Impact of bank finance on the survival of small and medium enterprises in Nigeria.

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Abstract

Banking industries play an important role in the survival of Small and Medium Enterprises (SMEs) and it is known to provide a good business environment or investment climate that encourages private firms to be well managed, efficient, create jobs, increase the rate of economic growth and reduce poverty. The degree of backwardness of small and medium enterprises in Nigeria is not only associated by the poor management of the enterprise but also other complimentary services such as financial assistant of banking industry that would see businesses through their teething stages. Yet little or nothing is known about the impact of financial institution on the survival of SMEs in Nigeria.

Hence this study analyzed the impact of bank finance on growth of small and medium Enterprises in relation to GDP growth. Secondary data was used for this study. The secondary data spanning from 1999-2013 was obtained from the World Bank's Development indicators for 1999- 2013, and all other variables were obtained from the National Bureau of Statistics annual report, 2013 and Central Bank of Nigeria bulletin for 2013. The data collected was analyzed using Multiple Regression and Co-integration Model.

The long-run results indicate that finance, credit from private sectors, fiscal deficit and management of accounting information have a significant and positive effect on SMEs growth in Nigeria. Gross fixed capital formulation has an insignificant effect on GDP growth in the long run. An increase of 1 percent in finance will, on average, lead to an increase of about 8 percent in SMEs growth. This implies that the Nigerian economy has been enhanced by the SME sector, possibly through innovations leading to employment generation, job creation, and poverty alleviation. The lag length of the long-run model was selected on the basis of the AIC.. The F-statistic value of the long-run model is also significant and implies that all the independent variables are jointly significant. The Durbin–Watson (DW) test statistic shows an absence of autocorrelation in the model.

Introduction

In Nigeria, several definitions of Small and Medium Enterprises have been made available. These definitions seem to consider the various features of SMEs and the current economic situation of the country. Ogechukwu (2011) stated that different authors, scholars and schools have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, differences in these factors reflect in the available definitions of SMEs

Banking industries play a very important role in production. The role of finance in industrialization is first introduced by Zhou (2010) which stress that the degree of backwardness of small and medium enterprises is not only associated by the poor management of the enterprise but also other complimentary services such as financial assistant of banking industry that would see businesses through their teething stages. Mckinnon and shaw (1973) emphasize the need for financial liberalization of the SMES so as to increase the level of realized savings thereby reducing interest rate and increasing investment and capital formation in the industries. A good business environment or investment climate will encourage private firms to be well managed and efficient, be profitable to grow, create jobs, increase the rate of economic growth and reduce poverty. Abereijo and Fayomi (2005), argued that the challenges which Nigerian banks have to tackle before a successful implementation of SMIEIS include those that relate to cash flows, investment structuring, monitoring/value enhancement, liquidity and exit strategies. Small and Medium Industries Equity Investment Scheme (SMIEIS) is a voluntary initiative of bankers" committee which requires all licensed banks to set aside 10 percent of their profit before tax (PBT) for equity investment in, and promotion of SMEs. Despite the existence of programs and policies on financial support for SMEs in Nigeria, very few small and medium scale businesses receive financial assistance when they need it.

Small and Medium Enterprises (SMEs) played a very significant impact in the economic development of the underdeveloped as well as developed countries. The abbreviation SME is commonly used in the European Union countries and also in international organizations, such as the World Bank, the United Nations and the World Trade Organization (WTO). EU Member countries conventionally had their own definitions of the term SME. Small and Medium Enterprises (SMEs) are known as the solution of economic progress, modernization and the development of employment, employment potential, creation of income and scientific progression in most advanced economies (Okoli, 2011).

Owing to its obvious and vital contributions, SMEs sub-sector came into the mainframe of policy formulation in Nigeria to enabled the entrepreneurship activities through which employment will be generated, poverty reduction and sustainable livelihood will be achieved (Ogujiuba et al, 2004). Small business enterprises makes up about 97% of businesses in Nigeria and provide on average 50% of Nigeria's employment, and its industrial output (Taiwo et al., 2012). It is also observed that SMEs have the ability to start small and grow quickly and as well survive through rapid response adjustment in good and bad economic times (Nandan,2010). Government and development experts have, therefore, realized the fact that SMEs possess the needed catalyst to turn the economy around for good (Udechukwu, 2003)

Various organizations or institutions in Nigeria had at specific times, defined SMEs in different ways, but the definitions have as common measures fixed assets, gross output, and the number of employees. Therefore there is no generally accepted definition of SMEs because the classification of firms as large or small is a subjective and qualitative judgment (Kongolo, 2010). The definition of an SME has changed overtime with shifts in price level, advances in technology, and other considerations. SMEs can be defined by the number of employees and turn over, by the type of industry, paid-up capital, and number of paid employees (Nowduri, 2012), or by the degree of development and economic structures present.

