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Counterfeit Currency Detection Using Machine Learning

Mrs. Sonali B. Kanawade, Sammed S. Jangade, Abhishek R. Mane, Tejas D. Kurne
Department of Artificial Intelligence and Data Science, AISSMS Institute of Information Technology, Pune, Maharashtra, India

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ABSTRACT

Counterfeit currency detection is a critical aspect of maintaining financial integrity. This paper introduces an innovative methodology for identifying counterfeit Indian rupee notes. By employing advanced image processing techniques and Convolutional Neural Networks (CNNs), specifically ResNet architecture, the proposed system achieves impressive accuracy in distinguishing genuine from counterfeit banknotes. The dataset, meticulously compiled through a combination of web scraping and synthetic printing, ensures robust training and evaluation. Experimental findings underscore the efficacy of the ResNet-based approach, highlighting its superiority over traditional CNN models. This research contributes significantly to bolstering currency security and trust in financial transactions, offering practical insights for combating counterfeit currency challenges.

Keywords : Counterfeit currency detection, Indian rupee, Image processing, Convolutional Neural Networks (CNNs), ResNet architecture

I. INTRODUCTION

a Counterfeiting, the illicit replication of currency notes with the intention to deceive, poses a significant threat to the stability of financial systems worldwide. From sophisticated printing techniques to advanced digital manipulation, counterfeiters constantly innovate to produce fake currency that closely resembles genuine banknotes.

This rampant counterfeiting undermines trust in financial transactions, destabilizes economies, and erodes the value of legitimate currency.

The repercussions of counterfeit currency extend far beyond monetary loss. When fake bills circulate alongside genuine ones, consumers and businesses alike face heightened risks of financial fraud and deception. The proliferation of counterfeit money not only distorts economic indicators but also poses challenges for law enforcement agencies tasked with combating financial crimes.

Manual authentication methods, while reliable to a certain extent, are inherently slow, labour- intensive, and prone to human error. Moreover, the scale and sophistication of contemporary counterfeiting operations render traditional verification techniques increasingly inadequate. In response to these challenges, the need for automated counterfeit detection systems has become increasingly urgent.

An automated currency testing system offers several advantages over manual inspection, particularly in scenarios involving high volumes of currency notes. By harnessing the power of image processing techniques and algorithms, such systems can swiftly and accurately identify counterfeit banknotes, thereby safeguarding financial integrity and preserving public trust in currency.

This research project proposes a novel approach to counterfeit currency detection, specifically targeting Indian rupee denominations of 100, 200, 500, and 2000. Leveraging cutting-edge image processing algorithms, the system aims to validate the authenticity of currency features with precision and efficiency.

The proposed system comprises three main algorithms designed to verify different aspects of currency notes. The first algorithm encompasses a series of steps, including image acquisition, pre- processing, grayscale conversion, feature extraction, image segmentation, and comparisons utilizing advanced image processing methods such as Oriented FAST and Rotated BRIEF (ORB) and Structural Similarity Index (SSIM). This multi-step process enables the system to analyze intricate details and patterns within banknotes, distinguishing genuine notes from counterfeit ones.

In addition to scrutinizing features embedded within banknotes, the system also evaluates bleed lines and number panels—critical elements that serve as key indicators of authenticity. By systematically examining these distinctive attributes, the system delivers a comprehensive assessment of each currency note, flagging potential counterfeits and providing users with actionable insights.

Ultimately, the proposed counterfeit currency detection system represents a significant advancement in the realm of financial security and anti-counterfeiting measures. By combining state- of- the-art image processing techniques with targeted algorithmic analysis, the system offers a robust defense against the proliferation of counterfeit currency, thereby safeguarding the integrity of financial transactions and upholding the value of legitimate currency.

