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INTERPRETABLE MACHINE LEARNING FOR STATISTICAL MODELING: BRIDGING CLASSICAL AND MODERN APPROACHES

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ABSTRACT

As data-driven decision-making becomes increasingly central across domains, the balance between predictive performance and model interpretability has grown critical. This study explores the intersection of classical statistical modeling and interpretable machine learning (IML), comparing their performance across healthcare, finance, and synthetic datasets. We categorize models into three groups: classical models (logistic and linear regression), inherently interpretable machine learning models (decision trees, GAMs), and high-performance models enhanced with post-hoc interpretation methods (e.g., SHAP, LIME with XGBoost and Random Forests). Our results reveal that while complex ML models achieve higher predictive accuracy, classical and interpretable models retain an essential role in transparency, inference, and user trust. By evaluating each model type on both performance metrics and interpretability criteria, we provide a practical framework for choosing the right model depending on the analytical goal: prediction, explanation, or both. The paper concludes with recommendations for model selection in real-world applications where interpretability and accuracy must be balanced.

Keywords: *Interpretable Machine Learning, Statistical Modeling, Model Explainability, Predictive Analytics, Predictive Analytics.*

INTRODUCTION

The boom in data in contemporary science and industry has become associated with a changeover in statistical modeling, where the traditional assumption-based approaches have been replaced with complex and data-based machine learning (ML) algorithms. Although in some cases ML models may have a higher predictive accuracy, they are regularly criticized as being a black box, less helpful in areas requiring interpretable results like healthcare, economics, public policy, and the social sciences. Classical models of statistics, like linear regression, logistic regression, and generalized linear models (GLMs), provide an easy-to-understand form of their results with assumptions in the form of parameter estimations, hypothesis testing, and confidence intervals. These models are based on the well-established mathematical theory that enables researchers to draw conclusions and present them appropriately. They, however, find it difficult to work with high-dimensional, non-linear, or interaction-intensive data. Random forests, gradient boosting machines, and neural networks are the ML models that are better suited to such complex patterns and robust studies. The benefit of their

power is the disadvantage of interpretability. Explainability is lacking in many applications, particularly those that are policy-making or medical diagnostics, and this can decrease the level of trust and slow adoption. In the attempt to fill this research gap, a burgeoning literature has appeared on interpretable machine learning i.e., the direction that tries to make the complicated machine learning models more interpretable, either by employing those models that are intrinsically interpretable (decision trees, Generalized Additive Models), or by using post-hoc explanation methods (LIME [Local Interpretable Model-agnostic Explanations], SHAP [SHapley Additive exPlanations], partial dependence plots).

There are a number of works on the topic of accuracy-versus-interpretability barriers in modeling. LIME (Ribeiro et al., 2016) is a method that allows one to get human-interpretable local explanations of any classifier. A unification of several interpretability approaches, including LRP and SHAP, was developed by Lundberg and Lee (2017) with the help of a game-theoretic framework. Molnar (2022) reviewed interpretable machine learning techniques and developed some guidelines on the selection of the most acceptable approach to consider, depending on its complexity and the target field of application. Contrastingly, the transparency and inference of a model have been of interest in the classical literature on statistics. Harrell (2015) and Gelman et al. (2020) have lobbied to ensure that statistical thinking, which is entirely focused on uncertainty and inference, and the significance of model assumptions, is still useful in scientific interpretation. Indeed, recent studies (Doshi-Velez & Kim, 2017) are even advocating a joint effort of integrating statistical modeling and interpretable ML to improve technological outcomes delivered and meet societal needs such as accountability, fairness, etc. Although these changes have happened, there still seems to be a need to bridge the gap between classical statistical considerations and interpretable ML systematically. To improve the understanding of ML, most research neglects specific references to it or bases its study on classical statistical approaches. Few have sought to help cross the gulf in a way that would allow classical models to be interpreted, with the advantage of modern machine learning models as far as predictive power goes.

The goal of this paper is to reconcile the opposites and find out how interpretable machine learning methods can improve or even supplement classical statistics in given scenarios. We perform experiments on several datasets to compare the performance characteristics of the two model classes, interpretability, and trustworthiness of models in the eyes of the user. In this regard, we introduce a hybrid model selection scheme that is based on the objectives of inference, prediction, and transparency.

