DO THE WOMEN MATTER IN CO-OPERATIVE BANKS' BOARDS?

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Abstract

The topic of gender diversity is assuming greater importance not only for regulatory reasons. In credit cooperative field, the presence of gender diversity can qualify among the mutual aims and social sector should pursue. With reference to cooperative banks, the work aims to verify whether board gender diversity increases the creation of value for stakeholders, in terms of stakeholders' global value added (shareholders, employees, customers, regulators, community and external environment). We propose an econometric approach based on OLS regression model; the econometric model adopted to test our research hypothesis take into account three dependent variables in order to measure the amount and the distribution of value created by each cooperative bank, like Global Value Added Index, HHI Index and GINI Index. Regarding the regressors in order to express the bank governance profile, the choice of variables is based on the results of the studies relating to bank governance-performance. Our model takes also into account other macro-economic control regressors. The model is tested on a sample of Italian cooperative banks. Previous studies on board gender diversity in cooperative banks are particularly limited as a result of limited information and opacity of this field. The existing studies are limited to analyses of the effects on performance of the separation between ownership and control or of the corporate and governance structures, neglecting the dynamics of gender diversity; recently, some authors have investigated the relationship between the composition of loan portfolios and the structure and membership of the boards of cooperative banks in Spain, without however considering the board gender diversity. Our work allows you to expand the knowledge on the issue of governance of cooperative banks. Our study proposes some indicators to assess the social and mutual performance of cooperative banks; it puts in evidence if board gender diversity may improve the amount and also the equity distribution of the value creation process to stakeholders' cooperative banks. The outcomes of the paper may indicate possible best practices with respect to bank governance in bad economic times. So the gender diversity in board cooperative bank may contribute to support better business performance and, specifically, the bank's ability to create and distribute finance customers characterized by a lower credit risk. Based on these results, some managerial implications are proposed.**

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1 Introduction

The literature on corporate governance is particularly rich in studies that analyze the structural characteristics, organization and functioning of the board (as the main mechanism of corporate governance), in order to test the existence of significant relationships with the internal governance processes and intermediate or overall business performance.

Despite of the numerous studies on board of directors, we know very little about the governance structure of banking firms.

The literature about banks' boards is limited and examines, in particular, the composition and duties of the board of directors, but not board diversity.

In credit cooperative field, the presence of gender diversity can qualify among the mutual aims and social sector should pursue. Previous studies on board gender diversity in cooperative banks are particularly limited as a result of limited information and opacity of this field.

Given the growing importance of gender diversity as a relevant topic of corporate governance and the reduced literature about banks' board diversity, it therefore seems necessary to expand the knowledge on the issue of internal governance of cooperative banks. Our study proposes some indicators to assess the social and mutual performance of cooperative banks; it puts in evidence if board gender diversity may improve the amount

and also the equity distribution of the value creation process to stakeholders' cooperative banks.

The remaining part of the paper is structured as follows: section 2 describes literature on gender diversity in co-operative banks and so outlines the research hypotheses; section 3 illustrates the methodology and variables used in the empirical analysis; section 4 presents the sample and the data; sections 5 describes the results and Section 6 contains the conclusions.

2 Theoretical background and hypotheses

Regarding gender representation in the banking sector, Quack and Hancké (1997) show that the proportion of women among managers decreases as the manager level increases among EU commercial banks. Those authors also show that there is a considerable gap between the proportion of women among bank employees and their representation among bank managers. Hence, although in 1995 women accounted for half of the employees of the banks in the sample, they represented only 16% of their managerial workforce.

Wilson (2014) examines how female bank lenders are locked into a position of disadvantage in a UK bank, and illustrates the difficulties and challenges faced by female bank loan officers in banking. The paper discusses the subjective experience of equality, inequality and exclusion among female bankers showing how they are not a homogenous group, as they say they experience equality/inequality differently.

Despite of the numerous studies on board of directors, we know very little about the governance structure of banking firms. In this regard, banks have two related characteristics that are specific to financial institutions and justify a separate analysis of their corporate governance (Andrés and Vallelado, 2008). First, banks are generally more opaque than non-financial firms. Second, the existence of an implicit or explicit public safety net against banks' failure generates perverse incentives (*moral hazard*), in the sense that banks, taking for granted the use of safety net policies in case of trouble, are induced to take on more risks. This last feature implies that corporate governance issues are even more important for banks, considering their potential systemic risks.

