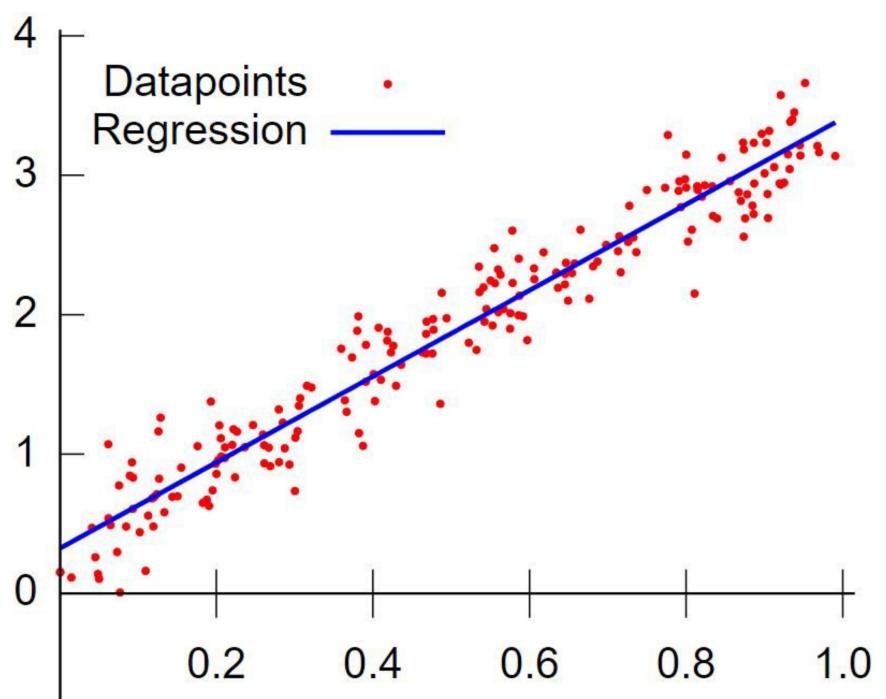


ASSUMPTIONS OF LINEAR REGRESSION



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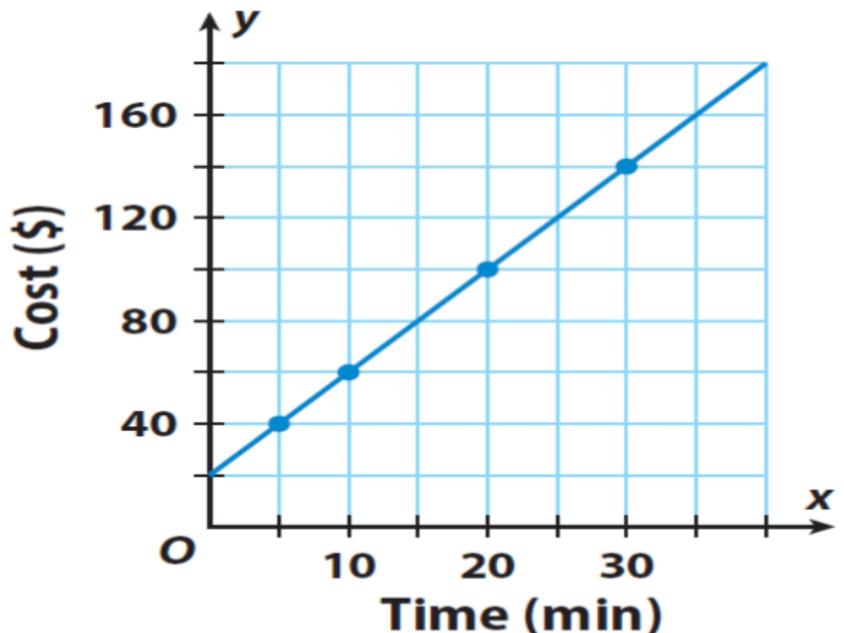
ASSUMPTIONS OF LINEAR REGRESSION :

1. Linear relationship
2. Independence/ No Multicollinearity
3. Homoscedasticity
4. Normality

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LINEAR RELATIONSHIP :

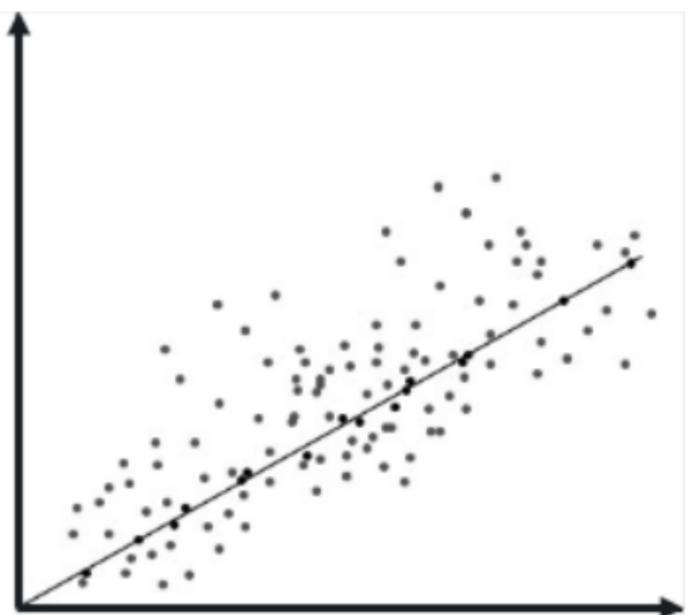
There exists a linear relationship between the independent variable, x, and the dependent variable, y.



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INDEPENDENCE/ NO MULTICOLLINEARITY

Multicollinearity is a statistical phenomenon in which two or more variables in a regression model are dependent upon the other variables in such a way that one can be linearly predicted from the other with a high degree of accuracy.



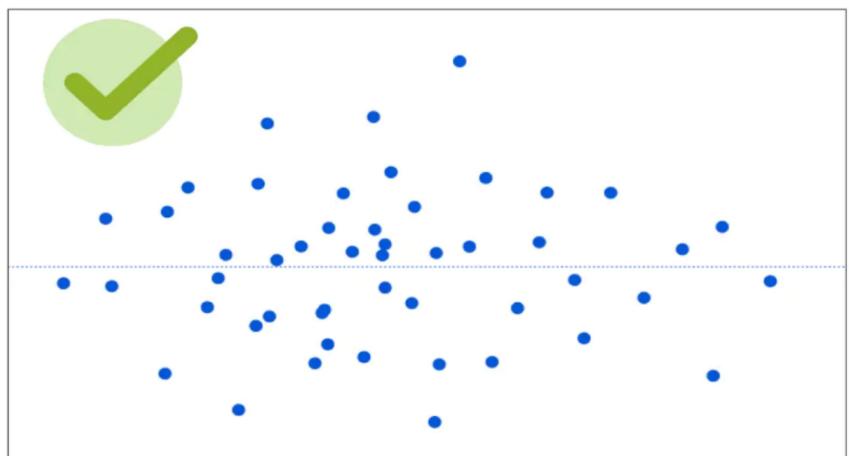
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HOMOSCEDASTICITY:

The residuals have constant variance at every level of x.

Residuals will :

- ✓ Have a constant variance
- ✓ be approximately normally distributed
- ✓ be independent of one another



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NORMALITY:

In multiple regression, the assumption requiring a normal distribution applies only to the residuals, not to the independent variables as is often believed.

The residuals of the model are normally distributed.

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