

LINEAR REGRESSION ASSUMPTIONS

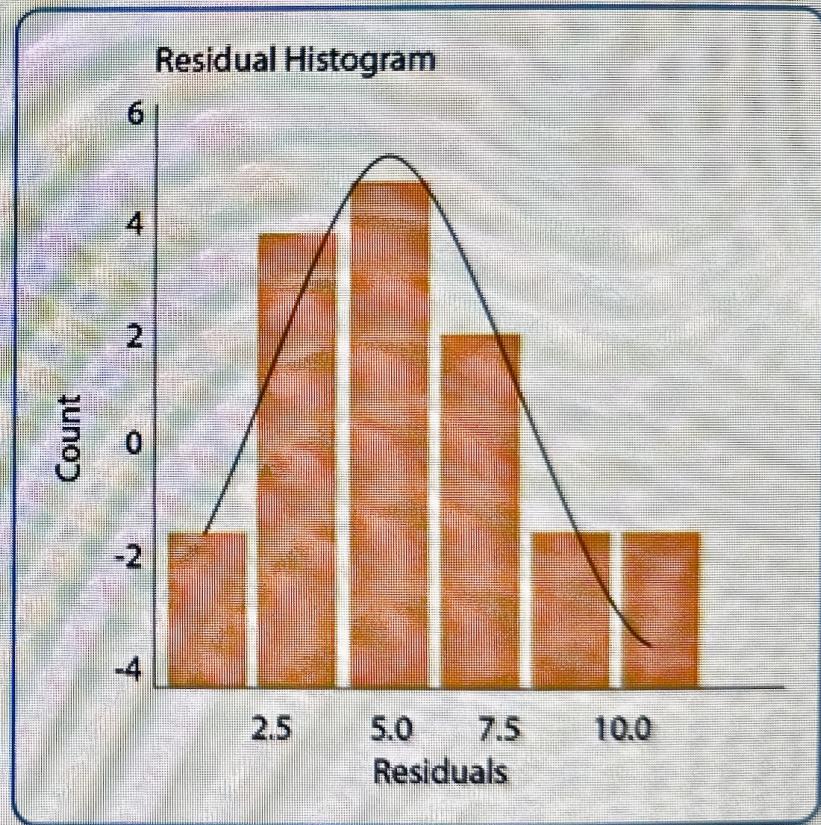
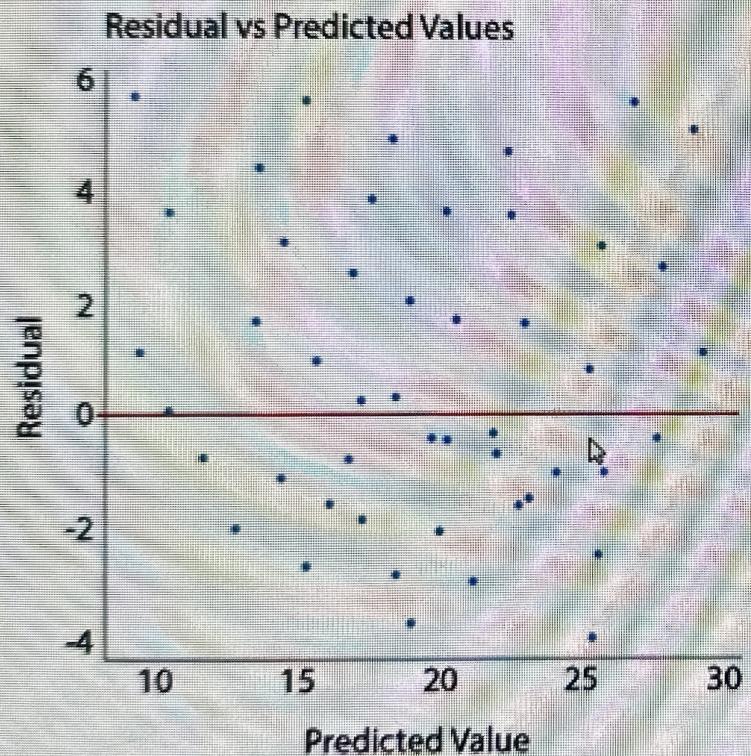
- Assumptions

- Linear relationship between dependent and independent variables
- Error terms should be independent
- Error terms should be normally distributed
- Error terms should have equal variance

- Residual plots help us to assess the assumptions

- **A residuals vs predictions plot** detects non-linearity, unequal error variances, and outliers
- **A histogram of the error terms** detects non-normality of the error values

WELL BEHAVED RESIDUALS



NOT SO WELL-BEHAVED RESIDUALS

