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AI-BASED IDENTIFICATION OF FINANCIAL SERVICES

Dr. M. VishnuVardhana Rao[1], K. Pavithra[2], B. Aashritha[3], J. Rakshana[4]

[1]Associate Professor, CSE(AI&ML), Vignan's Institute of Management and Technology for Women, HYD, India.
[2,3,4]BTech 4th year Student, CSE(AI&ML), Vignan's Institute of Management and Technology for Women, Hyderabad, India.

Abstract:
In modern financial markets, traders often struggle with limited capital, high market volatility, and difficulty in choosing the right support services. To address these challenges, this project introduces an AI-based Identification System that analyzes user trading behavior and recommends two essential financial services: Margin Trading Facilities and Risk Management Services. The system examines important trading features such as trading frequency, trade size, investment patterns, and market conditions. Based on this data, the model identifies whether a trader needs Margin Trading Facilities, which provide additional borrowing support to help active traders take larger positions even with limited available capital. The system also predicts the need for Risk Management Services, which include stop-loss to automatically limit losses and portfolio balancing to maintain safer investment distribution. These services help traders protect themselves from sudden market fluctuations and reduce financial risk.By applying machine learning techniques, the system continuously learns from historical trading patterns and improves the accuracy of its recommendations. Overall, this project aims to offer personalized guidance, support safer trading, and enhance decision-making for both new and experienced traders.

Keywords: AI-Based Trading System, Margin Trading Facility (MTF),Risk Management, Market Volatility Analysis.

I. INTRODUCTION

Artificial Intelligence (AI) is reshaping the financial landscape by facilitating intelligent automation, advanced predictive modeling, and evidence-based decision-making. Modern financial ecosystems continuously produce vast amounts of data originating from customer transactions, digital payment systems, online banking platforms, investment activities, and market fluctuations. Conventional approaches to identifying and categorizing financial services largely depend on static rules and manual assessment, which may struggle to cope with the scale, complexity, and dynamic nature of financial data.In contrast, AI-driven identification frameworks employ machine learning models and analytical techniques to uncover hidden patterns, behavioral correlations, and emerging trends within financial datasets. These systems enable more adaptive and responsive service classification by learning from historical data and evolving customer interactions. As a result, financial organizations can move beyond generalized offerings toward highly tailored solutions that align with individual customer needs and preferences.

Furthermore, AI-based systems contribute significantly to risk management, anomaly detection, and operational optimization. By analyzing real-time data streams, they assist institutions in detecting irregular activities, evaluating creditworthiness, and anticipating potential financial outcomes. The integration of AI technologies not only enhances accuracy and efficiency but also supports informed strategic planning in an increasingly competitive and data-centric environment.

II. RELATED WORK

Recent research in AI-driven financial service recommendation systems emphasizes the integration of machine learning, data mining, and predictive analytics to automate decision-making and enhance personalization. These systems typically analyze multidimensional financial data, including transaction histories, demographic attributes, credit scores, behavioral indicators, and market trends, to generate intelligent recommendations. Prior studies highlight the importance of structured system architectures comprising modules for user management, dataset handling, preprocessing, model training, prediction, and analytical visualization. Data preparation commonly involves duplicate removal, missing value treatment, feature scaling, and train–test splitting to ensure robust model performance. Multiple classification algorithms such as Random Forest, Support Vector Machine, Logistic Regression, Decision Tree, and Gradient Boosting are frequently evaluated using metrics like accuracy, precision, recall, and F1-score, with the best-performing models preserved for deployment. Additionally, contemporary approaches increasingly address data security and integrity through encryption techniques and hash-based verification mechanisms. Visualization and statistical analysis components further support interpretability by presenting dataset characteristics and prediction distributions. Collectively, these developments demonstrate a shift toward automated, secure, and adaptive intelligent systems within financial analytics.Beyond model accuracy, recent investigations also stress the importance of explainability and transparency in AI-based financial applications. As financial decisions often carry significant economic and regulatory implications, researchers are exploring interpretable machine learning techniques that clarify how predictions and recommendations are generated. Explainable AI mechanisms help build trust among users and stakeholders by providing insights into feature importance, decision pathways, and risk factors influencing system outputs.Another emerging direction involves real-time analytics and streaming data integration. Financial environments are inherently dynamic, requiring systems capable of processing continuous data flows rather than relying solely on static historical datasets. Adaptive learning models and incremental training strategies are increasingly adopted to ensure that recommendation systems remain responsive to evolving customer behaviors, economic conditions, and market volatility.Furthermore, scalability and computational efficiency have become critical considerations. With growing data volumes, researchers are investigating optimized training pipelines, distributed computing frameworks, and lightweight models that reduce processing time without compromising predictive performance. Such improvements enable deployment in practical financial settings where speed and reliability are essential.Overall, the evolving body of research reflects a broader transition toward intelligent financial systems that are not only accurate and automated but also interpretable, adaptive, scalable, and ethically aligned.

