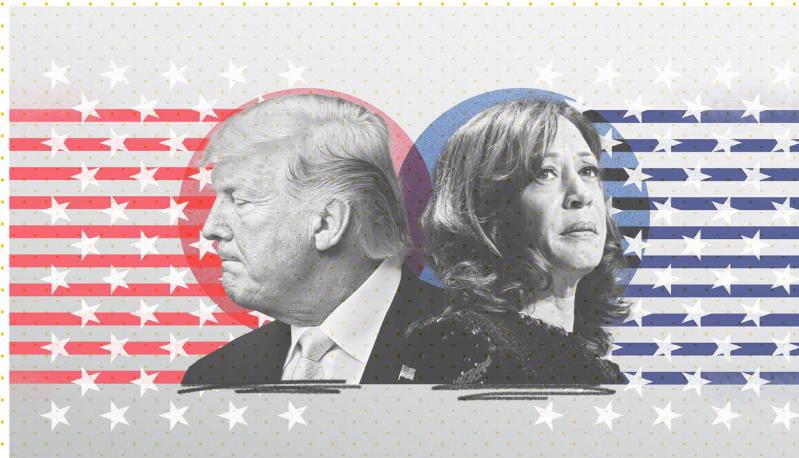


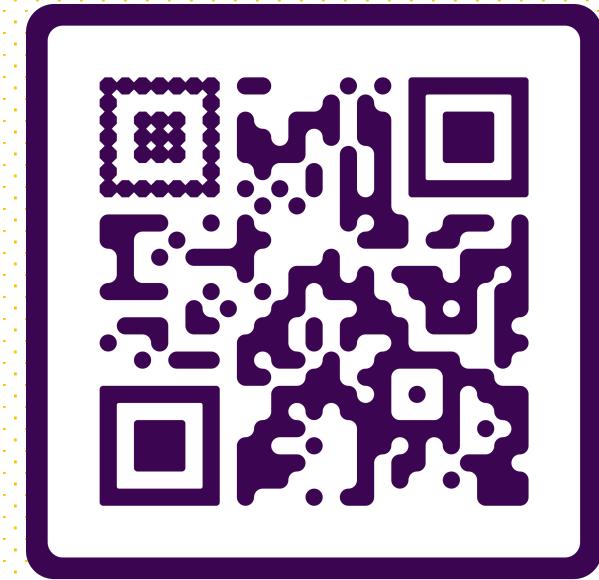
Introduction to Hypothesis Testing and its Application in Real-Life and Data Science

Fatemeh Asgarinejad



Announcements + schedule + links

- Lectures
[In person, SCHEDULE](#)
- Discussions
[In person, SCHEDULE](#)
- Office Hours
[SCHEDULES](#)



- Website | Piazza (Q&A) | Canvas (recordings + quizzes) | GradeScope (HW submission) | [GitHub](#) (code + slides) | [Google Colab](#)
- HWs, HW solutions, due dates and exams.

Course Plan: Where We Are Now

Week	Date	Topic	Activities	Week	Date	Topic	Activities
1	Monday – Jan 6	Combinatorics and Counting	HW 1 Programming 1 Exit Tickets 1-3	6	Monday – Feb 10	Central Limit Theorem	Exam 2 Exit Tickets 16-18 Project proposal
	Wednesday – Jan 8	Set Theory and Axioms of Statistics			Wednesday – Feb 12	Markov's Inequality, Chebyshev's Inequality, and Law of Large Numbers	
	Friday – Jan 10	Conditional Probability and Bayes' Rule			Friday – Feb 14	Conditional Expectation, Linearity of Expectation, Inverse Transform Method	
2	Monday – Jan 13	Law of Total Probability, Independence, and Dependence	HW 2 Programming 2 Exit Tickets 4-6	7	Monday – Feb 17	Introduction to Statistics	HW 5 Programming 5 Exit Tickets 19-21
	Wednesday – Jan 15	Conditional Independence, Chain Rule, Random Variables			Wednesday – Feb 19	Point Estimation and Maximum Likelihood Estimator	
	Friday – Jan 17	Probability Mass Function, Cumulative Distribution, Expectation, and Variance			Friday – Feb 21	Interval Estimation, Confidence Interval	
3	Monday – Jan 20	Bernoulli and Binomial Distributions	Exam 1 Exit Tickets 7-9	8	Monday – Feb 24	Hypothesis Testing, z-Test, Fisher Test, p-Value	Project phase 1 Exit Tickets 22-24
	Wednesday – Jan 22	Geometric, Hypergeometric, and Poisson Distributions			Wednesday – Feb 26	Project Phase 1 discussion	
	Friday – Jan 24	Continuous Random Variables, Uniform Distribution, Normal Distribution			Friday – Feb 28	Chi-squared Distribution and Test, t-Distribution and t-Test, p-value cont.	
4	Monday – Jan 27	Normal Distribution	HW 3 Programming 3 Exit Tickets 10-12	9	Monday – March 3	Nonparametric Tests, Permutation Test, p-Value Adjustment	HW 6 Programming 6 Exit Tickets 25-27
	Wednesday – Jan 29	Exponential Distribution and Its Memorylessness			Wednesday – March 5	Linear Regression	
	Friday – Jan 31	Joint Distribution			Friday – March 7	Bayesian Inference, Maximum a Posteriori Method, and Conjugate Priors	
5	Monday – Feb 3	Conditional Joint Distribution, LOTUS	HW 4 Programming 4 Exit Tickets 13-15	10	Monday – March 10	Projects presentation and evaluation	Projects presentation and evaluation Final
	Wednesday – Feb 5	Covariance and Correlation			Wednesday – March 12	Projects presentation and evaluation	
	Friday – Feb 7	Independent Random Variables			Friday – March 14	Final	