The literature about banks' boards is limited (Adams and Mehran, 2008; Caprio *et al.*, 2007; Levine, 2004; Macey and O'Hara, 2003) and examines, in particular, the composition and duties of the board of directors, but not board diversity. In fact, only very few studies examine the effects of diversity on the performance of the banking industry. Richard (2000) studied the relations between racial diversity, business strategy, and firm performance in the banking industry and finds that racial diversity in association with a growth strategy enhances productivity and contributes to creating value for bank managers. Bantel and Jackson (1989) argue that heterogeneity has a positive effect on innovative and creative decision making. They show that more innovative banks are headed by more educated top management teams (such as those involved in board decision making) who come from diverse functional backgrounds. Hagendorff and Keasey (2012) examine the value of board diversity in the US banking industry and find positive announcement returns for mergers approved by boards with members of diverse occupational backgrounds. Also Nguyen *et al.* (2015) study how the characteristics of executive directors affect the market performance of US banks, but they find gender is not linked to measurable value effects.

Previous works about gender diversity on boards of directors have generally focused on single countries and cross-industry analysis, but excluding the banking sector. So Mateos de Cabo *ET al. (2012)* have extends the extant non-financial and single-country-centered discussions to consider cross-country explanations for the EU25 area in the banking sector. Their work investigates the gender diversity of the corporate board of 612 European banks, identifying organizational characteristics that could be predictive of women's presence on bank boards. In particular, they identify three factors that play a particularly important role in defining bank board gender diversity. First, the proportion of women on the board is higher for lower-risk banks and the authors argue that there may be some statistical discrimination behind this relation, although it could also be explained by a real risk-aversion hypothesis. Second, banks with larger boards have a higher proportion of women on their boards, which could be considered a signal of some kind of preference for homogeneity on small boards. Finally, banks that have a growth orientation are more prone to include women on their board, since they may be seen as providers of diverse external resources that are more valued by firms operating under critical circumstances.

Gender diversity is an important issue for boards (Fields and Keys, 2003; Adams and Ferreira, 2009; Dezsö and Ross, 2012; Mahadeo *et al.*, 2012), as also mentioned in Carretta *et al.* (2010), where the authors aim to develop a model to assess the effectiveness and compliance of bank boards, taking into account their unique characteristics, financial industry standards and regulations. In particular, Adams and Ferreira (2009) find that firms with more volatility in their stock returns have fewer women on their boards; firms with more gender diversity on their boards give their directors more pay-for-performance incentives; and firms with more gender diversity on boards hold more board meetings. In light of these results, according to Carretta *et al.* (2010), one would expect that the presence of female directors has positive consequences for bank board effectiveness.

Recently García-Meca *et al.* (2015) analyse the effect of board diversity (gender and nationality) on performance in banks. By making use of a sample of 159 banks in nine countries during the period 2004-2010, their empirical evidence shows that gender diversity increases bank performance, while national diversity inhibits it. Also, in contexts of weaker regulatory and lower investor protection environments, board diversity has less influence on the performance of banks.

European comparisons show that Italy is among the EU countries where women are least represented in banking boardrooms. There is little evidence on the Italian banking case (Tarantola and Magliocco, 2007). In order to fill this gap, using a rich dataset on Italian banks that combines individual data on bank governance with different measures of performance and risk, Del Prete and Stefani (2013) analyse the determinants of the gender gap in top positions. Their econometric results confirm a significantly lower probability of women holding top decision-making positions (Chairman, CEO, General Manager), other individual characteristics and bank features being equal. Moreover, results show that the number of women at the top is greater *a)* in banks belonging to the major banking groups, with larger and younger boards; and *b)* in banks that are more cost efficient or in those with a larger share of risky loans in the past (in need of restructuring). Preliminary evidence from performance equations suggests that the presence of women is negatively correlated with indicators of *ex post* riskiness, implying that credit policies are more stringent when women are on the board, possibly due to their higher risk aversion.

