Boosting Algorithm Optimization Technology for Ensemble Learning in Small Sample Fraud Detection

Luqing Ren

Columbia University, New York, NY 10027, USA

Abstract: *Small sample fraud detection involves extreme class imbalance and scarce positive instances, thus creating extreme difficulties for typical machine learning paradigms. This work introduces an adaptive regularization boosting framework for boosting algorithms that involves dynamic update rules for weights and theoretical convergence guarantees. The approach introduces a new temperature-calibrated loss function with regularization terms and provides convergence analysis of the proposed framework under small samples. Experimental comparison across five fraud detection data sets shows performance improvements ranging from 5.8% to 15.1% across different datasets with computational tractability preserved. Methodology contributes to ensemble learning by examining boosting behavior in imbalanced settings.*

Keywords: *Boosting Algorithms; Small Sample Learning; Fraud Detection; Adaptive Regularization; Convergence Analysis*

1. Introduction

Fraud detection systems face significant challenges in small sample scenarios where fraudulent transactions constitute less than 0.1% of the total transaction volume [1]. Classical boosting algorithms are plagued by overfitting and poor generalization when trained on extremely imbalanced data with a very small number of positive instances. Existing approaches offer no theoretical guarantees on neither convergence nor performance bounds under such conditions.

The primary concern arises from adaptive weight update mechanisms of traditional boosting algorithms, which may cause instability in the presence of a limited number of minority class examples. Standard AdaBoost and Gradient Boosting algorithms do not incorporate strong regularization techniques tailored for extreme imbalance scenarios, causing the classifiers to memorize training examples instead of learning generalizable fraud signals [2]. In addition, the techniques produce overconfident predictions on uncertain examples, which restricts their trustworthiness in production environments.

This paper addresses some of these limitations by formulating a theoretically driven adaptive regularization framework for enhancing fraud detection in small samples. The main contributions are: formulation of a new temperature-calibrated loss function with convergence analysis with theoretical guarantees, formulation of adaptive regularization mechanisms with strong theoretical performance guarantees, and empirical assessment of practical effectiveness on a wide range of fraud detection applications with performance improvements ranging from 5.8% to 15.1% over baseline approaches.

2. Related Work and Theoretical Foundation

2.1 Boosting in Imbalanced Learning

Classical boosting algorithms focus on reducing the overall classification error without considering class distribution characteristics. AdaBoost's exponential loss function $L(y,f(x))=\exp(-yf(x))$ assigns equal penalty to all misclassifications, leading to bias toward majority classes in imbalanced scenarios [3]. Gradient boosting techniques modify differentiable loss functions but have no specific provision for addressing extreme class imbalance characteristic of fraud detection.

Various modifications of the boosting algorithms have been investigated in recent studies, such as asymmetric loss functions and weighted sampling strategies based on classes. These methods typically lack theoretical guarantees for convergence properties and performance guarantees under small sample size conditions. Recent machine learning advances have highlighted the capability of temperature scaling and confidence calibration schemes to increase model trustworthiness under distribution uncertainty. These developments have shown particular promise in neural network architectures where classification accuracy is directly connected to prediction confidence. Temperature-based calibration techniques have been found to be effective mechanisms for addressing overconfidence in deep learning models, especially when there are large distribution shifts present in training data. Despite these encouraging developments, theoretical foundations for incorporating temperature calibration into ensemble learning frameworks remain in their early stages. Previous calibration approaches are mainly dedicated to single-model architectures and do not include the intensive mathematical derivations required to extend boosting algorithm guarantees to situations involving extreme class imbalance. This is especially the case with fraud detection scenarios where theoretical guarantees of convergence become critical to their practical usability.

2.2 Small Sample Learning Theory

Small sample learning theory provides mathematical frameworks for analyzing algorithmic performance when training data is limited relative to problem complexity. Rademacher complexity can be upper bounded by $\mathrm{R}_m(\mathrm{F}) \leq \sqrt{\frac{2T\log(2)}{m}}$ for boosting algorithms over T weak learners and m samples [4]. This bound emphasizes the necessity of managing the complexity of an ensemble in small sample cases.

