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THE VARIABILITY OF SRI LANKAN STOCK BETAS TO ALTERNATIVE ESTIMATION PROCEDURES

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ABSTRACT

A sample of five stocks were used for estimating their market model betas. The sensitivity of the estimates to alternative market indices, estimation sub-periods and the Dimson and Scholes-Williams estimation procedures for adjusting biases for non-synchronous trading were examined. Results indicate that while the market model provides strong explanatory power for the time variation of the stock returns, the Dimson and Scholes-Williams procedures do not make an appreciable difference to the market model regressions. The use of alternative market indices appear to make a marginal difference to the beta estimates. In comparing the betas estimated in the first and second sub periods, four of the five stock betas increased in value while one decreased.

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