Today's Learning Goals

- Prerequisites: probability, distributions, Central Limit Theorem.
- Introduction to Hypothesis Testing (Using statistics to evaluate some hypothesis/statement about a population)
 - What is a Hypothesis?
 - Null and Alternative Hypotheses
 - Decision Making
 - Test Statistics
 - Accept or reject Null Hypothesis
 - P-value
 - Specific Statistical Tests
 - Z-test
 - Fisher Exact Test
 - Errors in Hypothesis Testing
 - Type I and Type II errors
 - More Applications
 - Hypothesis Testing in Data Science

Practical Use Cases of Statistics (Election)

Predicting which of the USA presidency candidates will win the election.

We ask a sample of population and estimate which candidate is more likely to win based on their opinions.



President Trump will earn more electoral votes.



Former Vice-President Harris's will earn more electoral votes.

Sample (poll here) can give us a good **estimate** about who is more probable to win the election.



images sources: [first](#), [second](#)

Hypothesis

A **hypothesis** is an assumption (statement) about **parameters** of a population or distribution that can be **True** or **Not True**.

Note: parameter is a numerical or measurable characteristic of a population, e.g., *average (μ), variance (σ^2), min, max, range, etc.*

Example: If we have a collection of individuals, hypothesize the max, average, etc. (e.g. average height of Americans is more than 5 feet 8 inches).

Example: We can have an assumption that the average GPA of first year students is > 3.0 .

Example: We can hypothesize that men play more video games than women.

Example: We have a coin and our hypothesis is that it is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Null and Alternative Hypothesis

We aim to evaluate the effectiveness of a medicine on a **group of patients (population)** using a randomized clinical trial. We give the **actual medicine** to half of the participants, while the other half receive a **placebo**.



6 people
took medicine

6 people
took placebo



- Medicine is not effective (has no effect on the outcome vs placebo) **Null Hypothesis (H_0)**
- Medicine is effective (there will be a difference between two populations).

Alternative Hypothesis (H_a or H_1)

The assumption that is believed to be true until evidence is shown that it is not, is called **Null Hypothesis (H_0)**.

The complementary (often) view is called **Alternative Hypothesis (H_a or H_1)**.

Null and Alternative Hypothesis

Null Hypothesis (H_0): The assumption that is believed to be true.

Alternative Hypothesis (H_a or H_1): The complementary (often) view of Null hypothesis.



Discuss real-life scenarios of the null (H_0) and alternative hypotheses (H_1).

Example: Null hypothesis (H_0) : Men play more video games than women.

Alternative hypothesis (H_a) : Women play more video games than men.

Example: Null Hypothesis (H_0) : People like Rock and pop music equally.

Alternative hypothesis (H_a) : More than 50% of people prefer Rock music over Pop.

Example: Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

Test Statistics



cured , # not cured

6 people
took medicine

6 people
took placebo



cured , # not cured

← after 1 month →



Which characteristic(s) should we study to measure the medicine's impact?

Test statistics is a function of sample data (mean, standard deviation, count, etc.) that helps us determine whether we should reject the Null Hypothesis or not.

Hypothesis Testing



6 people
took medicine

4 cured, 2 not cured

← after 1 month →



6 people
took placebo

1 cured, 5 not cured

■ Medicine is not effective. **Null Hypothesis (H_0)**

■ Medicine is effective (there will be a difference between two populations).

Alternative Hypothesis (H_a or H_1)

Hypothesis Testing: After collecting data, if the data is consistent with the null hypothesis, we **accept the null hypothesis (H_0)**.

Otherwise, if we have strong evidence for the alternative hypothesis we **reject the Null Hypothesis and accept the Alternative Hypothesis**.

Hypothesis Testing



6 people
took medicine

4 cured, 2 not cured

← after 1 month →



6 people
took placebo

1 cured, 5 not cured



Should we allow the pharmaceutical company to release the medicine?



Is it possible to observe 4 cured, 2 not cured in the population who took placebo?
Or is the observed result statistically significant to reject the Null Hypothesis?



Should we set a threshold for rejecting the Null Hypothesis (H_0)?