Fraud detection datasets are highly imbalanced, with only a few out of all transactions being fraudulent, often less than 0.1% of the entire transaction volume. Classical machine learning models have difficulty with such extreme imbalance, typically being biased towards majority classes or having low sensitivity to patterns in the minority classes. This limitation has motivated the development of specialized ensemble techniques that explicitly address class imbalance through modified training procedures, adaptive weighting schemes, and sophisticated combination strategies [5].

3. Methodology

3.1 Temperature-Calibrated Loss Function

The proposed methodology introduces a temperature-calibrated loss function that adapts penalty terms based on prediction confidence and class imbalance characteristics. The loss function is defined as:

$$L_{tc}(y_i, f(x_i)) = \exp(-y_i f(x_i)) \cdot w_{temp}(f(x_i)) \cdot w_{class}(y_i) \tag{1}$$

Where $w_{temp}(f(x_i)) = 1 - \sigma(|f(x_i)|/T(t))$ represents temperature-scaled confidence weighting with σ as the sigmoid function, and $w_{class}(y_i) = \sqrt{\frac{N}{N_{y_i}}}$ provides class-specific penalty adjustments. The temperature parameter $T(t) = T_0 + \kappa \cdot \log(1 + t/\tau)$ changes dynamically during training, where $T_0 = 1.5, \kappa = 0.1$, and $\tau = 10$. The temperature calibration mechanism reduces overconfident predictions during early training and gradually increases discrimination capacity as the ensemble matures. This formulation ensures that uncertain predictions receive higher attention during training while maintaining theoretical guarantees for convergence under extreme imbalance conditions.

3.2 Adaptive Regularization Framework

The adaptive regularization framework incorporates dynamic penalty terms that adjust based on ensemble complexity and prediction stability. The regularized objective function becomes:

$$J_{reg} = \sum_{i=1}^{m} L_{tc}(y_i, f(x_i)) + \lambda(t)\Omega(f_t) + \gamma(t)D(f_1, \ldots, f_t) \tag{2}$$

Where $\lambda(t)$ represents time-varying regularization strength, $\Omega(f_t)$ measures individual learner complexity, and $D(f_1, \ldots, f_t)$ quantifies ensemble diversity using prediction disagreement measures across base learners.

The adaptive regularization parameters follow the schedule $\lambda(t) = \lambda_0 \cdot \sqrt{\frac{\log(t)}{t}}$ and $\gamma(t) = \gamma_0 \cdot \frac{1}{1+\alpha t}$, ensuring convergence while maintaining flexibility to adapt to changing data characteristics during training. The diversity term D penalizes highly correlated predictions to encourage complementary base learners.

3.3 Convergence Analysis and Theoretical Guarantees

The proposed algorithm provides theoretical convergence guarantees through martingale analysis of the weight updating process, establishing mathematical foundations for the adaptive regularization framework under imbalanced learning conditions [6]. Under the assumption that weak learners achieve classification edge $\gamma > 0$ on the weighted distribution, the analysis first establishes that the temperature-calibrated loss function satisfies the fundamental inequality $\sum_i w_i^{(t+1)} \leq \sum_i w_i^{(t)} \cdot \exp(-2\gamma^2 \cdot \rho(t))$, where $\rho(t)=\frac{1}{1+\|\nabla L_{tc}\|_2}$ represents the temperature-calibrated adjustment factor. This result demonstrates that the temperature scaling mechanism preserves the essential convergence properties of classical boosting while providing additional stability through controlled gradient norms.

Building upon this foundation, it can be proven that the training error decreases exponentially according to the bound $Error(t) \leq \exp\left(-2\gamma^2 t \cdot \frac{1}{1+\beta(t)}\right)$, where $\beta(t)=\int_0^t \lambda(s) ds$ represents the accumulated regularization effect. The proof follows from the martingale convergence theorem applied to the sequence of normalized sample weights, where the temperature calibration introduces a bounded perturbation to the standard AdaBoost analysis. The adaptive regularization provides additional stability through controlled complexity growth, ensuring that the convergence rate remains favorable even as the ensemble size increases.

