MPG Analysis

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Summary

The goal of this study is to check whether automatic transmission has an impact on MPG in cars. We have a dataset of 32 cars with 11 measurement from each such as MPG, weight, displacement etc. We use regression analysis to check for the impact of transmission type on fuel consumption.

At the end we will see that, although it seems at the first look that automatic transmission decreases MPG but this is not an statistically meaningful conclusion.

Data Explanation

The data was extracted from the 1974 Motor Trend US magazine, and includes fuel consumotion (mpg), Number of cylinders(cyl), Displacement (disp), Gross horsepower(hp), Rear axle ratio (drat), Weight (wt), 1/4 mile time (qsec), V/S (vs), Transmission (am, 0 = automatic, 1 = manual), Number of forward gears (gear), Number of carburetorsof (carb), for 32 automobiles (1973-74 models).

Comparing the MPG of automatic transmissited cars vs manaully transsmitted ones (17.1473684, 24.3923077) make us thick that automatic transssmission has a negaive imoact on fuel ecomomy. Bit let's take a look at MPG vs other variables

Let's look at the rough relation between transmission type and fuel economy.

In particular in case of weight(wt) and rear axle ratio (drat) variables, one can see that they both have impact on MPG and on the other hand, they can roughly separate automatic and manually transmitted cars. In other words more weight means less mpg also cars with automatic transmission are heavier in this data set. So we use multivariable regression analysis to face this lack of data in the dataset.

Regression analysis

For start we fit a linear model for mpg vs are other variables and look at the coefficients of the model.

```
## (Intercept)          cyl         disp           hp         drat           wt
##       12.30        -0.11         0.01        -0.02         0.79        -3.72
##        qsec          vs1          am1         gear         carb
##        0.82         0.32         2.52         0.66        -0.20
```

It says that keeping other factors constant, the change from automatic transsmition to manuall increases mpg by 2.52 miles per gallon. But the confidence interval for this qoeficent is (-1.76, 6.8) containg 0 which means that this improvement is not statisically significant. But there might be extra variables in the model which introduce extra variance. To seek for that we use the varible importance factor (VIF). These are the VIF for the model.

```
##   cyl  disp    hp  drat    wt  qsec    vs    am  gear  carb
## 15.37 21.62  9.83  3.37 15.16  7.53  4.97  4.65  5.36  7.91
```

disp has the most vif i.e. its impact on the model if 21.62 times more as if it was diagonal to other variables. Now we omit this variable and fit a new model.

```
## (Intercept)          cyl           hp         drat           wt         qsec
##       12.55         0.10        -0.01         0.93        -2.63         0.67
##         vs1          am1         gear         carb
##        0.16         2.48         0.74        -0.62
```

The amt coefficient is not that much changed and it is still insignificant with 95% confidence interval of $(-1.74, 6.7)$. Let us take a look at the VIF's of the new model.

```
##   cyl    hp  drat    wt  qsec    vs    am  gear  carb
## 14.28  7.12  3.33  6.19  6.91  4.92  4.65  5.32  4.31
```

cyl has still too high VIF. This time we ommit that.

```
## (Intercept)           hp         drat           wt         qsec          vs1
##       13.81        -0.01         0.89        -2.61         0.64         0.09
##         am1         gear         carb
##        2.42         0.69        -0.61
```

Again a small decrease in the am coefficient and still non-significant (confidence interbal: $-1.53, 6.38$). What about VIF'f of this thord model.

```
##   hp  drat    wt  qsec    vs    am  gear  carb
## 6.02  3.11  6.05  5.92  4.27  4.29  4.69  4.29
```

The VIF's of this last model are in a quite similar range. So there is no sense in ommiting any of them. Now for assurance we comare the first and last models with anova function.

```
## Analysis of Variance Table
##
## Model 1: mpg ~ hp + drat + wt + qsec + vs + am + gear + carb
## Model 2: mpg ~ cyl + disp + hp + drat + wt + qsec + vs + am + gear + carb
##   Res.Df    RSS Df Sum of Sq      F Pr(>F)
## 1     23 151.47
## 2     21 147.49  2    3.9808 0.2834 0.7561
```

The P-value is quite high, so ommiting these two varaibales was not actually necessary.

To get sure abput the validity of the last model I plot the residual plot.
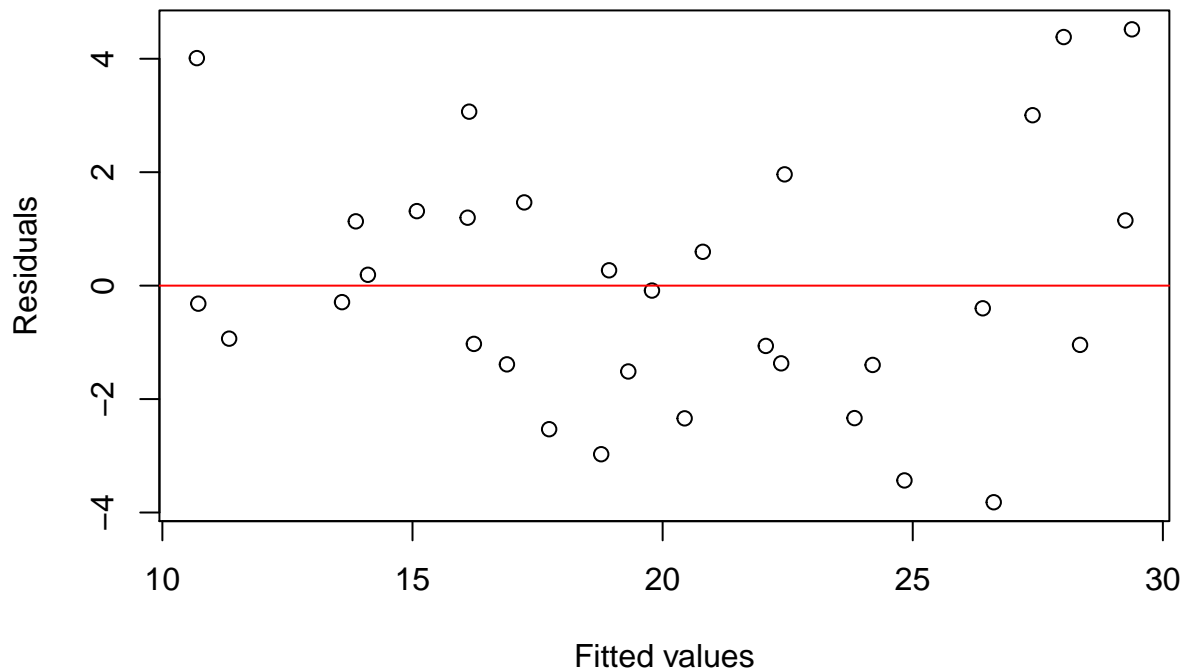
As you can see there is no special trend in the residual plot. So the model appears to be valid.

Conclution

Although a manually transmitted car seems to show better fuel economy, this improvement does not appear to be significant. It should be noted that this analysis is done on an old and small dataset, so is not that realiable. For assurance more investigation needs to be done.