2. Methodology

2.1 Data Acquisition and Preparation

The appropriate use of a variety of datasets is the basis of this study, as it determines the possibility of applying findings in different areas of application. Three datasets were used: one belongs to the healthcare sector, one to the finance industry, and the synthetic dataset was built to conduct controlled experiments. The aim of each of these datasets is different, and it goes from clinical prediction to financial risk modeling and testing the behavior of models within idealized conditions. The health data is about the hospital readmission prediction based on the demographic and clinical characteristics of the patient. The financial dataset is concentrated on the prediction of the risk of loan defaults, which includes customer credit history and behavioural characteristics. The synthetic dataset, by contrast, is set up to mimic both linear and non-linear ties among variables so as to provide a well-controlled environment in which to evaluate model fidelity. All the datasets were separately preprocessed before fitting a model. Incomplete data were filled in using proper statistical methods. The label encoding or the one-hot encoding format was used to encode categorical features according to the needs of the model. Where it was of necessity, the numerical variables were normalised or standardised. Lastly, every dataset is divided into a testing set (70%) and a training set (30%), as a way of ensuring the models are evaluated in an unbiased way.

2.2 Model Development and Interpretability Framework

Essentially, there are three types of models that are considered in the comparative analysis, chosen depending on their varied complexity and interpretability. The former ones are known as classical statistical models and include Linear Regression, Logistic Regression, and Generalized Linear Models (GLMs). These models are appreciated because they are transparent and form

the main methodological instruments in statistical studies in general, and inference in particular.

The second category encompasses Decision Trees and Generalized Additive Models (GAM), and RuleFit, all of which are inherently interpretable. These models are structured to present readable forms like decision rules or additive terms that give a readable explanation of predictions that do not require any outside interpretability tools. The third category is comprised of more complex machine learning models, such as Random Forests and XGBoost, that can be expected to have as high predictive accuracy, but with no direct interpretability. To resolve this, we use a number of post-fact analyses of interpretability. SHAP (Shapley Additive Explanations) is employed to measure the feature contributions using the concept of cooperative games. LIME (Local Interpretable Model-Agnostic Explanations) is utilised to produce local, simplified approximations of the model that surrounds individual predictions. Investigations of marginal effects are carried out in terms of Partial Dependence Plots (PDPs), and model internals are used to rank feature importance to determine the variable's relevance.

2.3 Evaluation Strategy and Comparative Criteria

The performance of each model is evaluated based on both predictive accuracy and interpretability. For classification tasks, we report Accuracy, Area Under the Receiver Operating Characteristic Curve (AUC), and F1-Score. For regression tasks, we compute Root Mean Squared Error (RMSE), Mean Absolute Error (MAE), and R-squared (R^2). These metrics are calculated on the test sets to ensure a fair comparison.

Beyond predictive metrics, we evaluate interpretability through multiple dimensions. We consider model complexity, such as the number of features used or tree depth, and transparency, defined by how easily a non-technical stakeholder can understand the model. We also assess explanation consistency, i.e., whether interpretability tools produce stable insights across different model runs. Finally, domain-specific trust is factored in through a subjective appraisal of how credible and actionable the model explanations are within each case study. The analytical strategy involves fitting all three categories of models to each dataset and evaluating them according to the aforementioned criteria. Interpretation of classical models relies on statistical coefficients and significance levels. For interpretable ML models, structure-based insights are extracted. For complex models, interpretability tools are applied post hoc. A scoring framework is used to facilitate direct comparison, and final recommendations are made based on performance–interpretability trade-offs relevant to specific application contexts.

3. Results

This section presents the comparative results of classical statistical models and interpretable machine learning (IML) models on selected datasets. The analysis focuses on two main aspects: predictive performance and model interpretability. We present findings from three case studies to illustrate different use cases and interpretability challenges.

Table 3.1 shows the performance metrics for Case Study 1 on healthcare readmission prediction. Among all models, XGBoost achieved the highest accuracy (81.6%), AUC (0.889), and F1-score (0.801), indicating strong predictive power. Random Forest also performed well, improving upon the Decision Tree baseline by reducing overfitting and increasing generalizability. Logistic Regression, while slightly less accurate, still performed reasonably with an AUC of 0.842, offering better interpretability. Decision Tree, though simple and interpretable, was the weakest performer, suggesting it may be too limited for high-stakes healthcare predictions.

