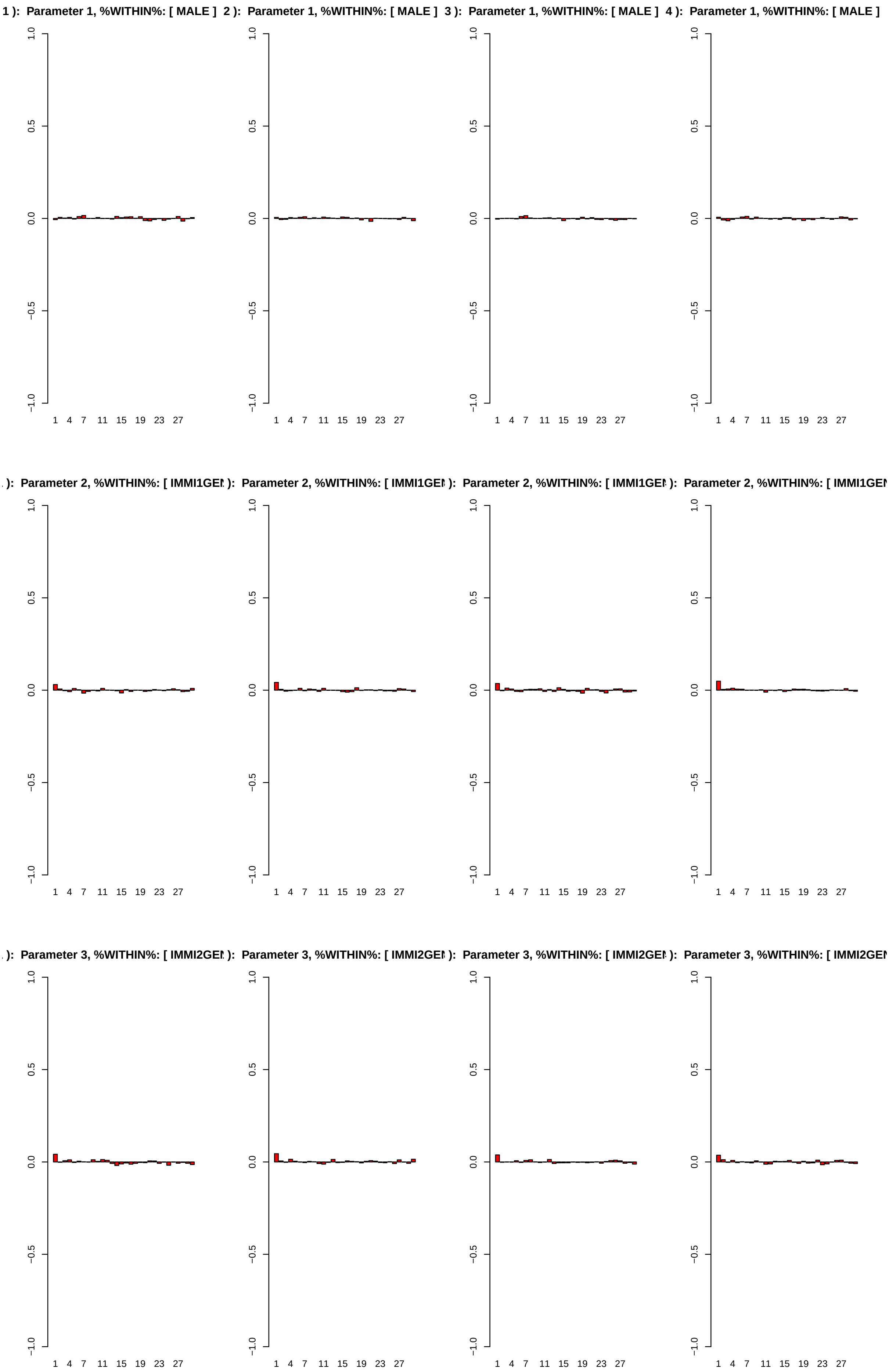


Trace plot of: Parameter 21, %BETWEEN%: STRATIO



Trace plot of: Parameter 22, %BETWEEN%: EDUSHORT




1): Parameter 1, %WITHIN%: [MALE]
2): Parameter 1, %WITHIN%: [MALE]
3): Parameter 1, %WITHIN%: [MALE]
4): Parameter 1, %WITHIN%: [MALE]
): Parameter 2, %WITHIN%: [IMMI1GE
): Parameter 2, %WITHIN%: [IMMI1GE
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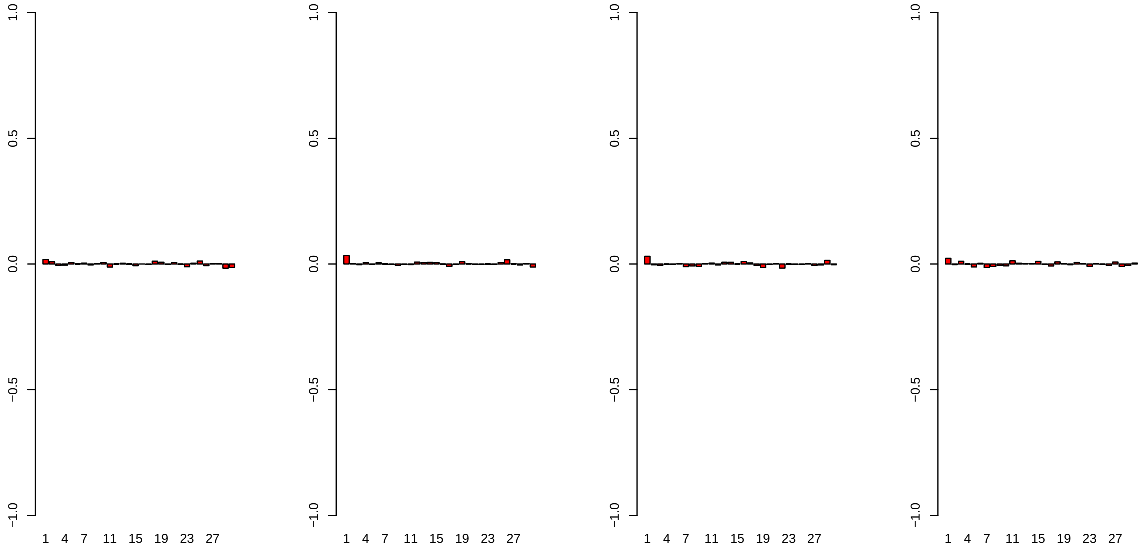
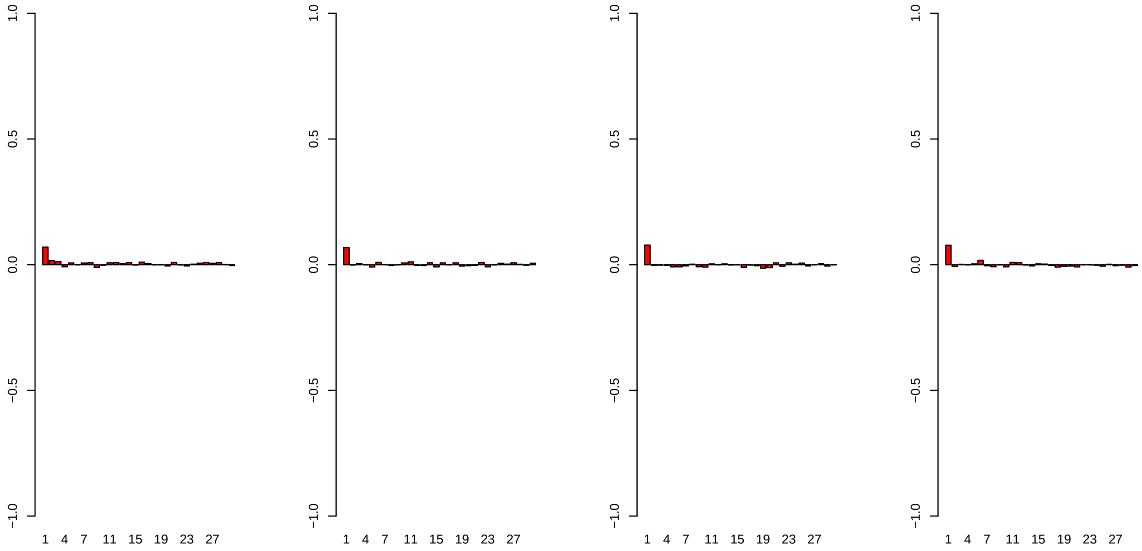
): Parameter 3, %WITHIN%: [IMMI2GE
): Parameter 3, %WITHIN%: [IMMI2GE
): Parameter 3, %WITHIN%: [IMMI2GEN
1.0
0.5
0.0
−0.5
−1.0
1 4 7 11 15 19 23 27