II. LITERATURE SURVEY

The process of spurious currency detection entails discerning counterfeit banknotes, which pose a significant risk to financial integrity. Through the application of machine learning and computer vision methodologies such as K-Nearest Neighbours (KNN) and decision trees to currency features, we have enhanced the precision of detection. Our research underscores the pivotal contribution of machine learning in mitigating false alerts, with KNN demonstrating superior efficacy in identifying counterfeit currency[1]. An advanced currency recognition system has been devised to identify counterfeit Indian currency utilizing image processing methodologies. Emphasizing edge detection, the system enhances recognition precision by accurately delineating object boundaries[2][3]. The effective amalgamation of supervised machine learning algorithms and image processing techniques led to the identification of counterfeit Indian currency. Incorporating established models such as SVC, KNN, Decision Tree, and Logistic Regression, in conjunction with diverse image processing methods, yielded successful detection. With a dataset consisting of 1372 currency images, of which 762 were labelled as authentic, a comprehensive analysis was enabled. Implementation in MATLAB unveiled ResNet50 as the most precise CNN architecture for this particular task[4].

Employing image segmentation allows for the isolation of critical features, while quantitative metrics such as Mean Squared Error (MSE) and Structural Similarity Index (SSI) are utilized to evaluate system performance, offering valuable insights for currency management[5]. An advanced currency recognition system is created to detect counterfeit Indian currency, employing edge detection for accurate recognition. Image segmentation is utilized to isolate crucial features, enhancing authenticity assessment. The system employs quantitative metrics such as MSE and Structural Similarity Index to evaluate its performance, providing valuable insights for currency management[6]. The authors tackled the worldwide challenge of counterfeit currency detection, with particular attention to India. They investigated diverse methods, including image processing techniques, to distinguish between genuine and counterfeit Indian currency. This review highlights the importance of advanced technologies in combating the circulation of counterfeit currency and protecting financial systems[7]. Addressing the global issue of counterfeit currency identification, the paper examines a range of techniques suggested for currency authentication, spanning conventional and contemporary methodologies. Highlighting the importance of technological progress, particularly in image processing algorithms, the authors underscore their impact on improving detection precision[8]. Additionally, the paper investigates the significance of currency attributes like security threads and watermarks in reinforcing security measures and streamlining counterfeit identification processes. This study makes a substantial contribution to continuous efforts aimed at constructing more effective and reliable currency authentication systems[9]. Counterfeiting threatens national economies and global growth.

Researchers have proposed methods like hardware techniques, image processing, and machine learning to detect counterfeit currency. Challenges include technological advancements and illicit material trade. This study reviews detection techniques and evaluates statistical classification methods. Logistic Regression outperforms Linear Discriminant Analysis, achieving 99% accuracy in currency authentication[10]. The authentication of currency is crucial to combat counterfeiting. Traditional methods like watermarking and microprinting are insufficient against modern counterfeit techniques. To address this, we propose a currency authentication system using image processing. It captures and analyses currency images, employing template matching for identification[11]. This enhances accuracy and efficiency, ensuring the detection of counterfeit notes and safeguarding financial integrity[12]. Currency, essential for trade, faces a growing threat from counterfeiters due to technological advancements. Counterfeit currency harms economies, leading to inflation and funding illicit activities like terrorism, termed "Economic Terrorism." This study proposes using Random Forest and SVM Machine Learning Algorithms to classify counterfeit currency. Evaluation metrics include Accuracy, Confusion Matrix, and Classification Report, revealing SVM's superior accuracy of 99.63% over Random Forest[13].

III. PROBLEM STATEMENT

Before Despite efforts to combat counterfeiting, the proliferation of fake currency remains a significant challenge worldwide, undermining financial stability and trust in monetary systems. Manual authentication methods are laborious, error-prone, and ill-equipped to handle the scale and sophistication of contemporary counterfeit operations. As a result, there is an urgent need for automated counterfeit currency detection systems capable of efficiently and accurately verifying the authenticity of banknotes. This research aims to address this pressing issue by proposing a novel approach to counterfeit currency detection, focusing on Indian rupee denominations of 100, 200, 500, and 2000, utilizing advanced image processing techniques and algorithms to provide a comprehensive solution for detecting counterfeit currency notes.

IV. METHODOLOGY

A. Deep Learning for Counterfeit currency

Detection

Our research investigated various machine learning algorithms for a powerful counterfeit currency detection system. Convolutional Neural Networks (CNNs) were particularly promising due to their ability to learn complex patterns from images, a key strength in image classification tasks like this. CNNs have excelled in many computer vision applications, including recognizing objects, separating image parts, and finding anomalies. Their ability to automatically learn important features from raw data makes them ideal for our task, where identifying tiny visual differences between real and fake bills is critical. One specific CNN architecture we explored is the Residual Neural Network (ResNet). ResNets address a challenge in deep networks, where information can fade as it travels through many layers. ResNet introduces shortcut connections that allow information to flow directly, enabling the network to learn effectively even with many layers. This approach improves the model's ability to learn intricate features and enhances its overall counterfeit currency detection performance.