P-value (probability value)



6 people
took medicine

4 cured, 2 not cured

← after 1 month →

6 people
took placebo



1 cured, 5 not cured

Let's show number of cured people with variable X .

We want to know how probable it is to observe 4 cured, 2 not cured or more extreme cases (5 or 6 cured) assuming H_0 was True: $P(X \geq 4 | H_0)$

Remember: Null Hypothesis (H_0): Medicine is not effective (there is no difference between two populations and any observed difference is due to chance or other factors rather than medicine)



Does the pharmaceutical company want $P(X \geq 4 | H_0)$ be high or low?

Significance Level



6 people
took medicine

6 people
took placebo



← after 1 month →

Let's show number of cured people with variable X

We want to know how probable it is to observe **4 (or more) cured** if there was no difference between the two populations (medicine was unimpactful) (H_0 was True):

$$P(X \geq 4 | H_0)$$

$$P(X \geq \text{threshold} | H_0) \leq \alpha$$

significance level (α) is the probability of mistakenly rejecting H_0 .

Note: significance level is often set to be **1%** or **5%**.

P-value



6 people
Took medicine

4 cured, 2 not cured

← after 1 month →



6 people
Took placebo

1 cured, 5 not cured

If $P(X \geq \text{threshold} | H_0) \leq \alpha$, we can reject Null Hypothesis (H_0) with $1 - \alpha$ confidence.

$P(X \geq x | H_0)$ is called p-value and is the probability of observing value x or more extreme values of x assuming H_0 holds.

Later in the slides: Fisher Exact Test

Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

Experiment: We flip the coin **20 times**

Test Statistic: Number of heads (we show it with variable X)



Intuitively we might say if $X = 9, 10 \text{ or } 11$, we do not reject the **Null hypothesis (H_0)** and we can conclude that the coin is not biased and otherwise we reject the H_0 in favor of H_a

Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

Experiment: We flip the coin **20 times**

Test Statistic: Number of heads (we show it with variable X)



 What **range** of X allows us to conclude that the coin is unbiased (accept H_0) with 99% confidence?

Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

$P(X = 20 | H_0)$:
If the coin was
fair, how likely
was it to observe
20 heads?

#Heads (X)	$P_{H_0}(X = x) = P(X = x H_0)$
20	
19	
18	
17	
16	
15	
14	



Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

# Heads (X)	$P(X = x H_0)$
20, 0	$\binom{20}{20} * \frac{1}{2^{20}} = 0.0001\%$
19, 1	$\binom{20}{19} * \frac{1}{2^{20}} = 0.0019\%$
18, 2	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$
17, 3	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$
16, 4	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$
15, 5	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$
14, 6	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$



Head



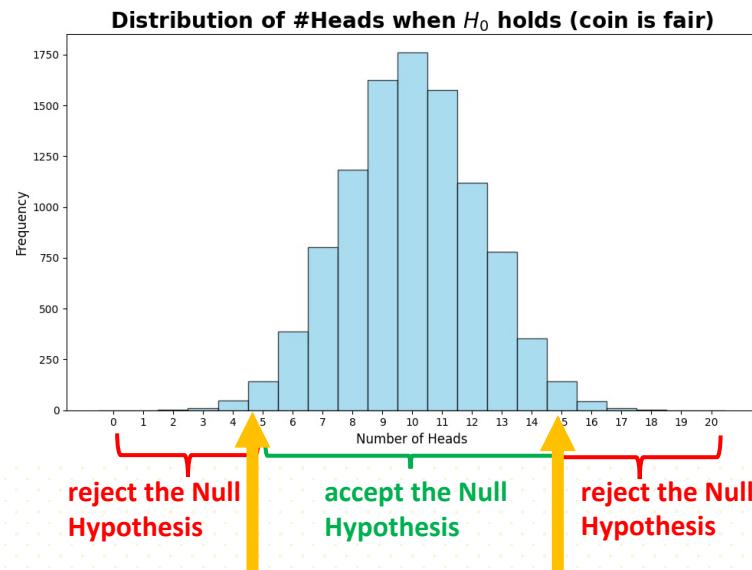
Tail

Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

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18, 2	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$
17, 3	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$
16, 4	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$
15, 5	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$
14, 6	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$