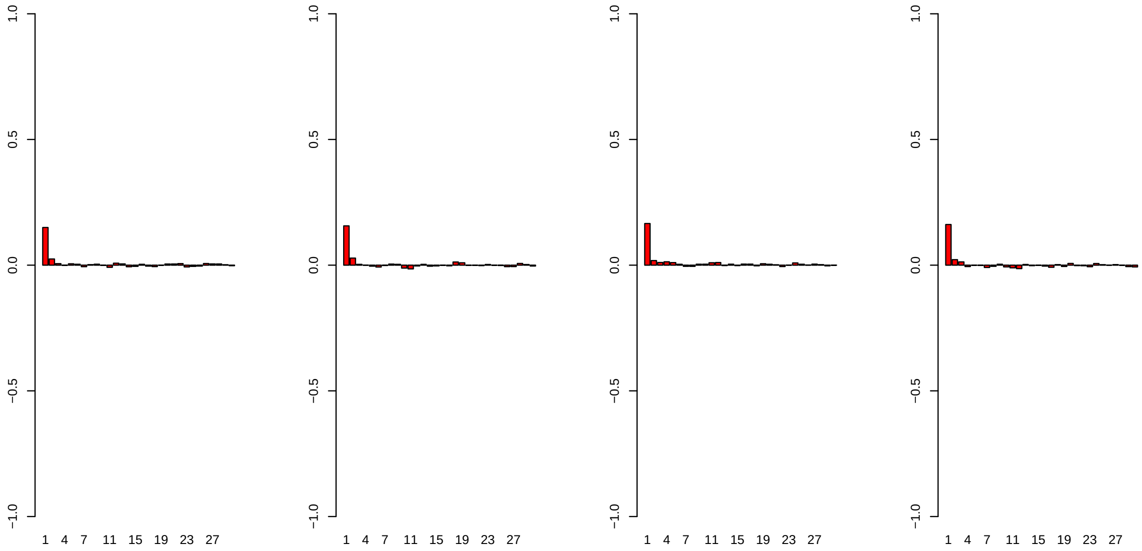
1): Parameter 4, %WITHIN%: [ESCS] 2): Parameter 4, %WITHIN%: [ESCS] 3): Parameter 4, %WITHIN%: [ESCS] 4): Parameter 4, %WITHIN%: [ESCS]

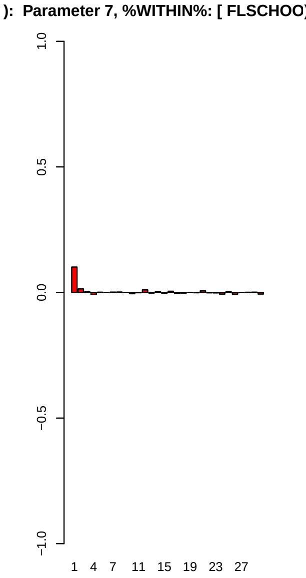


): Parameter 5, %WITHIN%: [FCFMLRT): Parameter 5, %WITHIN%: [FCFMLRT): Parameter 5, %WITHIN%: [FCFMLRT): Parameter 5, %WITHIN%: [FCFMLRT



): Parameter 6, %WITHIN%: [FLCONFII): Parameter 6, %WITHIN%: [FLCONFII): Parameter 6, %WITHIN%: [FLCONFII): Parameter 6, %WITHIN%: [FLCONFII