Ogujiuba, et al. (2004) studied credit availability to small and medium scale enterprises in Nigeria and its importance to new capital base for banks. The study employed a conceptual analytical framework using theoretical and statistical comparative cross-sectional data to analyze the SMIEIS program in Nigeria capital base of banks in ascertaining whether it offers an effective means of solving the problem of funding small and medium scale businesses in Nigeria, and its attendant implication for financial stability in the system. The results of the study confirmed government need to urgently address the problem of financial intermediaries cum stability in the system as a national priority, and to build institutions that would drive the reform process. Abereijo and Fayomi (2005) examined the innovative approach to SME financing all over the world, especially the private equity financing, so as to identify the best practices and lessons to be learnt. It also reviews the small and medium industries equity investment scheme (SMIEIS) in Nigeria. It was discovered that there were still many challenges that the banks in Nigeria need to tackle before a successful implementation of the scheme. These include those challenges that relate to cash flow, investment structuring, monitoring/value enhancement, and liquidity and exit strategies.

Terungwa, (2012) analyzed the enterprise promotion policy programs influencing the development of small scale industries. Specifically, the study aimed at identifying the programs for promoting small scale industries, appraising them in meeting the objectives, and examining the effects of these programs on business growth. The study was conducted in Lagos state where industries and commercial activities were highly concentrated. The independent variables, development of small scale industries were measured according to manpower size, business structure, and technological development; while the dependent variable, programs on enterprise promotion policy were operationalized and measured by statements using Likert scale method. The descriptive and inferential analyses of the data collected through questionnaire revealed that enterprise promotion programs were focused on fostering

small scale industries in terms of technical, extension, training, technology adaptation and commercialization, and information services.

Ojeka and Mukoro (2011) in the report titled, "International Financial Reporting Standard (IFRS) and SMEs in Nigeria: Perception of Academic" found that there is still need to enlighten people especially the SME operators on the usefulness of the IFRS for SMEs. The accountant will really have a lot of work to do to implement the IFRS for SMEs in Nigeria. The listed advantages of IFRS for SMEs includes; improving the comparability of information presented in financial statement, increasing confidence in global annual invoices, SMEs reduce cost associated with maintaining accounting standards, presence of a complete set of accounting principles simplified for each type of entity; increased satisfaction of the needs of users of financial statements

A study by Kongolo (2010) established that small business owners globally have the same characteristics, face the same obstacles but differ in their understanding of how small businesses assist in economic growth. SMEs have ability to fuel economic growth because they create new jobs, expand the tax base, and are drivers of innovation.

According to Beck and Levin, (2005) SMEs enhance competition and entrepreneurship hence has external benefits on economy wide efficiency, innovation and aggregate productivity. They are the primary vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations. Globally there is an agreement that SMEs hold the key to economic growth based on the fast growth of enterprises and the role of SMEs in generation of employment. According to Ojukwu (2006) the concentration of SMEs has a close relationship with the dominant economic activities. SMEs dominate the world economies in terms of employment and number of companies, yet their full potential remains remarkably untapped. This is due to a number of reasons (e.g. legal, institutional, cultural, societal etc.) which make the role of SMEs on economic development different across the country. Unless SMEs in Nigeria are promoted, the Vision 20, 2020 may never be a reality.

Research has shown that new firms formation is an important indicator of entrepreneurial activity and economic development (Adeyemi, 2001). In Nigeria the rate of formation of new firms has stagnated for long and besides that most new firms do not grow to maturity since they collapse before the fifth year. SMEs contribute to economic development by virtue of their sheer numbers and increasing share in employment and Gross Domestic Product (GDP).