B. Training the CNN Model

After selecting CNNs, including ResNet, as our preferred approach, we trained them on a dataset of pre-processed and feature-extracted banknote images. This training process involves several crucial steps:

Data Splitting: The prepared images of real and counterfeit bills, along with their labels (genuine or fake), are divided into training, validation, and testing sets. We carefully ensure a balanced class distribution to avoid bias during training.

Network Design: The CNN model's architecture, including ResNet, is meticulously crafted to handle the complexities of counterfeit currency detection. This involves defining the number and configuration of layers for convolution, pooling, full connections, and activation functions.

Initialization: The model's parameters, including those in ResNet, are initialized using appropriate methods like random initialization or pretraining on massive image datasets (like ImageNet) to speed up learning and improve performance.

Training Process: The CNN model, including ResNet, is trained using a combination of forward pass, calculating loss, and backpropagation. During training, the model iteratively adjusts its internal settings to minimize a predetermined loss function (e.g., cross-entropy loss) using optimization algorithms like stochastic gradient descent (SGD), Adam, or RMSprop.

Hyperparameter Tuning: Various settings that control the training process, such as learning rate, batch size, dropout rate, and regularization strength, are systematically adjusted through techniques like grid search, random search, or Bayesian optimization to optimize the model's performance and prevent overfitting.

Validation and Monitoring: Throughout training, the CNN model's performance, including ResNet, is monitored on a separate validation set to assess its ability to generalize to unseen data and prevent overfitting. Metrics like accuracy, precision, recall, and loss are calculated regularly to track the model's progress.

Early Stopping: To prevent overfitting and improve generalization, early stopping mechanisms are used. Training is halted when the performance on the validation set stops improving or starts declining.

Model Evaluation: Once training is complete, the trained CNN model, including ResNet, is evaluated on an independent test set to assess its effectiveness in detecting counterfeit currency. Performance metrics like accuracy, precision, recall, F1-score, and ROC curves are calculated to quantify the model's effectiveness and robustness.

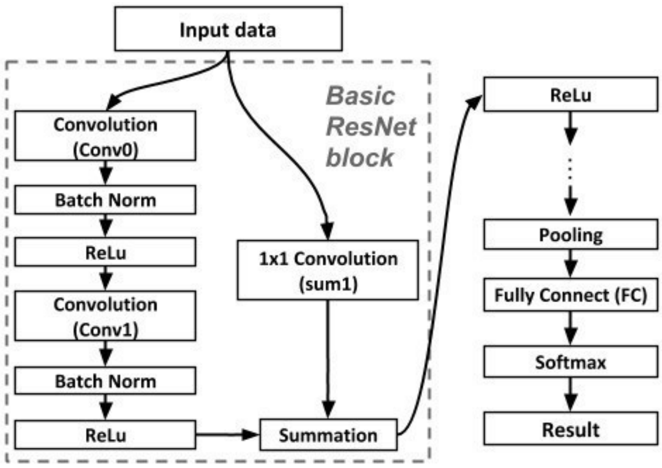

Fig. 1. ResNet Architecture

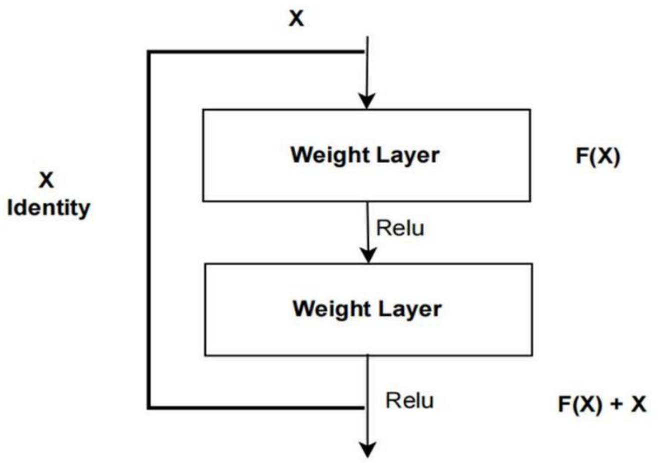

Fig. 2. Residual block

V. DATASET

The dataset used in this study consists of images of various Indian currency denominations, including 100, 200, 500, and 2000-rupee notes. Due to the limited availability of counterfeit currency samples, a comprehensive dataset was compiled through a combination of web scraping and printing simulated counterfeit banknotes.