): Parameter 7, %WITHIN%: [FLSCHOO
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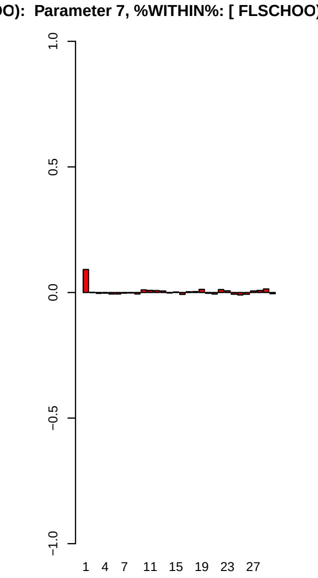
1 4 7 11 15 19 23 27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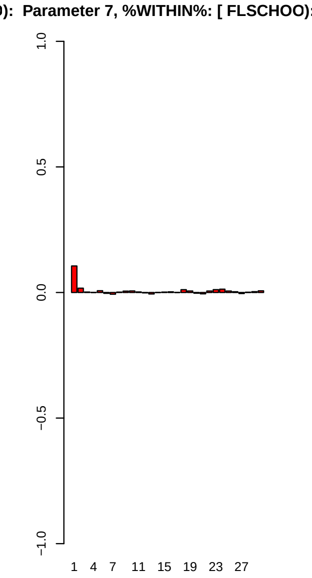
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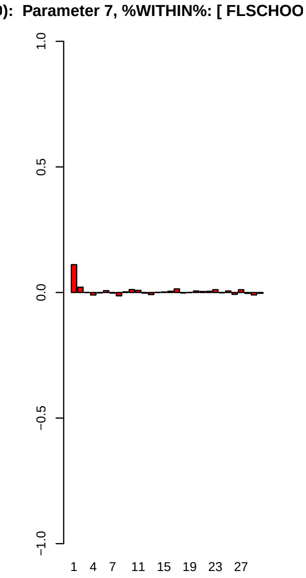
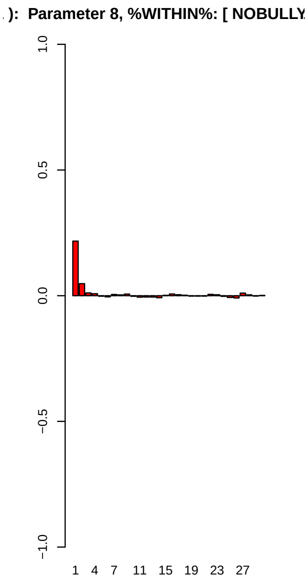
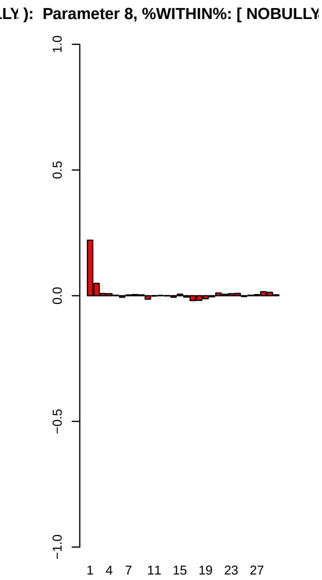
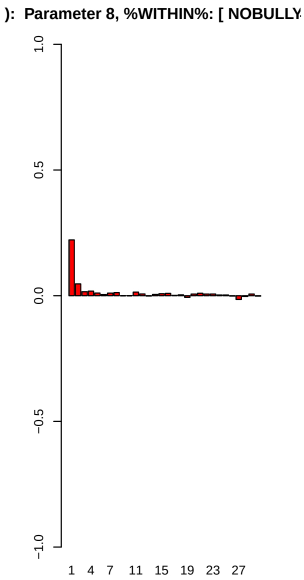
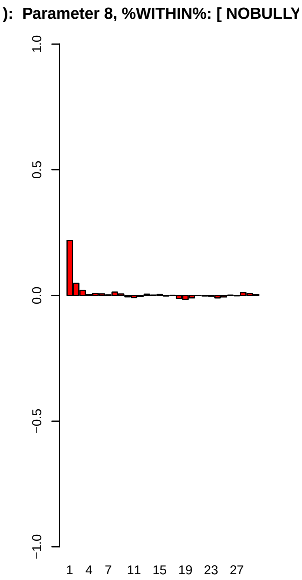
1 4 7 11 15 19 23 27

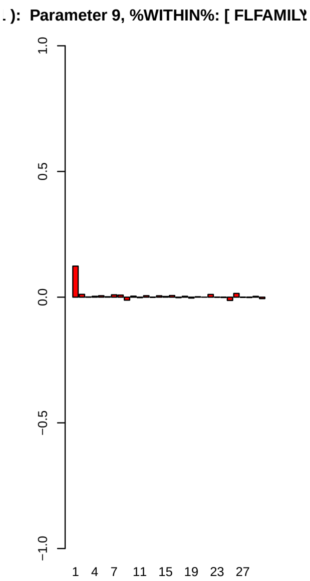

): Parameter 7, %WITHIN%: [FLSCHOO
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27

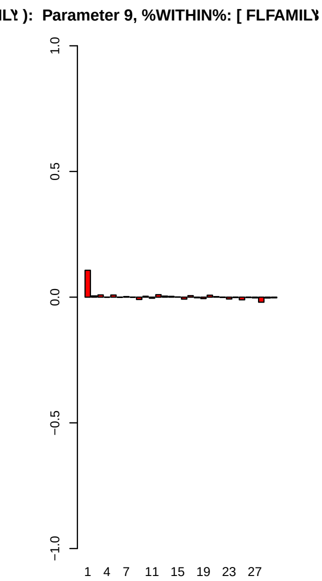

): Parameter 8, %WITHIN%: [NOBULLY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27

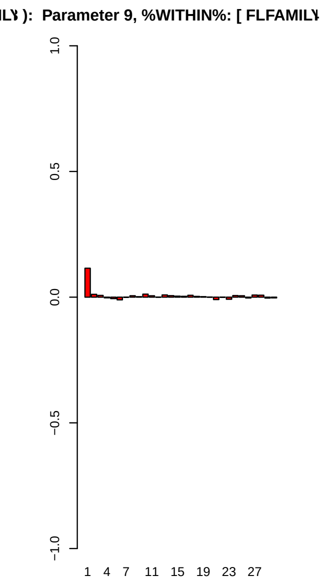

): Parameter 8, %WITHIN%: [NOBULLY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27

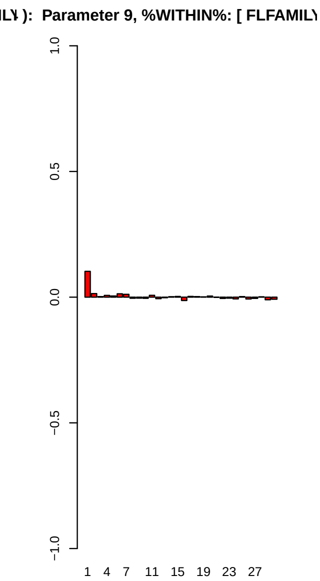

): Parameter 8, %WITHIN%: [NOBULLY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27


): Parameter 8, %WITHIN%: [NOBULLY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27


): Parameter 9, %WITHIN%: [FLFAMILY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27


): Parameter 9, %WITHIN%: [FLFAMILY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27


