

Multicollinearity

- ▶ In multiple regression, two or more predictor variables are colinear if they show strong linear relationships. This makes estimation of regression coefficients impossible.
- ▶ It can also produce unexpectedly large estimated standard errors for the coefficients of the X variables involved.

Multicollinearity

- ▶ This is why an exploratory analysis of the data should be first done to see if any collinearity among explanatory variables exists.
- ▶ Multicollinearity is suggested by non-significant results in individual tests on the regression coefficients for important explanatory (predictor) variables.
- ▶ Multicollinearity may make the determination of the main predictor variable having an effect on the outcome difficult.