

IMPORT LIBRARIES

INSTALL OPENDATASETS MODULE TO FETCH KAGGLE DATASET

```
In [2]: pip install opendatasets -q
```

```
In [48]: import opendatasets as od
import os
import pandas as pd
import numpy as np
import matplotlib.pyplot as plt
import seaborn as sns
%matplotlib inline
pd.set_option('display.max_columns', None)

#MODEL SELECTIONS
from sklearn.model_selection import train_test_split
from sklearn.linear_model import LogisticRegression
from sklearn.metrics import classification_report, confusion_matrix, accuracy_score
from sklearn.preprocessing import StandardScaler
from sklearn.neighbors import KNeighborsClassifier
#Thresholds
from sklearn.metrics import roc_auc_score
from sklearn.metrics import roc_curve
```

LOAD DATA

Retrieving Dataset from Kaggle Portal

- The dataset is 150 MB, making it infeasible to upload on GitHub or access locally.
- To overcome this, we are fetching the dataset from the Kaggle portal.
- Initially, the `opendatasets` library was not installed.
- Installed the `opendatasets` library using the following pip command:

```
In [4]: od.version()
```

```
Out[4]: '0.1.22'
```

```
In [5]: dataset_url="https://www.kaggle.com/datasets/mlg-ulb/creditcardfraud/data"
```

`od.download(dataset_url)`

- this will ask you kaggle username and kaggle unique key
- to get that goto kaggle portal and sign in
- then click on your kaggle profile photo and go to settings
- there see API and click on Create new token
- one JSON file will download with your username and token number
- insert that one by one after executing `od.download`

```
In [6]: od.download(dataset_url)
```

```
Please provide your Kaggle credentials to download this dataset. Learn more: http://bit.ly/kaggle-creds (http://bit.ly/kaggle-creds)
Your Kaggle username: prashantkumarsundge
Your Kaggle Key: .....
Downloading creditcardfraud.zip to ./creditcardfraud

100%|██████████| 66.0M/66.0M [00:00<00:00, 121MB/s]
```

```
In [7]: data_dir="creditcardfraud"
```

```
In [8]: os.listdir(data_dir)
```

```
Out[8]: ['creditcard.csv']
```

```
In [9]: creditcard=data_dir + '/creditcard.csv'
data=pd.read_csv(creditcard)
```

```
In [10]: data.head()
```

Out[10]:

	Time	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13
0	0.0	-1.359807	-0.072781	2.536347	1.378155	-0.338321	0.462388	0.239599	0.098698	0.363787	0.090794	-0.551600	-0.617801	-0.991390
1	0.0	1.191857	0.266151	0.166480	0.448154	0.060018	-0.082361	-0.078803	0.085102	-0.255425	-0.166974	1.612727	1.065235	0.489095
2	1.0	-1.358354	-1.340163	1.773209	0.379780	-0.503198	1.800499	0.791461	0.247676	-1.514654	0.207643	0.624501	0.066084	0.717293
3	1.0	-0.966272	-0.185226	1.792993	-0.863291	-0.010309	1.247203	0.237609	0.377436	-1.387024	-0.054952	-0.226487	0.178228	0.507757
4	2.0	-1.158233	0.877737	1.548718	0.403034	-0.407193	0.095921	0.592941	-0.270533	0.817739	0.753074	-0.822843	0.538196	1.345852

About the Dataset

Context

Credit card companies aim to detect fraudulent transactions to prevent customers from being charged for unauthorized purchases.

Content

The dataset comprises credit card transactions made by European cardholders in September 2013. It covers two days, featuring 492 frauds out of 284,807 transactions. Notably, the dataset is highly unbalanced, with fraudulent transactions accounting for only 0.172% of all transactions.

This dataset exclusively includes numerical input variables resulting from a PCA transformation. Due to confidentiality constraints, the original features and additional background information aren't provided. The features V1 through V28 represent principal components obtained via PCA. However, 'Time' and 'Amount' are the only features not subjected to PCA.

- 'Time' indicates the seconds elapsed between each transaction and the first recorded transaction.
- 'Amount' signifies the transaction amount, potentially useful for example-dependent cost-sensitive learning.
- 'Class' represents the response variable, assuming a value of 1 for fraud and 0 otherwise.

Considering the class imbalance ratio, it's advisable to evaluate accuracy using the Area Under the Precision-Recall Curve (AUPRC). Note that accuracy metrics derived from a confusion matrix may not hold significance for unbalanced classification problems.

Rough Notes

- Time, Amount and Class data are in normal format
- remain data is in v1 v2 like variable names given for columns to hide the identity
- from the observation and given context about dataset are mentioned that dataset is applied PCA transformation