A survey conducted in Malaysia, in 2010 to assess the performance of SMEs, established that more than three-quarters (76%) of the SMEs across all sectors of the economy experienced better performance in 2010. Indicators such as production and profit margin also showed an increase of up to 5% (Malaysia Government, 2010). In India, the Micro and Small Enterprises (MSEs) sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country. It is estimated that in terms of value, MSME sector in India accounts for about 45% of the manufacturing output and around 40% of the total export of the country (India government, 2007). In Thailand the number of SMEs is increasing at a very fast rate. Thai SMEs are increasingly seen as creators of new jobs. Normah Mohd Aris, (2007) and Vietnamese SMEs employ 64% of industrial workforce.

This study looks at the extent of banking industry in Nigeria and its utilization by the SME's and related agencies.

Materials and Methods

To achieve the objectives of this study, secondary data was used for this study. The secondary data spanning from 1999-2013 was obtained from the World Bank's Development indicators for 1999- 2013, and all other variables like accounting information were obtained from the National Bureau of Statistics annual report, 2013 and Central Bank of Nigeria bulletin for 2013. SMEs performance is captured by the investment in SMEs. GDP at 1999 constant prices denotes income.

The statistical tool used is Multiple Regression and co-integration, processed by STATA 13 and the Model is stated below as;

gdpg = f(smef, ms, cps, def, capf, amae)

Where:

SMEF = SMEs finance measured as bank credit to SMEs as % of GDP

MS = is broad money supply, measured as m_2 as % of GDP

CPS = Credit to Private Sector, measured as % of GDP

FDM = Fiscal deficit measured as % of GDP

GFCF = Gross Fixed Capital Formation as % of GDP

AMBF = Areas of Management in bank finance is employed.

This basic model is thus transformed to:

$$SMEs = \beta_0 + \beta_1 smef + \beta_2 ms + \beta_3 cps + \beta_4 fdm + \beta_5 gfcf + \beta_6 ambf + \mu \dots\dots\dots\dots\dots (1)$$

In literature, economic growth is influenced to a certain degree by all the variables in the model. MS, is not only capturing the monetary authority use of monetary policy to influence variables that directly affect investment and production but along with CPS are indexes of financial deepening or financial sector development. Fiscal deficit does not only capture fiscal operation of government but highlights the extent of deficit financing which may crowd- out funds thereby starving the private sector including SMEs of funds. Gross fixed capital formation is a main determinant of economic growth as it is man-made aid to further production. In this context economic growth is being used as proxy of economic development.

In order to empirically assess the long- and short-run impact of Bank Finance on SMEs, we estimate equation (2) using the bounds testing or ARDL co-integration procedure developed by Pesaran, Shin, and Smith (2001). The ARDL procedure can be used when the regressors are integrated of order of 1, unlike the Johansen approach, which strictly requires that all variables are integrated of order 1, that is, stationary at first difference (Dickey and W. Fuller, 1981).

Auto regressive Distributed cointegration entails several stages. First, the stationary properties of the time-series variables in equation (2) are examined by implementing the unit root test. All variables are tested in levels and in the first difference using the augmented Dickey–Fuller (ADF) test and Phillip- Perron unit root test. The existence of a long-run relationship between economic growth is also tested, SME performance, and all other repressors within a univariate framework.

$$\Delta Y_t = \beta_0 + \beta_1 smef_{t-1} + \beta_2 ms_{t-1} + \beta_3 cps_{t-1} + \beta_4 fdm_{t-1} \beta_5 gfcf_{t-1} + \beta_6 amae_{t-1} + \sum_{i=1}^{p} \phi_6 + \mu_t \dots\dots (2)$$

Where β and ϕ are long and short run multiplier respectively. μ_t is a white noise error.

The second equation is estimated using OLS to test for the existence of cointegration or a long-run relationship among the variables. This is done by conducting an F-test for the joint significance of the coefficients of the lagged levels of the variables:

$H_0 : \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$ (There is no long term relationship)

$H_a : \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq \beta_6 \neq 0$

The calculated F-statistic from equation (2) is compared with the critical value tabulated by Pesaran et al. (2001). If it exceeds the upper critical value, the null hypothesis of no long-run relationship can be rejected regardless of whether the underplaying order of integration of the variables is 0 or 1.

Results and Discusion.

The areas in which bank finance is integrated and needed in management of SMEs are represented in Fig 2. The figure shows that dividend policy was the main management area that accounting information system was employed. This option constituted 55% of accounting information responses. However, other areas were asset management and investment decisions of the enterprise. This is consistent with the assertion of Obamuyi *et al.*, (2011) that bank financing Systems (BFS) are a tool which help in the management and control of topics related to firms' economic-financial area. This therefore means that the use of BIS has substantial influence on the growth of SMEs, as it helps in facilitating it revenue base for enhanced performance.

