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Are finance students over- or under confident – A study on the ability to predict grades

Overconfidence is a cognitive bias that most people suffer from. A person suffers from overconfidence bias when his or her own subjective estimation of an ability is significantly higher than an objective estimation of the same ability. Previous research in pedagogy has established that students suffer from overconfidence when it comes to grade prediction in business and economics. A student suffering from overconfidence bias have a propensity to study less than required since the subjective estimation of comprehension of the subject is higher than it really is when measured objectively. The implication of overconfidence is thus that a student will not fulfill his or her own full potential of learning the subject. This paper adds to the overconfidence research in pedagogy by measuring the level of overconfidence throughout an entire course to analyze the relation between learning and overconfidence. This has not been done in previous research. Students made estimation of their final exam score at five times throughout the course. Results show that students are overconfident and that they do not calibrate their expectations over time, on a general level. as they perhaps should given how they perform in learning the subject. Female students show a lower degree of overconfidence and had a higher tendency to calibrate their expectations. After having taken the exam and making a final estimation of expected grade, overconfidence drastically went down but less so for fourth year students in relation to third year students. In this estimation female third year students even became under-confident.