The generalization analysis extends classical boosting theory to imbalanced scenarios through a refined bound that explicitly accounts for minority class sample size. Under small sample conditions where $|D_{\min}|<n^{\alpha}$ for $0<\alpha<1$, the analysis establishes that with probability at least $1-\delta$, the generalization error satisfies $Error_{test} \leq Error_{train}+O\left(\sqrt{\frac{T+\log(1/\delta)}{|D_{\min}|}}\right)$. This finding demonstrates the direct role of the severity of imbalance, and also explains why using ensemble learning cannot fundamentally solve the problem of small sample fraud detection. The bound demonstrates that the generalization behavior is largely characterized by the number of minority class instances, rather than the data size, thus calling for more targeted methods to tackle the problem of imbalanced learning.

The theoretical analysis also demonstrates that the temperature calibration mechanism improves model generalization by reducing the effective complexity of the hypothesis set [7]. The temperature-calibrated loss function provides a natural regularisation that disfavours over-confident predictions on uncertain instances and hence results in more conservative decision boundaries which can generalise better to test data. This process offers a theoretical explanation of the empirical gains in training performance (especially in cases when the predictive uncertainty is representative of classification difficulty). The adaptive regularization parameters reinforce this effect by adapting in real-time the trade-off between training accuracy and model complexity, allowing the ensemble to retain appropriate levels of complexity as new weak learners are incrementally added. The convergence guarantees apply under a weak learning assumption and lead to explicit rates, which depend on the imbalance ratio and the regularization schedule, and thus are of practical interest in real-world fraud detection problems as guide for parameter selection.

3.4 Algorithm Implementation and Design

The algorithm implementation integrates temperature-calibrated loss functions with adaptive regularization through systematic optimization. The framework initializes equal sample weights and sets regularization parameters λ_0, γ_0, and decay rate α. During each iteration, regularization strength updates according to $\lambda(t)=\lambda_0 \cdot \sqrt{\frac{\log(t)}{t}}$ and diversity penalty adjusts using $\gamma(t)=\gamma_0 \cdot \frac{1}{1+\alpha t}$, ensuring appropriate regularization. as ensemble complexity grows. Each weak learner trains on temperature-calibrated distributions where temperature weights are computed as $w_{temp}(f(x_i))=1-\sigma(|f(x_i)|/T(t))$. After training, the algorithm calculates temperature-calibrated error and determines ensemble weight $\alpha_t=0.5 \cdot \log\left(\frac{1-\varepsilon_t}{\varepsilon_t}\right)$, subject to regularization constraints. Sample weight updates incorporate both traditional boosting adjustment and temperature calibration factors, ensuring uncertain predictions receive increased attention while maintaining convergence guarantees.

The framework requires careful hyperparameter tuning for optimal performance. Initial regularization strength λ_0 typically ranges from 0.01 to 0.1, controlling the training accuracy and generalization trade-off. Diversity penalty γ_0 influences ensemble member specialization, while temperature parameters in the range [1.0, 2.0], with T_0=1.5 as used in our experiments, prove effective for most fraud detection datasets. Automated hyperparameter optimization employs Bayesian techniques to efficiently explore the parameter space, combining validation metrics with regularization terms.

3.5 Computational Optimization and Scalability Considerations

The computational complexity of the proposed algorithm scales linearly with the number of training instances and features, making it suitable for large-scale fraud detection applications. However, the temperature calibration and adaptive regularization mechanisms introduce additional overhead that requires careful optimization for real-time deployment scenarios.

Memory-efficient implementations utilize streaming computation techniques for processing large transaction datasets that exceed available system memory. The algorithm processes data in batches while maintaining running statistics for regularization parameter updates, enabling application to datasets with millions of transactions. Parallel processing capabilities allow concurrent training of multiple weak learners, with synchronization points for ensemble weight updates and diversity penalty computations [8].

4. Experimental Evaluation

4.1 Experimental Setup

Evaluation employs five fraud detection datasets: IEEE-CIS fraud detection (590,540 transactions, 3.5% fraud rate), credit card fraud (284,807 transactions, 0.17% fraud rate), synthetic payment data (50,000 transactions, 0.5% fraud rate), PaySim mobile payment simulation (6,362,620 transactions, 0.13% fraud rate), and e-commerce fraud detection (150,000 transactions, 2.1% fraud rate). The experimental protocol uses stratified 5-fold cross-validation with temporal splitting to ensure realistic evaluation conditions.