Understanding from dataset

- It covers two days, featuring **492 frauds out of 284,807 transactions**. Notably, the dataset is highly **unbalanced**
- This dataset exclusively includes numerical input variables resulting from a PCA transformation. Due to confidentiality constraints
- 'Class' represents the response variable, assuming a value of 1 for fraud and 0 otherwise.
- will google it, potentially useful for example-dependent cost-sensitive learning
- Considering the class imbalance ratio, it's advisable to evaluate accuracy using the Area Under the Precision-Recall Curve (AUPRC)

```
In [11]: data.info()
```

```
<class 'pandas.core.frame.DataFrame'>
RangeIndex: 284807 entries, 0 to 284806
Data columns (total 31 columns):
#   Column  Non-Null Count  Dtype  
---  -
0    Time    284807 non-null  float64
1    V1       284807 non-null  float64
2    V2       284807 non-null  float64
3    V3       284807 non-null  float64
4    V4       284807 non-null  float64
5    V5       284807 non-null  float64
6    V6       284807 non-null  float64
7    V7       284807 non-null  float64
8    V8       284807 non-null  float64
9    V9       284807 non-null  float64
10   V10      284807 non-null  float64
11   V11      284807 non-null  float64
12   V12      284807 non-null  float64
13   V13      284807 non-null  float64
14   V14      284807 non-null  float64
15   V15      284807 non-null  float64
16   V16      284807 non-null  float64
17   V17      284807 non-null  float64
18   V18      284807 non-null  float64
19   V19      284807 non-null  float64
20   V20      284807 non-null  float64
21   V21      284807 non-null  float64
22   V22      284807 non-null  float64
23   V23      284807 non-null  float64
24   V24      284807 non-null  float64
25   V25      284807 non-null  float64
26   V26      284807 non-null  float64
27   V27      284807 non-null  float64
28   V28      284807 non-null  float64
29   Amount   284807 non-null  float64
30   Class    284807 non-null  int64  
dtypes: float64(30), int64(1)
memory usage: 67.4 MB
```

- Data is clean no duplicated no missing values etc

```
In [12]: data['Class'].value_counts()
```

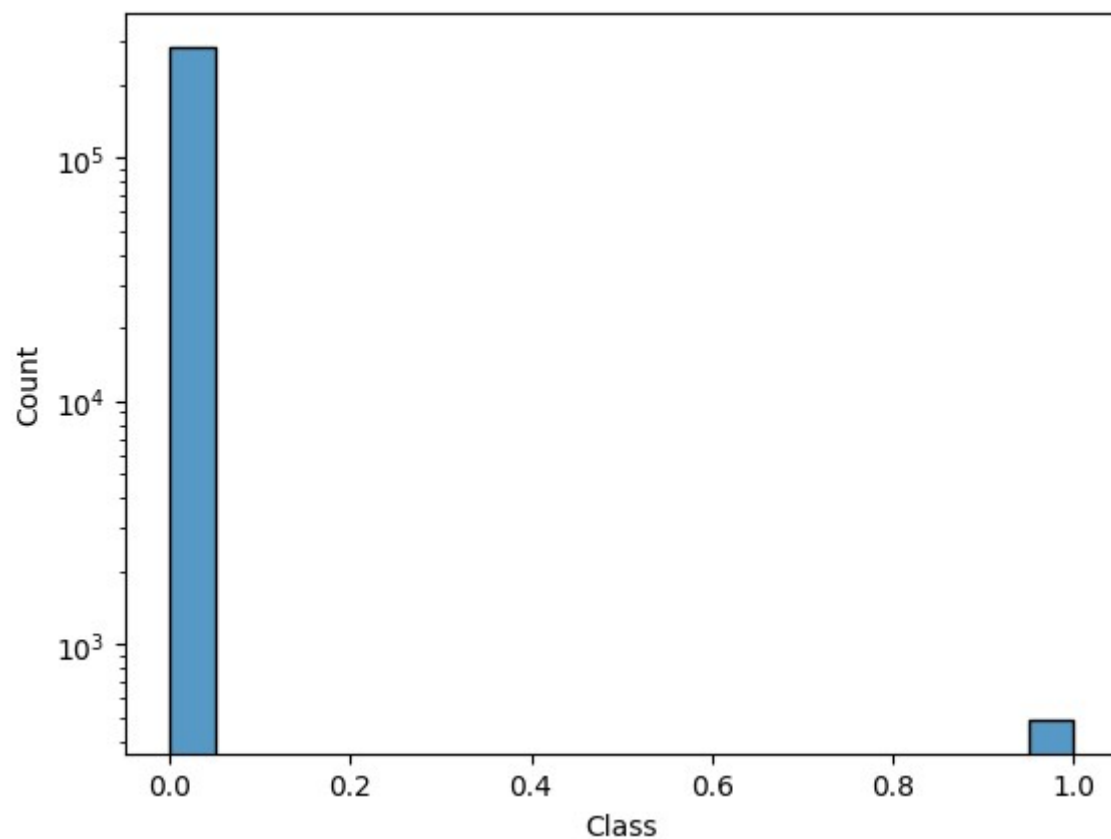
```
Out[12]: 0    284315
         1     492
         Name: Class, dtype: int64
```

- as mentioned in the context data is imbalanced
- if you see the data is in PCA transformed format so no EDA is required
- we will directly load the model and check the score and yes as we know the data is imbalanced so will work after that so understand the difference between before working on Imbalance data and after

DATA IS IMBALANCE

AS IF THE DATA IS IMBALANCE WE CAN USE 2 MOTHEDS EITHER YOU CAN ADD THE THRESHOLD OR YOU CAN RASAMPLING TECHNIQUE

```
In [13]: sns.histplot(data['Class'])
plt.yscale('log')
plt.show()
```



- Will understand if legit transaction and fraud transaction how much the amount used

```
In [14]: data.groupby('Class')['Amount'].sum()
```

```
Out[14]: Class
0      25102462.04
1         60127.97
Name: Amount, dtype: float64
```

- We can see fraud AMount is around 60127

```
In [15]: data.head()
```

```
Out[15]:
```