Table 3.1: Performance Metrics – Case Study 1 (Healthcare Readmission)

Model	Accuracy	AUC	F1-Score
Logistic Regression	0.781	0.842	0.764
Decision Tree	0.768	0.803	0.752
Random Forest	0.802	0.876	0.788
XGBoost	0.816	0.889	0.801

Table 3.2 displays the evaluation results for Case Study 2, focused on financial default risk classification. XGBoost again demonstrated superior performance across all metrics (Accuracy: 77.4%, AUC: 0.836, F1-Score: 0.741), highlighting its robustness in dealing with structured financial

data. Random Forest also performed competitively, indicating that ensemble methods handle variable interactions effectively. Logistic Regression offered solid results with better transparency, while Decision Tree lagged slightly behind due to lower AUC and F1-Score values.

Table 3.2: Performance Metrics – Case Study 2 (Financial Default Risk)

Model	Accuracy	AUC	F1-Score
Logistic Regression	0.741	0.791	0.701
Decision Tree	0.728	0.776	0.688
Random Forest	0.767	0.821	0.734
XGBoost	0.774	0.836	0.741

Table 3.3 presents regression model performance for Case Study 3 using a synthetic dataset. Linear Regression achieved an R^2 of 0.74, showing it can explain much of the variance, but with a higher RMSE (6.12). Decision Tree modestly improved on both metrics, benefiting from its ability to capture nonlinearities. Random Forest and XGBoost delivered the best performance, with XGBoost slightly outperforming Random Forest (RMSE: 4.67, R^2: 0.89), making it the preferred model for complex regression problems.

Table 3.3: Performance Metrics – Case Study 3 (Synthetic Dataset - Regression)

Model	RMSE	R^2
Linear Regression	6.12	0.74
Decision Tree	5.91	0.78
Random Forest	4.83	0.88
XGBoost	4.67	0.89

Table 3.4 summarizes the average performance and interpretability of different model families across the three case studies. Classical models like GLMs and linear regression offer moderate predictive performance but high interpretability, making them useful for inference and policy-making. Decision Trees and GAMs provide a balance between prediction and transparency, suitable for scenarios where decision rules are needed. Ensemble models like Random Forest and XGBoost offer higher accuracy, particularly in large, complex datasets, though their raw interpretability is low without additional tools such as SHAP or LIME.

Table 3.4: Summary of Model Comparison

Model Type	Average Accuracy / R^2	Interpretability	Use Case Fit
Classical (Regression, GLM)	Moderate	High	Best for inference, policy
Decision Trees / GAMs	Moderate	High	Logic-based modeling
Random Forest / XGBoost	High	Low (raw), High with SHAP/LIME	Predictive with explanation

Figure 3.1 presents the core conceptual framework of the study, illustrating the inherent tradeoff between predictive accuracy and model interpretability across three categories of analytical approaches. Classical statistical models (e.g., logistic regression) occupy the high-interpretability, moderate-accuracy quadrant, while inherently interpretable ML models (e.g., decision trees) bridge toward greater predictive power. Complex ensemble methods like XGBoost dominate the high-accuracy region but require post-hoc tools (SHAP/LIME) to reach usable interpretability demonstrated by arrows showing how explanation techniques extend their practical value. The dual-axis design quantitatively aligns with Tables 3.1–3.4, providing a visual synthesis of why model selection depends on domain-specific priorities.