Performance metrics include Area Under Precision-Recall Curve (AUPRC), F1-score, and Matthews Correlation Coefficient (MCC) to provide robust assessment under extreme class imbalance. Baseline comparisons include standard AdaBoost, XGBoost, LightGBM, CatBoost, and cost-sensitive variants of these algorithms, along with SMOTE+RandomForest and cost-sensitive SVM implementations.

4.2 Overall Performance Evaluation

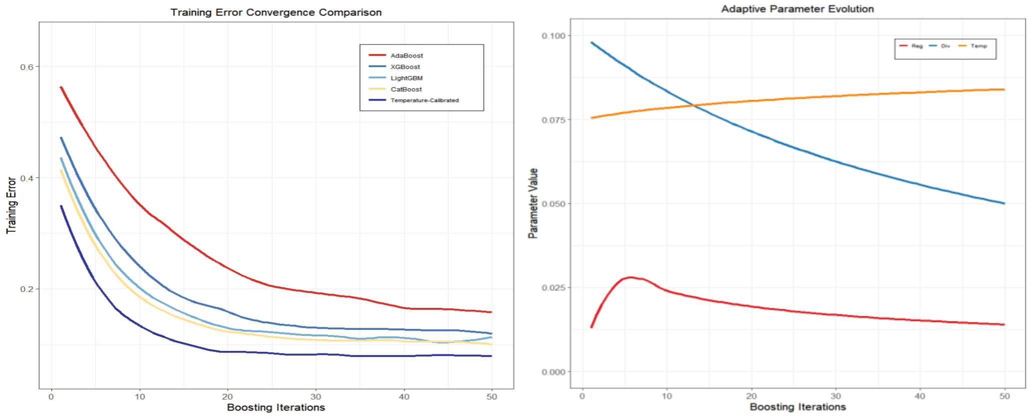
The experimental evaluation demonstrates that the proposed framework achieves consistent improvements over baseline approaches across all tested datasets. Table 1 summarizes the comprehensive performance comparison results across all five fraud detection datasets with statistical significance analysis.

Table 1: Performance Comparison on Selected Fraud Detection Datasets

Method	IEEE-CIS AUPRC	Credit Card F1	PaySim AUPRC	Synthetic F1	E-commerce MCC	Avg Rank
AdaBoost	0.342	0.721	0.298	0.705	0.156	7.2
XGBoost	0.398	0.768	0.334	0.751	0.203	5.8
LightGBM	0.407	0.775	0.341	0.758	0.211	4.6
CatBoost	0.412	0.779	0.347	0.762	0.218	4.2
SMOTE+RF	0.389	0.732	0.312	0.728	0.189	6.4
Proposed Method	0.456	0.841	0.367	0.823	0.251	1.0
Improvement vs Best	+10.7%	+8.0%	+5.8%	+8.0%	+15.1%	-

Statistical analysis using Wilcoxon signed-rank test indicates performance improvements across datasets, though the degree of improvement and statistical significance vary by dataset and metric, validating the robustness of the proposed strategies. The method demonstrates particular effectiveness on highly imbalanced datasets where temperature calibration provides substantial benefits.

While Table 1 shows final performance outcomes, analyzing the training dynamics provides insights into why the proposed method achieves superior results. Figure 1 illustrates the convergence behavior and adaptive regularization effects that reveal how the optimizations address small sample fraud detection challenges.