): Parameter 9, %WITHIN%: [FLFAMILY
1.0 0.5 0.0 −0.5 −1.0
1 4 7 11 15 19 23 27


): Parameter 9, %WITHIN%: [FLFAMILY
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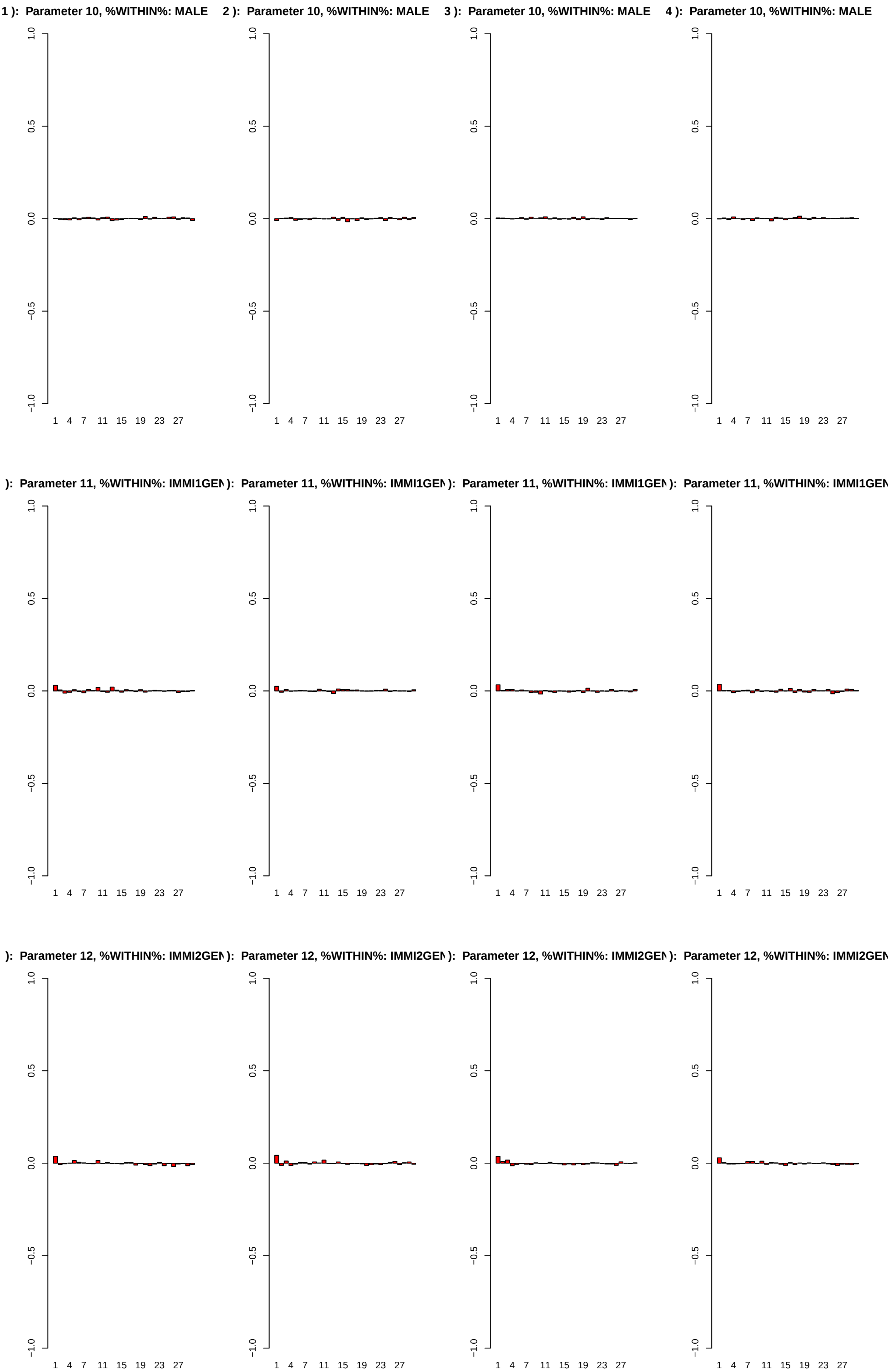
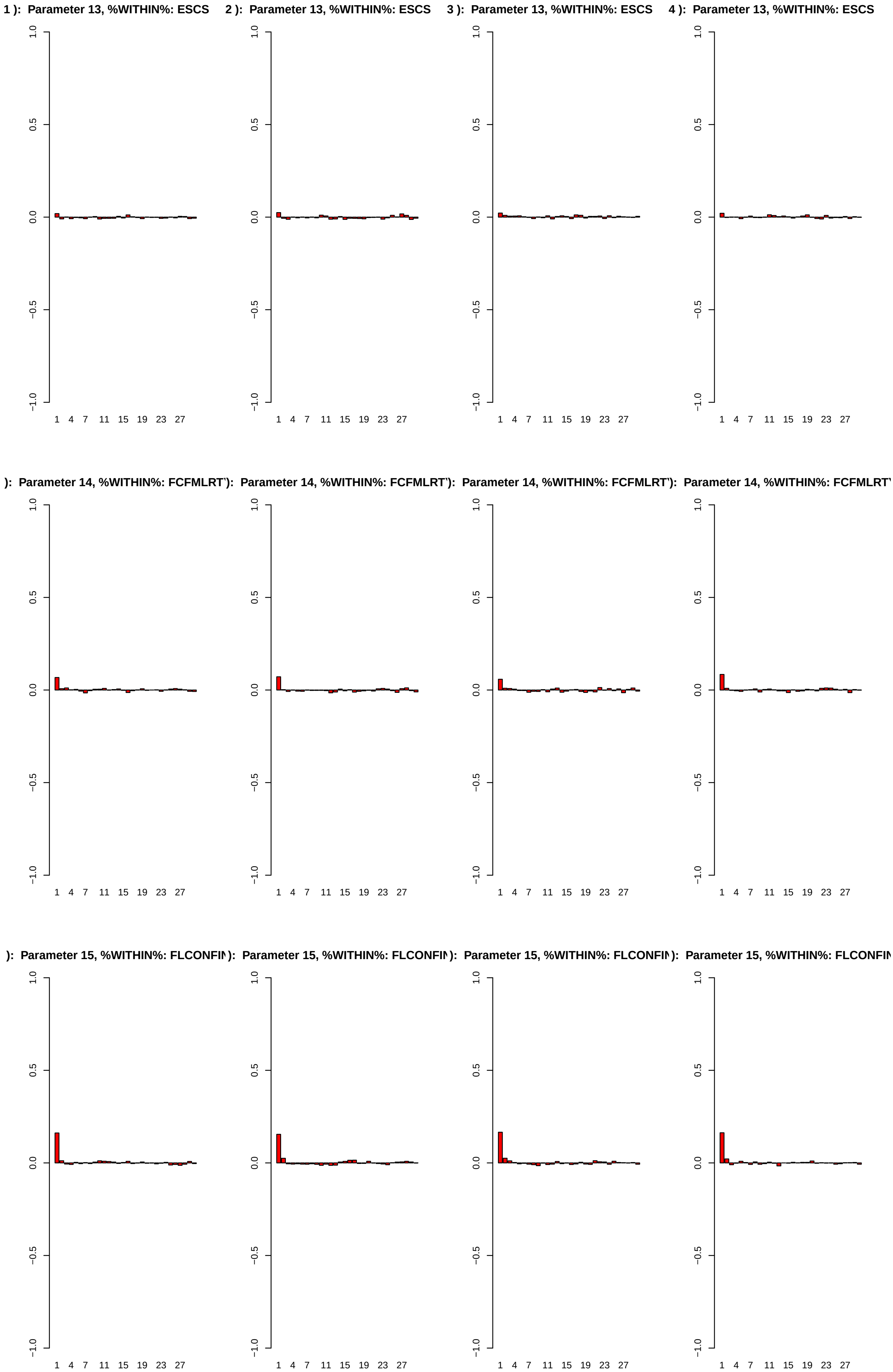
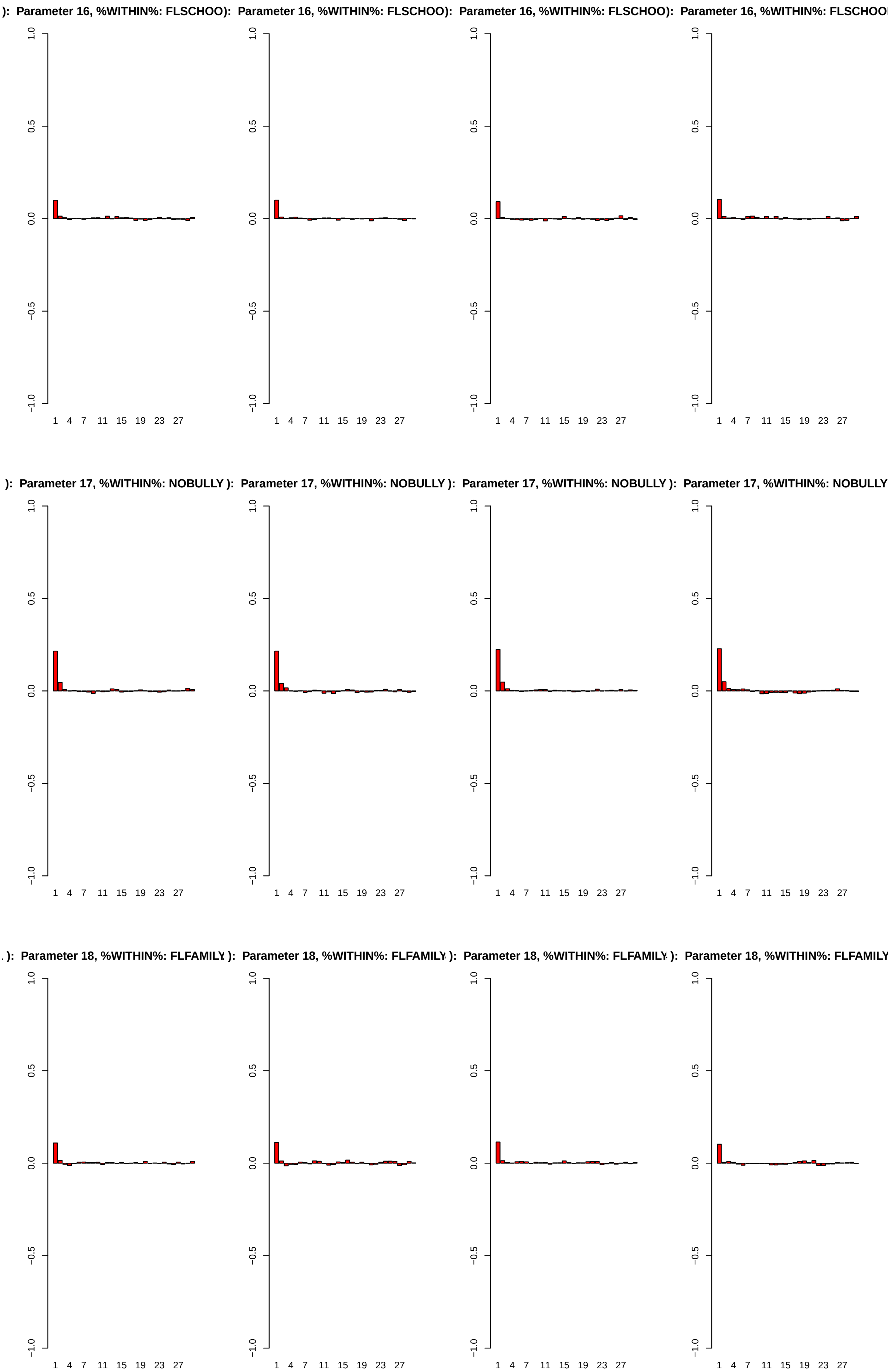
1 4 7 11 15 19 23 27

