## **Credit Card Fraud Detection - Classification**

Anonymized credit card transactions labeled as fraudulent or genuine

The dataset contains transactions made by credit cards in September 2013 by European cardholders. This dataset presents transactions that occurred in two days, where we have 492 frauds out of 284,807 transactions. The dataset is highly unbalanced, the positive class (frauds) account for 0.172% of all transactions.

## Context

It is important that credit card companies are able to recognize fraudulent credit card transactions so that customers are not charged for items that they did not purchase.

## Content

The dataset contains transactions made by credit cards in September 2013 by European cardholders. This dataset presents transactions that occurred in two days, where we have 492 frauds out of 284,807 transactions. The dataset is highly unbalanced, the positive class (frauds) account for 0.172% of all transactions.

It contains only numerical input variables which are the result of a PCA transformation. Unfortunately, due to confidentiality issues, we cannot provide the original features and more background information about the data. Features V1, V2, ... V28 are the principal components obtained with PCA, the only features which have not been transformed with PCA are 'Time' and 'Amount'. Feature 'Time' contains the seconds elapsed between each transaction and the first transaction in the dataset. The feature 'Amount' is the transaction Amount, this feature can be used for example-dependant cost-sensitive learning. Feature 'Class' is the response variable and it takes value 1 in case of fraud and 0 otherwise.

Given the class imbalance ratio, we recommend measuring the accuracy using the Area Under the Precision-Recall Curve (AUPRC). Confusion matrix accuracy is not meaningful for unbalanced classification.

```
1 # Importing Required Lib
2 import numpy as np
3 import pandas as pd
4 import seaborn as sb
5 import matplotlib.pyplot as plt
6 import tensorflow as tf
8 import warnings
9 warnings.filterwarnings('ignore')
1 # reading the data set
2 data_df = pd.read_csv('/content/drive/MyDrive/Colab Notebooks/Deep Learning/creditcard.csv')
1 #showing top 5 records
2 data df.head()
```

	Time	V1	V2	V3	V4	V5	V6	V7		
0	0.0	-1.359807	-0.072781	2.536347	1.378155	-0.338321	0.462388	0.239599	0.0	
1	0.0	1.191857	0.266151	0.166480	0.448154	0.060018	-0.082361	-0.078803	0.0	
2	1.0	-1.358354	-1.340163	1.773209	0.379780	-0.503198	1.800499	0.791461	0.2	
3	1.0	-0.966272	-0.185226	1.792993	-0.863291	-0.010309	1.247203	0.237609	0.3	
4	2.0	-1.158233	0.877737	1.548718	0.403034	-0.407193	0.095921	0.592941	-0.2	
5 rows × 31 columns										



٧1

V2

```
1 # Checking shape of data set
2 data_df.shape
   (284807, 31)
1 # Checking Data Types
2 data_df.dtypes
  Time
            float64
            float64
```

float64

```
٧3
             float64
   ٧4
             float64
   ۷5
             float64
   ۷6
             float64
   ٧7
             float64
             float64
   V8
   V9
             float64
   V10
            float64
            float64
   V11
   V12
             float64
   V13
             float64
   V14
             float64
             float64
   V16
             float64
   V17
             float64
             float64
   V18
            float64
   V19
   V20
             float64
   V21
             float64
   V22
             float64
   V23
             float64
   V24
             float64
   V25
             float64
             float64
   V27
             float64
             float64
   V28
             float64
   Amount
   Class
              int64
   dtype: object
1 # Checking Null values
2 data_df.isnull().sum()
   Time
            0
   V1
            0
   V2
             0
   V3
             0
   ٧4
             0
   ۷5
            0
             0
            0
   V9
   V10
            0
            0
   V11
            0
   V12
   V13
            0
            0
   V14
   V15
            0
   V16
             0
   V17
            0
            0
   V18
            0
   V19
            0
   V20
            0
   V21
            0
   V22
            0
   V23
   V24
             0
   V25
             0
   V26
             0
   V27
             0
   V28
            0
   Amount
   Class
   dtype: int64
1 # NO null values
1 # Duplicate Entry
2 data_df.duplicated().sum()
1 # We have 1081 Duplicate Entry out of 284807 entry. Let remove it first before moving forward.
3 data_df.drop_duplicates(inplace = True)
1 data_df.duplicated().sum()
```

