# Credit Card Fraud Transaction Detection using Machine Learning Algorithms

Rishabh Ladhani[1], Varun Sharma[2], Vivek Srivastava[3], Mrs. Charu Tyagi[4], Mrs. Richa Gupta[5]
[1,2,3,4,5]*Raj Kumar Goel Institute of Technology*

***Abstract*** **- Mastercard cheats are simple and cordial targets. Web based business and numerous other online locales have expanded the online installment modes, expanding the danger for online fakes. Expansion in extortion rates, analysts began utilizing distinctive AI techniques to distinguish and break down cheats in online exchanges. The principle point of the paper is to plan and foster a novel misrepresentation discovery technique for Streaming Transaction Data, with a goal, to break down the past exchange subtleties of the clients and concentrate the standards of conduct. Where cardholders are bunched into various gatherings dependent on their exchange sum. Then, at that point utilizing sliding window methodology [1], to total the exchange made by the cardholders from various gatherings so the personal conduct standard of the gatherings can be extricated individually. Later various classifiers [3],[5],[6],[8] are prepared over the gatherings independently. And afterward the classifier with better evaluating score can be picked to be perhaps the best technique to foresee cheats. Along these lines, trailed by an input component to tackle the issue of idea float [1]. In this paper, we worked with European Mastercard misrepresentation dataset.**

***Index Terms*** **- Card-Not-Present frauds, Card-Present-Frauds, Concept Drift.**

## I.INTRODUCTION

Visa for the most part alludes to a card that is doled out to the client (cardholder), normally permitting them to buy labor and products inside credit restrict or pull-out cash ahead of time. Visa gives the cardholder a benefit of the time, i.e., it gives time to their clients to reimburse later in a recommended time, via conveying it to the following charging cycle.

Mastercard fakes are obvious objectives. With no dangers, a huge sum can be removed without the proprietor's information, in a brief period. Fraudsters consistently attempt to make each deceitful exchange real, which makes extortion identification exceptionally testing and troublesome errand to recognize.

In 2017, there were 1,579 information penetrates and almost 179 million records among which Credit card fakes were the most widely recognized structure with 133,015 reports, then, at that point work or assessment related cheats with 82,051 reports, telephone fakes with 55,045 reports followed by bank fakes with 50,517 reports from the statics delivered by FTC [10].


Fig. 1: Taxonomy for Frauds

With various fakes generally Mastercard cheats, frequently in the news for as long as couple of years, fakes are in the top of brain for most the total populace. Mastercard dataset is profoundly imbalanced on the grounds that there will be more genuine exchange when contrasted and a fake one.

As progression, banks are moving to EMV cards, which are savvy cards that store their information on coordinated circuits as opposed to on attractive stripes, have made some on-card installments more secure, yet leaving card-not-present cheats on higher rates.

As per 2017 [10], the US Payments Forum report, hoodlums have moved their emphasis on exercises identified with CNP exchanges as the security of chip cards were expanded. Fig 2, shows the quantity of CNP cheats cases that were enlisted in individual years.

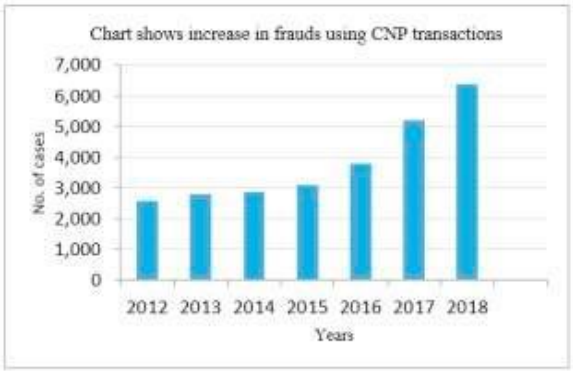


Fig. 2: Frauds Using Card Not Present Transaction

And, after its all said and done there are chances for criminals to abuse the Mastercards. There are many AI methods to defeat this issue.

## II. LITERATURE SURVEY

Multiple Supervised and Semi-Supervised machine learning techniques are used for fraud detection [8], but we aim is to overcome three main challenges with card frauds related dataset i.e., strong class imbalance, the inclusion of labelled and unlabelled samples, and to increase the ability to process a large number of transactions.