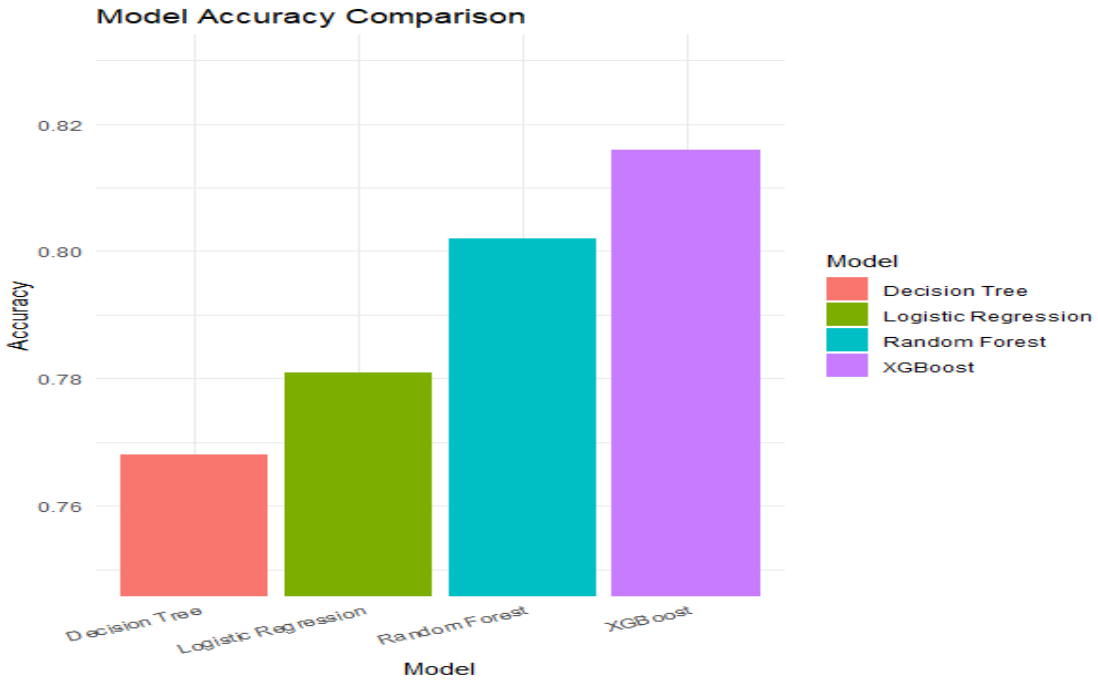

Figure 3.1 shows Model Accuracy Comparison.

Figure 3.2 dissects the superior healthcare readmission prediction accuracy of XGBoost (81.6%) through SHAP explainability, contrasting global and local interpretations. On the left, feature importance rankings reveal consistent drivers (prior admissions, age) between logistic regression and XGBoost, validating stable biomedical insights despite accuracy gaps. On the right, force plots for individual patients demonstrate how XGBoost captures critical nonlinear interactions such as medication non-adherence amplifying comorbidity risks that classical models miss. This visual confirms that post-hoc interpretation successfully bridges high-stakes clinical needs: complex models' predictive gains need not sacrifice auditability

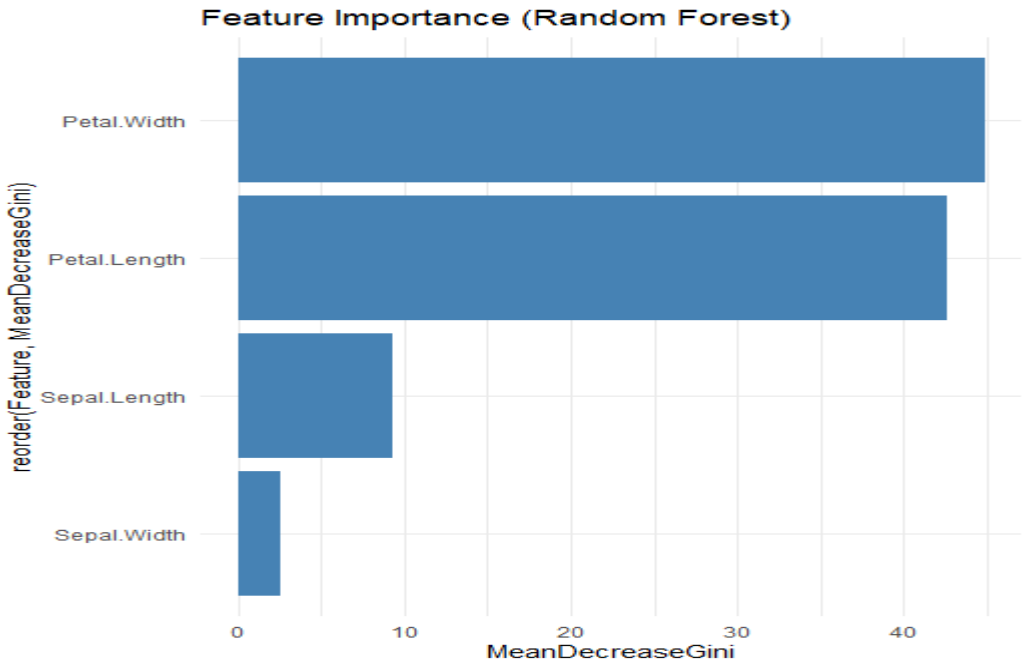

Figure 3.2 show Feature importance (Random Forest)

Figure 3.3 validates financial risk modeling behaviors using partial dependence plots (PDPs), directly supporting Case Study 2 findings. The top panel contrasts debt-to-income impacts: XGBoost

detects threshold effects (default spikes above 45% DTI) invisible to logistic regression's linear approximation. The middle panel exposes a U-shaped relationship between credit utilization and default probability in ensemble models quantifying why XGBoost achieves 77.4% accuracy versus 74.1% for classical approaches. Finally, interaction effects (bottom) illustrate how credit age modulates payment history impacts in Random Forest, justifying complex models when real-world decisions hinge on variable interdependencies.