The information shown in figure 2 above opined that there is a relationship bank financing system and management decisions of the SMEs. This suggests that management decision process cannot be fruitful without the employment of BFS, which indeed makes the management decision process seamless. This

finding is supported by earlier studies like those of Mensah *et al*., (2007) that financing help organizations manage short term problems in such areas as costing, expenditure and cash flow by providing information to support monitoring and control. In a similar manner, Ademola *et al*., (2012) opined that an important question in the field of accounting and management decision-making concerns the fit of BFS with organizational requirements for information communication and control. In Nigeria, the low integration of finance into business could be responsible for their failure in the business environment

Most financial market comprises of the capital market which is for long term funds and marketable securities and most SMEs have not been able raise capital from it because of poor record keeping, inability to meet the criteria of entry and the fear of losing control and the money market which is market for short term loans and securities and unlike in developed economies, the Nigerian SMEs have not effective utilized the funding opportunities of this market, again because of poor record keeping, information asymmetry, low technical competence of bank staff and lack of collateral, Pesaran et.al (2001). For instance the figure 3 is a clear reflection that bank support for SMEs is diminishing.

In Nigeria a number of measures have been put in place to address the problems of lack of access to external funds by establishing specialized institutions such as Bank of Industry that has the following schemes according to the CBN annual report 2013:

- $500 million Nigerian Small Growing Business Scheme Loan (NSBLS)
- N5 billion Micro and Medium Enterprises Business Development Fund on behalf of Dangote Foundation
- Micro and Medium Enterprises Development Fund amounting to N3 billion on behalf of nine state government
- N90 million Business Development Fund for women (BUDFOW) being managed on behalf of Federal Ministry of Women Affairs and Youth Development
- N50 million pilot fund on behalf of the small and medium Enterprises Development Agency of Nigeria (SMEDAN).

SME promotion is one sure way of resolving the deteriorating unemployment situation because it is easier to establish, require smaller startup capital than larger Organizations, has higher turnover employee ratio and has greater flexibility in management. While it is recognized that attrition rate is high, greater regulatory intervention on account preparation, training exposure and mentoring would turn the sector into a significant agent of economic transformation.

Contributions of SMEs to GDP Growth

Figure 1 below reflects that in the past 14 years (1990- 2013) there has been consistent positive growth rate of GDP except in 2002 when there was negative growth rate, but this growth has not reflected in improved wellbeing of a vast majority of Nigerians (who contribute above 50 percent of it), most of whom are SME operators.
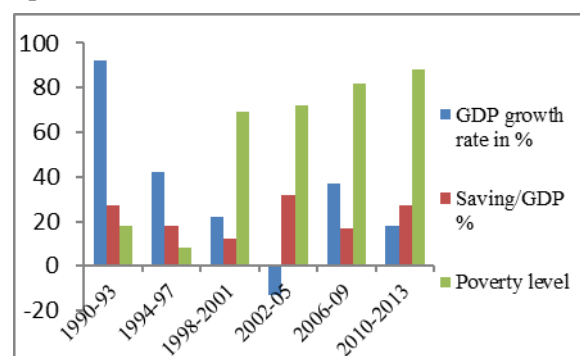

Figure 1: Effect of SMEs on GDP growth. Source: CBN Annual Bulletin, 2013

As is observed, poverty index (those consuming less than $1 per day) has been around 50 percent but has worsened over the years. For instance, in 2006-09, the poverty level increased to 75 percent of the population and this situation has become worse in 2009 and 2013. In this situation the SMEs cannot rely on their savings for business growth or other initiatives that create employment, spurn innovation or promote entrepreneurship, roles which their counterpart play in more advanced economies (Dalberg 2009).

Table 1: Result of Ordinary Least Square (OLS) Regression analysis.