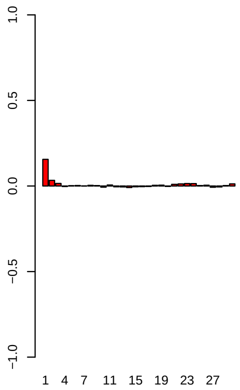


1): Parameter 10, %WITHIN%: MALE
2): Parameter 10, %WITHIN%: MALE
3): Parameter 10, %WITHIN%: MALE
4): Parameter 10, %WITHIN%: MALE
): Parameter 11, %WITHIN%: IMMI1GEN
): Parameter 11, %WITHIN%: IMMI1GEN
): Parameter 11, %WITHIN%: IMMI1GEN
): Parameter 11, %WITHIN%: IMMI1GEN
): Parameter 12, %WITHIN%: IMMI2GEN
): Parameter 12, %WITHIN%: IMMI2GEN
): Parameter 12, %WITHIN%: IMMI2GEN
): Parameter 12, %WITHIN%: IMMI2GEN
1.0
0.5
0.0
−0.5
−1.0
1 4 7 11 15 19 23 27

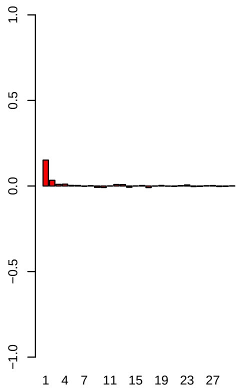

1): Parameter 13, %WITHIN%: ESCS
2): Parameter 13, %WITHIN%: ESCS
3): Parameter 13, %WITHIN%: ESCS
4): Parameter 13, %WITHIN%: ESCS
): Parameter 14, %WITHIN%: FCFMLRT'
): Parameter 14, %WITHIN%: FCFMLRT'
): Parameter 14, %WITHIN%: FCFMLRT'
): Parameter 14, %WITHIN%: FCFMLRT'
): Parameter 15, %WITHIN%: FLCONFII
): Parameter 15, %WITHIN%: FLCONFII
): Parameter 15, %WITHIN%: FLCONFII
): Parameter 15, %WITHIN%: FLCONFIN
1.0
0.5
0.0
−0.5
−1.0
1 4 7 11 15 19 23 27


): Parameter 16, %WITHIN%: FLSCHOO
): Parameter 16, %WITHIN%: FLSCHOO
): Parameter 16, %WITHIN%: FLSCHOO
): Parameter 16, %WITHIN%: FLSCHOO
): Parameter 17, %WITHIN%: NOBULLY
): Parameter 17, %WITHIN%: NOBULLY
): Parameter 17, %WITHIN%: NOBULLY
): Parameter 17, %WITHIN%: NOBULLY
): Parameter 18, %WITHIN%: FLFAMILY
): Parameter 18, %WITHIN%: FLFAMILY
): Parameter 18, %WITHIN%: FLFAMILY
): Parameter 18, %WITHIN%: FLFAMILY

