

T-Statistic

The t-statistic is an important concept in statistical analysis, and in particular, regression analysis. The t-statistic tells us to what degree an independent variable in regression analysis is statistically significant. The higher the absolute value of the t-statistic of an independent variable is, the more statistically significant that independent variable is.

The t-statistic is calculated by dividing the estimated coefficient of the independent variable by its standard error. A t-statistic greater than +2 or less than -2 is considered statistically significant. The more significant the t-statistic is, the more confidence we can have in the independent variable as a predictor of the dependent variable.