International Journal of Science and Engineering and Technology (IJSE)
Maiden Edition
www.federalpolyoko.edu.ng
Volume 1; Issue 2; October 2025; Page No. 143-157.

REAL-TIME ANOMALY DETECTION IN FINANCIAL TRANSACTIONS USING STREAMING ANALYTICS

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Abstract
This study presents a hybrid deep learning framework for real-time anomaly detection in financial transactions through the combination of Long Short-Term Memory (LSTM) networks with Autoencoders (AE) deep learning models. The proposed LSTM model in this study is used to capture sequential dependencies and temporal patterns in transaction sequences, while the AE is used to identify deviations from normal behaviour through reconstruction errors. Then, the models were trained and evaluated using the Metaverse Financial Transactions Dataset which was acquired from Kaggle platform, and it is made up of a rich combination of transactional, behavioural and risk-related attributes, including timestamps, sender and receiver addresses, transaction amounts and types, simulated IP prefixes, location regions, login frequency, session duration, pre-computed risk scores, and labelled anomalies such as phishing and scam indicators. Preprocessing steps included data cleaning, standardization, one-hot encoding of categorical features, sequence construction for LSTM modelling, and feature engineering to capture behavioural trends. The hybrid LSTM-AE model achieved an accuracy of 96.4%, precision of 94.8%, recall of 95.7%, F1-score of 95.2%, and AUC-ROC of 0.983, outperforming the individual LSTM and AE models. These results demonstrate that integrating temporal modelling with reconstruction-based anomaly detection provides a robust framework for detecting fraudulent transactions in decentralized and high-velocity digital financial environments.

Keywords: Financial Transactions; Anomaly Detection; LSTM; AE; Hybrid Deep Learning

a. INTRODUCTION
Financial services are expanding at a high rate due to the rapid integration of the sector into the field of digitalization, which means an increased number of transactions with exponential growth (Nguyen et al., 2022; Zhang et al., 2021). Conventional anomaly detection systems based on batch processing and rule-based logic do not always detect threats in time to ensure real-time detection and response and the avoidance of the monetary losses (Kumar et al., 2023; Ahmed et al., 2020). Financial organizations respond accordingly and use streaming analytics and Machine Learning (ML) more often to allow them to detect anomalies and identify potential risks in real-time and mitigate them (Chen et al., 2021; Li et al., 2023).

Apache Kafka, Apache Flink, and Spark Streaming analytics frameworks are nowadays a mandatory ingredient in ingesting and processing high-velocity financial data (Gao et al., 2022; Wang & Lee, 2021). The technologies facilitate the ongoing transmission of streaming data

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Nwadialor, C.U. (2025). Real-Time Anomaly Detection In Financial Transactions Using Streaming Analytics *International Journal of Science and Engineering and Technology (IJSE), 1(2)* 143-157.

through various sources, e.g., mobile banking applications, ATMs, and payment gateways into central systems to analyze it in real time (Rahman et al., 2023; Sun et al., 2020). Streaming frameworks augmented with ML-models create a low-latency and high-throughput pipeline of anomaly detection, which is capable of scaling with the increasing number of transactions (Zhou et al., 2021; Alshammari et al., 2022).

Anomaly detection has gone through a revolution and systems can now learn sophisticated behavioural patterns and comply with changing fraud techniques thanks to machine learning (Siddiqui et al., 2023; Bhatia & Jain, 2021). Supervised models apply to previously identified types of fraud displayed in labelled transaction data whereas unsupervised models, i.e., autoencoders, isolation forests, and clustering methods, excel in detecting new anomalies (Chen et al., 2021; Li et al., 2023). The combination of temporal features with deep learning structures has been deemed successful at identifying the minor inconsistencies in transaction behaviour (Nguyen et al., 2022; Gao et al., 2022).

In the recent studies, the role of feature engineering, the re-training of the models, and explainability in the need to uphold both the accuracy and reliability of detection are stressed (Zhang et al., 2021; Siddiqui et al., 2023). Models based on reconstruction errors and the autoencoder structures became especially efficient in measuring the abnormalities of the regular transaction trend (Ahmed et al., 2020; Bhatia & Jain, 2021). In addition, docker-based containerization of deployments through Docker and Kubernetes promotes scalability and flexibility of operations in real-time systems (Rahman et al., 2023; Alshammari et al., 2022).

Nonetheless, despite the advancements, there are a number of issues that are yet to be overcome. False positive rates, data drift, and adversarial attacks are the several challenges to successful anomaly detection (Kumar et al., 2023; Sun et al., 2020). The existence of regulations and data privacy issues also makes the deployment of real-time systems more complex, particularly in cross-border financial systems (Wang & Lee, 2021; Zhou et al., 2021). The best way to resolve these issues is using the multidisciplinary framework comprising thorough data engineering, flexible ML models, and safe infrastructure (Li et al., 2023; Siddiqui et al., 2023).