	Time	V1	V2	V3	V4							
count	283726.000000	283726.000000	283726.000000	283726.000000	283726.000000	28						
mean	94811.077600	0.005917	-0.004135	0.001613	-0.002966							
std	47481.047891	1.948026	1.646703	1.508682	1.414184							
min	0.000000	-56.407510	-72.715728	-48.325589	-5.683171							
25%	54204.750000	-0.915951	-0.600321	-0.889682	-0.850134							
50%	84692.500000	0.020384	0.063949	0.179963	-0.022248							
75%	139298.000000	1.316068	0.800283	1.026960	0.739647							
max	172792.000000	2.454930	22.057729	9.382558	16.875344							
8 rows × 31 columns												
7.												
4						-						

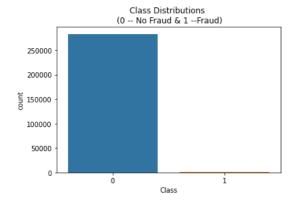
```
1 # The classes are heavily skewed we need to solve this issue later.
2 print('No Frauds', round(data_df['Class'].value_counts()[0]/len(data_df) * 100,2), '% of the dataset')
```

3 print('Frauds', round(data\_df['Class'].value\_counts()[1]/len(data\_df) \* 100,2), '% of the dataset')

No Frauds 99.83 % of the dataset Frauds 0.17 % of the dataset

Note: Most of the transactions are non-fraud. If we use this dataframe as the base for our predictive models and analysis we might get a lot of errors and our algorithms will probably overfit since it will "assume" that most transactions are not fraud. But we don't want our model to assume, we want our model to detect patterns that give signs of fraud!

```
1 sb.countplot(data = data_df, x = 'Class')
2 plt.title('Class Distributions \n (0 -- No Fraud & 1 --Fraud)')
3 plt.show()
```



```
1 plt.figure(figsize = (30,15))
2 sb.heatmap(data_df.corr(), annot = True)
```