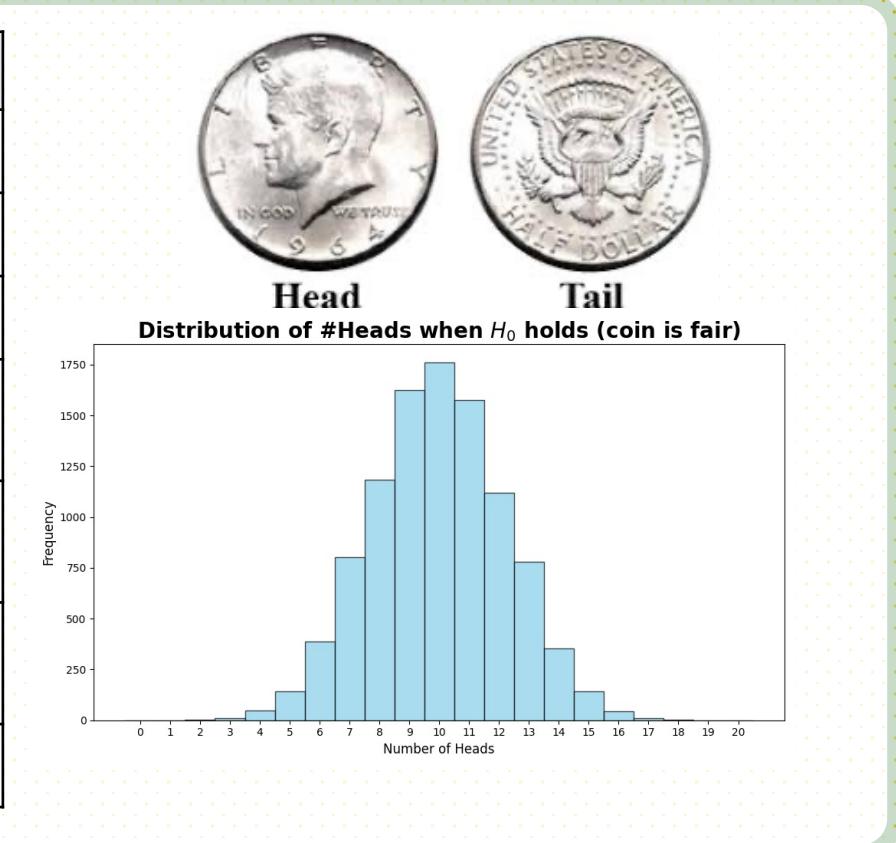


Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

# Heads (X)	$P(X = x H_0)$	$P(X \geq x H_0)$
20	$\binom{20}{20} * \frac{1}{2^{20}} = 0.0001\%$	
19	$\binom{20}{19} * \frac{1}{2^{20}} = 0.0019\%$	
18	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$	
17	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$	
16	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$	
15	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$	
14	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$	

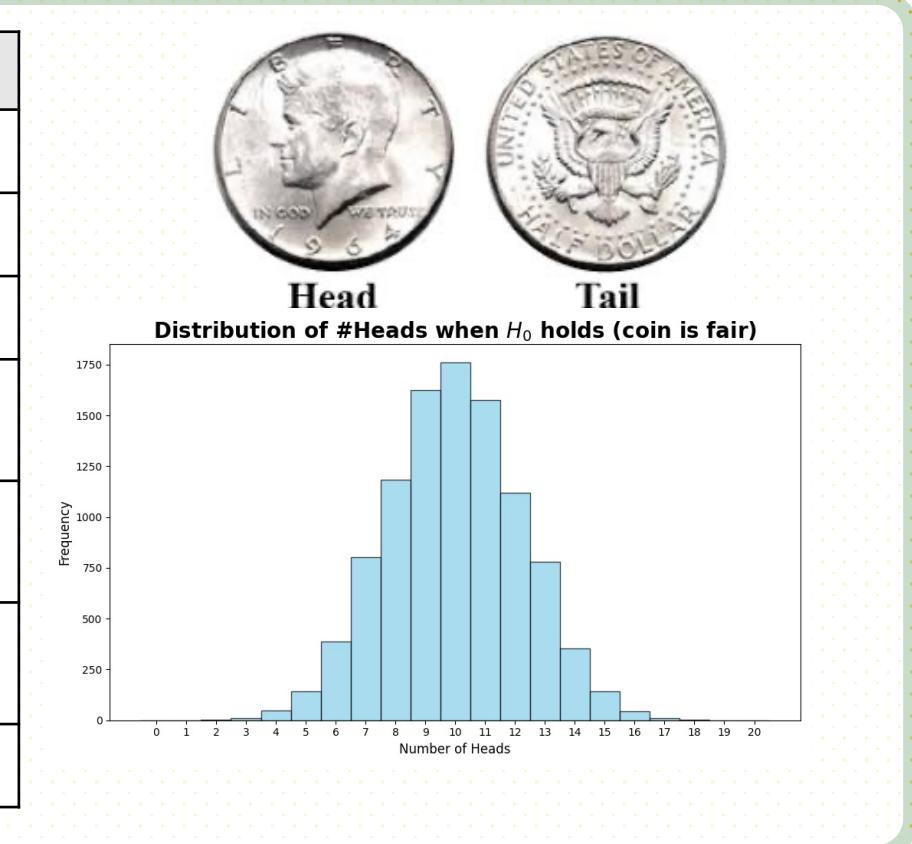


Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

# Heads (X)	$P(X = x H_0)$	$P(X \geq x H_0)$
20	$\binom{20}{20} * \frac{1}{2^{20}} = 0.0001\%$	0.0001%
19	$\binom{20}{19} * \frac{1}{2^{20}} = 0.0019\%$	0.002%
18	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$	0.0201%
17	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$	0.1288%
16	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$	0.5909%
15	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$	2.0695%
14	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$	5.7659%



Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

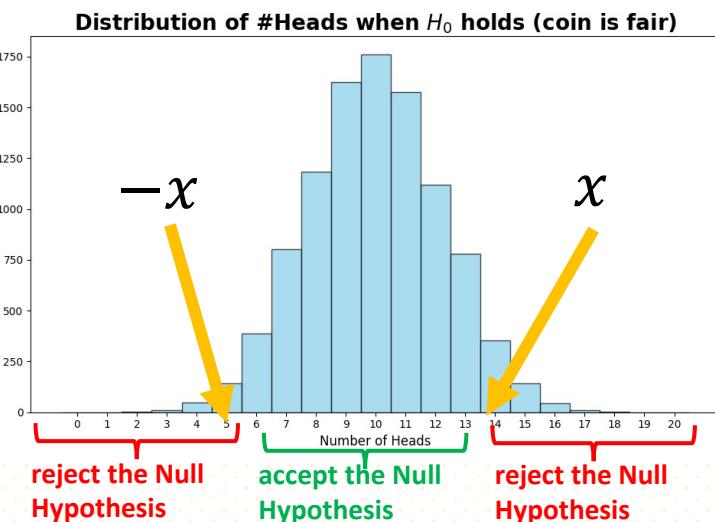
Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

#Heads (X)	$P_{H_0}(X = x) = P(X = x H_0)$	$P_{H_0}(X \geq x)$
20, 0	$\binom{20}{20} * \frac{1}{2^{20}} = 0.0001\%$	0.0001% $\times 2$
19, 1	$\binom{20}{19} * \frac{1}{2^{20}} = 0.0019\%$	0.002% $\times 2$
18, 2	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$	0.0201% $\times 2$
17, 3	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$	0.1288% $\times 2$
16, 4	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$	0.5909% $\times 2$
15, 5	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$	2.0695% $\times 2$
14, 6	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$	5.7659% $\times 2$

$$P(|X| \geq x | H_0) \leq 5\%$$

What is the confidence interval for accepting the null hypothesis?

$$5 \leq x \leq 15$$



Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

#Heads (X)	$1 - P_{H_0}(x \leq X \leq x)$
20, 0	0.0001% $\times 2$
19, 1	0.002% $\times 2$
18, 2	0.0201% $\times 2$
17, 3	0.1288% $\times 2$
16, 4	0.5909% $\times 2$
15, 5	2.0695% $\times 2$
14, 6	5.7659% $\times 2$

Note: If significance level is 5% and P-value is less than that, i.e., $P_{H_0}(|X| \geq x) < 5\%$, we can claim our results as significant results and can reject H_0 with 95% confidence.

Testing the Hypothesis - P-value

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

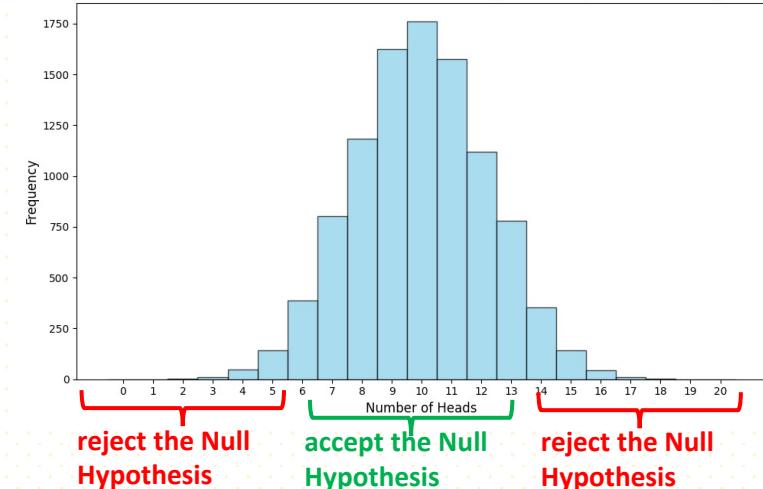
#Heads (X)	$P_{H_0}(X = x) = P(X = x H_0)$	$P_{H_0}(X \geq x)$
20, 0	$\binom{20}{20} * \frac{1}{2^{20}} = 0.0001\%$	0.0001% $\times 2$
19, 1	$\binom{20}{19} * \frac{1}{2^{20}} = 0.0019\%$	0.002% $\times 2$
18, 2	$\binom{20}{18} * \frac{1}{2^{20}} = 0.0181\%$	0.0201% $\times 2$
17, 3	$\binom{20}{17} * \frac{1}{2^{20}} = 0.1087\%$	0.1288% $\times 2$
16, 4	$\binom{20}{16} * \frac{1}{2^{20}} = 0.4621\%$	0.5909% $\times 2$
15, 5	$\binom{20}{15} * \frac{1}{2^{20}} = 1.4786\%$	2.0695% $\times 2$
14, 6	$\binom{20}{14} * \frac{1}{2^{20}} = 3.6964\%$	5.7659% $\times 2$

$$P(|X| \geq x | H_0) \leq 5\%$$

What is the confidence interval for accepting the null hypothesis?

$$3 \leq x \leq 17$$

Distribution of #Heads when H_0 holds (coin is fair)



Z-test (when the sample size is large enough)

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(Head) = \frac{1}{2}$).

