

# Problem Statement - Part II

## Question 1

What is the optimal value of alpha for ridge and lasso regression? What will be the changes in the model if you choose double the value of alpha for both ridge and lasso? What will be the most important predictor variables after the change is implemented?

**Ans:**

The optimal value of alpha for ridge and lasso regression

Ridge Alpha: 1

lasso Alpha: 10

In the case of ridge regression: - When we plot the curve between negative mean absolute error and alpha, we see that as the value of alpha increases from 0 the error term decreases, and the training error is showing increasing trend when the value of alpha increases. when the value of alpha is 2 the test error is minimum so we decided to go with the value of alpha equal to 2 for our ridge regression. For lasso regression, I have decided to keep the very small value that is 0.01, when we increase the value of alpha the model tries to penalize more and try to make most of the coefficient value zero. Initially, it came as 0.4 in negative mean absolute error and alpha. When we double the value of alpha for our ridge regression no, we will take the value of alpha equal to 10 the model will apply more penalty on the curve and try to make the model more generalized that is making the model simpler and no thinking to fit every data of the data set. from the graph we can see that when alpha is 10, we get more error for both test and train. Similarly, when we increase the value of alpha for the lasso, we try to penalize our model, and more coefficients of the variable will reduce to zero, when we increase the value of our  $r^2$  square also decreases. The most important variable after the changes have been implemented for ridge regression is as follows: -

1. MSZoning\_FV
2. MSZoning\_RL
3. Neighborhood\_Crawfor
4. MSZoning\_RH
5. MSZoning\_RM
6. SaleCondition\_Partial
7. Neighborhood\_StoneBr
8. GrLivArea
9. SaleCondition\_Normal
10. Exterior1st\_BrkFace

The most important variable after the changes have been implemented for lasso regression is as follows: -

1. GrLivArea
2. OverallQual
3. OverallCond
4. TotalBsmtSF
5. BsmtFinSF1
6. GarageArea
7. Fireplaces
8. LotArea
9. LotArea
10. LotFrontage

## Question 2

You have determined the optimal value of lambda for ridge and lasso regression during the assignment. Now, which one will you choose to apply and why?

**Ans:** - It is important to regularize coefficients and improve the prediction accuracy also with the decrease in variance, and make the model interpretable. Ridge regression, uses a tuning parameter called lambda as the penalty is the square of the magnitude of coefficients which is identified by cross-validation. The residual sum of squares should be small by using the penalty. The penalty is lambda times the sum of squares of the coefficients, hence the coefficients that have greater values get penalized. As we increase the value of lambda the variance in the model is dropped and bias remains constant. Ridge regression includes all variables in the final model, unlike Lasso Regression. Lasso regression, uses a tuning parameter called lambda as the penalty is the absolute value of the magnitude of coefficients which is identified by cross-validation. As the lambda value increases Lasso shrinks the coefficient towards zero and it makes the variables exactly equal to 0. Lasso also does variable selection. When the lambda value is small it performs simple linear regression and as the lambda value increases, shrinkage takes place and variables with 0 value are neglected by the model.

### Question 3

After building the model, you realised that the five most important predictor variables in the lasso model are not available in the incoming data. You will now have to create another model excluding the five most important predictor variables. Which are the five most important predictor variables now?

**Ans: -**

Those 5 most important predictor variables that will be excluded are

1. GrLivArea
2. OverallQual
3. OverallCond
4. TotalBsmtSF
5. GarageArea

#### Question 4

How can you make sure that a model is robust and generalisable? What are the implications of the same for the accuracy of the model and why?

Ans: -

The model should be as simple as possible, though its accuracy will decrease it will be more robust and generalizable. It can be also understood using the Bias-Variance trade-off. The simpler the model the more the bias but less variance and more generalizable. Its implication in terms of accuracy is that a robust and generalizable model will perform equally well on both training and test data i.e., the accuracy does not change much for training and test data.

**Bias:** Bias is an error in the model when the model is weak to learn from the data. High bias means the model is unable to learn details in the data. The model performs poorly on training and testing data.

**Variance:** Variance is an error in a model when the model tries to overlearn from the data. High variance means the model performs exceptionally well on training data as it has very well trained on this data but performs very poor on testing data as it was unseen data for the model. It is important to have a balance between Bias and Variance to avoid overfitting and under-fitting of data.