

SUMMARY:

Introduced and explained need for a separate discipline such as Econometrics to analyze the economic problems. Its relation with regression model is mentioned. Some often used terminologies are discussed with examples and highlighted the importance of model specification. Introduced simple linear regression model with a set of assumptions. Least squares method is explained for estimating the model parameters. These estimators are shown to be unbiased, BLUE, consistent and efficient whenever the regression model satisfies basic assumptions. Defined OLS residuals and discussed the role of residual analysis in assessing the goodness of fit of the model.