	Time	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13
0	0.0	-1.359807	-0.072781	2.536347	1.378155	-0.338321	0.462388	0.239599	0.098698	0.363787	0.090794	-0.551600	-0.617801	-0.991390
1	0.0	1.191857	0.266151	0.166480	0.448154	0.060018	-0.082361	-0.078803	0.085102	-0.255425	-0.166974	1.612727	1.065235	0.489095
2	1.0	-1.358354	-1.340163	1.773209	0.379780	-0.503198	1.800499	0.791461	0.247676	-1.514654	0.207643	0.624501	0.066084	0.717293
3	1.0	-0.966272	-0.185226	1.792993	-0.863291	-0.010309	1.247203	0.237609	0.377436	-1.387024	-0.054952	-0.226487	0.178228	0.507757
4	2.0	-1.158233	0.877737	1.548718	0.403034	-0.407193	0.095921	0.592941	-0.270533	0.817739	0.753074	-0.822843	0.538196	1.345852

```
In [16]: x_dummy=data.drop(columns='Class', axis=1)
y=data['Class']
```

STANDARD SCALER

```
In [17]: scaler=StandardScaler()
x=scaler.fit_transform(x_dummy)
```

```
In [18]: x_train, x_test, y_train, y_test=train_test_split(x,y, test_size=0.20, random_state=123)
print(f'x_train{x_train.shape}\n, x_test{x_test.shape}\n, y_train{y_train.shape}\n, y_test{y_test.shape}')

x_train(227845, 30)
, x_test(56962, 30)
, y_train(227845,)
, y_test(56962,)
```

#TRAIN AND TEST MODEL

LOGISTIC REGRESSION

```
In [19]: def logic_regression(x_train, y_train, x_test):
lr=LogisticRegression()
lr.fit(x_train, y_train)
y_train_pred=lr.predict(x_train)
y_train_cl_report=classification_report(y_train, y_train_pred, target_names = ['No Fraud', 'Fraud'])
print("_"*100)
print("TRAIN MODEL CLASSIFICATION REPORT")
print("_"*100)
print(y_train_cl_report)
y_test_pred=lr.predict(x_test)
y_test_cl_report=classification_report(y_test, y_test_pred, target_names = ['No Fraud', 'Fraud'])
print("_"*100)
print("TEST MODEL CLASSIFICATION REPORT")
print("_"*100)
print(y_test_cl_report)
print("_"*100)
return y_test_pred, lr
```

```
In [20]: y_test_pred, lr= logic_regression(x_train, y_train, x_test)
```

TRAIN MODEL CLASSIFICATION REPORT

	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	227468
Fraud	0.89	0.63	0.74	377
accuracy			1.00	227845
macro avg	0.94	0.81	0.87	227845
weighted avg	1.00	1.00	1.00	227845

TEST MODEL CLASSIFICATION REPORT

	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	56847
Fraud	0.83	0.61	0.70	115
accuracy			1.00	56962
macro avg	0.92	0.80	0.85	56962
weighted avg	1.00	1.00	1.00	56962

- From the Above precision Recall and F1-Score we are confirmed that our data is not overfit or underfit
- Accuracy is getting 1 that we can understand because of large legit transactions the results are showing as 1
- we are consantrating on Fraud Transactions

1. Precision:

- Precision is the ratio of correctly predicted positive observations to the total predicted positives.
- It measures the accuracy of the positive predictions.
- Precision is calculated as: $\text{Precision} = \frac{\text{True Positives}}{\text{True Positives} + \text{False Positives}}$
- Precision is high when the false positive rate is low.

2. Recall (Sensitivity or True Positive Rate):

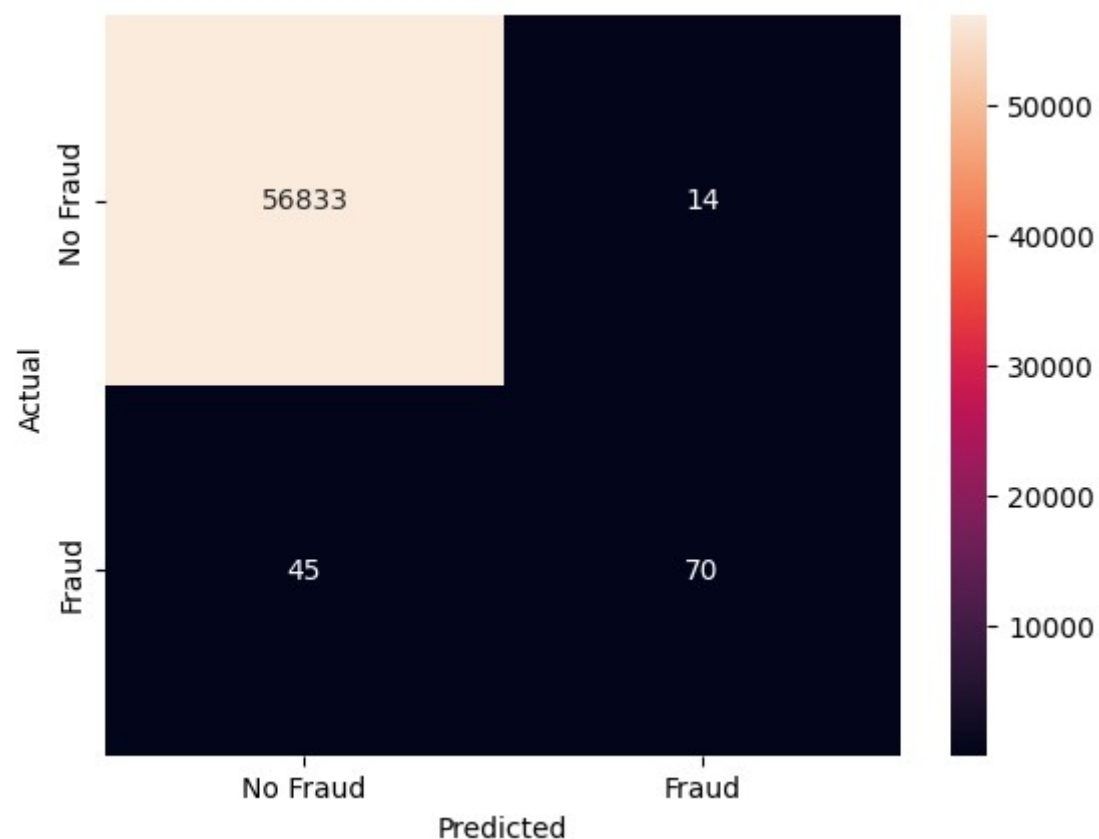
- Recall is the ratio of correctly predicted positive observations to all actual positives.
- It measures the ability of the model to capture all the relevant cases.
- Recall is calculated as: $\text{Recall} = \frac{\text{True Positives}}{\text{True Positives} + \text{False Negatives}}$
- Recall is high when the false negative rate is low.