# Second Layer

# Third Layer

# Fourth Layer

8

9

10

tf.keras.layers.Dense(units = 32, activation = 'relu'),

tf.keras.layers.Dense(units = 16, activation = 'relu'),

tf.keras.layers.Dense(units = 8, activation = 'relu'),

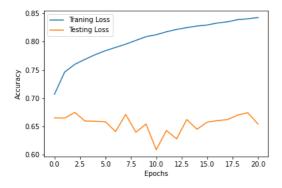
```
11
     # output
12
     tf.keras.layers.Dense(units = 1, activation = 'sigmoid'),
13
1 model.summary()
   Model: "sequential"
   Layer (type)
                      Output Shape
                                       Param #
   dense (Dense)
                      (None, 64)
                                       192
   dense_1 (Dense)
                      (None, 32)
                                       2080
   dense_2 (Dense)
                                       528
                      (None, 16)
   dense_3 (Dense)
                      (None, 8)
                                       136
   dense 4 (Dense)
                      (None, 1)
   ______
   Total params: 2,945
   Trainable params: 2,945
   Non-trainable params: 0
1 model.compile(optimizer = 'adam', loss = 'binary_crossentropy', metrics = ['accuracy'])
 1 # create a procedure for EARLY STOPING
 2 # calling inbuilt class: EarlyStopping
4 from tensorflow.keras.callbacks import EarlyStopping
 5
6 #create object
7 cb = EarlyStopping(monitor = 'val_loss',
                                    # Mention parameter to monitor .. it may me loss or score
                 min_delta = 0.0001.
                                    # diff btw new and previous loss: bydefault we take 0.0001
8
9
                 patience = 20,
10
                 verbose =1,
                 mode = 'auto',
11
12
                 baseline = None,
13
                 restore best weights =False)
1 # train the model: use inbuilt method fit() of Sequential class
 2
 3 train_model = model.fit(X_train1, Y_train1,epochs =5000,validation_data=(X_test1,Y_test1), callbacks = cb)
   Epoch 1/5000
   Epoch 2/5000
                     12392/12392 [
   Epoch 3/5000
   12392/12392 [
                     ========] - 40s 3ms/step - loss: 0.4882 - accuracy: 0.7600 - val loss: 0.9411 - val accuracy: 0.
   Epoch 4/5000
   12392/12392 [
                    ===========] - 35s 3ms/step - loss: 0.4704 - accuracy: 0.7688 - val_loss: 1.0196 - val_accuracy: 0.
   Epoch 5/5000
   12392/12392 [=
                      :=========] - 36s 3ms/step - loss: 0.4553 - accuracy: 0.7771 - val_loss: 1.2092 - val_accuracy: 0.
   Epoch 6/5000
   12392/12392 [=
                    :==========] - 40s 3ms/step - loss: 0.4421 - accuracy: 0.7840 - val_loss: 1.3596 - val_accuracy: 0.
   Epoch 7/5000
   12392/12392 [==
                Epoch 8/5000
   12392/12392 [=
                 Epoch 9/5000
   12392/12392 [=:
              Epoch 10/5000
   12392/12392 [=
                    ==========] - 40s 3ms/step - loss: 0.3999 - accuracy: 0.8089 - val_loss: 1.6774 - val_accuracy: 0.
   Epoch 11/5000
                12392/12392 [==
   Epoch 12/5000
   12392/12392 [==
                 Epoch 13/5000
                         =======] - 39s 3ms/step - loss: 0.3794 - accuracy: 0.8217 - val_loss: 2.0086 - val_accuracy: 0.
   12392/12392 [=
   Epoch 14/5000
   12392/12392 [=
                     =========] - 36s 3ms/step - loss: 0.3748 - accuracy: 0.8249 - val_loss: 1.9457 - val_accuracy: 0.
   Epoch 15/5000
   12392/12392 [=
                     ========] - 40s 3ms/step - loss: 0.3698 - accuracy: 0.8277 - val_loss: 2.0627 - val_accuracy: 0.
   Epoch 16/5000
   12392/12392 [===
                Epoch 17/5000
   12392/12392 [=
                     :=========] - 34s    3ms/step - loss: 0.3619 - accuracy: 0.8330 - val_loss: 2.1900 - val_accuracy: 0.
   Epoch 18/5000
```

```
Epoch 19/5000
  12392/12392 [=
                           =======] - 38s 3ms/step - loss: 0.3518 - accuracy: 0.8390 - val_loss: 2.4740 - val_accuracy: 0.
  Epoch 20/5000
  Epoch 21/5000
                       :========] - 38s 3ms/step - loss: 0.3462 - accuracy: 0.8427 - val_loss: 2.4638 - val_accuracy: 0.
  12392/12392 [===
  Epoch 21: early stopping
1 # Here we see that out model is Underfit ....No we will increse the no of Hidden layer
2 print("Traning Loss and Accuracy: ", model.evaluate(X_train1, Y_train1))
3 print("Testing Loss and Accuracy: ", model.evaluate(X_test1, Y_test1))
  Traning Loss and Accuracy: [0.33063846826553345, 0.8433168530464172]
  Testing Loss and Accuracy: [2.4637670516967773, 0.6542479991912842]
1 # Visulisation
2 plt.plot(train_model.history['loss'],label = 'Traning Loss')
3 plt.plot(train_model.history['val_loss'],label = 'Testing Loss')
4 plt.xlabel('Epochs')
5 plt.ylabel('binary_crossentropy')
6 plt.legend()
7 plt.show()
          Traning Loss
         Testing Loss
    2.0
   crossentropy
    1.5
   Dinary
10
```

```
1 # Visulisation
2 plt.plot(train_model.history['accuracy'],label = 'Traning Loss')
3 plt.plot(train_model.history['val_accuracy'],label = 'Testing Loss')
4 plt.xlabel('Epochs')
5 plt.ylabel('Accuracy')
6 plt.legend()
7 plt.show()
```

15.0 17.5 20.0

Epochs



0.5

0.0 2.5 5.0 7.5 10.0 12.5

Here we see that our model is Overfit. Now we use dropout to reduce this overfiting.

```
1 # Create model with Dropout
2
3 from tensorflow.keras.layers import Dropout
4 model_1 = tf.keras.Sequential([
5          # First Layer
6          tf.keras.layers.Dense(units = 64, activation = 'relu', input_shape = (X.shape[1],)),Dropout(0.25),
7          # Second Layer
8          tf.keras.layers.Dense(units = 32, activation = 'relu'),Dropout(0.25),
9          # Third Layer
10          tf.keras.layers.Dense(units = 16, activation = 'relu'),Dropout(0.25),
```