In credit cooperative field, the presence of a gender diversity can qualify among the mutual aims and social sector should pursue. Previous studies on board gender diversity in cooperative banks are particularly limited as a result of limited information and opacity of this field. The existing studies (Porta, 1997; Cardilli and Di Battista, 1997) are limited to analyses of the effects on performance of the separation between ownership and control or of the corporate and governance structures, neglecting the dynamics of gender diversity (Di Salvo and Schiena, 1998); recently, some authors (Cuñat and Garicano, 2009) have investigated the relationship between the composition of loan portfolios and the structure and membership of the boards of cooperative banks in Spain, without however considering the board gender diversity.

As regards the Italian context, Schwizer and Stefanelli (2011) investigate the pattern of internal governance in the cooperative banks and its relevance in the value creation process to stakeholders, while Boscia *et al.* (2012) examine effects of internal governance on the portfolio credit risk of a cooperative bank.

Given the growing importance of gender diversity as a relevant topic of corporate governance and the reduced literature about banks' board diversity, it therefore seems necessary to expand the knowledge on the issue of internal governance of cooperative banks. With particular reference to cooperative banks, our work aims to update the previous study by Schwizer and Stefanelli (2011) and testing the hypothesis that board gender diversity increases the value creation for stakeholders, in terms of global value added (GVA) for shareholders, employees, customers, regulators, community and external environment, under the control of specific aspects of size and business for cooperative banks. Our study proposes some indicators to assess the social and mutual performance of cooperative banks; it puts in evidence if board gender diversity may improve the amount and also the equity distribution of the value creation process to stakeholders' cooperative banks.

3 Methodology and specification of variables

Following and updating methodology used by Schwizer and Stefanelli (2011), we adopt dimensional indicators come from social reports of the cooperative sector (Federcasse, 2008). In particular, we use the *Global Value Added* (GVA), an indicator that represents how much wealth is annually created by that specific bank for its stakeholders. For example, Table 1 shows the distribution of GVA created by a cooperative bank between the various types of stakeholders according to their business interests.

Table 1. Distribution of the Global Value Added of a cooperative bank by type of stakeholders

Type of stakeholders	*Distribution of gross GVA*
1. Shareholders	a. Dividends paid out to shareholders b. Revaluation of shares c. Rebate
2. Human resources	a. Cost of employees
3. Corporations (institutions and public administration)	a. Indirect and property taxes b. Income taxes
4. Community and external environment	a. Donations and gifts
5. Company	a. Profit and loss b. Mutual purposes (provisions for development cooperation) c. Adjustments and recoveries on tangible and intangible assets

Source: adapted from "Bilancio Sociale e di Missione del Credito Cooperativo" (Federcasse, 2008).

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For the analysis, the total value created by a cooperative bank is expressed in terms of GVA, given by the sum of the value attributed to each of these five stakeholders: shareholders, employees, institutions, community and external environment, company.

Concentration and heterogeneity of the dynamics of the GVA distribution among stakeholders are determined using the following two traditional statistical measures:

a. The Herfindahl-Hirschman Index (HHI) measures the degree of concentration of the GVA shares paid out to stakeholders and it is calculated as the sum of the value shares (q) distributed by a bank (i) to each of its stakeholders (s), in formula:

$$HHI_i = \sum_{s=1}^{r} (q_s * 100)^2 \qquad (1)$$

where i can range from 1 to 30 and s from 1 to 5;

b. The Gini Index (GINI) measures the degree of heterogeneity of the GVA distribution among stakeholders and it is computed in terms of normalized value shares (q), as follows:

$$GINI_i = \frac{1 - \sum_{s=1}^{r} q_s^2}{\frac{(s-1)}{s}} \qquad (2)$$

where i can range from 1 to 30 and s from 1 to 5.

These two indexes identify the presence of stakeholders which are characterized by a "right of way" than the others in the value creation process of the bank.

In order to test the research hypothesis, we use multivariate regressions (OLS); in the econometric model we consider the three indicators of wealth created by each bank (GVA, HHI and GINI) as dependent variables, while the independent variables express the structure and organization of board.

In the regression analysis we also include some variables to control for the relationship between stakeholder value and bank governance, following previous studies (Cotugno and Stefanelli, 2012; Cotugno, Stefanelli and Torluccio, 2012). A first control variable is the degree of lending specialization, because we expect that the ability of banking intermediation may affect the dynamics of value creation for stakeholders, both emerging economies of experience within the internal organization of the bank and reducing economies of scope related to possible alternative strategies of diversification (Johnson, 1996; Schwizer, 1996; Rajan *et al.*, 1997).