Different Supervised machine learning algorithms [3] like Decision Trees, Naive Bayes Classification, Least Squares Regression, Logistic Regression and SVM are used to detect fraudulent transactions in real-time datasets. Two methods under random forests [6] are used to train the behavioural features of normal and abnormal transactions. They are Random-tree-based random forest and CART-based. Even though random forest obtains good results on small set data, there are still some problems in case of imbalanced data. The future work will focus on solving the above-mentioned problem. The algorithm of the random forest itself should be improved.

Performance of Logistic Regression, K-Nearest Neighbour, and Naïve Bayes are analysed on highly skewed credit card fraud data where Research is carried out on examining meta-classifiers and meta-learning approaches in handling highly imbalanced credit card fraud data.

Through supervised learning methods can be used there may fail at certain cases of detecting the fraud cases. A model of deep Auto-encoder and restricted Boltzmann machine (RBM) [2] that can construct normal transactions to find anomalies from normal patterns. Not only that a hybrid method is developed with a combination of Adaboost and Majority Voting methods [4].

## III. PROPOSED METHOD

Card exchanges are consistently new when contrasted with past exchanges made the client. This newness is an exceptionally troublesome issue in genuine when are called idea float issues [1]. Idea float can be said as a variable which changes over the long haul and unforeseenly. These factors cause a high lopsidedness in information. The principle point of our exploration is to beaten the issue of Idea float to execute on genuine situation. Table 1, [1] shows essential highlights that are caught when any exchange is made.

Table 1: Raw features of credit card transactions

| Attribute name | Description |
|---|---|
| Transaction id | Identification number of a transaction |
| Cardholder id | Unique Identification number given to the cardholder |
| Amount | Amount transferred or credited in a particular transaction by the customer |
| Time | Details like time and date, to identify when the transaction was made |
| Label | To specify whether the transaction is genuine or fraudulent |

### 3.1 Dataset Depiction

The dataset [11] contains exchanges made by a cardholder in a term in 2 days i.e., two days in the long stretch of September 2013. Where there are all out 284,807 exchanges among which there are 492 i.e., 0.172% exchanges are fake exchanges. This dataset is profoundly lopsided. Since giving exchange subtleties of a client is considered to give identified with classification, hence a large portion of the highlights in the dataset are changed utilizing head part examination (PCA). V1, V2, V3,..., V28 are PCA applied highlights and rest i.e., 'time', 'sum' and 'class' are non-PCA applied highlights, as displayed in table 2.

Table 2: Attributes of European dataset

| S. No. | Feature | Description |
|---|---|---|
| 1. | Time | Time in seconds to specify the elapses between the current transaction and first transaction. |
| 2. | Amount | Transaction amount |
| 3. | Class | 0 - not fraud<br>1 – fraud |

Fig. 3 shows the connection network of the dataset. This framework clarifies that property class is free of both the sum and season of the exchange was made. It is even obvious from the lattice, the class of the exchange is relying upon PCA applied properties.

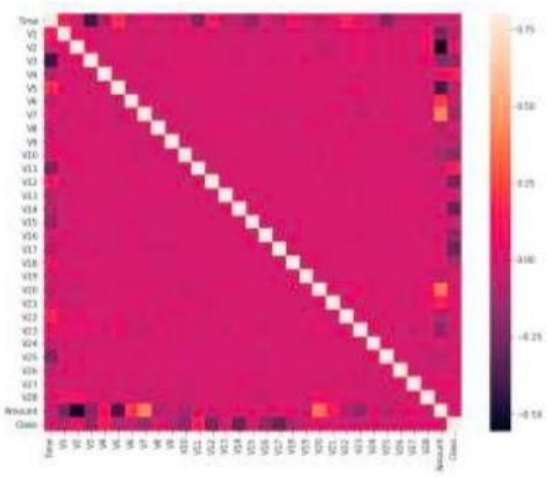

Fig 3: Correlation matrix for attributes

## IV. METHODOLOGY

Firstly, we use bunching strategy to isolate the cardholders into various groups/bunches dependent on their exchange sum, i.e., high, medium and low utilizing range apportioning.

Using Sliding-Window strategy, we total the exchanges into individual gatherings, i.e., remove a few highlights from window to track down cardholder's standards of conduct. Highlights like greatest sum, least measure of exchange, trailed by the normal sum in the window and surprisingly the time slipped by.

Calculation 1: Calculation to infer collected exchange subtleties and to extricate card holder highlights utilizing sliding window strategy.

