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Regression analysis

The dictionary meaning of the term 'Regression' is to revert or return back. The term was used for the first time by Sir Francis Galton in 1877.

It shows the relationship between the 2 variables in which one is dependent variable whereas other is independent variable.

In statistics, the technique of Regression is used in all those fields where 2 or more variables have the tendency to go back to the mean. While correlation measures the direction and strength of the relationship between 2 or more variables, regression involves methods by which estimates are made of the values of a variable from the knowledge of the values of one or more other variables.

As described by Morris Hamburg, "The term regression analysis refers to the methods by which estimates are made of the values of a variable from a knowledge of values of one or more other variables and to the measurement of the errors involved in this estimation Process."

On the basis of the above definitions, it has become very clear that regression analysis is done for estimating or Predicting the unknown value of one variable from the known value of the other variable. The Variable which is used to Predict the Variable of interest is called the independent variable or explanatory variable and the variable we are trying to Predict is called the dependent or explained variable.

- Regression can help finance and investment Professionals as well as Professionals in other business. Regression can also help Predict sales for a Company based on weather, Previous sales, GDP growth, or other types of Conditions.