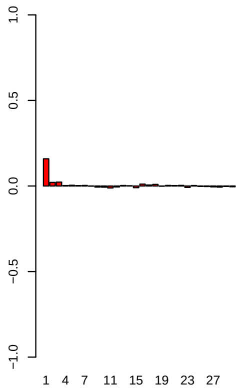
Parameter 19, %BETWEEN%: [STRAT



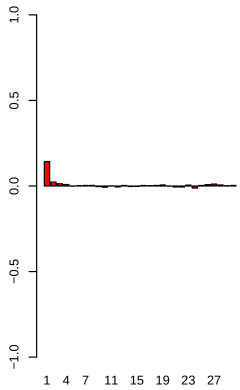
Parameter 19, %BETWEEN%: [STRAT



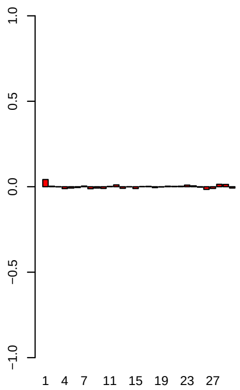
Parameter 19, %BETWEEN%: [STRAT



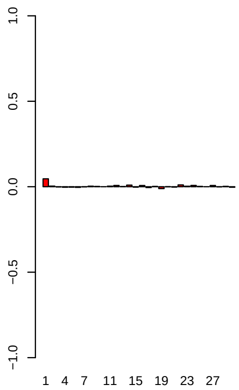
Parameter 19, %BETWEEN%: [STRAT



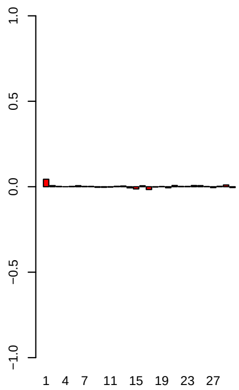
Parameter 20, %BETWEEN%: [EDUSH



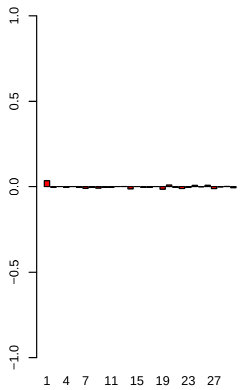
Parameter 20, %BETWEEN%: [EDUSH



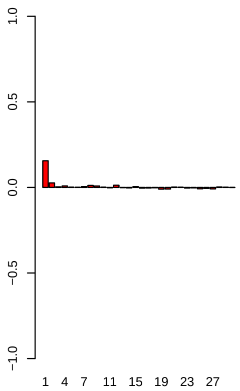
Parameter 20, %BETWEEN%: [EDUSH



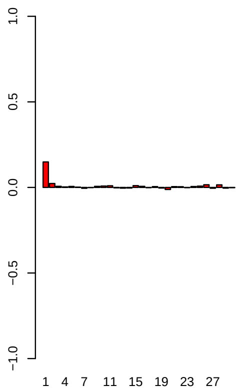
Parameter 20, %BETWEEN%: [EDUSH



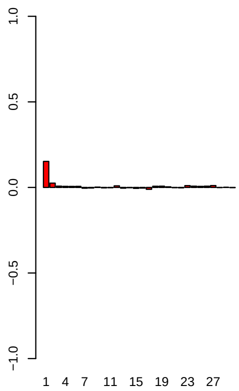
Parameter 21, %BETWEEN%: STRATI