3. F1-score:

- The F1-score is the harmonic mean of precision and recall.
- It provides a balance between precision and recall, making it useful when you want to consider both false positives and false negatives.
- F1-score is calculated as: $\text{F1-score} = \frac{2 \times \text{Precision} \times \text{Recall}}{\text{Precision} + \text{Recall}}$
- F1-score ranges from 0 to 1, where 1 indicates perfect precision and recall.

```
In [21]: def conf_mat(y_test, y_test_pred):
con_mat=confusion_matrix(y_test, y_test_pred)
labels = ['No Fraud', 'Fraud']
sns.heatmap(con_mat, annot=True, fmt='d', xticklabels=labels, yticklabels=labels)
plt.xlabel('Predicted')
plt.ylabel('Actual')
plt.show()
```

```
In [22]: conf_mat(y_test, y_test_pred)
```



KNEIGHBORS CLASSIFICATION MODEL

```
In [23]: def KNeighbors(x_train, y_train, x_test):
Kneib=KNeighborsClassifier(n_neighbors=4)
Kneib.fit(x_train, y_train)
y_train_pred=Kneib.predict(x_train)
y_train_cl_report=classification_report(y_train, y_train_pred, target_names = ['No Fraud', 'Fraud'])
print("_"*50)
print("TRAIN MODEL CLASSIFICATION REPORT")
print("_"*50)
print(y_train_cl_report)
y_test_pred=Kneib.predict(x_test)
y_test_cl_report=classification_report(y_test, y_test_pred, target_names = ['No Fraud', 'Fraud'])
print("_"*50)
print("TEST MODEL CLASSIFICATION REPORT")
print("_"*50)
print(y_test_cl_report)
print("_"*50)
return y_test_pred,Kneib
```

```
In [24]: y_test_pred, Kneib=KNeighbors(x_train, y_train, x_test)
```

TRAIN MODEL CLASSIFICATION REPORT				
	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	227468
Fraud	0.97	0.79	0.87	377
accuracy			1.00	227845
macro avg	0.99	0.89	0.93	227845
weighted avg	1.00	1.00	1.00	227845
TEST MODEL CLASSIFICATION REPORT				
	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	56847
Fraud	0.95	0.78	0.86	115
accuracy			1.00	56962
macro avg	0.97	0.89	0.93	56962
weighted avg	1.00	1.00	1.00	56962

the model performs exceptionally well in identifying "No Fraud" instances, achieving perfect precision and recall. However, for the "Fraud" class, there is room for improvement, especially in terms of recall, as it correctly identifies only 78% of actual fraud cases.

ROC Curve and Optimal Thresholds for Logistic Regression and K-Neighbors Models

```
In [25]: lr_prob=lr.predict_proba(x_test)
KNeib_prob=Kneib.predict_proba(x_test)
fpr1, tpr1, thresh1=roc_curve(y_test, lr_prob[:,1], pos_label=1)
fpr2, tpr2, thresh2=roc_curve(y_test, KNeib_prob[:,1], pos_label=1)

optimal_thres_lr=thresh1[np.argmax(tpr1 - fpr1)]
optimal_thres_KNeib=thresh2[np.argmax(tpr2 - fpr2)]
# roc curve for tpr = fpr
random_probs = [0 for i in range(len(y_test))]
p_fpr, p_tpr, _ = roc_curve(y_test, random_probs, pos_label=1)
print(f" optimal_thres_lr\t {optimal_thres_lr} \n optimal_thres_KNeib\t{optimal_thres_KNeib}")

optimal_thres_lr      0.007890862084915292
optimal_thres_KNeib   0.25
```

```
In [26]: opt={'Logistic Regression':optimal_thres_lr,'KNeighbors Classification':optimal_thres_KNeib}
for model, thresh in opt.items():
    if model == 'Logistic Regression':
        y_test_pred_adj=lr.predict_proba(x_test)[: ,1]
    elif model == 'KNeighbors Classification':
        y_test_pred_adj=Kneib.predict_proba(x_test)[: ,1]

    y_test_pred_adj1 = (y_test_pred_adj >= thresh).astype(int)
    ac_score = accuracy_score(y_test, y_test_pred_adj1)
    ROC_AC=roc_auc_score(y_test, y_test_pred_adj1)

    print("_" * 50)
    print(f"Model: {model}")
    print(f"Threshold: {thresh}")
    print(f"Accuracy Score: {ac_score}")
    print(f"ROC Accuracy Score: {ROC_AC}")
    print("_" * 50)

    y_test_cl_report_adj = classification_report(y_test, y_test_pred_adj1, target_names=['No Fraud', 'Fraud'])
    print("_" * 50)
    print("Classification Report:")
    print(y_test_cl_report_adj)
    print("_" * 50)
```