Alternative hypothesis (H_a) : The coin is biased ($P(Head) \neq \frac{1}{2}$).

$$Y_i = \begin{cases} 1 & \text{if heads} \\ 0 & \text{if tails} \end{cases} \quad X = \sum_{i=1}^{n=100} Y_i$$

$$Y_i \sim \text{Bernoulli} \left(p = \frac{1}{2} \right) \rightarrow E(Y_i) = p = \frac{1}{2} \quad \text{and} \quad \text{Var}(Y_i) = p(1 - p) = \frac{1}{4}$$

$$E(X) = \mu = np = 100 * \frac{1}{2} = 50 \quad \text{and} \quad \text{Var}(X) = \sigma^2 = np(1 - p) = 100 * \frac{1}{4} = 25$$

$$CLT: X \sim \text{Normal}(\mu = 50, \sigma = 5)$$

Now having a normal variable, we can use a statistics test called Z-test.

Z-test (when the sample size is large enough)

Null Hypothesis (H_0) : The coin used in a soccer game is unbiased ($P(\text{Head}) = \frac{1}{2}$).

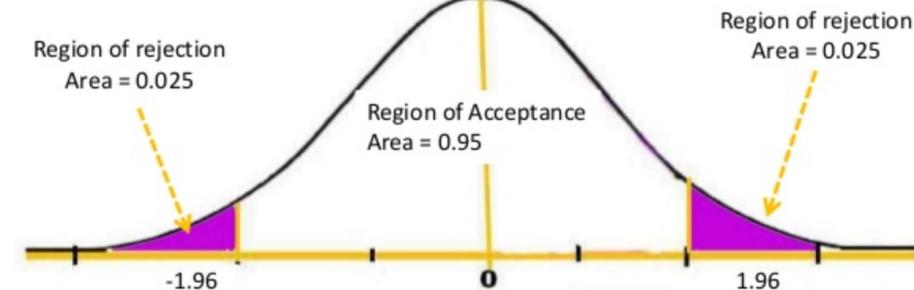
Alternative hypothesis (H_a) : The coin is biased ($P(\text{Head}) \neq \frac{1}{2}$).

We first convert X to a standard normal

$$\text{variable } Z = \frac{X-\mu}{\sigma} = \frac{X-50}{5}$$

$$Z \sim \text{Normal}(0, 1)$$

$$P(|Z| < a) = 0.95 \text{ (confidence level is 95\%)}$$



$$a = |\Phi^{-1}(1 - 0.025)| = 1.96 \rightarrow \text{Confidence Interval: } [-1.96, 1.96]$$

$$-1.96 < Z < 1.96 \text{ and } Z = \frac{X-\mu}{\sigma} = \frac{X-50}{5}. \text{ Hence, } -1.96 < \frac{X-50}{5} < 1.96 \rightarrow 40.2 < X < 59.8$$

Note: $\Phi(z) = P(Z \leq z)$ and here $\Phi(1.96) = P(Z \leq 1.96) = 0.975$

Fisher's Exact Test



6 people
Took medicine

3 cured, 3 not cured

50% of people got cured

← after 1 month →



6 people
Took placebo

2 cured, 4 not cured

33% of people got cured

If $P(X \geq \text{threshold} | H_0) \leq \alpha$, we can reject H_0 with $1 - \alpha$ confidence.

	cured	Not cured	Total
Took medicine	3 = a	3 = b	a + b
Took placebo	2 = c	4 = d	c + d
Total	a + c	b + d	n

$$P(\text{observing this table}) = \frac{\binom{a+b}{a} \binom{c+d}{c}}{\binom{n}{a+c}} = \frac{\binom{3+3}{3} \binom{2+4}{2}}{\binom{3+3+2+4}{3+2}} = 0.37$$

$P(\text{observing this table or more extreme results} | H_0) = ???$

Fisher's Exact Test



6 people
Took medicine

3 cured, 3 not cured

← after 1 month →



6 people
Took placebo

2 cured, 4 not cured

$P(\text{observing this table or more extreme results } | H_0) \gg 0.05$ insufficient evidence to
reject the null hypothesis

	cured	Not cured
Took medicine	3 = a	3 = b
Took placebo	2 = c	4 = d

	cured	Not cured
Took medicine	5 = a	1 = b
Took placebo	2 = c	4 = d

	cured	Not cured
Took medicine	4 = a	2 = b
Took placebo	2 = c	4 = d

	cured	Not cured
Took medicine	6 = a	0 = b
Took placebo	2 = c	4 = d

Fisher's Exact Test



6 people
Took medicine

5 cured, 1 not cured

← after 1 month →



6 people
Took placebo

0 cured, 6 not cured

If $P(X \geq \text{threshold} | H_0) \leq \alpha$, we can reject H_0 with $1 - \alpha$ confidence.