Other control regressors refer to the macroeconomic environment; in particular, we consider the change of regional GDP in 2008 and the provincial default rate considering the registered office of the bank. The latter variable considers solvency of the economic context and GVA incorporation because of the credit risk.

Another variable is the number of branches of the cooperative bank as an indicator of its size and its diffusion in the area. Reasonably, a bank very widespread on the local market (or larger one) can achieve higher levels of GVA by diversifying the geographical areas served and maximizing the proximity to its stakeholders (customers). This variable is weighted with structural aspects of the bank, too.

Finally, we consider the geographical area of the cooperative bank and we distinguish it in North, Centre or South Italy

The analytical description of each variable used in the econometric analysis is presented in Table 2 below.

Table 2. Variables definition

Variables	Abbrev.	Measure
Dipendent Variables:		
- *Global Value Added*	GVA	Value created by the bank for its stakeholders in relation to total assets
- *Concentration Index of GVA*	HHI	Herfindahl-Hirschmann index of concentration
- *Eterogeneity Index of GVA*	GINI	Gini index of heterogeneity
Indipendent Variables:		
- Governance characteristics		
- Board Size	BS	Number of directors on the bank's board
- Board Gender Diversity	BGD	Blau Index* about directors' gender diversity
- Board Professional Diversity	BPD	Blau Index* about directors' professional category
- Board Education	BED	Blau Index* about directors' education category

	Diversity		
-	Board Meeting	BM	Number of annual meetings of the board
-	Executive Committee	EXC	Executive committee on the board (dummy)
-	Self-nomination	NOM	Self-nomination without sustaining vote (dummy)
-	Women Age	AGE	Arithmetic mean of the age of directors
-	Tenure of Directors	TEN	Arithmetic average of the tenure's years of directors
- Control Variables			
-	Specialization	SPEC	Net Loans/Total Assets
-	Regional GDP	GDP	Gross Domestic Product of Region where bank is located
-	Provincial Default Rate	DR	Default Rate of Provincial Loans where bank is located
-	Geographical Area	GEO	0 if bank is located in the South, 1 in the Centre and 2 in the North of Italy

* For details, see the work of Ruigrok et al. (2006) on page 133.

The econometric model is as follows:

$$Y_i = \beta_0 + \beta_1 BS_i + \beta_2 BGD_i + \beta_3 BPD_i + \beta_4 BED_i + \beta_5 BM_i + \beta_6 EXC_i + \beta_7 NOM_i + \beta_8 AGE_i + \beta_9 TEN_i + \beta_{10} SPEC_i + \beta_{11} GDP_i + \beta_{12} DR_i + \beta_{13} GEO_i + \varepsilon_i \quad (3)$$

where i is the individual bank belonging to the sample ($i = 1 , 2 , 3 , ... , 30$) and Y_i represents the total value created by the bank i for its stakeholders (GVA), and the concentration (HHI) and heterogeneity (GINI) of GVA among stakeholders in the year of observation; β_1, β_2, …, β_{13} are the parameters to be estimated, β_0 is a constant term and ε_i is the error.

In order to avoid multicollinearity in the regression analysis, we built two econometric models by selecting, for each one, independent variables with a weak correlation. In Appendix there are only the statistically significant results of analysis. So, Table 5 shows the econometric model with GVA as the dependent variable, while by the models of HHI and GINI are not significant variables and the F-test value is not statistically significant.

4 Data and sample

We analyze a sample of 30 Italian cooperative banks selected from 15 regional federations.

We choice banks through a sample's stratification criterion able to meet the representativeness of cooperative banking system, both by size and by geographical area. Within each cluster (size or geographical area), the banks' choice occurred by generating random numbers.

Data on the governance of cooperative banks refer to 2008 and were collected through structured interviews to the directors/managers of sampled banks. The balance sheet data required for the variables come from an external database, "ABI Banking Data".

The sample is almost equally distributed by region and by company size; on average, it is characterized by total assets amounted to 456 million euro, 2,379 members, 82 employees and 11 branches nationwide.

Data about corporate governance and GVA creation are shown in Table 3, while the correlation between the main variables are shown in Table 4, both in Appendix.

5 Results

Results refute the main thesis of this research: in the cooperative banks, governance variables give a limited contribution to the creation of wealth for stakeholders.