Variable	Co-efficient	t-value	p-value

Constant	1.1502	2.351	0.0000
Smef	0.3994	3.058	0.0000
Fs	0.0331	0.674	0.7303
Cps	0.0938	1.8661	0.0501
Fdm	-0.0652	2.8661	0.0250
Gfcf	0.0732	2.0143	0.0020
Amae	0.0916	2.8220	0.0703
R^2= 0.895	Adjusted R^2 =0.826	F-stat = 63.01	Durbin Watson (DW)= 0.5061
F-prob =0.0000			

Source: Data analysis 2016

The empirical analysis of the regression result reveals that there are positive linear relationship between economic growth and rest of the variables. The model explains over 89 percent systemic change in economic growth and development, supported by the result of the adjusted R-squared explaining over 82 percent change in growth as explained by the changes in the explanatory variables. The overall fitness of the model as indicated by the F-statistic (63.01) is statistically acceptable and confirms that the model is statistically significant from zero while the Durbin Watson statistics (0.5061) indicate presence of positive autocorrelation. Small and medium enterprise has a positive relation with economic growth and shows that a percentage increase in small and medium scale enterprises significantly increases economic growth by 39 percent at 1 percent level of significance. This can be seen from the perspective that increase in SMEs financing helps in facilitation of creation of more cash required for increase in enterprise

investment and higher productivity and is synonymous with a priori expectation. Money supply although insignificant does not favor economic growth in this study. A percentage increase in money supply in the economy retards growth by approximately 0.3 percent. This could be traceable to the negative effect of excessive idle fund which characterized the Nigerian economy and are not fully deployed into productive ventures. A percent growth in private sector funds will add to economic growth by a certain percentage growth of 9 percent. Government fiscal deficit suggest evidence of much significant negative effect on growth. This further reiterates' the fact that most projects financed by government through fiscal deficit do not always bring forth economic returns that will grow the economy further. A percentage increase in fiscal deficit impact negatively on the economy by more than 6 percent and also agrees with economic theory by its sign and magnitude. Gross fixed capital formation exhibits a positive and significant impact on growth at 5 percent significance level. It also conforms to economic expectation and implies that percentage growth of gross fixed capital formation increases economic development by over 7 percentage growth. Therefore, gross fixed capital formation support economic growth and development in Nigeria by providing capital assets without with the economy is bound to experience stunted growth and development.

Table 2: Unit Root Test

Variable,	Lag length	ADF test Statistic	ADF critical Value	Level of Significance	Order of Integration
(SMEF, 1)	1	-2.17100	-2.91173	5%	I(0)
(MS, 1)	1	-0.92112	-2.91173	5%	I(0)
(CPS, 1)	1	0.28235	-2.91173	5%	I(0)
(GTDP, 1)	1	-2.56675	-2.91173	5%	I(0)
(AMAE,1)	1	2.66274	-2.91173	5%	I(0)

Source: Data Analysis, 2016

Table 2 above shows the variables that were tested for the presence of a unit root using 5% level of significance. Virtually all the variables indicate presence of a unit root and conform to the unit root hypothesis. This result therefore, supports the evidence of non-stationary of the variables of the above model at levels. Due to the non-stationary state of the variables at levels, we therefore proceed to undertake first

differencing to determine the whether there is a linear co-integration of series at order 1 as presented in table 5 below.

Table 3: Unit Root Test at first difference

Variable,	Lag length	ADF test Statistic	ADF critical Value	Level of Significance	Order of Integration
(SMEF, 1)	1	-7.54499	-2.91263	5%	I(1)
(FS, 1)	1	-7.50648	-2.91263	5%	I(1)
(CPS, 1)	1	-7.61819	-2.91263	5%	I(1)
(GTDP, 1)	1	-7.52003	-2.91263	5%	I(1)
(AMAE,1)	1	-7.525503	-2.91263	5%	I(1)

Source: Data analysis, 2016

The empirical result from table 3 above reveals that all the variables achieved a stationary state after the first differencing at 5% level of significance. We then reject the unit root null hypothesis of non-stationary and conclude that the variables were integrated at order one series.

Moreover, economic and finance theory often suggests the existence of long-run equilibrium relationships among non-stationary time series variables. If these variables are I (1), then co integration techniques can be used to model these long-run relations. Hence, pre-testing for unit roots is often a first step in the co integration modeling.

The result for co-integration test allows us to determine whether there is a long-run relationship among the variables which indicates the calculated F-statistics which implies that the Null hypothesis of no cointegration can be rejected, indicating there is a cointegration relationship among the variables

Having confirmed the existence of a long-run relationship between accounting information, economic growth and the other selected variables, we then apply the Autoregressive distribution lag (ARDL) method to estimate the long-run parameters.