III. PROPOSED SYSTEM

The proposed system offers an AI-driven framework for automatically identifying and recommending financial services based on traders' behaviors and financial characteristics. Unlike traditional rule-based systems that depend on fixed thresholds and manual reviews, this model uses a data-focused machine learning method to analyze past trading patterns and generate personalized recommendations. It is designed to assess whether a trader needs Margin Trading Facilities by looking at several financial indicators, including trading frequency, average trade size, available capital, portfolio value, market volatility index, risk appetite score, past loss percentage, stop-loss usage frequency, and portfolio diversification score. By examining these various features together, the system reveals complex relationships that typical decision-making methods often miss. To boost prediction accuracy, the system employs several supervised machine learning algorithms, such as Random Forest, Support Vector Machine, Logistic Regression, Decision Tree, and Gradient Boosting classifiers. These algorithms learn from processed historical trading data to recognize patterns that suggest the need for margin trading support. Instead of relying on just one model, the system assesses all the algorithms using performance metrics like accuracy, precision, recall, and F1-score. The model that shows the best predictive performance is automatically chosen and used for real-time recommendations. This automated model selection process increases reliability and reduces biases linked to manual choices.The deployed model provides real-time and bulk prediction functions. Users can enter individual trader details or upload several trader records for batch processing. The system runs the input data through the trained model and produces a clear recommendation, indicating whether margin trading is advisable or not required. This predictive tool helps financial institutions offer personalized services while also assisting traders in making informed decisions based on their financial capacity and risk tolerance.

IV. METHODOLOGY

The proposed system uses a clear machine learning method to design and implement an AI-based financial service identification model. The method includes dataset preparation, preprocessing, model training, performance evaluation, and deployment stages.

1 Data Collection

A structured financial trading dataset is used. It includes attributes like trading experience, trading frequency, average trade size, available capital, portfolio value, market volatility index, risk appetite score, and past loss percentage. The target variable shows whether margin trading is recommended or not.

2 Data Preprocessing

We remove duplicate records and address missing values with median imputation. We apply feature scaling with StandardScaler to normalize the data. The dataset is divided into training and testing sets .

3 Model Development

Multiple supervised learning algorithms, including Random Forest, Decision Tree, Logistic Regression, Support Vector Machine, and Gradient Boosting, are used to classify margin trading recommendations.