Information: id of the client holding a card, a succession of exchanges t and window size w; Yield: Amassed exchanges subtleties and highlights of cardholder authentic or extortion;

l: length of T
Genuine= [];
Fraud= [];
For I in range 0 to l-w+1:
T: [];
/* sliding window features*/
For j in range i+w-1:
/*Add the exchange to window */
T=T+tjid;
End
/* highlights extraction identified with sum */
ai1=MAX_AMT(Ti);
ai2=MIN_AMT(Ti);
ai3=AVG_AMT(Ti);
ai4=AMT(Ti);
For j in range i+w-1:
/* Time slip by */
xi= Time(tj)- Time(tj-1)
End
Xi= (ai1, ai2,ai3,ai4,ai5,);
Y= LABEL(Ti);
/* arranging an exchange into extortion or not */
on the off chance that Yi=0,
Veritable =Genuine U Xi;
Else
Misrepresentation =Fraud U Xi;
End

Every time another exchange is taken care of to the window the old whenever are taken out and step-2 is handled for each gathering of exchanges. (Calculation for Sliding-Window based strategy to total are alluded from [1]).

After pre-handling, we train various classifiers on each gathering utilizing the cardholders personal conduct standards in that gathering and concentrate misrepresentation highlights. In any event, when we apply classifiers on the dataset, because of irregularity (displayed in fig 4) in the dataset, the classifiers don't function admirably on the dataset.

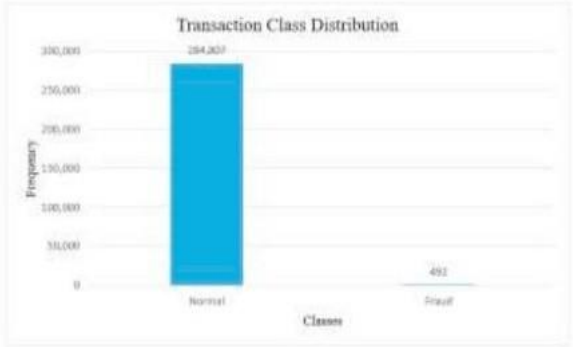


Fig. 4: Transaction Class Distribution in Dataset

Thus, we perform SMOTE procedure on the dataset. Oversampling doesn't give any great outcomes.

Thus, there are two distinct methods of managing irregularity dataset i.e., consider Matthew Coefficient

Connection of the classifier on the first dataset or we utilize one-class classifiers.
Finally, the classifier that is utilized for preparing the gathering is applied to every cardholder in that gathering. The classifier with most elevated rating score is considered as cardholder's new personal conduct standard.
Once the rating score [1] is acquired, presently we add a criticism framework, wherein the current exchange and refreshed rating score are rewarded the framework (for additional correlation with) tackle the issue of idea float.

Calculation 2: Calculation to refresh the rating score of the classifier to track down the exact the model is.
Info: id of the cardholder and a pervious and a current exchange. Yield: Rating score of the model after each exchange.
T: current exchange with w-1 exchange from window.
C: addresses the classifier
Name: genuine worth of the approaching/current exchange.
K: absolute of exchanges handled by model.
Assuming the anticipated worth ≠ mark and label==0,
For I in range (0, K):
On the off chance that the anticipated worth ≠ name,
rsi= rsi-1;
Else
rsi =rsi+1;
End

4.1 Recipe
In our proposed framework we utilize the accompanying formulae to assess, exactness and accuracy are never acceptable boundaries for assessing a model. Be that as it may, exactness and accuracy are constantly considered as the base boundary to assess any model.
The Matthews Correlation Coefficient (MCC) is an AI measure which is utilized to check the
equilibrium of the parallel (two-class) classifiers. It considers every one of the valid and bogus qualities that is the reason it is by and large viewed as a decent measure which can be utilized regardless of whether there are various classes,

$$TTTT + TTTT$$
$$AAAAAAAAAAAAAAA =$$
$$TTTT + TTTT + FFTT + FFTT$$
(1)

$$TTTT$$
$$TTAAPPAAPPPPPPPPPP =$$
$$TTTT + FFTT$$
(2)

$$TTTT * TTTT - FFTT * FFTT$$
$$MMMMMM =$$
$$\sqrt{(TTTT + FFTT)(TTTT + FFTT)(TTTT + FFTT)(TTTT + FFTT)}$$
(3)

TP-True Positive
TN-True Negative
FP-False Positive
FN-False Negative

## V. EXPERIMENTAL RESULTS

We have tested not many models on unique just as Destroyed dataset. The outcomes are classified, which shows extraordinary contrasts in exactness, accuracy and MCC too. We even utilized one-class SVM which can be best utilized for twofold class datasets. Since we have 2 classes in our dataset we can utilize one-class SVM also.
Table 3, shows the outcomes on the dataset prior to applying Destroyed and fig 5, shows similar outcomes graphically.

