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AN OPTIMAL ESTIMATION FOR THE RIDGE REGRESSION PARAMETER

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Abstract

Hoerl and Kennard [4] have suggested the ridge regression estimator as an alternative to the classical least squares estimator for the multicollinearity data. Many methods are available for the estimation of the ridge regression parameter in the literature. In this paper, a new method for estimating ridge parameter is proposed. The performance of the new estimator is evaluated by the simulation study. The results are indicated that the suggested estimator performs well compared to the ordinary least squared (OLS) estimator and other estimators using the mean squared error (MSE) criterion.

Keywords and phrases: ridge regression, multicollinearity, simulation.
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