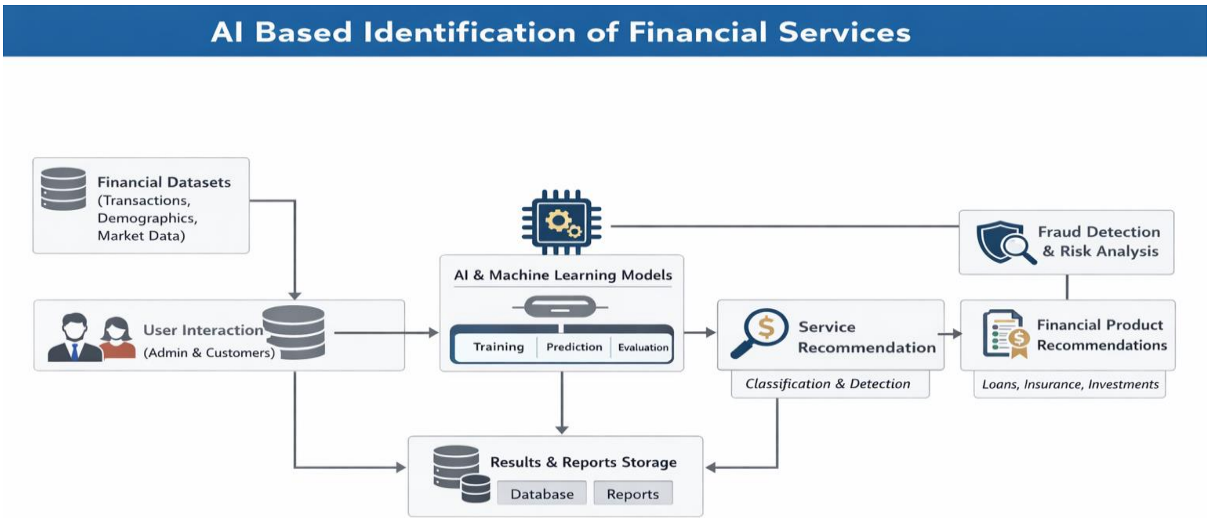
4 Model Evaluation

The models are evaluated using accuracy, precision, recall, and F1-score. We choose the best-performing model based on a comparison of their performance.

5 Deployment

The chosen model is integrated into a Flask-based web application for real-time prediction. We apply security measures like encryption and hashing to safeguard financial data.

V. SYSTEM ARCHITECTURE



The design illustrates how the system works, starting from data input to service recommendation and result storage.

First, it collects financial datasets including transaction data, demographic details, and market information. Users interact with the system through a module that features both Admin and Customer interfaces. The admin manages dataset uploads and model training, while users provide input data for predictions.

The gathered data is sent to the AI and Machine Learning module. This module performs training, prediction, and evaluation. During training, the system learns from patterns in past financial data. In the prediction stage, the trained model analyzes new input data and classifies it to find suitable financial services. After classification, the service recommendation module generates relevant financial product suggestions.

Finally, the prediction results and generated reports are saved in the database for future reference and analysis. This setup enables effective data processing, smart recommendation generation, and secure handling of financial information.

VI. IMPLEMENTATION DETAILS

The proposed AI-Based Identification of Financial Services system aims to give smart financial recommendations using machine learning in a secure web-based platform.

A. Software Components Used

Python: This is used for developing the core application and implementing machine learning algorithms.

Flask Framework: This provides the web interface for uploading datasets, training models, and making predictions.

Scikit-learn: This is used to implement classification algorithms such as Random Forest, SVM, Logistic Regression, Decision Tree, and Gradient Boosting.

Pandas and NumPy: These are used for data preprocessing and numerical operations.

Database (SQLite/MySQL): This stores user information and prediction results securely.

B. Working Process

The administrator uploads the financial dataset into the system. The process includes removing duplicates, dealing with missing values, and applying feature scaling.

We train and evaluate multiple machine learning models using performance metrics. The system automatically selects the best-performing model.

Users can either enter financial details manually or upload data for predictions. The system generates margin trading recommendations and saves the results.

C. Software Logic

The application logic uses Python. First, we prepare the financial dataset by cleaning and normalizing it. Next, we split the processed data into separate subsets for learning and validation. This step ensures reliable model performance.

We run several classification algorithms one after the other, comparing their outputs with standard evaluation measures. After analysis, we finalize the best model and store it. Later, this trained model is used in the web application to create dynamic financial service recommendations based on user inputs.

VII. ALGORITHM:

Step 1: Start the system and load the necessary libraries and trained model files.

Step 2: Obtain the financial dataset or let the user enter the data, including trader attributes.

Step 3: Process the data by removing duplicate records and fixing missing values.

Step 4: Scale the features to normalize input attributes using the saved scaler.

Step 5: If in the training phase, divide the dataset into training and testing subsets. Train several classification algorithms using the training data.

Step 6: Review each trained model with performance metrics such as accuracy, precision, recall, and F1-score.

Step 7: Select the model with the best performance and save it for future use.
Step 8: If in the prediction phase, provide the processed input data to the chosen model. Generate the prediction result to indicate whether margin trading is recommended.
Step 9: Present the recommendation to the user and save the result in the database.