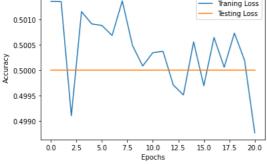
```
# Fourth Laver
11
12
   tf.keras.layers.Dense(units = 8, activation = 'relu'), Dropout(0.25),
13
   # output
14
   tf.keras.layers.Dense(units = 1, activation = 'sigmoid'),
15
                1)
1 model_1.compile(optimizer = 'adam', loss = 'binary_crossentropy', metrics = ['accuracy'])
1 # train the model: use inbuilt method fit() of Sequential class
3 train_model = model_1.fit(X_train1, Y_train1,epochs =5000,validation_data=(X_test1,Y_test1), callbacks = cb)
 Epoch 1/5000
         ============================ ] - 41s 3ms/step - loss: 0.6271 - accuracy: 0.6575 - val_loss: 0.6251 - val_accuracy: 0.
 12392/12392 [=
 Epoch 2/5000
 Epoch 3/5000
 12392/12392 [=
          Epoch 4/5000
 12392/12392 [=
        Epoch 5/5000
 12392/12392 [=
         =========================== - 40s 3ms/step - loss: 0.5677 - accuracy: 0.7165 - val_loss: 0.6402 - val_accuracy: 0.
 Epoch 6/5000
 Epoch 7/5000
        12392/12392 [=
 Epoch 8/5000
 Epoch 9/5000
 Epoch 10/5000
          12392/12392 [=
 Epoch 11/5000
 12392/12392 [=
          Epoch 12/5000
 12392/12392 [==
         ========== ] - 37s 3ms/step - loss: 0.5580 - accuracy: 0.7229 - val loss: 0.6493 - val accuracy: 0.
 Epoch 13/5000
 Epoch 14/5000
 12392/12392 [==
         Epoch 15/5000
         12392/12392 [===
 Epoch 16/5000
 Epoch 17/5000
 Epoch 18/5000
 Epoch 19/5000
 12392/12392 [=
         Epoch 20/5000
 Epoch 21/5000
 Epoch 22/5000
 Epoch 22: early stopping
 4
1 # Here we see that out model is Underfit ....No we will increse the no of Hidden layer
2 print("Traning Loss and Accuracy: ", model_1.evaluate(X_train1, Y_train1))
3 print("Testing Loss and Accuracy: ", model_1.evaluate(X_test1, Y_test1))
 Traning Loss and Accuracy: [0.5184708833694458, 0.7543553709983826]
 Testing Loss and Accuracy: [0.7218478918075562, 0.6653900742530823]
1 # Visulisation
2 plt.plot(train_model.history['loss'],label = 'Traning Loss')
3 plt.plot(train_model.history['val_loss'],label = 'Testing Loss')
4 plt.xlabel('Epochs')
5 plt.ylabel('binary_crossentropy')
6 plt.legend()
7 plt.show()
```

```
0.725
                Traning Loss
                Testing Loss
      0.700
      0.675
      0.650
      0.625
    binan
      0.600
1 # Visulisation
2 plt.plot(train model.history['accuracy'],label = 'Traning Loss')
3 plt.plot(train_model.history['val_accuracy'],label = 'Testing Loss')
4 plt.xlabel('Epochs')
5 plt.ylabel('Accuracy')
6 plt.legend()
7 plt.show()
      0.72
      0.70
    Accuracy
      0.68
      0.66
               Traning Loss
      0.64
               Testing Loss
                                         15
                                                   20
                              Epochs
```