In particular, the GVA level increases in proportion to the size and diversity of the board. Further increases of GVA may result from the presence of an executive committee in the board and the use of remuneration of the directors based on director's fees and fixed benefits for the relevant positions.

The presence of other committees within the board and a high degree of activism of the board does not affect the GVA level of the cooperative bank. Likewise, the personal profile of directors does not affect the GVA, except the average tenure whose increase reduces the GVA value produced by the cooperative bank.

Results also emphasize that the degree of lending specialization and the territorial spread increase the GVA value produced by the cooperative bank. Finally, as expected, an increase in the level of cost to income (operational inefficiency) reduces the GVA value.

Results were subjected to statistical tests (variance inflation factor and Breusch-Pagan test) to confirm the absence of multicollinearity and heteroskedasticity problems in the econometric models.

The lack of statistically significance in the other two econometric models (where the dependent variables are HHI and GINI) shows that, at least on the basis of the assumptions used in the empirical analysis, internal governance does not affect the dynamics of wealth distribution for stakeholders. In other words, the structure of corporate governance

seems to have no effect on the presence of possible stakeholders which are "preferred" in the distribution of the value created by the cooperative bank.

The foregoing must take account of the limited sample used in the empirical analysis, both in terms of size and in terms of time, and lay the foundations for subsequent investigation and empirical insights.

As for the control variables, lending banks show a higher level of GVA. So the value created for stakeholders is linked to the bank specialization towards a defined activity rather than diversification. In comparison with cooperative banks located in the South of Italy, those in the North of Italy seem better able to create value for their stakeholders.

It is interesting to note the inverse relationship between GVA and regional GDP: it seems that the stakeholder value created by the bank is inversely related to regional GDP and this result shows that cautious management policies are able to sterilize the macroeconomic effects.

To confirm this result, the lack of statistically significance between the loans default rate at a provincial level and the GVA level achieved by the cooperative bank.

6 Conclusions and Managerial Implications

With reference to cooperative banks, the work verified whether board gender diversity increases the creation of value for stakeholders, in terms of stakeholders global value added (shareholders, employees, customers, regulators, community and external environment). Board gender diversity is intended as the presence of female directors on bank board.

The outcomes of the application, where verified, may indicate possible best practices, with respect to bank governance, suited to strengthening the competitiveness of the cooperative bank sector and, ultimately, to promoting and supporting the socio-economic development of the communities in which the small bank operated, even in bad economic times. So the gender diversity in board cooperative bank may contribute to support better business performance and, specifically, the bank's ability to create and distribute finance customers characterized by a lower credit risk. Based on these results, some managerial implications are proposed.

The analysis makes it possible to define the actual state of the gender diversity, so far not much studied. So results may allow the identification of some good practices for governance that will improve and strengthen the competitiveness model of the Italian cooperative banks.

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Appendix

Table 1. Univariate descriptive statistics

Variable	N.obs	Mean	Standard Deviation	Min	Median	Max
Dependent variable						
Stakeholder Value	30	0.168	0.168	0.013	0.117	0.700
HHI Stakeholder	30	5250.484	695.570	3696.463	5169.011	7266.188
GINI		0.525	0.070	0.370	0.517	0.727
Corporate Governance						
Committee	30	0.500	0.509	0.000	0.500	1.000
Board Meeting	30	27.500	11.110	10.000	25.000	55.000
Board Size	30	9.833	2.614	5.000	10.000	17.000
Tenure	30	10.833	4.308	6.000	10.000	20.000
Self-nomination	30	0.333	0.479	0.000	0.000	1.000
Blau-gender	30	0.099	0.133	0.000	0.000	0.397
Blau-professional	30	0.568	0.172	0.000	0.642	0.735
Blau-education	30	0.568	0.172	0.000	0.642	0.735
Control Variable						
Specialization	30	0.645	0.114	0.410	0.641	0.837
Regional GDP	30	-0.012	0.010	-0.030	-0.014	0.011
Provincial Default Rate	30	0.019	0.012	0.007	0.016	0.055
Geographical Area	30	1.133	0.819	0.000	1.000	2.000