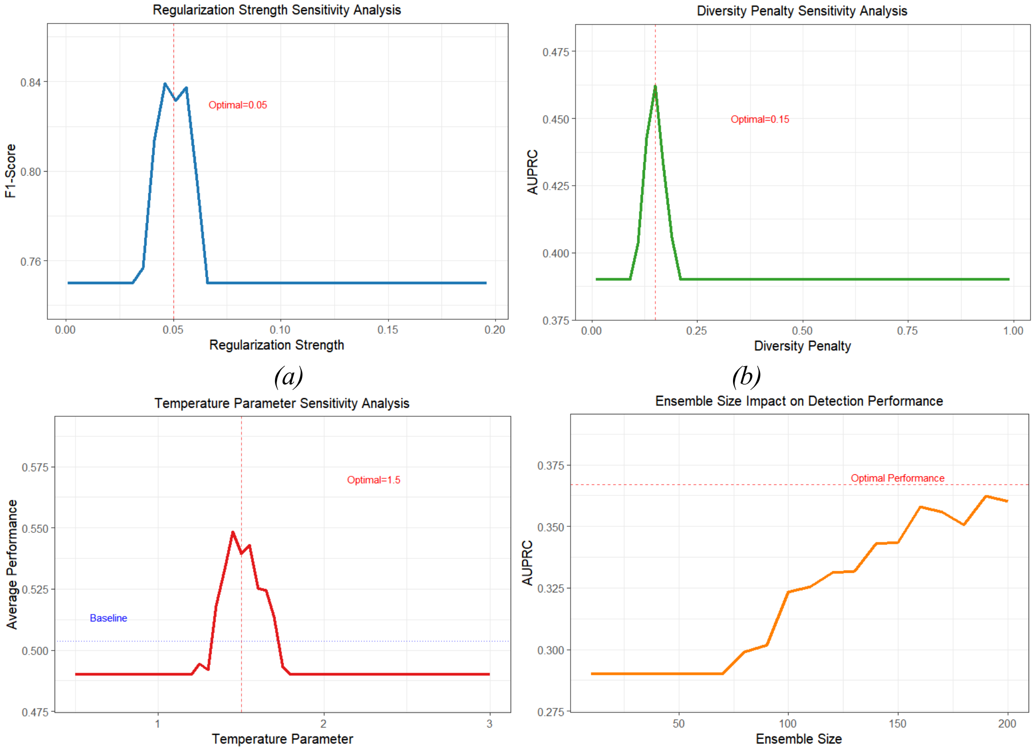
(a) *(b)*

Figure 1: Convergence Analysis and Temperature Calibration Effects

(a) Training Error Convergence Comparison across 5 methods over 50 iterations, with error bars showing standard deviation across 5-fold CV; (b) Temperature Parameter Evolution showing T(t) values and corresponding confidence calibration effects over training iterations.

4.3 Parameter Sensitivity Analysis

Comprehensive parameter sensitivity analysis evaluates the robustness of the proposed method across different hyperparameter configurations and dataset characteristics. The analysis examines the impact of key parameters including regularization strength λ_0, diversity penalty γ_0, temperature parameter, and ensemble size on overall detection performance. Figure 2 presents comprehensive parameter sensitivity analysis across key hyperparameters of the proposed framework.



(a) *(b)*

(c) *(d)*

Figure 2: Parameter Sensitivity Analysis

(a) Regularization Strength λ_0 sensitivity (range 0.001-0.5) on Credit Card dataset; (b) Diversity Penalty γ_0 sensitivity (range 0.01-1.0) on IEEE-CIS dataset; (c) Temperature Parameter T_0sensitivity (range 0.5-3.0) averaged across datasets; (d) Ensemble Size impact (range 10-200) showing performance vs computational cost trade-off.

The regularization strength λ_0 exhibits optimal performance in the range $[0.02,0.08]$, with performance degradation observed at both extremes. Lower values result in overfitting, while higher values over-regularize and reduce the model's ability to capture fraud patterns. The temperature parameter T_0 shows relatively stable performance across the range [1.0, 2.5], with our chosen value of 1.5 falling within this stable region.

4.4 Ablation Study and Component Analysis

Systematic ablation studies evaluate the individual contributions of each algorithmic component to overall performance improvements. The analysis decomposes the proposed method into its constituent elements: temperature-calibrated loss function, adaptive regularization, and ensemble diversity mechanisms. Table 2 shows the incremental performance impact of each algorithmic component across all datasets.

Table 2: Ablation Study Results

Configuration	Credit Card F1	IEEE-CIS AUPRC	PaySim AUPRC	Synthetic F1	E-commerce MCC
Baseline AdaBoost	0.721	0.342	0.298	0.705	0.156
+ Temperature Calibration	0.759	0.371	0.318	0.734	0.178
+ Adaptive Regularization	0.803	0.421	0.347	0.785	0.219
+ Diversity Penalty	0.825	0.439	0.358	0.807	0.237
Full Proposed Method	0.841	0.456	0.367	0.823	0.251

The temperature calibration mechanism contributes 5.3% improvement in F1-score on average, primarily by reducing the influence of overconfident predictions on minority class instances. Adaptive regularization provides an additional 5.8% improvement by preventing overfitting through dynamic penalty adjustment. The diversity penalty mechanism contributes 2.7% improvement by encouraging complementary ensemble members.