## Still it look like overfit model. Now we use regularizer with Dropout.

```
1 # Creat model
 3 from tensorflow.keras import regularizers
 4 model 2 = tf.keras.Sequential([
      # First Layer
 6
      tf.keras.layers.Dense(units = 64, activation = 'relu',
 7
                           kernel regularizer = regularizers.12(0.01),input shape = (X.shape[1],)),Dropout(0.
 8
      # Second Layer
9
      tf.keras.layers.Dense(units = 32, activation = 'relu',kernel_regularizer = regularizers.12(0.01)),Dropou
10
      # Third Layer
      tf.keras.layers.Dense(units = 16, activation = 'relu',kernel_regularizer = regularizers.l2(0.01)),Dropou
11
12
      # fourth Layer
13
      tf.keras.layers.Dense(units = 8, activation = 'relu',kernel_regularizer = regularizers.l2(0.01)),Dropout
14
      # output
15
      tf.keras.layers.Dense(units = 1, activation = 'sigmoid',kernel_regularizer = regularizers.l2(0.01)),
16
                               1)
 1 model_2.compile(optimizer = 'adam', loss = 'binary_crossentropy', metrics = ['accuracy'])
 1 # train the model: use inbuilt method fit() of Sequential class
 2
 3 train_model = model_2.fit(X_train1, Y_train1,epochs =5000,validation_data=(X_test1,Y_test1), callbacks = cb)
   Epoch 1/5000
                             :=======] - 37s 3ms/step - loss: 0.7009 - accuracy: 0.5014 - val_loss: 0.6932 - val_accuracy: 0.
   12392/12392 [=
   Epoch 2/5000
                    12392/12392 [=
   Epoch 3/5000
   Epoch 4/5000
                            ========] - 40s 3ms/step - loss: 0.6932 - accuracy: 0.5012 - val_loss: 0.6932 - val_accuracy: 0.
   12392/12392 [=
   Epoch 5/5000
   12392/12392 [
                                    ==] - 36s 3ms/step - loss: 0.6932 - accuracy: 0.5009 - val_loss: 0.6932 - val_accuracy: 0.
   Epoch 6/5000
   12392/12392 [
                                   Epoch 7/5000
   12392/12392 [
                                  ====] - 35s    3ms/step - loss: 0.6932 - accuracy: 0.5007 - val_loss: 0.6932 - val_accuracy: 0.
   Epoch 8/5000
   12392/12392 [
                         :========] - 39s 3ms/step - loss: 0.6932 - accuracy: 0.5014 - val_loss: 0.6933 - val_accuracy: 0.
   Enoch 9/5000
   12392/12392 [=
               ================================ | - 36s 3ms/step - loss: 0.6932 - accuracy: 0.5005 - val loss: 0.6932 - val accuracy: 0.
   Epoch 10/5000
```

```
:========] - 36s 3ms/step - loss: 0.6932 - accuracy: 0.5001 - val_loss: 0.6932 - val_accuracy: 0.
  Epoch 11/5000
  12392/12392 [=
                      :=======] - 40s 3ms/step - loss: 0.6932 - accuracy: 0.5003 - val_loss: 0.6932 - val_accuracy: 0.
  Epoch 12/5000
  12392/12392 [=
               Enoch 13/5000
  Epoch 14/5000
  Epoch 15/5000
  12392/12392 [=
                    :========] - 42s 3ms/step - loss: 0.6932 - accuracy: 0.5006 - val_loss: 0.6931 - val_accuracy: 0.
  Epoch 16/5000
  Epoch 17/5000
  12392/12392 [=
               Epoch 18/5000
  Epoch 19/5000
                 ========== - 44s 4ms/step - loss: 0.6932 - accuracy: 0.5007 - val_loss: 0.6932 - val_accuracy: 0.
  12392/12392 [=
  Epoch 20/5000
  12392/12392 [=
                  :=========] - 35s 3ms/step - loss: 0.6932 - accuracy: 0.5002 - val_loss: 0.6932 - val_accuracy: 0.
  Epoch 21/5000
  12392/12392 [==
                    :========] - 35s 3ms/step - loss: 0.6932 - accuracy: 0.4988 - val_loss: 0.6931 - val_accuracy: 0.
  Epoch 21: early stopping
 4
1 # Here we see that out model is Underfit ....No we will increse the no of Hidden layer
2 print("Traning Loss and Accuracy: ", model_2.evaluate(X_train1, Y_train1))
3 print("Testing Loss and Accuracy: ", model_2.evaluate(X_test1, Y_test1))
  12392/12392 [=============] - 19s 2ms/step - loss: 0.6931 - accuracy: 0.5000
  Traning Loss and Accuracy: [0.6931232810020447, 0.5]
  Testing Loss and Accuracy: [0.6931323409080505, 0.5]
 # Visulisation
1
  plt.plot(train_model.history['accuracy'],label = 'Traning Loss')
2
  plt.plot(train_model.history['val_accuracy'],label = 'Testing Loss')
3
  plt.xlabel('Epochs')
  plt.ylabel('Accuracy')
6
  plt.legend()
  plt.show()
                            Traning Loss
                            Testing Loss
   0.5010
   0.5005
   0.5000
   0.4995
```



```
1 # Visulisation
2 plt.plot(train_model.history['loss'],label = 'Traning Loss')
3 plt.plot(train_model.history['val_loss'],label = 'Testing Loss')
4 plt.xlabel('Epochs')
5 plt.ylabel('binary_crossentropy')
6 plt.legend()
7 plt.show()
```