Table 3: Accuracy, Precision and MCC values before applying SMOTE,

| Methods | Accuracy | Precision | MCC |
|---|---|---|---|
| Local Outlier factor | 0.8990 | 0.0038 | 0.0172 |
| Isolation forest | 0.9011 | 0.0147 | 0.1047 |
| Support vector machine | 0.9987 | 0.7681 | 0.5257 |
| Logistic regression | 0.9990 | 0.875 | 0.6766 |
| Decision tree | 0.9994 | 0.8854 | 0.8356 |
| Random forest | 0.9994 | 0.9310 | 0.8268 |

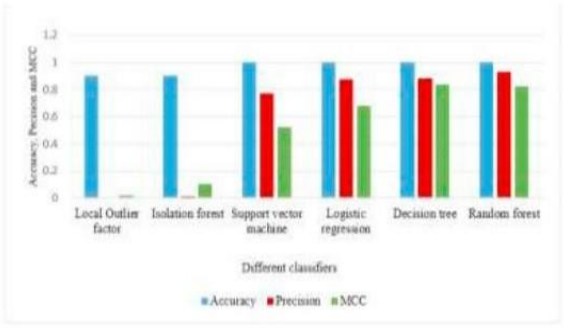


Fig 5: chart showing results on original dataset

One-Class SVM
Exactness: 0.7009
Accuracy: 0.7015

Table 4, shows the outcomes on the dataset subsequent to applying Destroyed and fig 6, shows similar outcomes graphically.

Table 4: Accuracy, Precision and MCC values after applying SMOTE,

| Methods | Accuracy | Precision | MCC |
|---|---|---|---|
| Local Outlier factor | 0.4582 | 0.2941 | 0.1376 |
| Isolation forest | 0.5883 | 0.9447 | 0.2961 |
| Logistic regression | 0.9718 | 0.9831 | 0.9438 |
| Decision tree | 0.9708 | 0.9814 | 0.9420 |
| Random forest | 0.9998 | 0.9996 | 0.9996 |

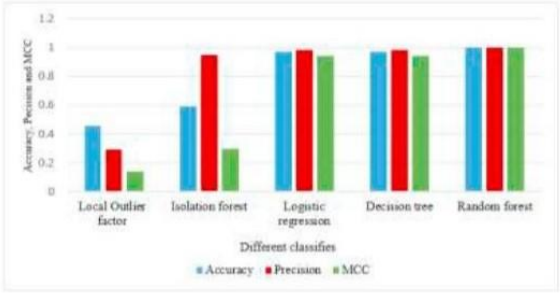


Fig 6: chart showing results on updated dataset

Fig 7, shows the examination between the upsides of MCC on dataset prior and then afterward applying Destroyed.

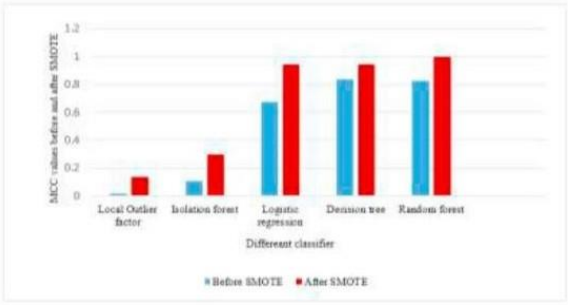


Fig 7: MCC parameter comparison between original and updated dataset

## VII. CONCLUSION

In this paper we fostered a novel technique for extortion identification, where clients are assembled dependent on their exchanges furthermore, remove personal conduct standards to foster a profile for each cardholder. Then, at that point various classifiers are applied on three unique gatherings later evaluating scores are produced for each sort of classifier. This powerful changes in boundaries lead the framework to adjust to new cardholder's exchange practices convenient. Followed by an input component to tackle the issue of idea float. We saw that the Matthews Relationship Coefficient was the better boundary to manage irregularity dataset. MCC was by all account not the only arrangement. By applying the Destroyed, we took a stab at adjusting the dataset, where we tracked down that the classifiers were performing better than anyone might have expected. The alternate method of taking care of unevenness dataset is to utilize one-class classifiers like one-class SVM. We at last saw that Strategic relapse, choice tree and arbitrary woods are the calculations that gave better outcomes.

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