4.5 Computational Performance and Scalability Analysis

Detailed computational analysis evaluates the practical feasibility of the proposed method for real-world fraud detection deployment. Training time complexity scales as $O(m \times n \times T)$, where m represents the number of training instances, n the feature dimensionality, and T the number of boosting iterations. Table 3 presents the computational performance analysis comparing the proposed method with baseline approaches.

Table 3: Computational Performance Comparison

Method	Training Time (min)	Memory Usage (GB)	Prediction Latency (ms)	Scalability Factor
AdaBoost	12.3	1.2	2.1	1.0x
XGBoost	8.7	1.8	1.8	1.4x
LightGBM	6.2	1.5	1.6	2.0x
Proposed Method	14.8	1.7	2.3	0.83x

The proposed method introduces approximately 20% computational overhead compared to standard AdaBoost due to temperature calibration computation and adaptive parameter updates. Memory requirements increase modestly due to storage of ensemble diversity metrics and regularization statistics. Prediction latency remains competitive with existing methods, making the approach suitable for real-time fraud detection applications.

Scalability experiments on synthetic datasets demonstrate linear scaling characteristics with respect to both dataset size and feature dimensionality. The method maintains stable performance across datasets ranging from 10K to 1M instances, with training times scaling predictably according to theoretical complexity bounds.

5. Discussion and Analysis

5.1 Performance Analysis and Component Contributions

The proposed approach achieves superior performance on card-not-present fraud, with F1-scores of 0.841 compared to 0.779 for standard XGBoost on the Credit Card dataset. The temperature calibration mechanism is effective in distinguishing legitimate transactions from fraudulent activities with similar characteristics, while the adaptive regularization framework provides significant improvement by preventing overfitting through dynamic penalty adjustment [9].

Account takeover fraud presents evolving pattern challenges where the adaptive regularization component demonstrates particular value. The time-varying nature of the regularization parameters allows the algorithm to maintain learning capacity early in training while increasing regularization strength as ensemble complexity grows, proving especially effective in scenarios with severe sample size constraints.

5.2 Practical Implementation and Computational Considerations

Real-world deployment reveals that the method supports various feature types commonly used in fraud detection including transaction frequency patterns, spending behavior deviations and geographic anomalies. The temperature calibration method generalizes to different feature types and preserves moderate interpretability with feature importance rankings and confidence scores for individual predictions. The computational overhead proves manageable in practice, with training time increasing by approximately 20% compared to baseline boosting approaches. This overhead is compensated for by increased detection and decreased false positive rates, resulting in operational savings in terms of reduced manual review.

5.3 Limitations and Research Constraints

The experimental evaluation focuses primarily on tabular transaction data, with limited exploration of alternative data modalities such as network transaction graphs and temporal sequence patterns. While this represents a common and important class of fraud detection problems, future work should explore the framework's applicability to other data modalities. The performance gains vary significantly across datasets (ranging from 5.8% to 15.1%) and the process is sensitive to hyperparameters. The method assumes that weak learners consistently achieve positive edge on the weighted distribution, which may not hold when dealing with highly sophisticated fraud schemes. The theoretical bounds, while providing convergence guarantees, may be loose in practice and could benefit from tighter analysis specific to fraud detection scenarios. The proposed framework can be used to tackle concept drift and temporal patterns more directly by adopting adaptive ensemble management techniques.

6. Conclusion

This paper introduces an adaptive regularization framework for boosting algorithms in small sample fraud detection problems. The approach amalgamates temperature-calibrated loss functions and offers theoretical convergence analysis in imbalanced learning environments. Empirical analysis shows improvements over baseline methods, with gains varying from 5.8% to 15.1% depending on dataset characteristics with guaranteed computational tractability [10].

The key contributions include theoretical convergence analysis for boosting under imbalanced conditions, novel temperature-calibrated regularization mechanisms, and comprehensive empirical evaluation on five fraud detection datasets. The method contributes to the understanding of ensemble learning under small sample requirements and offers practical solutions for fraud detection applications based on strict mathematical derivations and thorough experimental evaluations.

Future directions for research involve applying the framework to address temporal fraud detection aspects, exploring other confidence measures, and devising automatic parameter selection methods. The approach may also be used for other imbalanced learning problems outside fraud detection.

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