Model: Logistic Regression
Threshold: 0.007890862084915292
Accuracy Score: 0.9960675538078017
ROC Accuracy Score: 0.945961432709156

Classification Report:				
	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	56847
Fraud	0.33	0.90	0.48	115
accuracy			1.00	56962
macro avg	0.66	0.95	0.74	56962
weighted avg	1.00	1.00	1.00	56962

Model: KNeighbors Classification
Threshold: 0.25
Accuracy Score: 0.9985955549313578
ROC Accuracy Score: 0.9298718681189247

Classification Report:				
	precision	recall	f1-score	support
No Fraud	1.00	1.00	1.00	56847
Fraud	0.61	0.86	0.71	115
accuracy			1.00	56962
macro avg	0.80	0.93	0.86	56962
weighted avg	1.00	1.00	1.00	56962

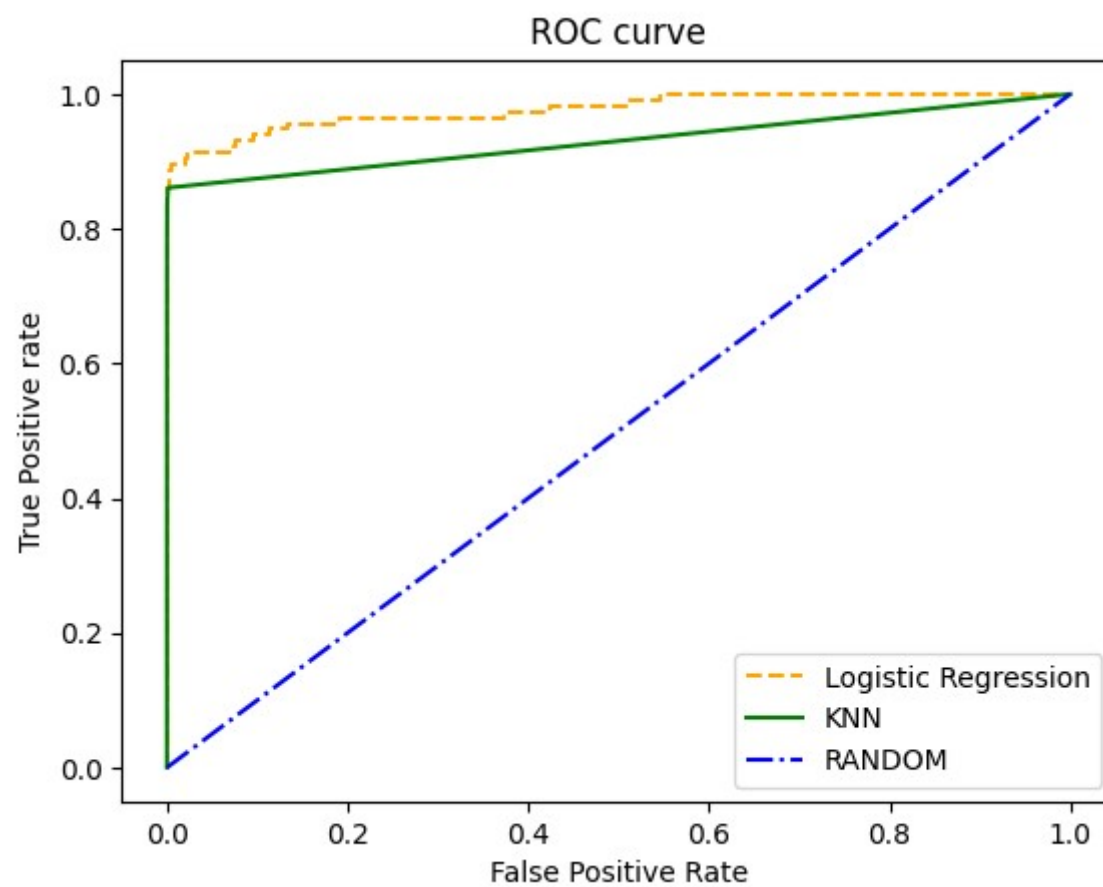
RESULT UNDERSTANDING

- The model is highly accurate overall but has room for improvement in precision for the "Fraud" class.
- The chosen threshold of 0.25 results in a trade-off between precision and recall.
- Depending on the specific requirements and priorities, you might want to adjust the threshold to optimize for precision, recall, or another metric.