	cured	Not cured	Total
Took medicine	5 = a	1 = b	a + b
Took placebo	0 = c	6 = d	c + d
Total	a + c	b + d	n

$P(\text{observing this table or more extreme results}) =$
$$\frac{\binom{5+1}{5} \binom{0+6}{0}}{\binom{12}{5+0}} + \frac{\binom{6+0}{6} \binom{0+6}{0}}{\binom{12}{6+0}} = 0.0152 < 0.05$$

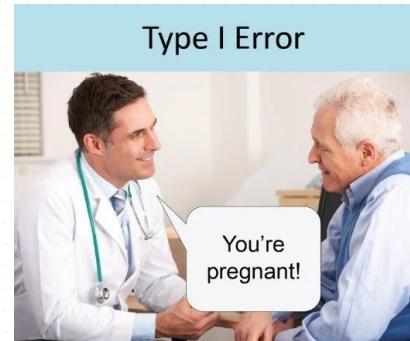
sufficient evidence to **reject the null hypothesis** with
 $1 - 0.05 = 95\%$ confidence.

Type I and Type II Error

$$P(X \geq \text{threshold} | H_0) \leq \alpha$$

Note: significance level (α) is the maximum probability of making Type I error (mistakenly rejecting H_0) we allow to happen.

	Reality = H_0	Reality = H_1
Test result = H_0	Correct (TN)	Type II error FN
Test result = H_1	Type I error FP	Correct (TP)



Type I Error
False Positive



Type II Error
False Negative

Fisher's Exact Test

	Reality = H_0	Reality = H_1
Test result = H_0	Correct (TN)	Type II error FN
Test result = H_1	Type I error FP	Correct (TP)



6 people
Took medicine



← after 1 month →

Observation: $P(\text{observing above or more extreme results} | H_0) \gg 0.05$
Claim: Reject the Null Hypothesis



What type of error happens in above scenario if we reject the null hypothesis?

Note: To avoid Type I errors, we reject H_0 only when $P - \text{value} \leq \alpha$.

A P-Value use-case in Data Science Feature Selection

	R&D Spend	Administration	Marketing Spend	State	Profit
0	165349.20	136897.80	471784.10	New York	192261.83
1	162597.70	151377.59	443898.53	California	191792.06
2	153441.51	101145.55	407934.54	Florida	191050.39
3	144372.41	118671.85	383199.62	New York	182901.99
4	142107.34	91391.77	366168.42	Florida	166187.94

from **50_Startups** dataset

Fit a multiple Linear Regression to the data:

Profit = **R&D spend** * C_1 + **Administration** * C_2 + **Marketing Spend** * C_3 + **State** * C_4 + β (intercept)



Which features are unlikely to contribute significantly to the **Profit** prediction?

A P-Value use-case in Data Science Feature Selection

Backward Elimination Steps:

1) Start with all features $f_1, f_2, f_3, \dots, f_n$, run a multiple Linear Regression to get:

$$\text{Profit} = \text{R\&D spend} * C_1 + \text{Administration} * C_2 + \text{Marketing Spend} * C_3 + \text{State} * C_4 + \beta \text{ (intercept)}$$

2) Identify the least significant feature (calculate features' p-values and remove one with highest p-value)

3) Re-run the multiple linear regression with reduced number of features

e.g. if **State** is insignificant:

$$\text{Profit} = \text{R\&D spend} * C_1 + \text{Administration} * C_2 + \text{Marketing Spend} * C_3 + \beta$$

4) Perform 2 and 3 iteratively and stop when all the remaining features are significant



How do we calculate P-value for each feature?

	R&D Spend	Administration	Marketing Spend	State	Profit
0	165349.20	136897.80	471784.10	New York	192261.83
1	162597.70	151377.59	443898.53	California	191792.06
2	153441.51	101145.55	407934.54	Florida	191050.39
3	144372.41	118671.85	383199.62	New York	182901.99
4	142107.34	91391.77	366168.42	Florida	166187.94

A P-Value use-case in Data Science Feature Selection



How do we calculate P-value for each feature?

Null Hypothesis: : The given feature has no effect in calculating the profit.

Alternative Hypothesis: The given feature has some effect in the target dependent variable (profit).

$P(\text{observing the given feature coefficient or more extreme values of it} | H_0) \leq \alpha$

If $P\text{-value} \leq \alpha$, then we can reject the null hypothesis.

If $P\text{-value} > \alpha$, then we can accept the null hypothesis and remove the feature.