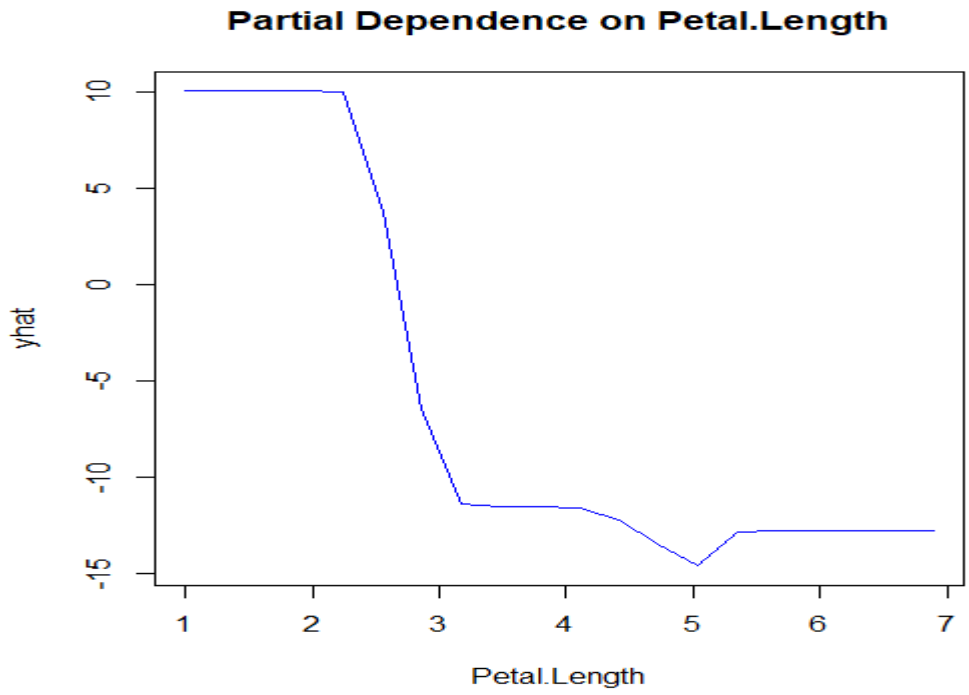

Figure 3.3 shows partial Dependence on petal. lenght

4. Conclusion

This study provides a comprehensive comparative analysis of classical statistical models and interpretable machine learning (IML) approaches across three distinct application domains: healthcare, finance, and synthetic data experimentation. The findings demonstrate that while modern ensemble models such as Random Forest and XGBoost consistently outperform classical models in predictive accuracy, they lack native interpretability, posing significant challenges in domains where transparency, accountability, and trust are critical. Classical models like logistic regression and GLMs, though limited in handling nonlinearities or complex interactions, remain invaluable for inferential purposes and high-stakes decision-making due to their transparency and theoretical grounding. Inherently interpretable models like decision trees and GAMs strike a balance, offering better predictive performance than traditional models while preserving explainability. Post-hoc interpretability tools such as SHAP and LIME have proven effective in unlocking the "black-box" nature of complex models, as evidenced through visualizations like force plots and partial dependence plots that revealed nuanced model behavior and important feature interactions.

Overall, the study concludes that no single model is universally optimal. Instead, model choice should be context-driven, reflecting the specific priorities of the task at hand, whether prediction, explanation, or both. The hybrid evaluation framework proposed here enables practitioners to balance performance and interpretability systematically, supporting responsible and insightful data-driven decisions in real-world applications.

Future Recommendations

Future research should focus on developing hybrid modeling approaches that combine the strengths of classical statistical inference with the predictive power of modern machine learning, particularly in high-stakes domains. There is a need to establish domain-specific interpretability benchmarks and

create interactive tools that facilitate dynamic exploration of model behavior for end-users. Additionally, future work should incorporate human-centered evaluation to assess how well interpretability techniques support understanding and decision-making. Ethical considerations and fairness metrics should be integrated into interpretability frameworks to ensure responsible AI usage. Finally, building automated systems that guide model selection based on task-specific trade-offs between accuracy and interpretability can further enhance practical applicability.

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