In [27]:

```
# plot roc curves
plt.plot(fpr1, tpr1, linestyle='--',color='orange', label='Logistic Regression')
plt.plot(fpr2, tpr2, linestyle='--',color='green', label='KNN')
plt.plot(p_fpr, p_tpr, linestyle='dashdot',color='blue', label='RANDOM')
# title
plt.title('ROC curve')
# x Label
plt.xlabel('False Positive Rate')
# y Label
plt.ylabel('True Positive rate')

plt.legend(loc='best')
plt.savefig('ROC',dpi=300)
plt.show();
```



- The ROC curves compare the performance of Logistic Regression, K-Neighbors (KNN), and a Random Classifier.
- Logistic Regression and K-Neighbors outperform the random classifier in distinguishing between classes.
- The area under the ROC curve (AUC) provides a quantitative measure of the model's discriminative ability.
- Consider the trade-off between false positives and true positives when selecting a model or threshold.

RESAMPLING TECHNIQUES

In [28]: data['Class'].value_counts()

```
Out[28]: 0    284315
         1      492
         Name: Class, dtype: int64
```

- Data is not balanced if you see 0 legit transactions are 284315, where as fraud transations are 492
- so we are using the Resampling Technique

Under-sampling the Majority Class:

- Randomly remove instances from the majority class to balance the class distribution.
- Be cautious not to remove too much data, as it may result in information loss.
- Created the 2 dataset based on classifications with equal rows

```
In [29]: df_0 = data[data['Class'] == 0].sample(n=492, random_state=42)
         df_1= data[data['Class'] == 1].sample(n=492, random_state=42)
```



```
In [30]: print(f' Fraud Shape{df_1.shape}\n No Fraud shape{df_0.shape}')
```

```
Fraud Shape(492, 31)
No Fraud shape(492, 31)
```

```
In [31]: df_concat=pd.concat([df_0,df_1], ignore_index=True)
```

DATSET IS READY

```
In [32]: df_concat.shape
```

```
Out[32]: (984, 31)
```

BALANCE DATASET TRAIN TEST SPLIT

```
In [33]: x_bal_dummy=df_concat.drop('Class', axis=1)
y_bal=df_concat['Class']
print(x_bal_dummy.shape, '\n', y_bal.shape)
```

```
(984, 30)
(984,)
```

```
In [34]: x_bal=scaler.fit_transform(x_bal_dummy)
```

```
In [35]: x_train_b, x_test_b, y_train_b, y_test_b=train_test_split(x_bal,y_bal, test_size=0.20, random_state=123)
print(f'x_train{x_train_b.shape}\n, x_test{x_test_b.shape}\n, y_train{y_train_b.shape}\n, y_test{y_test_b.shape}')
```

```
x_train(787, 30)
, x_test(197, 30)
, y_train(787,)
, y_test(197,)
```

BALANCE DATASET LOGISTIC REGRESSION

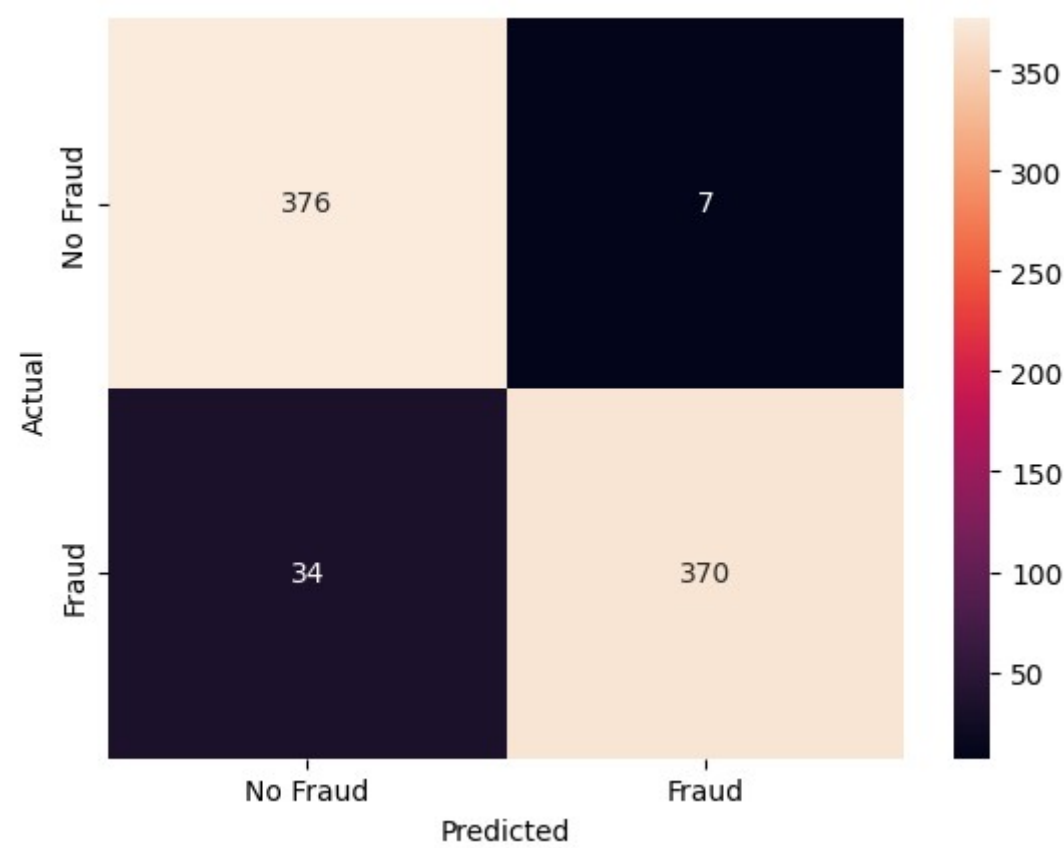
```
In [40]: bal_lr=LogisticRegression()
bal_lr.fit(x_train_b,y_train_b)
bal_pred_train=bal_lr.predict(x_train_b)
bal_pred_test=bal_lr.predict(x_test_b)
```

```
In [43]: bal_cl_report_train=classification_report(y_train_b,bal_pred_train)
print(bal_cl_report_train)
bal_cl_report_test=classification_report(y_test_b,bal_pred_test)
print(bal_cl_report_test)
```