	R&D Spend	Administration	Marketing Spend	State	Profit
0	165349.20	136897.80	471784.10	New York	192261.83
1	162597.70	151377.59	443898.53	California	191792.06
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Exit Ticket – Due Saturday at 23:59 PM



Resources

Fundamentals of Statistics and Probability, Sharif University of Technology, Professor Ali Sharifi Zarchi
Statistics and Data Science, UC San Diego, Professor Alon Orlitsky

When do we use statistics?

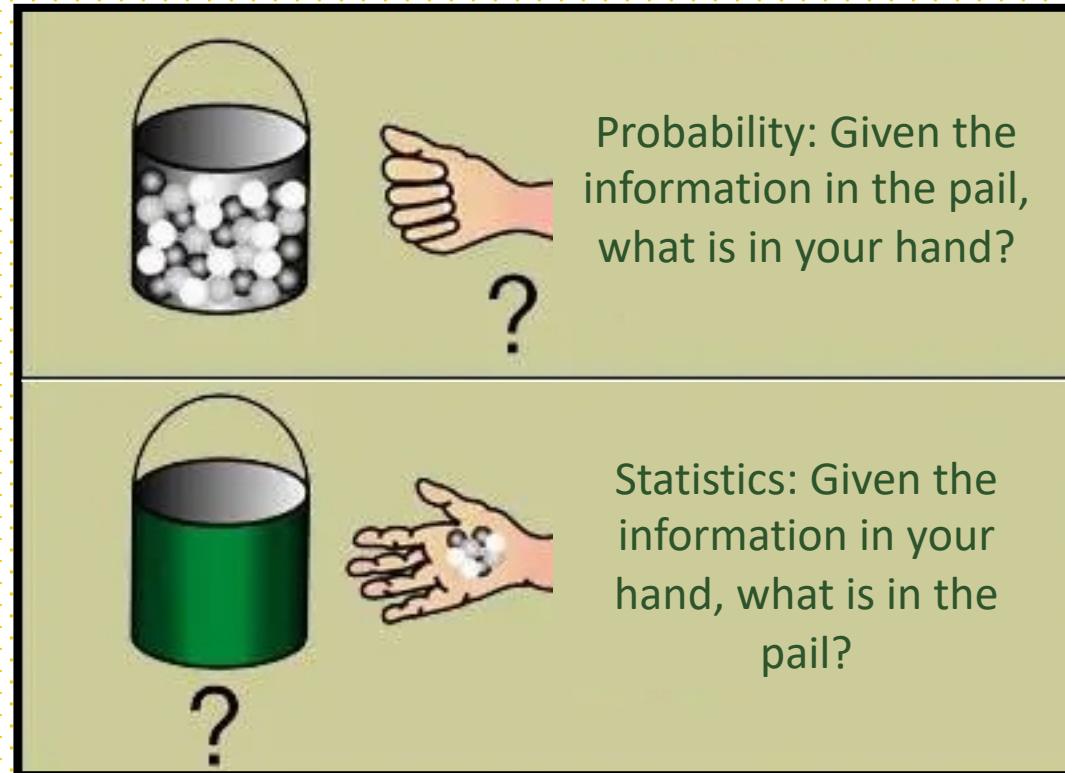


image source: <https://teachingstatisticsandprobability.wordpress.com/>

A P-Value use-case in Data Science Feature Selection



How do we calculate P-value for each feature?

Null Hypothesis: : The given feature has no effect in calculating the profit.

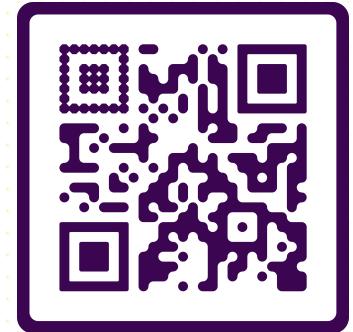
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HW bonus question: Testing a hypothesis about a population

Choose a Null Hypothesis and prove/disprove it.

Example: election

Null Hypothesis (H_0) : Harris will win the election (will get more votes).

Alternative Hypothesis (H_a or H_1) : Trump will win the election.

Steps for testing a hypothesis:

- 1) Design an experiment (Test)
- 2) Define numerical outcomes (Test statistics to measure election outcomes) (e.g., the number of votes for each candidate, the ratio of votes (e.g. >51%))
- 3) Gather data (sample of population, please submit your hypothesis by tonight so we can gather data from your classmates)
- 4) Data consistent with null hypothesis or not?
 - A. Calculate $P(T=\text{test statistics} \mid H_0) \leq \text{significance value}$ (often 5%, 1%, etc.)
Yes. H_0 is inconsistent with data (**reject Null**)
No. H_0 is consistent with data (**accept Null**)

HW bonus question example

Practical Use Cases of Hypothesis Testing (A/B Test)

We want to determine which version of our software performs better. We test a sample of users and estimate the preferred version based on their behavior or feedback before the final release.

Null Hypothesis (H_0) : Version A of the software performs better than Version B.

Alternative Hypothesis (H_a or H_1) : Version B of the software performs better than Version A