VIII. DISCUSSION

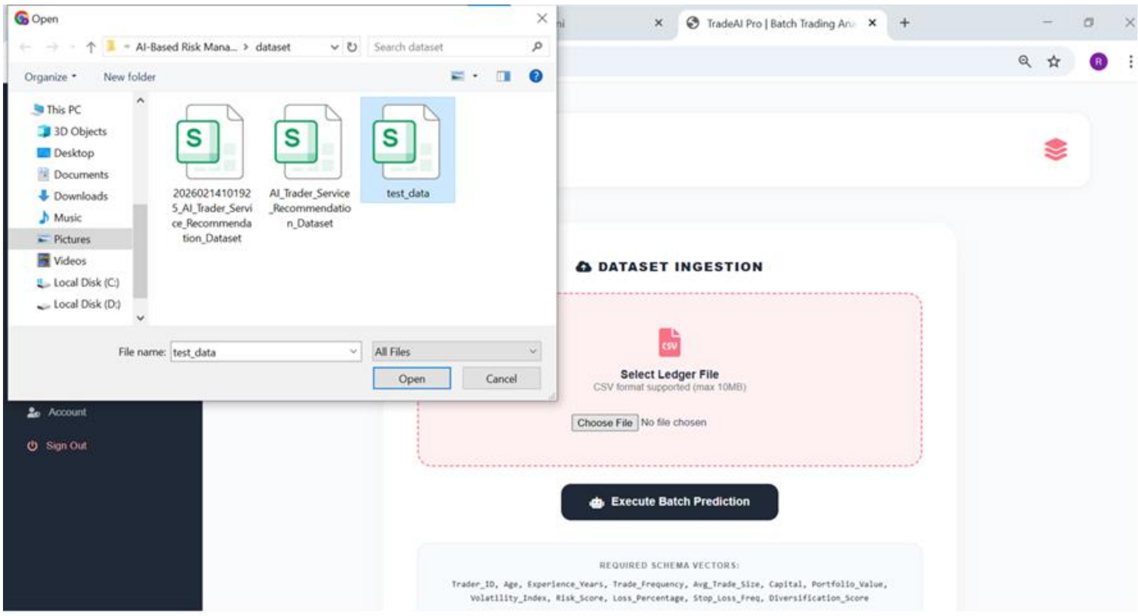
The creators created the AI-Based Identification of Financial Services system to eliminate the limitation of the traditional rule-based financial suggestion systems. The practical development demonstrates how machine learning techniques greatly increase the accuracy and performance of the locating suitable financial services, including the risk management and margin trading facilities. To the proposed system learns from the previous trading data and adjusts to shifting the market environment, in variation to traditional systems that depend on the set rules and manual verification. As a result, the recommended become more dynamic, tailored, and data-driven.

During model training, and the multiple classification algorithms including Random Forest, Decision Tree, Logistic Regression, Support Vector Machine, and Gradient Boosting were evaluated. The comparative analysis using metrics such as accuracy, precision, recall, and the F1-score helped determine the best-performing model.The Ensemble methods demonstrated strong performance because of their ability to reduce overfitting and improve generalization

A major factor increasing capability was data the Instiution Using the feature scaling, addressing missing values, and removing duplicate records increase the training dataset's quality. ordered the facts has a immediate effect on the algorithms' proficiency to the make forecasts. The system's capacity to effectively handle huge datasets demonstrates its flexibility and fitness for the on -the -spot economic settings. The Another important contribution of this system is enhanced financial risk management. By analyzing trading behavior such as trading frequency, and the trade size, risk appetite, and past loss percentage, the system identifies traders who require additional capital support and the through margin trading or protection mechanisms through risk management services. And This helps in reducing exposure to sudden market volatility and the supports safer investment decisions.

The Another important contribution of this system is enhanced financial risk management.the By analyzing trading behavior such as trading frequency, trade size, risk appetite, and past loss and percentage, the system identifies traders and the who require additional capital support through margin trading or protection mechanisms through risk management services. This helps in reducing exposure to sudden market volatility and the supports safer investment decisions. Security and the data honor were also addressed through encryption and the hash is stored on the blockchain-based . And the Since financial data is highly sensitive, ensuring confidentiality and avoiding tampering is essential. The implementation of secure storage mechanisms and the increases trust and the Dependability in the system