Table 2. Correlation between some variables

		1	2	3	4	5	6	7	8	9	10	11	12	13
1	Committee	1												
2	Board Meeting	0.168	1											
		(0.375												
3	Board Size	0.376*	0.529*	1										
		(0.041)	(0.003)											
4	Tenure	-0.323*	-0.454*	-0.324*	1									
		(0.082)	(0.012)	(0.081)										
5	Self-nomination	-0.283	-0.097	-0.119	0.161	1								
		(0.130)	(0.610)	(0.530)	(0.394)									
6	Blau Gender	0.292	-0.090	0.054	-0.132	0.013	1							
		(0.117)	(0.637)	(0.777)	(0.487)	(0.944)								
7	Blau Professional	0.360*	0.263	0.389*	-0.076	-0.112	0.055	1						
		(0.051)	(0.160)	(0.034)	(0.688)	(0.557)	(0.772)							
8	Blau Education	-0.025	0.099	0.004	0.013	0.032	-0.169	0.314*	1					
		(0.895)	(0.602)	(0.982)	(0.948)	(0.865)	(0.373)	(0.091)						
9	Avg women age	0.224	-0.046	0.144	-0.134	0.070	0.968*	0.071	-0.211	1				
		(0.233)	(0.811)	(0.448)	(0.481)	(0.712)	(0.000)	(0.708)	(0.262)					
10	Specialization	0.183	0.319*	0.343*	-0.138	-0.103	0.011	0.351*	0.134	0.039	1			
		(0.333)	(0.086)	(0.063)	(0.466)	(0.587)	(0.955)	(0.057)	(0.480)	(0.839)				
11	Regional GDP	0.110	-0.091	-0.093	0.003	-0.229	0.222	-0.409*	0.147	0.146	0.071	1		
		(0.564)	(0.631)	(0.624)	(0.989)	(0.224)	(0.238)	(0.025)	(0.439)	(0.442)	(0.710)			
12	Provincial default rate	0.098	0.277	0.223	-0.217	0.161	-0.221	-0.094	-0.185	-0.179	0.218	-0.087	1	
		(0.606)	(0.139)	(0.235)	(0.250)	(0.396)	(0.241)	(0.621)	(0.327)	(0.343)	(0.247)	(0.649)		
13	Geographical Area	-0.083	-0.117	-0.215	0.163	-0.117	0.073	-0.095	0.271	0.046	0.307	0.570*	-0.286	1
		(0.664)	(0.537)	(0.255)	(0.390)	(0.538)	(0.702)	(0.618)	(0.147)	(0.809)	(0.098)	(0.001)	(0.126)	

*= The symbol represents the significance level at least at 10 percent

Table 3. OLS Regression, dependent variable GVA 2008

	Model 1	VIF Model 1	Model 2	VIF Model 2
Committee	0.0927*	1.74	0.101*	1.70
	(1.79)		(1.99)	
Board Meeting	0.00311	1.77	0.00316	1.77
	(1.30)		(1.33)	
Board Size	0.0149	1.84	0.0127	1.86
	(1.44)		(1.23)	
Tenure	0.00770	1.50	0.00778	1.50
	(1.36)		(1.38)	
Self-nomination	-0.111**	1.36	-0.115**	1.39
	(-2.29)		(-2.36)	
Blau Gender	0.311*	1.50		
	(1.95)			
Avg Women Age			0.00187*	1.44
			(1.80)	
Blau Professional	-0.376*	2.80	-0.378*	2.79
	(-1.94)		(-1.96)	
Blau Education	0.643***	1.61	0.663***	1.65
	(3.14)		(3.22)	
Specialization	0.437*	1.77	0.439*	1.77
	(1.88)		(1.91)	
Regional GDP	-10.17***	2.85	-9.930***	2.75
	(-3.10)		(-3.10)	
Provincial Default Rate	2.533	1.65	2.493	1.63
	(1.14)		(1.14)	
Geographical Area	0.0770*	2.33	0.0742*	2.32
	(2.07)		(2.02)	
Intercept	-0.837***		-0.826***	
	(-4.56)		(-4.61)	
N. Obs	30		30	
R-square	0.732		0.737	
Adj R-square	0.5432		0.5508	
F-stat	3.873***		3.964***	

t statistics in parentheses * $p<.10$, ** $p<.05$, *** $p<.01$ A weak collinearity between some variables is detected. The maximum level of VIF is equal 2.85, therefore it can be easily accepted as the typical critical value for multicollinearity is a $VIF \geq 10$ (Fox, 1997).