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**THE ROLE OF OTHER DISCIPLINES IN ECONOMETRICS**

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**\*Omollo. A. Joyce, Dr Ghabon Yasin**

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Maseno University School of Business and Economics Department of Accounting and Finance.

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\*Corresponding Author: Omollo. A. Joyce

Maseno University School of Business and Economics Department of Accounting and Finance.

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**ABSTRACT**

Econometrics, is a discipline, that uses theory from economics, mathematics, and statistical technique to examine economic phenomena quantitatively. On the other hand, its expansion and relevance widen beyond this discipline, it has demonstration from other disciplines such as computer science, sociology, psychology, finance, and data science. This article examines the interdisciplinary nature of econometrics, emphasizing how these fields enhance model formulation, evaluation techniques, data treatment, and explanation of results. The study reviews literature that had existed on contributions of the interdisciplinary identifies gaps in current research, and illustrate how application of econometric models using a sample calculation. Findings imply that the integration of different disciplinary perspectives improves the strength, projecting power, and policy significance of econometric models. The article concludes that econometrics cannot function in isolation and must continue to develop through relationship with other disciplines to tackle complex economic problems in a data-driven world.

**KEYWORDS:** Behavioral Economics, Computational Methods. Data Science, Economic Modeling, Regression Analysis, Econometrics, Interdisciplinary Studies, Statistics, Mathematics.

**1. INTRODUCTION**

Econometrics is an essential division of economics that applies statistical and mathematical models to observe economic data and test hypotheses (Wooldridge, 2015). argued that by tradition, econometrics has greatly relied on economic theory, mathematics, and statistics.

However, the rising complexities of economic systems, globalization, and the accessibility of large datasets have encouraged the integration of other disciplines.

The functions of other disciplines in econometrics have become more evident in recent years. Fields such as computer science contributed to the computational of algorithms and machine learning methods, while sociology and psychology present insights of how human behaves that develop economic models (Angrist & Pischke, 2009). In Addition, finance, environmental science, and public policy contribute to domain-specific awareness that improves how econometrics models are applied and used.

This article examine how other disciplines contributes to econometrics, indicating how interdisciplinary approaches enhance both theoretical and empirical analyses.

## **2. Literature Review**

### **2.1 Mathematics and Statistics**

Through Mathematical models structure economic theories exist , while statistical methods are used in estimating and testing hypothesis (Greene, 2018). Linear algebra, calculus, and probability theory are elementary in economic derivation estimators of econometrics Statistical conclusion, including hypothesis testing and confidence intervals, is essential for confirming economic models. Methods such as regression analysis, time-series modeling, and panel data analysis originate from statistics but are essential to econometrics.

### **2.2 Computer Science**

Computer science has changed econometrics through computational power and algorithm expansion. The rise of big data has made conventional estimation methods insufficient, leading to the adoption of machine learning methods such as neural networks, random forests, and support vector machines (Varian, 2014).

Programming languages like Python, R, and MATLAB enable efficient and effective data processing, reproduction, and visualization. According to Monte (1949) Computational econometrics relies heavily on numerical optimization and simulation.

### **2.3 Sociology**

According to Grano vetter, (1985). Sociology contributes to econometrics by providing deep understanding into social structures, institutions, and inequalities. behavior of economic is often affected by social norms, culture, and group dynamic

By involving, sociological variables into econometric models helps explain variations in income distribution, labor markets, education and their result. Social network analysis has also become an essential tool in understanding how economic interacts.

#### **2.4 Psychology (Behavioral Economics)**

Psychology helps in playing a essential role in understanding decision-making processes. Conventional economic models assumes that there is rational behavior, but behavioral economics argued that this assumption by involving cognitive biases and heuristics behaviors. (Kahneman &Tversky, 1979).

Furthermore he suggested that Econometric models helps in including variables that capture behavioral inclination such as risk aversion, loss aversion, and time inconsistency. Tested data and survey data are also used in estimating these models.

#### **2.5 Finance**

According to (Engle, 1982).Finance contributes to econometrics through the developing of models. Managing risk, and forecasting financial data. Models of Econometric such as ARCH and GARCH are widely used to analyze financial volatility. The combination of econometrics and finance has help in advancements of deriving of pricing, and analyzing market efficiency.

#### **2.6 Data Science**

Data science has contributed to econometrics by providing tools that can handle large and complex datasets. Techniques such as data mining, machine learning, and artificial intelligence helps in making model performance and predictive accuracy (Athey, 2018). Visualization of data and techniques cleaning from data science helps in improving the quality and how the information of econometrics are analyzed and interpreted.

### **THEORIES SUPPORTING THE TOPIC**

Several theoretical frameworks validate the integration of other disciplines into econometrics.

#### **2.7 Scientific Realism**

Scientific realism argues that scientific theories should describe reality as it is truly exist including unobservable entities like atoms or force therefore empirical models should aim to approximate real-world causal mechanisms. Hillary putman((1976) and stahis psillos (1999)

## **2.8 Systems Theory**

according to Ludwig von Bertalanffy (1968) and Niklas Luhmann (1995) Systems theory studies how different parts of a system interact and function as a whole. It emphasizes that economic phenomena come from difficult interactions among agents and institutions.