	precision	recall	f1-score	support
0	0.92	0.98	0.95	383
1	0.98	0.92	0.95	404
accuracy			0.95	787
macro avg	0.95	0.95	0.95	787
weighted avg	0.95	0.95	0.95	787

	precision	recall	f1-score	support
0	0.94	0.97	0.95	109
1	0.96	0.92	0.94	88
accuracy			0.95	197
macro avg	0.95	0.95	0.95	197
weighted avg	0.95	0.95	0.95	197

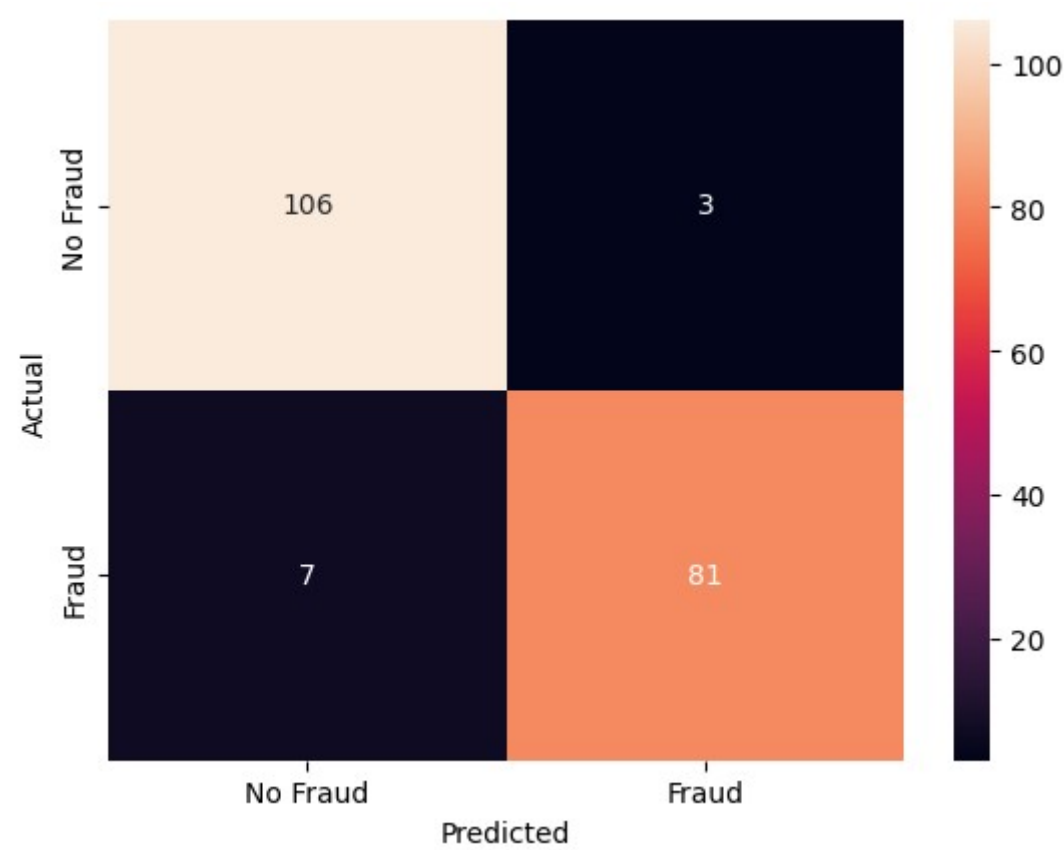
```
In [44]: conf_mat(y_train_b,bal_pred_train)
```



Logistic Regression:

- **Precision:**
 - Class 0: 0.92 (92%)
 - Class 1: 0.98 (98%)
- **Recall (Sensitivity):**
 - Class 0: 0.98 (98%)
 - Class 1: 0.92 (92%)
- **F1-score:**
 - Class 0: 0.95 (95%)
 - Class 1: 0.95 (95%)
- **Support:**
 - Class 0: 383 instances
 - Class 1: 404 instances

```
In [45]: conf_mat(y_test_b,bal_pred_test)
```



BALANCE DATASET KNEIGHBORS CLASSIFICATION

```
In [46]: knn=KNeighborsClassifier()  
knn.fit(x_train_b,y_train_b)  
knn_bal_pred_train=bal_lr.predict(x_train_b)  
knn_bal_pred_test=bal_lr.predict(x_test_b)
```

