

# **PREDICTIVE ANALYSIS ON NON-PERFORMING ADVANCES IN ABC LEASING COMPANY SRI LANKA**

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A dissertation submitted in partial fulfilment of the requirement for  
Master of Science degree in Business Analytics

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in collaboration with  
Robert Gordon University, UK**

**2021**

## **Abstract**

Non-performing loans are a common occurrence in the Sri Lankan financial industry due to a variety of factors. The research carried out with the goal of identifying the key determinants of NPAs in ABC Leasing Company in Sri Lanka, based on previous studies.

Since there have been few studies focusing on the leasing industry in Sri Lanka, this study focused on the ABC Leasing company. The analysis was carried out using six determinants derived from previous research. The independent variables were GDP, LIR (Lending Interest Rate), Payback Period, Occupation, Facility Amount and Month while NPA was the dependent variable.

This study utilized the secondary data collected from ABC Leasing Company over a two-year period beginning in 2019 and ending in 2021. Following an examination of the NPA trend at ABC Leasing, it was discovered that leasing facilities are more likely to be in the non-performing sector. As a result, the dataset under consideration was limited to only two-wheeler and four-wheeler leasing facilities. This study employed a number of statistical techniques.

The hypothesis testing results for the independent variables demonstrated that the independent variables have a significant influence on the dependent variable (NPAs). Based on the results of the statistical analysis, a forecasting model with nine classification algorithms was created.

The best forecasting model was chosen based on the accuracy of each classification algorithm. The model produced a 95 percent accuracy with the logistic regression model. Therefore, it is reasonable to conclude that the Logistic Regression model is the best model to use by ABC Leasing company in order to forecast NPAs in ABC Leasing company.

The study would have facilitated from a comparison of all of the lending facility types provided by ABC Leasing Company. Future researchers should be involved in determining the most significant lending type contributing to non-performing loans and its