## **2.9 Bayesian Decision Theory**

Bayesian decision theory provides a framework for decision under uncertainty using probabilities and expected utilities, updating beliefs based on evidence. Thomas Bayes (1763-1826).

## **3.0 Human Capital Theory**

According to Gary Becker (1964) and Theodore Schultz (1961) Human capital theory explains how education, knowledge, skills, and innovation increase individual productivity and economic value.

## **3.1 Institutional Theory**

According to Richard Scott (2008) and Paul DiMaggio, Walter Powell (1983) Institutional theory emphasizes that economic outcomes depend on rules, social structures that shape organization behavior.

## **3. Gaps in the Study**

Despite the growing interdisciplinary in econometrics, several gaps remain:

### **1. Behavioural factors**

According to Karl Dean and Jacob Apple (2011) argued that traditional econometrics had assumed a fully rational agent which is not true. Instead, they viewed that real economic behavior is affected by psychological biases. According to Karl, he emphasizes that policy development fails because behavioral responses are ignored, such as trust, temptation, and present bias.

### **Artificial Intelligence**

According to Susan Athey and Guido Imbens (2019) econometrics is still heavily dependent on linear regression models and that many economists do not fully adopt ML tools like random forest, neural networks, or ensemble learning. The researcher found out that there is missed predictive power and weak modeling of complex systems.

### **Data, inaccuracies**

According to Isaac Barley and Laura Veld Kamp (2025) argued that weak governance in many empirical studies showed there is errors such as missing or omitted observations, measurement errors, and unreliable data. Econometrics result relies more on data quality than model sophistication.

### **Insufficient-academic-training**

Tsepo Nokero (2022) argued that economists lack proper training in computer science and data science, which limit their ability to fully utilize modern tools. Due to this weak intergration reduces innovation in empirical research

### **Policy-implementation-gap**

Angrist and Pischke (2008) argued that strong economic result do not translate into policy because policy maker need simple actionable insight, models are tool technical and that their validity is weak which does not generalized result.

## **4. METHODOLOGY**

### **4.1 Research Design**

This manuscript adopts a qualitative and quantitative approach. It reviews existing literature and demonstrates the application of econometric models such as simple regression model.

### **4.2 The following is an illustration of econometrics model by Jeffrey Woodbridge.**

**How a basic linear regression model is used:**

$$Y = \beta_0 + \beta_1 X + \epsilon$$

Where:

- $Y$  = dependent variable (e.g., income)
- $X$  = independent variable (e.g., education level)
- $\beta_0$  = intercept
- $\beta_1$  = slope coefficient
- $\epsilon$  = error term

### 4.3 Sample Calculation

Assume the following data:

Education (X)	Income (Y)
8	20
10	25
12	30
14	35

Step 1: Calculate means

$$\bar{X}=11, \bar{Y}=27.5 \quad \bar{X}=11, \bar{Y}=27.5$$

Step 2: Compute slope ( $\beta_1$ )

$$\beta_1 = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sum (X - \bar{X})^2} \quad \beta_1 = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sum (X - \bar{X})^2}$$

$$\beta_1 = \frac{(8-11)(20-27.5) + (10-11)(25-27.5) + (12-11)(30-27.5) + (14-11)(35-27.5)}{(8-11)^2 + (10-11)^2 + (12-11)^2 + (14-11)^2}$$

$$\beta_1 = \frac{(-3 \times -7.5) + (-1 \times -2.5) + (1 \times 2.5) + (3 \times 7.5)}{9 + 1 + 1 + 9}$$

$$\beta_1 = \frac{22.5 + 2.5 + 2.5 + 22.5}{20} = \frac{50}{20} = 2.5$$

$$\beta_1 = 2.5$$

Step 3: Compute intercept ( $\beta_0$ )

$$\beta_0 = \bar{Y} - \beta_1 \bar{X} = 27.5 - (2.5 \times 11) = 0$$

$$\beta_0 = \bar{Y} - \beta_1 \bar{X} = 27.5 - (2.5 \times 11) = 0$$

Final model:

$$Y = 2.5X$$

### Interpretation

An additional year of education increases income by 2.5 units, demonstrating how econometrics quantifies relationships between variables.

## 5. CONCLUSION

Econometrics is essentially interdisciplinary, illustration from multiple fields to improves its critical capabilities. Mathematics and statistics which present foundational tools, whereas

computer science and data science enhance efficiency and effectiveness which improves advanced modeling techniques. Sociology and psychology develop econometric models by studying, human behavior and social changes, while finance offers practical applications in markets and how risk are analysis.

in spite of these advancements, there are challenges in integrating these disciplines completely. providing solution to this gaps, these gaps requires improved training, proper management of data, and stronger cooperation across fields. eventually, the future of econometrics depends in its ability to adapt and integrate insights from diverse disciplines to solve difficult economic problems.

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