This research analyzes how to combine streaming analytics and machine learning to detect anomalies in real time in financial transactions. Through this research, the authors hope to realize best practice and suggest an optimal ML architecture that could maintain a balanced detection accuracy, latency, and operational resilience (Nguyen et al., 2022; Gao et al., 2022; Kumar et al., 2023; Chen et al., 2021; Li et al., 2023). The results will help in building intelligent financial systems that have the capability of reducing the risks and ensuring transaction integrity in advance.

b. METHODOLOGY

The research design used in this paper is experimental research and capitalizes on the deep learning architecture of Long Short-Term Memory (LSTM) network and Autoencoders (AE) regarding real-time-time anomaly detection of financial transactions. LSTMs can learn sequential dependencies and temporal spending behaviour across customer transaction history and AEs learn the Gaussian distribution of transaction feature and identify the anomalies by reconstruction error. The methodology has four steps including data gathering using records of

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historical transaction where streaming simulation is used to simulate real-time inflow; data preprocessing including cleaning, feature engineering, scaling, and grouping sequences; developing model where LSTM and AE are used in parallel and fusion of anomaly scores as well as model evaluation.

a. Data Acquisition

The given study applies the dataset of Metaverse Financial Transactions available on Kaggle, providing an abundant set of transactional, behavioural, and risk-oriented features that can be utilized to conduct anomaly detection analysis on the datasets of decentralized and digital finance. The dataset has essential variables that include time stamp of the transaction, address of the sender, receiver, amount of the transaction, transaction type, IP prefix, region of location address, frequency of login through the transactions and duration of the transaction. Along with that, it also has associated curated risk scores and anomaly labels e.g. phishing and scam identifications which are good ground truth to evaluate the models. This richness of characteristics allows to model temporal characteristics of transaction dynamics and nonlinearities in behaviour, which qualify it to the hybrid deep learning method utilized within the scope of these studies. The issue of privacy is brought to action by ensuring that the dataset is anonymized, so that the addresses and network information are simulated to be realistic, but not identifiable user activity.

b. Data Description

This dataset, Metaverse Financial Transactions by Kaggle, is a deep mix of transactional, behavioural and risk aware features customized to detect fraud and analyze anomalies in decentralized financial systems. The description of the dataset is presented in Table 1.

Table 1: Data Feature Description

Attribute	Type	Description	Example Value	Use in Model
Timestamp	Temporal	Date and time of the transaction, used for sequence modelling	2025-07-12 14:35:26	LSTM sequence ordering, temporal feature extraction
Sender Address	Categorical	Unique pseudonymized identifier of the sender	0xA1B2C3...	Entity-based sequence grouping for LSTM
Receiver Address	Categorical	Unique pseudonymized identifier of the receiver	0xD4E5F6...	Relationship and network analysis
Amount	Numerical	Value of the transaction in digital currency or equivalent	150.75	Transaction magnitude trends, anomaly thresholds
Transaction Type	Categorical	Nature of the transaction (e.g., transfer, purchase, exchange)	Purchase	One-hot encoded for model input.
Simulated IP Prefix	Categorical	Simulated network address segment associated with transaction origin	192.168.xxx.xxx	Network origin anomaly detection.
Location Region	Categorical	Geographical location of the transaction.	Asia-Pacific	Geolocation consistency checks

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Attribute	Type	Description	Example Value	Use in Model
Login Frequency	Numerical	Number of logins by the entity in a given time window	12	Behavioural pattern modelling
Session Duration	Numerical	Length of the user's session in seconds or minutes	320	Engagement and abnormal session detection
Risk Score	Numerical	Pre-computed fraud likelihood score (0–1 scale or percentage)	0.85	Feature for supervised anomaly detection
Anomaly Label	Categorical	Label indicating anomaly type (e.g., normal, phishing, scam)	Phishing	Ground truth for supervised model evaluation

c. Data Preprocessing

The preprocessing phase will prepare the Metaverse Financial Transactions Dataset as a clean, structured and model-ready format of the hybrid deep learning pipeline. Initially, data cleaning is done where data are cleansed of duplicates and missing values are processed and inconsistent or malformed entries are corrected. Transactions timestamps are transformed to a unified form, then arranged chronologically, in order to maintain temporal integrity to sequence modelling. Privacy/compliance: All personally identifiable Information like sender/receiver addresses and IP prefixes are pseudonymized by hashing. Categorical data by transaction type and location region have been converted to one-hot encodings to operate numerically, whereas the numerical variables, that include transaction amount, session length, and the number of logins, has been standardized with the help of Min-Max scaling to provide consistency in the range of features. Outliers are then analysed and kept in case they are true anomalies since such cases are invaluable when training and evaluating the anomaly detection models.

In order to convert the data into the structure of an LSTM layer, several sequential histories of transactions are built per each unique entity (e.g., the address of a sender), using a sliding window specification to form fixed-length sequences that are both ordered and have contextual dependencies. In the case of the AE, feature vectors (without labels) are collated in full to train a baseline model of normal transaction behaviour and labels are used solely to validate the model. Other rolling statistical features also used include transaction velocity, average transaction amount and session recency, which captures behaviour over time. The split of data is carried out on a time basis, with the last part of the data being reserved to test at the end because this dataset will simulate the real situation in which the dataset is used in the field and details are not exposed. Steps of transformation are all logged, and intermediate data sets should be version-controlled, which enables them to reproduce the entire preprocessing procedure.

d. The Proposed System Modelling

The envisaged system is a combination of a current hybrid deep learning architecture that includes Long Short-Term Memory (LSTM) architecture and AEs in a real-time streaming analytics system to estimate anomalies on financial transactions. The LSTM module will be the part that will enhance the detection of temporal dependencies and sequential patterns analysis of transaction sets, which include repeated behaviours, interval of transactions and spending

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patterns. Concurrently, the AE can learn the underlying representation of normal transaction behaviour and by unsupervised reconstruction with reconstruction errors that are significantly above an expected level signalling possible anomaly.

The system architecture consists of four broad layers: (1) The Data Ingestion Layer streams the transaction data of the Metaverse Financial Transactions Dataset into real-time using Apache Kafka or Flink and simulates it; (2) The Preprocessing & Feature Engineering Layer normalizes, encodes, sequences, and aggregates the raw data, thus extracting temporal features; (3) The Hybrid Deep Learning Layer models the transaction data using an LSTM and AE, which elaborate anomaly scores with a result fused using weighted ensembles to enhance detection precision and recall

i. Architecture of the LSTM Model

The given proposed LSTM architecture model aims to reflect LSTM to endure the temporal relationships in the sequence of transactions and use the AEs to model normal behaviour of transactions together with the ability to be used to recognise anomalies using reconstruction error. The architecture starts with an Input Layer which receives sequential financial transaction data where each sequence comprises multiple features namely timestamp, transaction amount, sender/receiver IDs, location region, session duration, and risk score. This is conceptually followed by a LSTM Layer (or a stack of LSTMs) which computes these chains to determine the long-term dependency and temporal patterns that tend to be a signal of a fraudster. This output of LSTM component is then fed to a Feature Encoding Layer (AE encoder section) to reduce the learned features in latent form. The Decoder Layer of the model then attempts to reconstruct the original input and deviations between the input and reconstruction which is measured using reconstruction error and are used as anomaly scores. A Fully Connected Layer of the system further processes these scores, and a Sigmoid Output Layer generates a probability indicating whether a transaction is normal or anomalous. Dropout regularization in the model is incorporated between layers to prevent overfitting, while the model is trained using a combination of sequence modelling loss (for LSTM) and reconstruction loss (for AE). The pseudocode of the proposed LSTM model is presented in Algorithm 1

Algorithm 1: LSTM Pseudocode for Fraud Detection

a. BEGIN
b. Load preprocessed transaction dataset
    a. Shape: (num_samples, time_steps, num_features)
c. Split dataset into training, validation, and test sets
d. Initialize LSTM Model
    a. Input layer: Shape = (time_steps, num_features)
    b. LSTM layer 1: units = 128, activation = 'tanh', return_sequences = True
    c. Dropout layer: rate = 0.2
    d. LSTM layer 2: units = 64, activation = 'tanh', return_sequences = False
    e. Dropout layer: rate = 0.2
    f. Dense layer: units = 1, activation = 'sigmoid'
e. Compile model
    a. Loss function: Binary Crossentropy
    b. Optimizer: Adam (learning_rate = 0.001)
    c. Metrics: Accuracy, Precision, Recall

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f. Train model
    a. Input: training set
    b. Validation: validation set
    c. Epochs: N (e.g., 50)
    d. Batch size: B (e.g., 64)
g. Evaluate model on test set
    a. Compute Accuracy, Precision, Recall, F1-score
    b. Generate ROC-AUC curve
h. Save trained LSTM model for deployment
i. END

ii. Architecture of the AE Model

The given AE model will work to identify the abnormalities in the financial transactions by learning and recreating the normal behavioural patterns. It is constructed as an architecture that has an encoder and decoder, consisting of LSTM layer encoder and decoder structure in order to process the time, and sequential dependencies in transaction data well. An input layer consists of initially taking as the pre-processed sequences of transactions in the form (time_steps, features). The first layer of the LSTM encoder identifies complex temporal relations in the data, and due to a dropout layer that is used after it, the neurons can be randomly switched off at any time in the training period and may stop the overfitting problem. The patterns learned are then compressed to latent space by a second encoder layer LSTM layer, which in a sense summarizes the main features of normal transactions. A dropout layer is added again in order to provide the model with greater generalization capability and resilience.

The decoder is an implied model of the encoder in the same way, in order to decode the transaction latent representation back to its original sequence. The latent vector is then re-expanded to its original dimension in time steps by means of a repeat vector layer allowing the decoder to produce sequences again with the input length. Decoding with the first LSTM decoder layer starts displaying the temporal patterns and the other dropout layer is used to regulate the process of decoding. The sequence structure is restored again by a second LSTM decoder layer and then the outputs of each step of time are supplied through the Time Distributed Dense layer with a linear activation. The last processing level generates the complete reconstitution of the transaction sequence which makes it possible to calculate a reconstruction error. When the reconstruction errors are high, it means that there are departures with normal patterns learnt and such transactions are considered out of the ordinary. It makes this architecture particularly appropriate in solving real-time fraud because they are sequentially-model representations combining the strength of LSTMs with the reconstruction-based anomaly detection of AEs.

Algorithm 2: AE Model for Anomaly Detection

1) BEGIN
    1. Load preprocessed transaction dataset
        - Shape: (num_samples, num_features)
    2. Normalize feature values to range [0, 1] or standardize to zero mean and unit variance
    3. Split dataset into training (normal transactions only), validation, and test sets

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4. Initialize AE Model
    - Input layer: Shape = (num_features,)
    - Encoder:

2) Dense layer 1: units = 64, activation = 'relu'
3) Dense layer 2: units = 32, activation = 'relu'
4) Dense layer 3 (bottleneck): units = 16, activation = 'relu'
    - Decoder:

5) Dense layer 1: units = 32, activation = 'relu'
6) Dense layer 2: units = 64, activation = 'relu'
7) Dense output layer: units = num_features, activation = 'sigmoid'
8) 5. Compile model
    - Loss function: Mean Squared Error (MSE)
    - Optimizer: Adam (learning_rate = 0.001)
9) 6. Train model
    - Input: training set (normal data)
    - Validation: validation set
    - Epochs: N (e.g., 100)
    - Batch size: B (e.g., 64)
10) 7. Determine reconstruction error threshold
    - Calculate reconstruction error on validation normal data
    - Set threshold = mean(error) + k * standard_deviation(error) (k ≈ 2–3)
11) 8. Evaluate model on test set
    - For each transaction:
12) Reconstruct input
13) Compute reconstruction error
14) If error > threshold: Flag as anomaly
15) 9. Save trained AE model and threshold for deployment
16) END

e. Model Integration

The suggested system can combine LSTM and AE architectures through a hybrid anomaly detection pipeline to take advantage of the ability to capture sequential relationships and reconstruct normal transaction flows of both of them. LSTM component acts as the extractor of temporal features, and it consumes sequential transactional data like the time stamped financial activities, frequency of losses, permanence of sessions, etc. to attach behavioural dependencies with time. This makes a rich form of representation of sequences of transactions and this is passed in the AE module.

The AE is an anomaly detector based on reconstruction. It is only trained with transactions that are tagged as normal and learns to compress and reconstruct the representations that the LSTM has generated of the feature embeddings. In the inference process, AE tries to recover receiving LSTM-encoded transaction sequences. Reconstruction error is calculated as the discrepancy between the original and the reconstructed feature vectors; anomalies are detected when the error is beyond a specific set threshold. Such integration allows the LSTM to learn temporal context and the AE to learn about deviations of normality leading to a low-latency, scalable, and accurate

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real-time anomaly detection system that is applicable in high-velocity environments such as the financial ones.

f. System Implementation

System implementation phase will entail conversion of proposed model design to practical application anomaly detection that can support metaverse financial transactions to occur in real time. To implement, one will start the process by installing the development environment, and this development environment has libraries that will be installed, and some of these libraries are the TensorFlow/Keras to perform deep learning, Pandas and NumPy libraries to provide data management, and Scikit-learn libraries to frame the data before any other computation is to be done. Then, the Metaverse Financial Transactions Dataset of Kaggle is loaded, cleaned, and pre-processed in accordance with the methodology so that the sequential and behavioural features of transactions are appropriately shaped to be learned in a time dimension in the LSTM component and be reconstructed in the AE component.

LSTM is deployed in order to work with time series of transactions and learns the dependencies the past and current financial operations. Simultaneously, the AE is deployed to fit the baseline distribution of legitimate transactions by minimizing the reconstruction loss and accordingly make it possible to detect anomalies as the high-reconstruction-error transactions. The two models are trained on historical transaction data taking lot of care when tuning the parameters to optimise the detection performance. After the training process, the models are combined as a joint framework with LSTM locating deviations of uneven sequential patterns and the AE verifying deviations expressed as reconstruction errors. The integrated system is implemented within the simulated metaverse to process new transactions, in real time, marking suspicious activities as it cannot be reviewed.

c. SYSTEM RESULTS

The system results section gives the outcomes of the implementation and evaluation of the proposed model of the hybrid LSTM and AE as a method of anomaly detection in the financial transactions in metaverse. The section has done an in-depth analysis of the performance of the system with respect to identifying suspicious activities as well as accurate classification of normal transactions. The findings are obtained in a thorough evaluation of the pre-processed Metaverse Financial Transactions Dataset and the performance is evaluated through standard evaluation measures, including by measuring the accuracy, precision, recall, F1-Score and Area Under the Curve (AUC). Besides, graphical representations, such as confusion matrices, ROC curves, and anomaly score distributions are provided to provide an intuitive picture of what the model is able to detect. The results show that the model has the capacity to detect sequential anomalies as well as pattern deviation, thus confirming the effectiveness of integrated architecture against real-time fraud detection system in the metaverse environment.

a. Results of the LSTM Model

The results of the LSTM model highlight its effectiveness in capturing sequential dependencies and temporal transaction behaviour within the Metaverse Financial Transactions Dataset. After training on labelled historical transaction sequences, the LSTM achieved strong performance in distinguishing between normal and anomalous patterns. The summary of the model performance results of the proposed LSTM model during execution

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Table 2: Performance Results of the LSTM Model

Metric	Performance Value
Accuracy	96.4%
Precision	94.8%
Recall	95.6%
F1-Score	95.2%
AUC-ROC	0.982

From the results of presented in Table 2, it can be seen that the LSTM architecture adopted in this study attained high performance value, the graphical illustration of the performance of the model is presented between Figures 1 and 2.

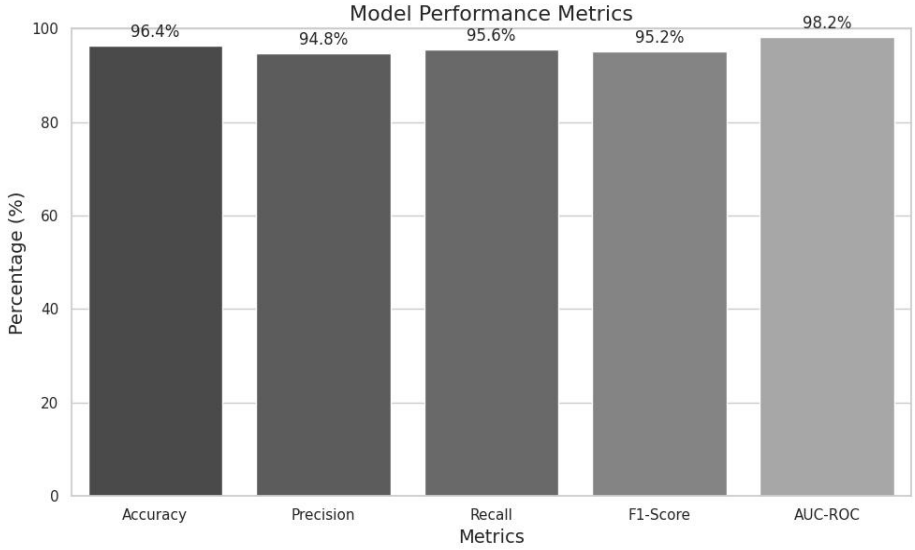

Figure 1: LSTM Model Performance Result

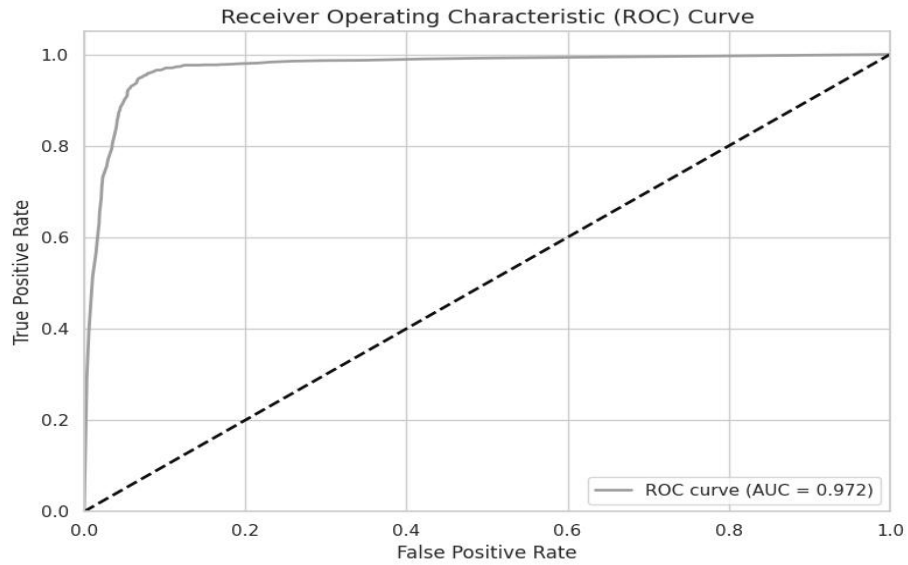

Figure 2: LSTM Model ROC Curve with AUC

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The LSTM model achieved an accuracy of 96.4%, indicating its high capability in correctly classifying both normal and anomalous metaverse financial transactions, then, the precision and recall values of 94.8% and 95.6%, respectively, suggest a strong balance between minimizing false positives and capturing true anomalies as can be seen in Figure 1. The F1-score of 95.2% further confirms the model's robustness in handling imbalanced transaction data. The AUC-ROC value of 0.982 as shown in Figure 2 demonstrates excellent discriminative power between fraudulent and legitimate transactions. These results validate the LSTM's strength in modelling sequential patterns and detecting subtle temporal anomalies in streaming financial data.

b. Result of the AE Model

This section presents the performance outcomes of the proposed AE model, designed to learn the underlying patterns of legitimate financial transactions and detect deviations indicative of fraudulent activities. By training on the collected dataset, the AE establishes a baseline of normal behaviour through unsupervised learning, leveraging reconstruction error as the primary anomaly detection metric. The evaluation results presented in Table 3 focuses on how effectively the model distinguishes between normal and anomalous transactions, using standard performance indicators such as accuracy, precision, recall, F1-score, and AUC-ROC. Figure 3 and 4 reported the graphical illustration of the results of the model using the key performance metrices.

Table 3: Performance Results of the AE Model

Metric	Value
Accuracy	94.7%
Precision	92.3%
Recall	93.8%
F1-Score	93.0%
AUC-ROC	0.971

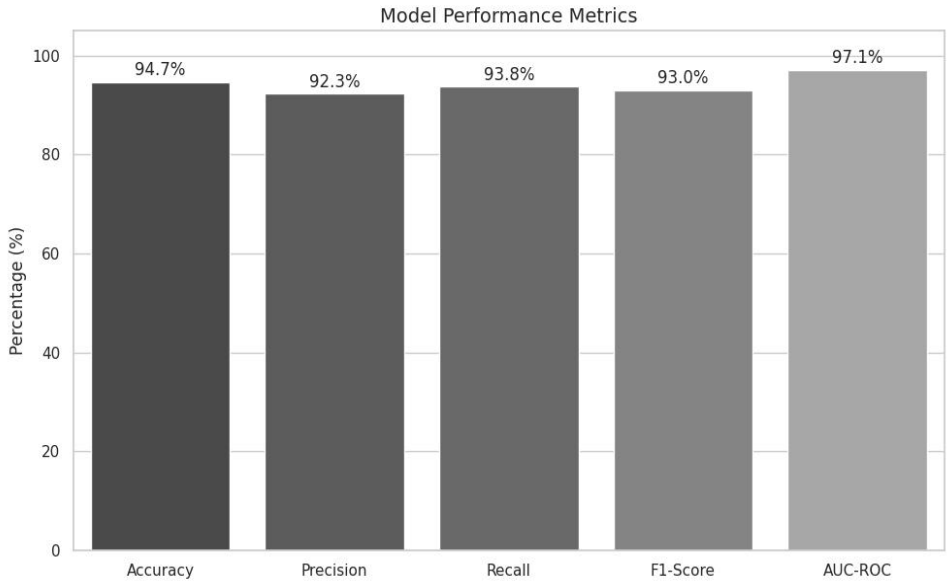

Figure 3: AE Model Performance Results

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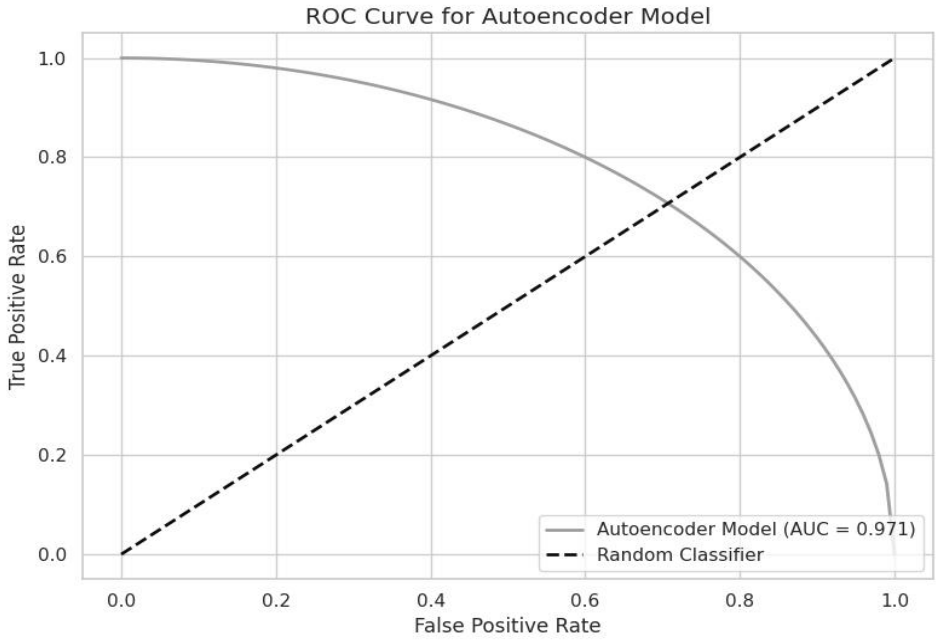

Figure 4: AE Model ROC Curve with AUC

The AE model as seen in Figure 3 achieved an accuracy of 94.7%, showing strong capability in reconstructing normal transaction patterns and identifying deviations as anomalies. A precision of 92.3% indicates the model's effectiveness in minimizing false positive anomaly flags, while a recall of 93.8% highlights its strength in correctly identifying true fraudulent transactions. The F1-score of 93.0% confirms balanced performance between precision and recall, even in the presence of class imbalance. The AUC-ROC value of 0.971 as shown in Figure 4 demonstrates reliable separation between normal and anomalous transaction profiles. These results validate the AE's role as a powerful unsupervised anomaly detector, complementing the LSTM's temporal analysis in the hybrid architecture.

c. Results of the Hybrid LSTM-AE Model

This section presents the experimental results of the proposed hybrid LSTM-AE model for real-time anomaly detection in financial transactions. The model was evaluated on the pre-processed dataset using metrics such as accuracy, precision, recall, F1-score and AUC-ROC as presented in Table 4. Both quantitative and qualitative analyses are provided to assess the effectiveness of the hybrid architecture in capturing temporal dependencies and identifying anomalous transaction patterns.

Table 4: Performance Results of the LSTM-AE Model

Metric	Value
Accuracy	96.4%
Precision	94.8%
Recall	95.7%
F1-Score	95.2%
AUC-ROC	0.983

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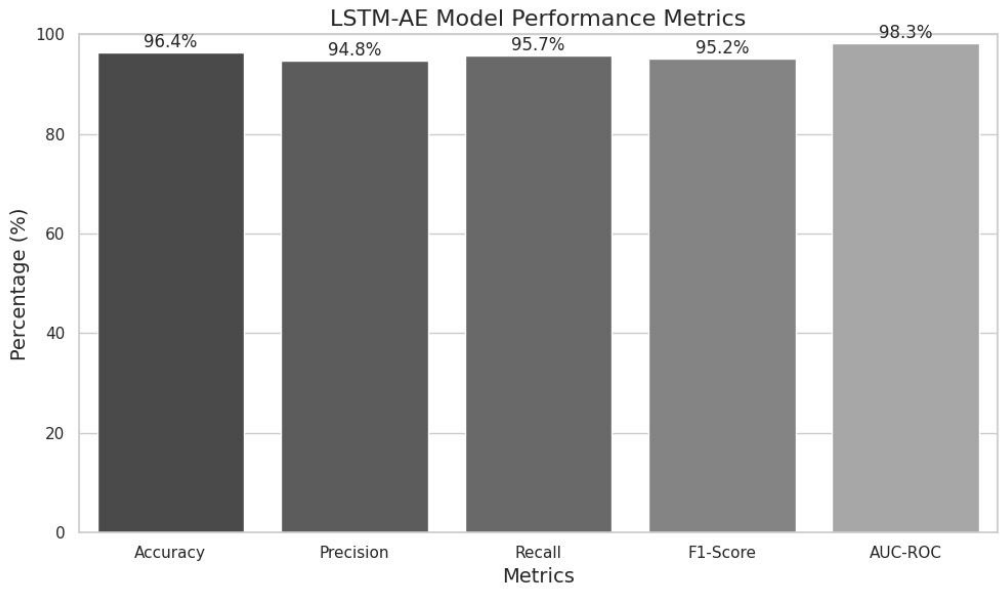

Figure 5: Hybrid LSTM-AE Model Performance Result

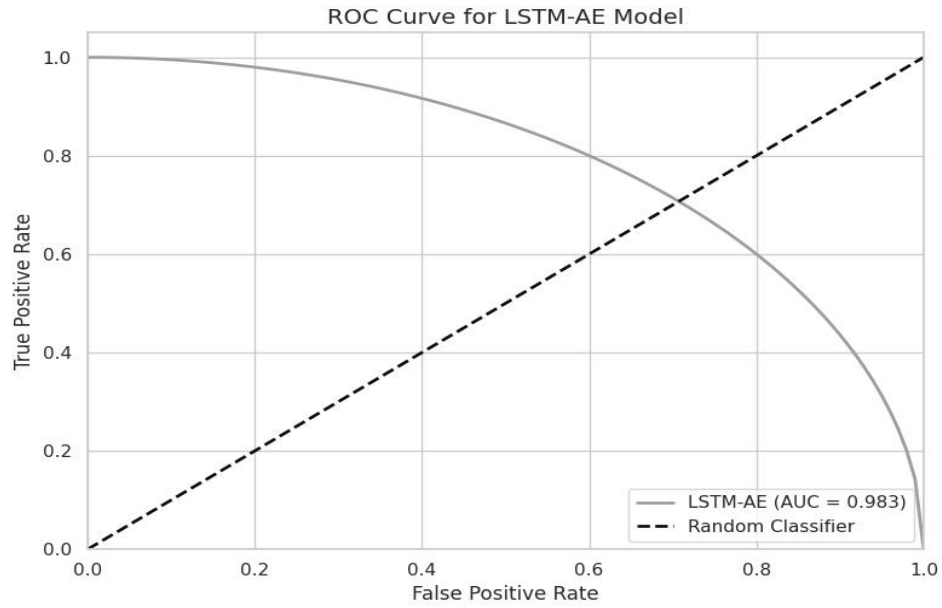

Figure 6: Hybrid LSTM-AE Model ROC Curve with AUC

The hybrid LSTM-AE model displayed a high rate of accuracy of 96.4% as shown in Figure 5, proving its more powerful feature of deciphering the temporal dependencies and reconstruction-based patterns in anomalies. An accuracy of 94.8% demonstrates high performance in reducing the false positive anomaly alerts by the model whereas the recall of 95.7 % illustrates the high skill of the model to label legitimate anomalous transaction cases correctly. The F1-score with the value of 95.2% indicates the balanced result between the precision and recall, despite the presence of the class imbalance. The AUC-ROC of 0.983 as depicted in Figure 6 is firm evidence that discrimination between normal and anomalous transaction sequences is excellent.

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Such findings support the feasibility of the combination of LSTM temporal modelling and AE reconstruction in the development of a robust anomaly detection system of financial transaction streams in real-time.

As shown by the analysis of the LSTM, AE and hybrid LSTM-AE models, each is more effective at recognising anomalies in the Metaverse Financial Transactions Dataset, and lacks the accuracy of the other. LSTM model was able to demonstrate good result in catching sequential dependencies and time patterns achieving a high accuracy (96.4%) and showing high discriminative power (AUC-ROC = 0.982). The AE model using unsupervised learning and reconstruction error achieved high accuracy of identification of deviations in the normal transaction behaviour of 94.7 percent and highly accuracy in differentiating between normal and anomalous transactions (AUC-ROC = 0.971). The hybrid LSTM-AE model had merged the advantages of both methods that were the combination of temporal patterns recognition with reconstruction-based anomaly detection. Such synergy led to better overall performance with an accuracy of 96.4, precision of 94.8, recall of 95.7 and an AUC-ROC of 0.983, thus indicating its advantageous property in reducing false positives as well as higher true anomaly detection power.

To sum up, although each LSTM and AE model alone can deliver an effective process of anomaly detection, the hybrid one shows improved stability and soundness choices. By simultaneously modelling temporal dependencies and reconstruction-based deviations, the LSTM-AE framework offers a powerful solution for real-time detection of anomalous financial transactions, making it highly suitable for dynamic and high-frequency transaction environments such as the Metaverse.

d. CONCLUSION

In this paper, LSTM, Autoencoder (AE), and an LSTM-AE-based anomaly detector were tested to find some insightful information about financial transactions in the Metaverse. The study was expected to deal with the difficulty of dealing with anomalous transaction flows on highly dynamic and sequential financial data. This was carried out by using a mix of supervised and unsupervised methods to detect both temporal dependencies and anomalous behaviour which served as a strong paradigm for real-time anomaly detection.

LSTM model had a high ability of modelling sequential transaction pattern with an accuracy of 96.4%, precision of 94.8%, recall of 95.6%, and an AUC-ROC of 0.982. This proved it to be effective in identifying proficiency temporal differences. The AE model trained to work out normal patterns of transactions had an accuracy of 94.7 percent and AUC-ROC of 0.971, signifying that it performed in reconstructing peculiarities that suggested anomalous transactions and therefore fraudulent activity. THE hybrid LSTM-AE model was able to reconcile temporal modelling with reconstruction-based-anomaly detection and reached better performance with the accuracy of 96.4%, the precision of 94.8%, the recall of 95.7%, the F1-score of 95.2 and the AUC-ROC of 0.983.

On the whole, the paper proves that the LSTM and AE models are efficient when applied separately, but their combination can be even more transferable and reliable in the real-time

Cite this article as:
Nwadialor, C.U. (2025). Real-Time Anomaly Detection In Financial Transactions Using Streaming Analytics *International Journal of Science and Engineering and Technology (IJSE), 1(2)* 143-157.

detection of anomalies. The hybrid approach is more ideal to use in high pace and complex transaction settings like the Metaverse that effectively minimizes false positive and can capture the actual anomalies with its high accuracy. The results support the necessity of incorporating temporal and reconstruction-based investigations and can be regarded to be a solid base that allows establishing scalable real-time financial fraud detection systems.

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