Abstract

Financial fraud is increasing significantly with the development of modern technology and the global superhighways of communication, resulting in the loss of billions of dollars worldwide each year. The companies and financial institution lose huge amounts due to fraud and fraudsters continuously try to find new rules and tactics to commit illegal actions. Thus, fraud detection systems have become essential for all credit card issuing banks to minimize their losses. The most commonly used fraud detection methods are Neural Network (NN), rule-induction techniques, fuzzy system, decision trees, Support Vector Machines (SVM), Artificial Immune System (AIS), genetic algorithms, K-Nearest Neighbor algorithms. These techniques can be used alone or in collaboration using ensemble or meta-learning techniques to build classifiers. This paper presents a survey of various techniques used in credit card fraud detection and evaluates each methodology based on certain design criteria. And this survey enables us to build a hybrid approach for developing some effective algorithms which can perform well for the classification problem with variable misclassification costs and with higher accuracy.
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