Review-1 Project Report

on

Credit Card Fraud Detection

Submitted in partial fulfil ment of the

requirement for the award of the degree

of

Master of Computer Application

GALGOTIAS UNIVERSITY

(Established under Galgotias University Uttar Pradesh Act No. 14 of 2011)

Under the supervision of Dr. Sampath Kumar

Submitted By :

Sagar Yadav 20SCSE2030033

Saurabh Kumar20SCSE2030074

Group- MC2014

SCHOOL OF COMPUTING SCIENCE AND ENGINEERING DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING GALGOTIAS UNIVERSITY, GREATER NOIDA

INDIA

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INTRODUCTION

'Fraud' in credit card transactions is unauthorized and unwanted usage of an account by someone other than the owner of that account. Necessary prevention measures can be taken to stop this abuse and the behaviour of such fraudulent practices can be studied to minimize it and protect against similar occurrences in the future.In other words, Credit Card Fraud can be defined as a case where a person uses someone else’s credit card for personal reasons while the owner and the card issuing authorities are unaware of the fact that the card is being used.

Fraud detection involves monitoring the activities of populations of users in order to estimate, perceive or avoid objectionable behaviour, which consist of fraud, intrusion, and defaulting.

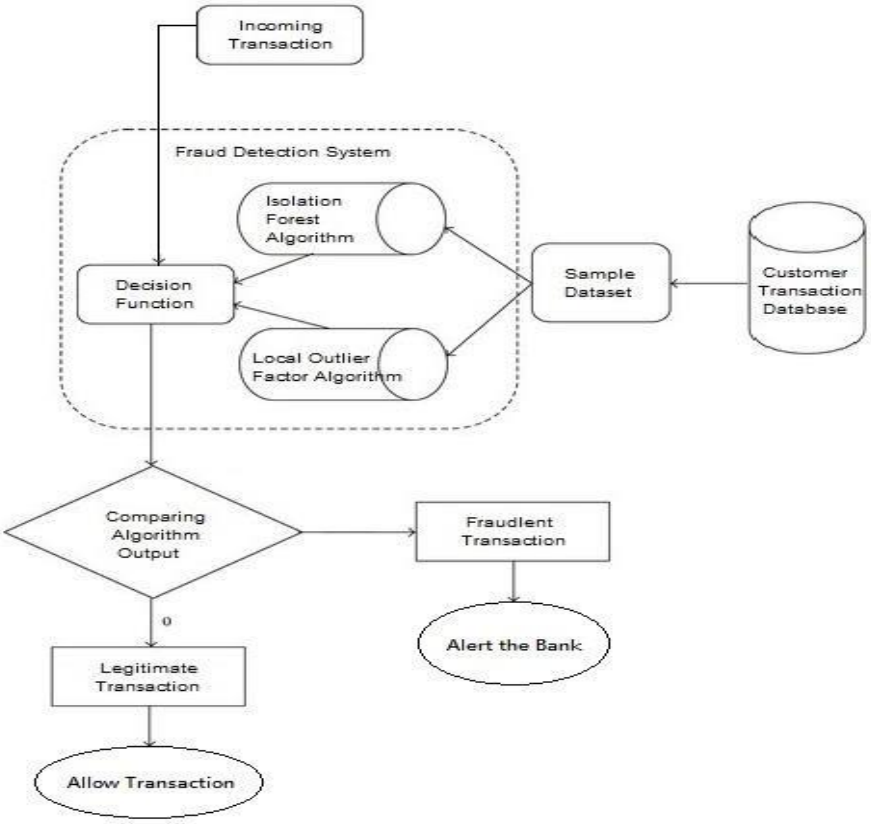
This is a very relevant problem that demands the attention of communities such as machine learning and data science where the solution to this problem can be automated.

This problem is particularly challenging from the perspective of learning, as it is characterized by various factors such as class imbalance. The number of valid transactions far outnumber fraudulent ones. Also, the transaction patterns often change their statistical properties over the course of time.