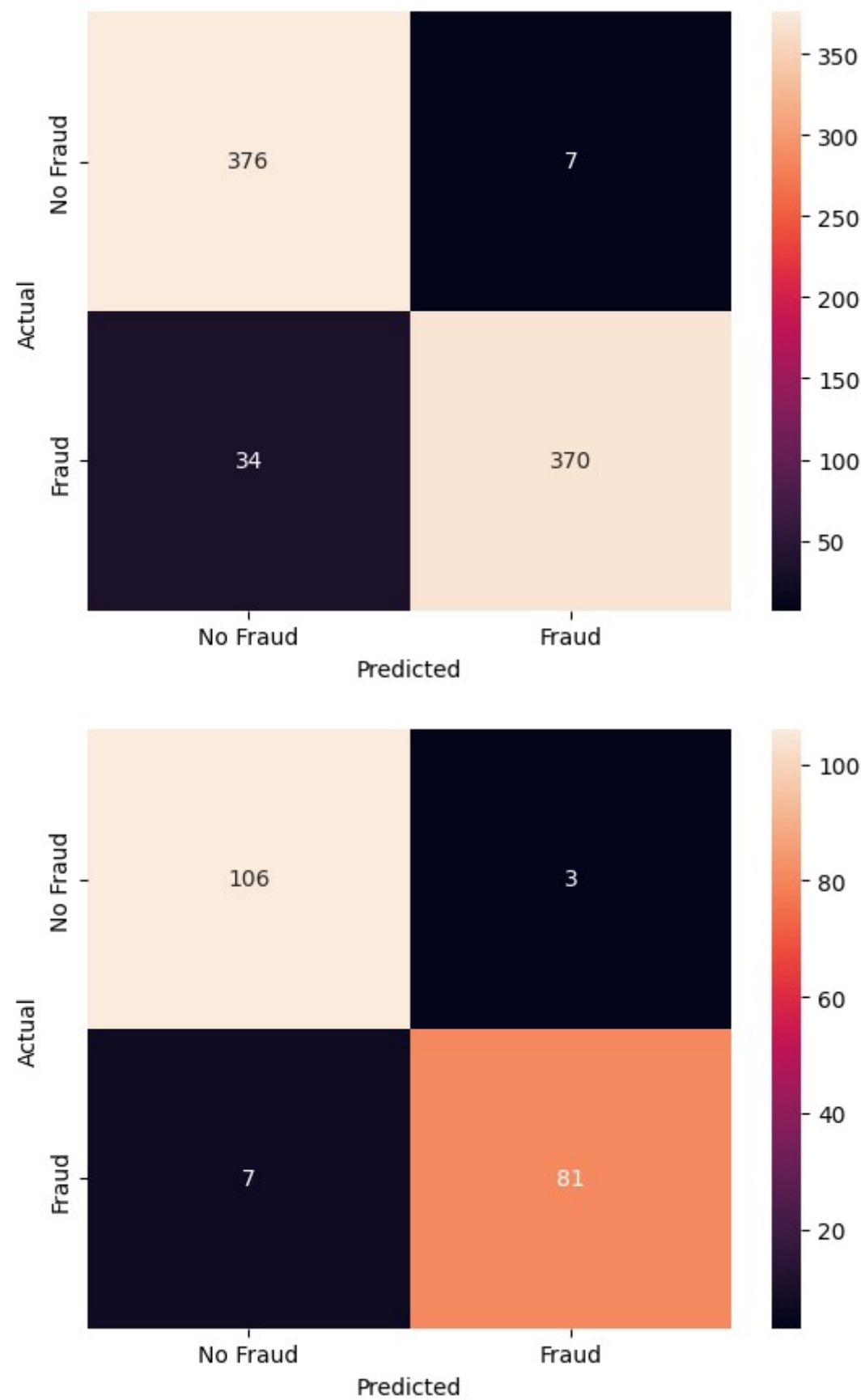
```
In [47]: knn_bal_cl_report_train=classification_report(y_train_b,knn_bal_pred_train)
print(knn_bal_cl_report_train)
knn_bal_cl_report_test=classification_report(y_test_b,knn_bal_pred_test)
print(knn_bal_cl_report_test)
```

	precision	recall	f1-score	support
0	0.92	0.98	0.95	383
1	0.98	0.92	0.95	404
accuracy			0.95	787
macro avg	0.95	0.95	0.95	787
weighted avg	0.95	0.95	0.95	787

	precision	recall	f1-score	support
0	0.94	0.97	0.95	109
1	0.96	0.92	0.94	88
accuracy			0.95	197
macro avg	0.95	0.95	0.95	197
weighted avg	0.95	0.95	0.95	197

Confusion Matrix for Train and Test

```
In [49]: conf_mat(y_train_b,knn_bal_pred_train)
conf_mat(y_test_b,knn_bal_pred_test)
```



K-Neighbors:

- **Precision:**
 - Class 0: 0.92 (92%)
 - Class 1: 0.98 (98%)
- **Recall (Sensitivity):**
 - Class 0: 0.98 (98%)
 - Class 1: 0.92 (92%)
- **F1-score:**
 - Class 0: 0.95 (95%)
 - Class 1: 0.95 (95%)
- **Support:**
 - Class 0: 383 instances
 - Class 1: 404 instances

Summary:

1. Both models (Logistic Regression and K-Neighbors) perform exceptionally well, achieving high precision, recall, and F1-scores for both classes.
2. The models show balanced performance in correctly identifying instances of both classes (0 and 1), as indicated by the similarity in precision and recall values.
3. The F1-scores for both classes are also high, suggesting a good balance between precision and recall.

Conclusion:

- Both models are effective in handling the classification task with high accuracy and balanced performance across classes.
- Depending on the specific requirements of your problem (e.g., the importance of false positives vs. false negatives), you may choose one model over the other based on the balance between precision and recall.
- Consider the context of your application and whether certain misclassifications are more costly than others when selecting a final model.
- Further analysis, such as feature importance or exploring additional evaluation metrics, could provide additional insights into the model's behavior and help in making a more informed decision.

In []: