

University of Science and Technology of Hanoi

Bachelor's Thesis in Information and Communication Technology

Application of Machine Learning in Credit Card Fraud Detection

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
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*A thesis submitted in fulfillment of the requirements
for the degree of Bachelor of Science*

in

Information and Communication Technology

April 23, 2021

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Acknowledgement

I would like to express my sincere gratitude towards Dr. DOAN Nhat Quang for his detailed and constructive suggestion during the internship. He continuously guided me in the right direction throughout the span of this project. In addition, he also provided me with valuable knowledge, not only about the research topic, but also other important skills such as how to do a research or how to write a proper research report.

I would also like to thank my friends, NGUYEN Minh Thu, TRINH Mai Phuong, TRAN Thanh Long, NGUYEN Truong Giang. Without their help, this project would not have been possible.

Abstract

Credit card fraud is an [sth] problem in the financial world. The number of fraudulent transactions is expected to increase due to the recent trend of using non-cash payments. However, using machines to detect credit card fraud is not an easy task since the available datasets for this problem are highly imbalance i.e. the number of genuine cases greatly outnumber the fraudulent cases, which makes process of training a classification models harder and create inaccurate models.

In order to tackle this problem, our project suggests different techniques to resample the dataset, such as, undersampling, oversampling and hybrid strategy, which is a combination of both undersampling and oversampling. These techniques are implemented with different predictive models like Logistic Regression, Random Forest and XGBoost. Each combination between a resampling method and model is evaluated based on precision, recall, f1-score, precision-recall (PR) curve and receiver operating characteristics (ROC) curve.

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1 Introduction

1.1 Credit Card Fraud Detection

1.2 Aim of the project

In this project, our main objective is to explore different techniques to deal with an imbalanced dataset and evaluate them to see which method performs better than the others. More specifically, this project focuses on handling a credit card transaction dataset to build model to detect fraudulent transaction by using different sampling methods along with various models. After that we chose the most well-performed model based on a range of evaluation metrics.

1.3 Overview

This section provides an overall overview of the content entailed in each section. In section 2, we discuss relevant literature in the current field of research, focusing on the methods to build a credit card fraud detection model. Section 3 presents the methodology including the data processing steps, tools and libraries used, as well as the training of the model. In Section 4, we describe model's evaluation metrics - precision, recall, f1-score, PR curve, ROC curve and provide a detailed discussion on the results of our project. The final section 5 presents a brief conclusion of our project.

2 Literature Review

3 Methodology

3.1 Dataset Description

For this project, we used a dataset consists of transactions made by credit cards in 2 days in September 2013 by European cardholders which is published on Kaggle*. The dataset is contains a total of 284,807 transactions in total, in which only 492 are fraudulent. The dataset is considered to be highly skewed as the positive class (frauds) only accounts for 0.172% of the dataset.

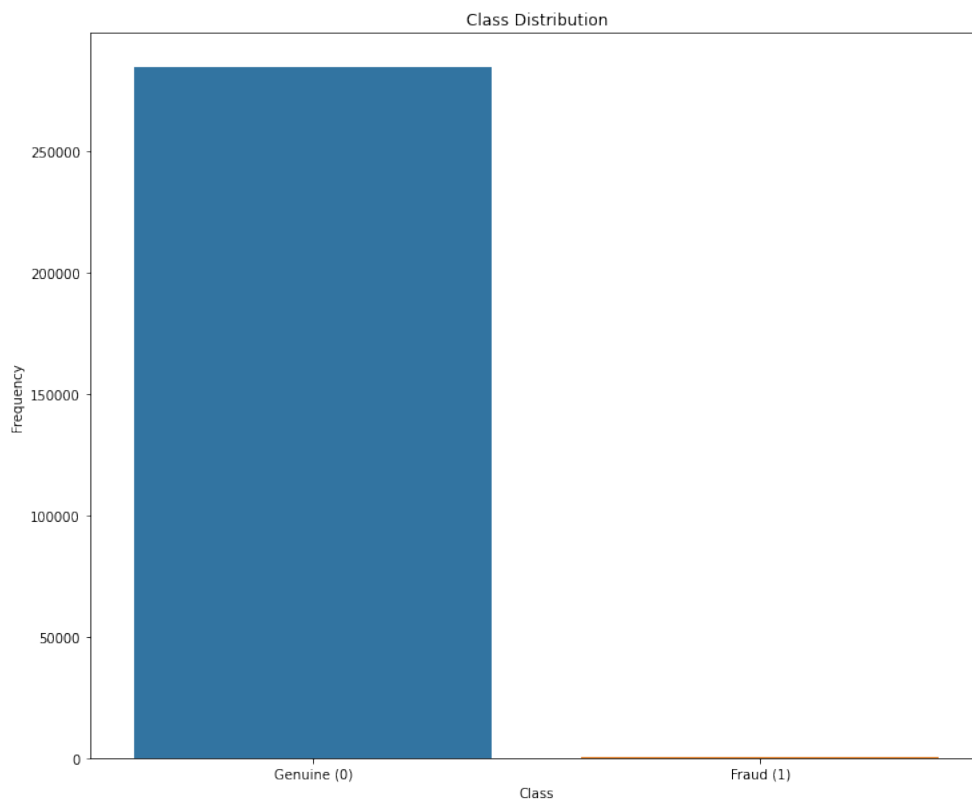


Figure 1: Dataset Class Distribution

*<https://www.kaggle.com/mlg-ulb/creditcardfraud>

4 Results

4.1 Evaluation Metric

4.2 Performance

4.3 Discussion

Overall, the models we chose achieved our main criteria, real time detection and high accuracy. Both YOLOv4 and YOLOv5 perform similarly, with the average precision on unknown test data achieving 0.75. This result means the system should perform accurately and reliably.

4.3.1 Difficulties

5 Conclusion

6 References