The long-run results indicate that finance, credit from private sectors, fiscal deficit and management of accounting information have a significant and positive effect on SMEs growth in Nigeria. Gross fixed capital formulation has an insignificant effect on GDP growth in the long run. An increase of 1 percent in finance will, on average, lead to an increase of about 8 percent in SMEs growth. This implies that the Nigerian economy has been enhanced by the SME sector, possibly through innovations leading to employment generation, job creation, and poverty alleviation. This finding is consistent with those of van Onaolapo *et al.*

(2014), Okoli (2011). The result also reveals the insignificant money supply which might be as a result of inability of the SMEs to source for assistance from the financial institution.

The lag length of the long-run model was selected on the basis of the AIC. The R-squared and adjusted R-squared terms are about 0.83, signifying that about 83 percent of the variations in GDP growth are explained by all the independent variables included in the model. The F-statistic value of the long-run model is also significant and implies that all the independent variables are jointly significant. The Durbin–Watson (DW) test statistic shows an absence of autocorrelation in the model.

Table 5: Result of Autoregressive Distributed Lag for SMEs and GDP in the long run.

Variable	Coefficient	T-ratio	Probability
Sme_{t-1}	0.08229	8.2253	0.0000
Ms_{t-1}	-0.01482	1.6803	0.0018
Cps_{t-1}	0.06366	3.2018	0.0371
Fdm_{t-1}	0.05325	2.603	0.0333
$Gfcf_{t-1}$	0.08193	0.7705	0.8740
$Amae_{t-1}$	0.00141	1.6706	0.0093
Constant	-0.85015	-0.7733	0.4308
R^2=0.83513,	Adjusted R^2= 0.8314	F-stat =621.4602	DW= 1.8372

Source: Data Analysis, 2016

The short-run coefficients for the relationship between SMEs and Bank finance are given in Table 5. The signs of the short-run estimates reveal that fiscal deficit and gross fixed capital formation are significant with negative coefficient. The results show that there is a significant negative relationship between fiscal deficit in SMEs and gross fixed capital with the growth of SMEs in the short run.

Table 6: Result of Autoregressive Distributed Lag for SMEs and Bank Finance in the short run.

Variable	Coefficient	T-ratio	Probability
SMEs	0.06269	1.8253	0.0030
Fs	1.01827	6.0373	0.0000
Cps	0.02063	2.9073	0.0000
Fdm	-0.01223	-2.0031	0.0072
Gfcf	-0.07302	-4.1005	0.0000
Amae	0.0248	1.6061	0.0067
Constant	0.08515	0.3387	0.3048
ECM	0.39216	2.5104	0.0163
R^2=0.6203	Adjusted R^2= 0.4384	F-stat = 4.6302	DW=1.3354

Source: Data Analysis computer from survey.

The existence of short-run relationship is suggested by the error correlation model (ECM) which is significant at 5 percent. The coefficient of determination (R-squared) implies that about 53 percent of the variations in SMEs growth are explained by variations in all the independent variables. The F-statistic value is also significant and implies that all the independent variables are jointly significant. Finally, the DW statistic shows an absence of autocorrelation in the model.

Conclusion

This empirical study adopts an autoregressive distributed lag approach in order to examine how Financial Institution (SMEs) has contributed to the survival of SMEs contributed to economic growth in Nigeria between 1990 and 2013.

The long-run results indicate that finance, credit from private sectors, fiscal deficit and management of accounting information have a significant and positive effect on SMEs growth in Nigeria. Gross fixed capital formulation has an insignificant effect on GDP growth in the long run. An increase of 1 percent in finance will, on average, lead to an increase of about 8 percent in SMEs growth. This implies that the Nigerian economy has been enhanced by the SME sector, possibly through innovations leading to employment generation, job creation, and poverty alleviation. The result also reveals the insignificant money supply which might be as a result of inability of the SMEs to source for assistance from the financial institution.

The lag length of the long-run model was selected on the basis of the AIC. The R-squared and adjusted R-squared terms are about 0.83, signifying that about 83 percent of the variations in GDP growth are explained by all the independent variables included in the

model. The F-statistic value of the long-run model is also significant and implies that all the independent variables are jointly significant. The Durbin–Watson (DW) test statistic shows an absence of autocorrelation in the model

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