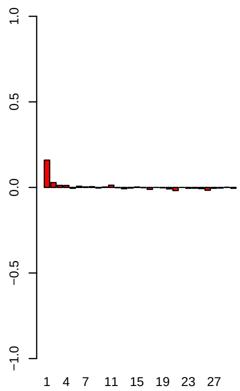
Parameter 21, %BETWEEN%: STRATI



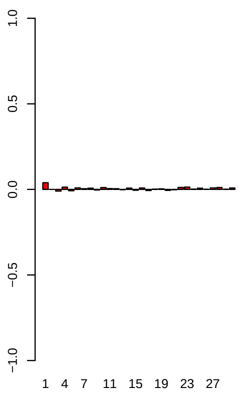
Parameter 21, %BETWEEN%: STRATI



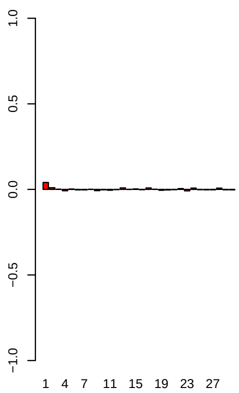
Parameter 21, %BETWEEN%: STRATI



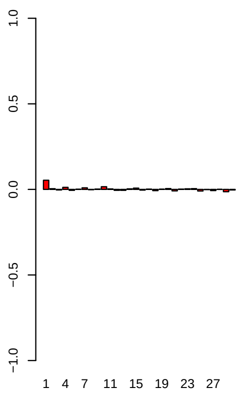
Parameter 22, %BETWEEN%: EDUSHO



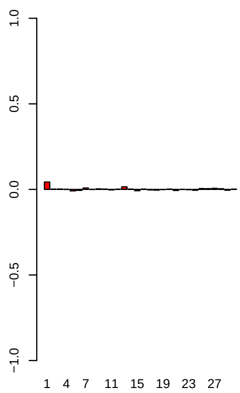
Parameter 22, %BETWEEN%: EDUSHO

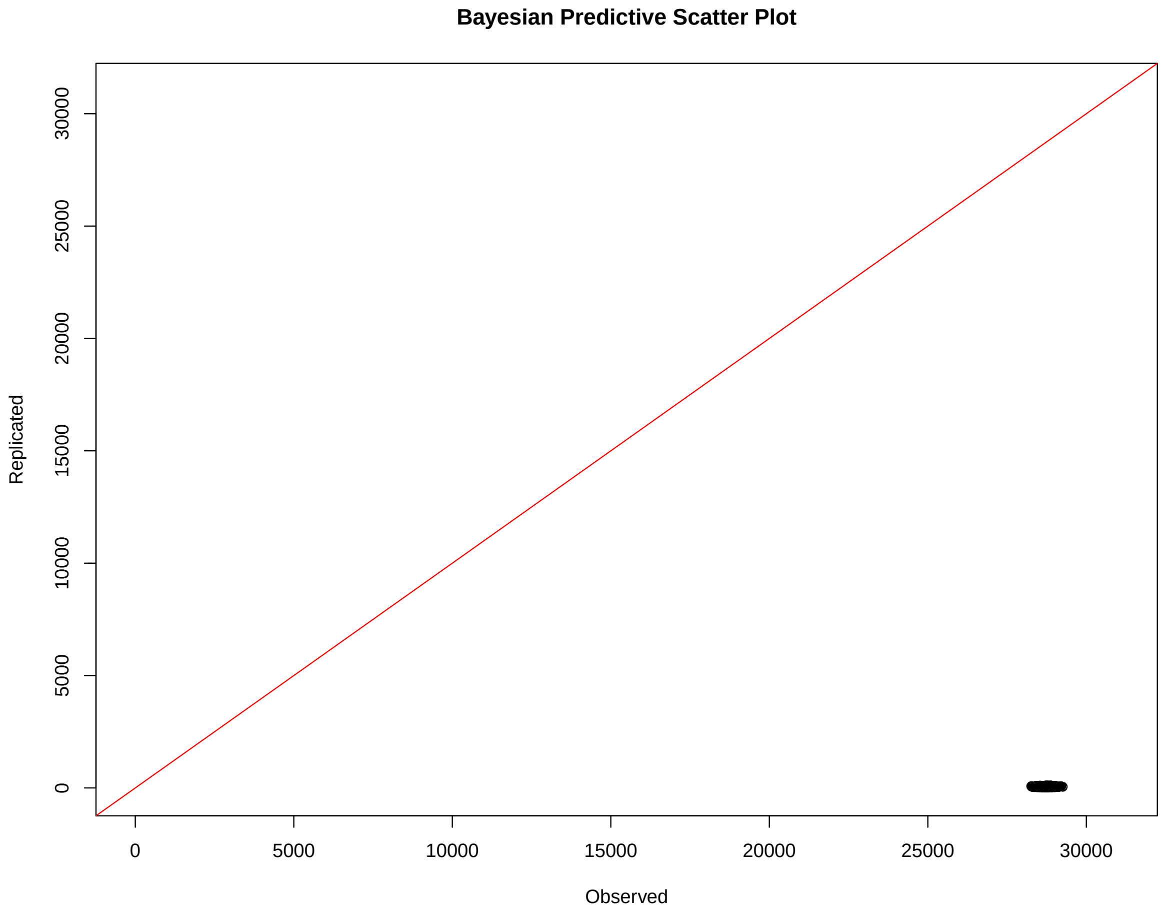


Parameter 22, %BETWEEN%: EDUSHO

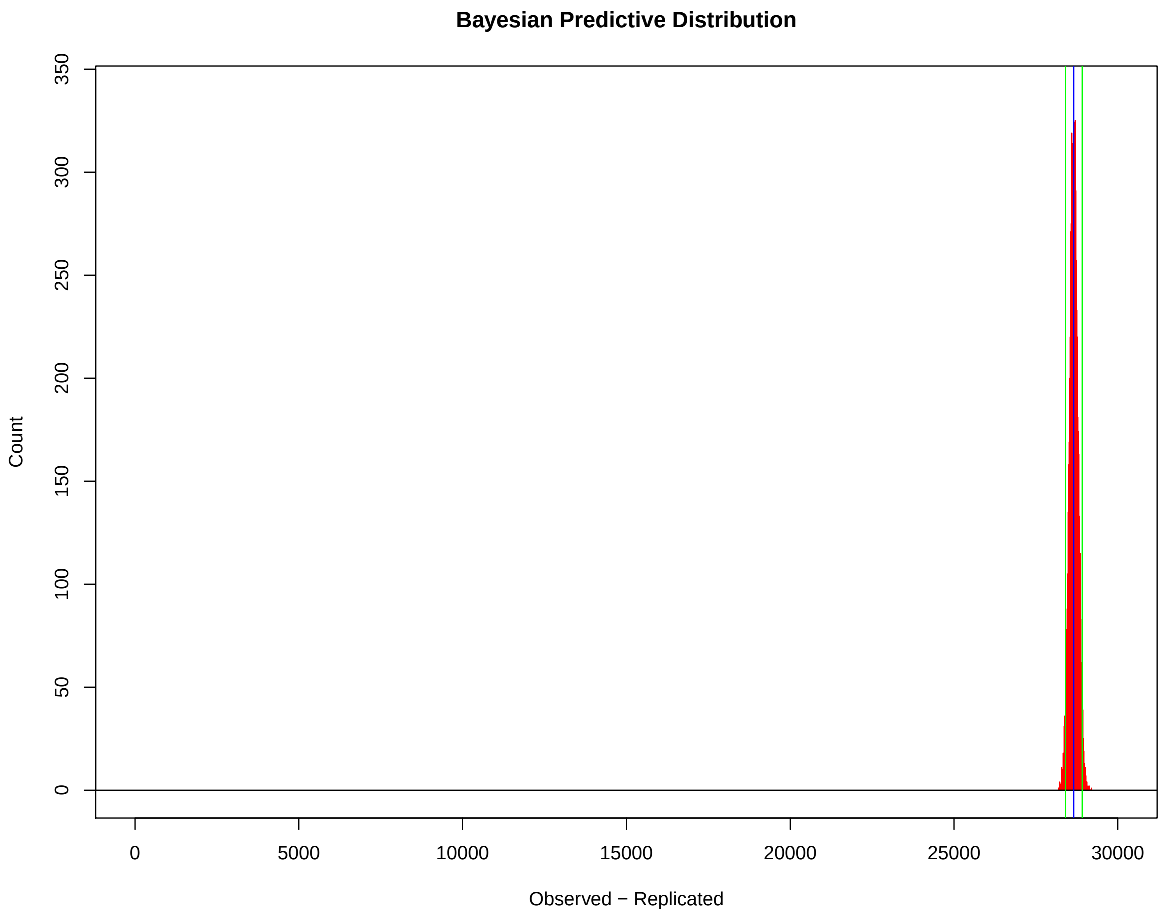


Parameter 22, %BETWEEN%: EDUSHO





95% confidence interval for the difference (28404, 28912), p−value 0.000



Mean 28656 (blue), 95% confidence interval (28403, 28912) (green)