IX. RESULTS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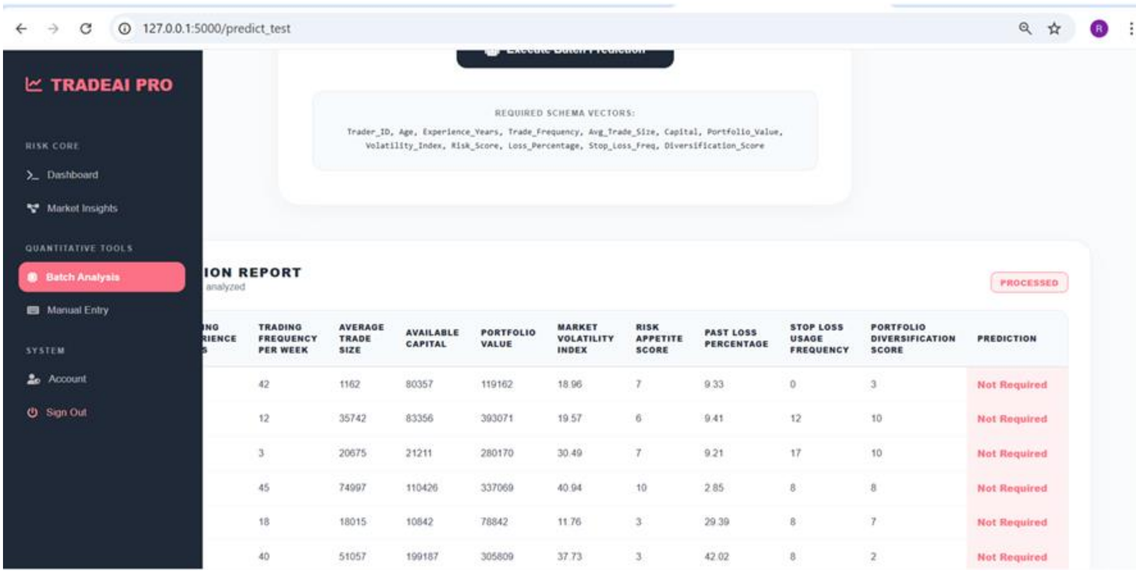
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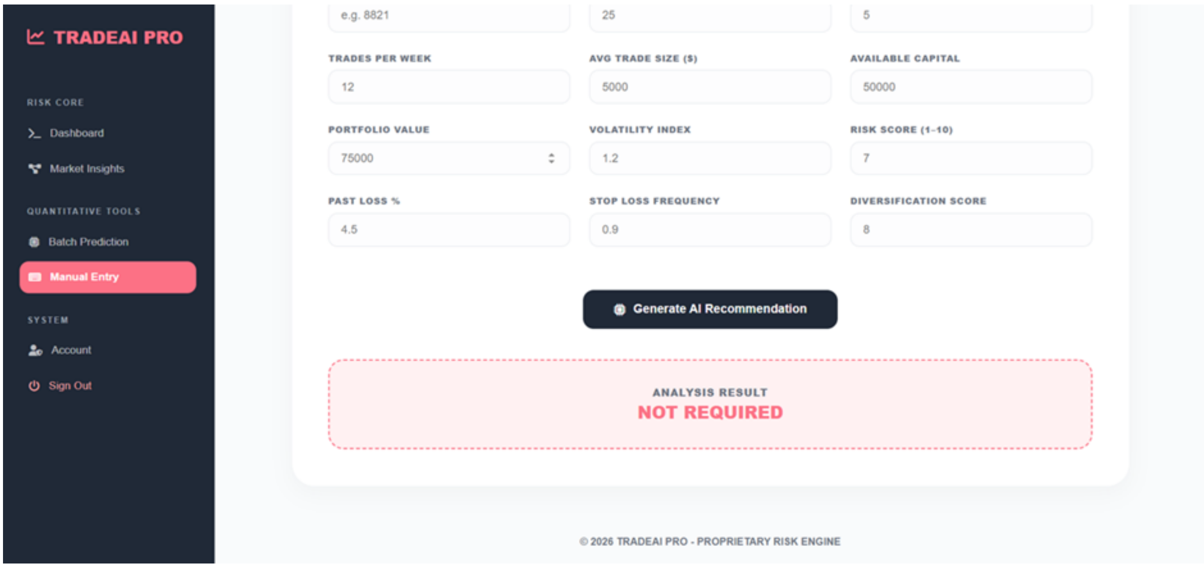

X. CONCLUSION

The AI-Based Identification of budgetary Services system effectively uses the machine learning methods to provide precise and automated financial service recommendations. Via analyzing trading behavior and financial patterns, the system identifies whether Margin Trading or Risk Management services are required. It the improves accuracy, reduces manual effort, and the enhances scalability, and ensures data guard through encryption techniques.the Overall, the plan Displays how artificial intelligence can support smarter or decision-making and the efficient risk management in modern financial systems

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