LITERATURE REVIEW

Fraud detection methods are continuously developed to defend criminals in adapting to their fraudulent strategies. These frauds are classified as:

- Credit Card Frauds: Online and Offline
- Card Theft
- Account Bankruptcy
- Device Intrusion
- Application Fraud
- Counterfeit Card
- Telecommunication Fraud

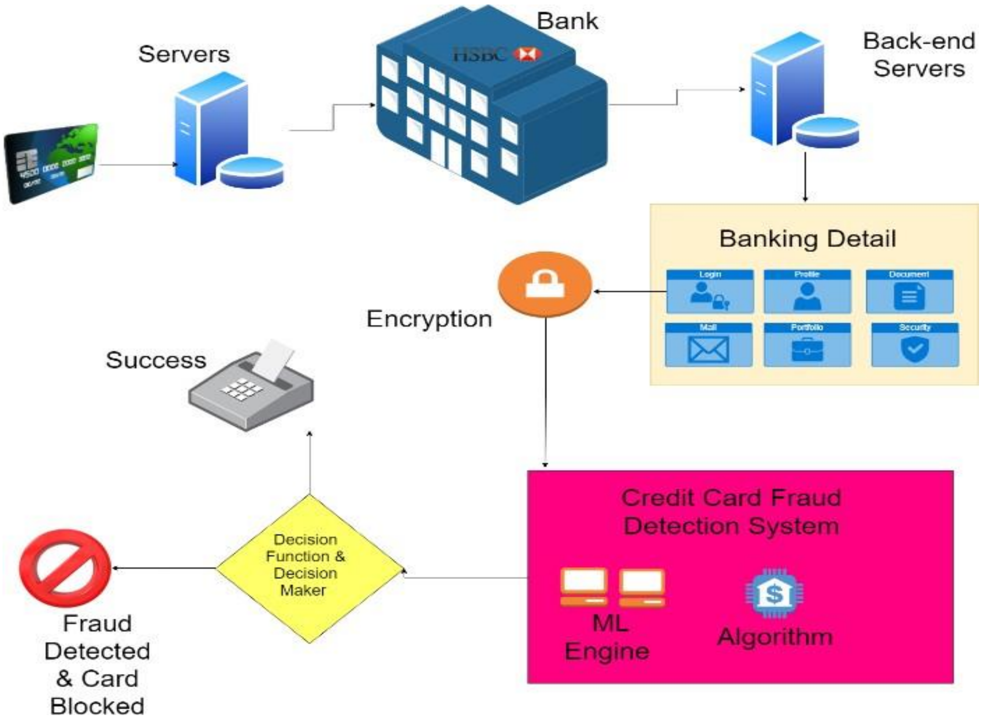


Some of the currently used approaches to detection of such fraud are:

- Artificial Neural Network
- Fuzzy Logic
- Genetic Algorithm

- Logistic Regression
- Decision tree
- Support Vector Machines
- Bayesian Networks
- Hidden Markov Model
- K-Nearest Neighbour

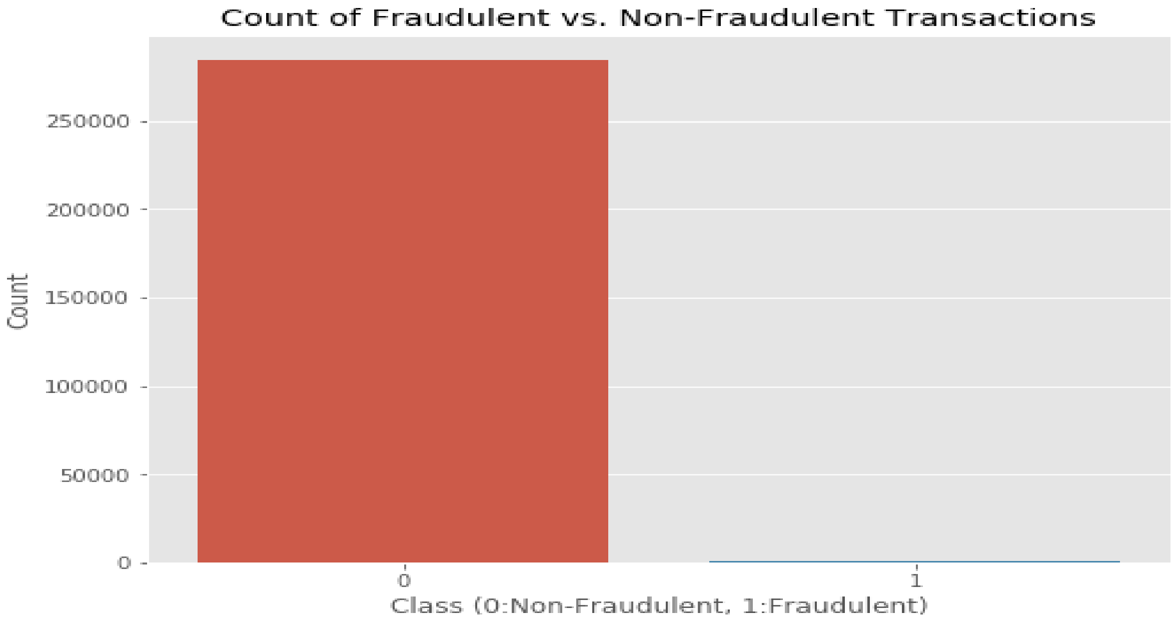
When looked at in detail on a larger scale along with real life elements, the full architecture diagram can be represented as follows:



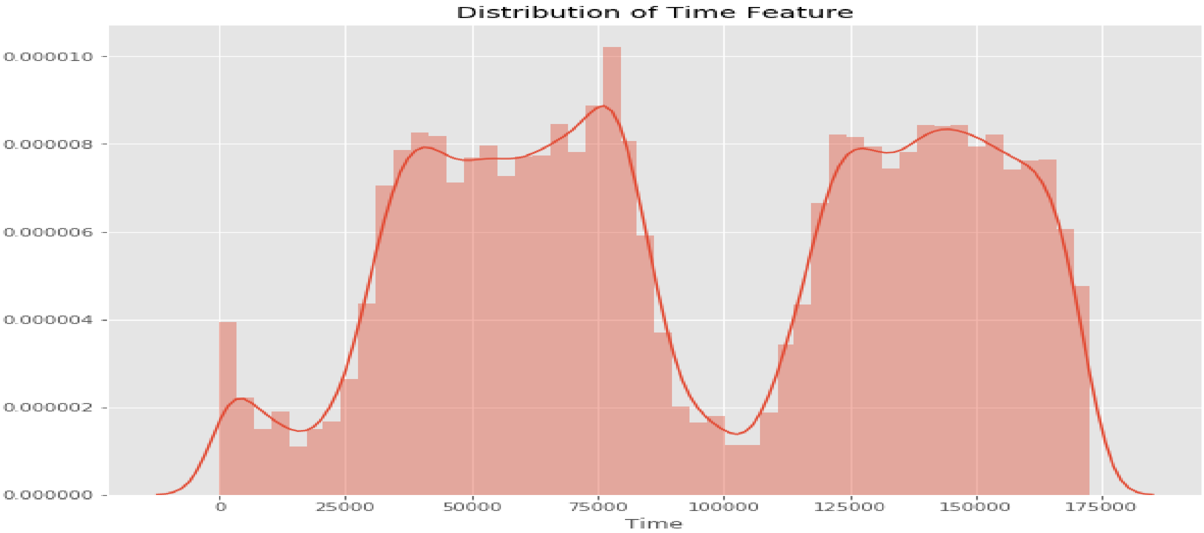
First of all, we obtained our dataset from Kaggle, a data analysis website which provides datasets.

Inside this dataset, there are 31 columns out of which 28 are named as v1-v28 to protect sensitive data.

The other columns represent Time, Amount and Class. Time shows the time gap between the first transaction and the following one. Amount is the amount of money transacted. Class 0 represents a valid transaction and 1 represents a fraudulent one.



This graph shows that the number of fraudulent transactions is much lower than the legitimate ones.



This graph shows the times at which transactions were done within two days. It can be seen that the least number of transactions were made during night time and highest during the days.

I. CONCLUSION

Credit card fraud is without a doubt an act of criminal dishonesty. This article has listed out the most common methods of fraud along with their detection methods and reviewed recent findings in this field. This paper has also explained in detail, how machine learning can be applied to get better results in fraud detection along with the algorithm, pseudocode, explanation its implementation and experimentation results.

While the algorithm does reach over 99.6% accuracy, its precision remains only at 28% when a tenth of the data set is taken into consideration. However, when the entire dataset is fed into the algorithm, the precision rises to 33%. This high percentage of accuracy is to be expected due to the huge imbalance between the number of valid and number of genuine transactions.