B.3 MSEM Analysis Code

B.3.1 Mplus Input

```
TITLE:
    Two-level structured model for all countries

DATA:
    file = "~/implist.dat";

    type = imputation;


VARIABLE:
    names =
        FKI CNTRYID CNTSCHID W_STU
        MATH READ FLIT                      ! PISA achievement variables
        MALE IMMI1GEN IMMI2GEN ESCS         ! Demographic info
        FCFMLRTY FLCONFIN                   ! Affect
        FLSCHOOL                            !   Lat var "Academic"
        NOBULLY                             !   Lat var "Safety"
        FLFAMILY                            !   Lat var "Community"
        W_SCH STRATIO                       ! School character
        EDUSHORT                            !   Lat var "inst. env."
        ;

    usevar =
        FLIT                                ! PISA achievement variables
        FLSCHOOL                            !   Lat var "Academic"
        NOBULLY                             !   Lat var "Safety"
        FLFAMILY                            !   Lat var "Community"
        EDUSHORT STRATIO                    !   Lat var "Inst env"
        FCFMLRTY FLCONFIN                   ! Affect
        MALE IMMI1GEN IMMI2GEN ESCS         ! Demographic info
        ;

    ! Vars that ONLY appear in L1
    within =
        FCFMLRTY FLCONFIN                   ! Affective vars
        MALE IMMI1GEN IMMI2GEN ESCS         ! L1 control vars
        ;

    ! Vars that ONLY appear in L2
    between =
        EDUSHORT STRATIO                    ! L2: school
        ;

    weight = W_STU;                         ! Student weight
    wtscale = cluster;                      ! Scale L1 weight to cluster size
    bweight = W_SCH;                        ! School weight
    bwtscale = sample;                      ! Scale L2 weight to sample

    cluster = CNTSCHID;                     ! Cluster by school ID


ANALYSIS:
    processors = 64;

    type = twolevel;


MODEL:

%Within%                                    ! === L1: Student-level ===

    ! Save the variances of L1 FLSCHOOL, FLFAMILY, NOBULLY and FLIT
    FLSCHOOL (va_w);                        ! variance of academic (within)
    FLFAMILY (vc_w);                        ! variance of community (within)
    NOBULLY (vs_w);                         ! variance of safety (within)
    FLIT (vf_w);                            ! variance of FLIT (within)
```

```

    ! Indirect pathways (1st half): school climate vars onto mediators
        ! Onto mediator FAMILIARITY
    FCFMLRTY on
        FLSCHOOL FLFAMILY NOBULLY
        ESCS IMMI2GEN MALE
        ;
        ! Onto mediator CONFIDENCE
    FLCONFIN on
        FLSCHOOL FLFAMILY NOBULLY
        ESCS IMMI2GEN MALE
        ;

    ! Total effect
    FLIT on
        ! Indirect pathways (2nd half): affective vars onto financial literacy
        FCFMLRTY FLCONFIN
        ! Direct pathways: school climate vars onto financial literacy
        FLSCHOOL (a_w)                      ! academic_within
        FLFAMILY (c_w)                      ! community_within
        NOBULLY (s_w)                       ! safety_within
        ! Demographic vars
        ESCS IMMI1GEN
        ;

    ! Covariances

        ! Between school climate vars
    FLSCHOOL with FLFAMILY;
    FLFAMILY with NOBULLY;
    FLSCHOOL with NOBULLY;

        ! Between mediators
    FCFMLRTY with FLCONFIN;

        ! SES with school climate vars
    ESCS with FLSCHOOL FLFAMILY;
        ! SES with demographic vars
    ESCS with IMMI1GEN IMMI2GEN;

%Between%                                   ! === L2: School-level ===

    ! Save the variances of L1 FLSCHOOL, FLFAMILY and NOBULLY
    FLSCHOOL (va_b);                        ! variance of academic (between)
    FLFAMILY (vc_b);                        ! variance of community (between)
    NOBULLY (vs_b);                         ! variance of safety (between)
    FLIT (vf_b);                            ! variance of FLIT (between)

    FLIT on                                 ! School climate variables
        FLSCHOOL (a_b)                          ! academic_between
        FLFAMILY (c_b)                          ! community_between
        NOBULLY (s_b)                           ! safety_between
        EDUSHORT
        STRATIO                             ! Control: Student-teacher ratio
        ;

    ! Covariances

        ! Between school climate vars
    FLSCHOOL with FLFAMILY;
    FLFAMILY with NOBULLY;
    NOBULLY with EDUSHORT;

    FLSCHOOL with NOBULLY;
    FLFAMILY with EDUSHORT;

    FLSCHOOL with EDUSHORT;

    STRATIO with FLSCHOOL EDUSHORT;


MODEL INDIRECT:
```

```
    ! Indirect effects
    FLIT ind FLSCHOOL;
    FLIT ind FLFAMILY;
    FLIT ind NOBULLY;

    FLIT ind ESCS;
    FLIT ind IMMI2GEN;
    FLIT ind MALE;


MODEL CONSTRAINT:

    ! Save non-standardised contextual effects
    new(ctx_a);
    ctx_a = a_b - a_w;
    new(ctx_c);
    ctx_c = c_b - c_w;
    new(ctx_s);
    ctx_s = s_b - s_w;

    ! Standardise contextual effects
    new(ctx_a_st);
    ctx_a_st = ctx_a*(sqrt(va_b)/sqrt(va_b*a_b**2+vf_b+va_w*a_w**2+vf_w));
    new(ctx_c_st);
    ctx_c_st = ctx_c*(sqrt(vc_b)/sqrt(vc_b*c_b**2+vf_b+vc_w*c_w**2+vf_w));
    new(ctx_s_st);
    ctx_s_st = ctx_s*(sqrt(vs_b)/sqrt(vs_b*s_b**2+vf_b+vs_w*s_w**2+vf_w));

    ! Compute effect sizes (EF)
    new(es1_a);
    es1_a = ctx_a*(2*sqrt(va_b)/sqrt(vf_w));
    new(es1_c);
    es1_c = ctx_c*(2*sqrt(vc_b)/sqrt(vf_w));
    new(es1_s);
    es1_s = ctx_s*(2*sqrt(vs_b)/sqrt(vf_w));

    new(es2_a);
    es2_a = ctx_a*(2*sqrt(va_b)/sqrt(va_w*a_w**2+vf_w));
    new(es2_c);
    es2_c = ctx_c*(2*sqrt(vc_b)/sqrt(vc_w*c_w**2+vf_w));
    new(es2_s);
    es2_s = ctx_s*(2*sqrt(vs_b)/sqrt(vs_w*s_w**2+vf_w));

    new(es3_a);
    es3_a = ctx_a*(2*sqrt(va_b)/sqrt(va_b*a_b**2+va_w*a_w**2+vf_w));
    new(es3_c);
    es3_c = ctx_c*(2*sqrt(vc_b)/sqrt(vc_b*c_b**2+vc_w*c_w**2+vf_w));
    new(es3_s);
    es3_s = ctx_s*(2*sqrt(vs_b)/sqrt(vs_b*s_b**2+vs_w*s_w**2+vf_w));


OUTPUT:
    stdyx                                   ! Fully standardised solution
    ;
```

B.3.2 Selected *Mplus* Output

```
R-SQUARE

Within Level

    Observed                                               Two-Tailed   Rate of
    Variable          Estimate       S.E.  Est./S.E.    P-Value    Missing

    FLIT                 0.122      0.009     12.875      0.000      0.203
    FCFMLRTY             0.136      0.007     19.204      0.000      0.123
    FLCONFIN             0.077      0.005     14.908      0.000      0.141
```

```
Between Level

    Observed                                                  Two-Tailed    Rate of
    Variable         Estimate        S.E.  Est./S.E.    P-Value     Missing

    FLIT                0.477       0.038     12.469      0.000       0.062
```