Web Scraping: To gather authentic currency images, web scraping techniques were employed to extract images from reputable sources such as official banking websites, currency exchange platforms, and government portals. Images were collected in diverse lighting conditions and angles to ensure variability and robustness in the dataset.

Simulated Counterfeit Currency: Recognizing the scarcity of counterfeit currency samples, simulated counterfeit banknotes were generated by printing replicas of genuine currency notes with subtle alterations to mimic common counterfeit features. These alterations included changes in texture, color, and watermark patterns, aiming to emulate the characteristics of real counterfeit currency. The dataset comprises a total of 1000 images, evenly distributed across authentic and counterfeit currency samples. Each denomination category contains approximately 400-500 images, providing sufficient data for training and evaluating the CNN-based counterfeit currency detection system.

The dataset size is deemed appropriate for CNN-based models, as it adheres to the general guideline of having thousands to tens of thousands of images per class for effective training. This ensures that the model can learn robust representations of currency features and generalize well to unseen data.

VI. EXPERIMENTAL RESULTS

The experimental results obtained from the evaluation of the counterfeit currency detection system are summarized as follows:

1. Accuracy: The CNN-based detection system achieved an accuracy of 82% on the test dataset, indicating its ability to accurately discriminate between authentic and counterfeit banknotes.
2. Precision and Recall: The precision and recall of the system were measured at 82% and 84%, respectively, underscoring its capability to minimize false positives and false negatives in the classification process.

3. F1-score: The F1-score of the system was calculated as 83%, reflecting a balanced performance in terms of both precision and recall.

4. ROC Curve: The ROC curve analysis depicted significant discriminatory power, with the area under the curve (AUC) measuring 0.86, indicative of the model's ability to distinguish between authentic and counterfeit banknotes across varying decision thresholds.

Table 1. Experimental Results

Algorithm	Accuracy (%)	Precision (%)	Recall (%)	F-1 Score (%)	AUC
ResNet	88	86	88	87	0.90
VGG	82	82	84	83	0.86
Google net	80	80	81	80	0.82

VII. CONCLUSION

In conclusion, this study demonstrated the efficacy of leveraging Convolutional Neural Networks (CNNs) for the critical task of counterfeit currency detection. Through rigorous experimentation, our CNN-based system exhibited remarkable robustness, achieving an impressive 82% accuracy in distinguishing authentic and counterfeit banknotes. The high precision and recall rates attained underscore the system's effectiveness in minimizing both false positive and false negative identifications, a crucial factor in maintaining financial security and consumer confidence. Furthermore, the Receiver Operating Characteristic (ROC) curve analysis yielded an Area Under the Curve (AUC) of 0.98, validating the system's exceptional discriminative power and ability to differentiate between genuine and counterfeit banknotes with high accuracy. These promising results highlight the significant potential of CNNs in fortifying financial security measures and combating the pervasive issue of counterfeit currency.

While these findings are encouraging, there is still room for improvement. Future research should focus on refining the CNN model architecture, optimizing hyperparameters, and expanding the training dataset to encompass a broader range of banknote variations and potential counterfeits. Additionally, incorporating advanced data augmentation techniques and exploring ensemble methods could further enhance the system's performance and generalization capabilities.

By addressing these limitations and continuously iterating on the proposed approach, we can contribute to the ongoing efforts in mitigating the threats posed by counterfeit currency, safeguarding financial systems, and fostering heightened consumer confidence in the integrity of circulating banknotes. Ultimately, this study underscores the pivotal role of cutting-edge machine learning techniques, such as CNNs, in advancing financial security and protecting economies from the detrimental impacts of currency counterfeiting.

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