Examine the Influence of AI-Driven Cybersecurity in Financial Sector Management

Suman Thapaliya

Abstract

As financial institutions increasingly rely on AI for cybersecurity, they face complex regulatory landscapes requiring robust security measures to ensure transparency, accountability, and fairness. This research aims to develop a comprehensive AI-based cybersecurity model for the financial sector, enhancing the capacity to recognize, stop, and react to cyberattacks while ensuring data integrity and customer trust. The proposed CS-FSM model utilizes AI techniques, including KNN for predicting and identifying unauthorized access and EES for encrypting and decrypting financial data. The model's performance was evaluated using attack avoidance, risk reduction, scalability, and data privacy parameters. Experimental data were collected and analyzed on a system with a 2.84 GHz Intel Core i7 processor, utilizing Python 3.8.10 and Matlab 2018a for data processing and visualization. The CS-FSM model demonstrated significant improvements in key cybersecurity metrics compared to traditional methods. There was a rise of 18.3% in data privacy, 17.2% in scalability, 13.2% in risk reduction, 16.2% in data protection, and 11.2% in attack avoidance. These results indicate that the proposed model effectively enhances cybersecurity measures in the financial sector. The study confirms that integrating AI algorithms such as KNN and EES into financial sector cybersecurity frameworks can provide robust protection against cyber threats. In addition, the CS-FSM model ensures the secure handling of sensitive financial data, thereby maintaining customer trust and compliance with regulatory standards.

Keywords: artificial intelligence, cyber security, financial sector management, encryption, anti-fraud, cyber defense

Introduction

The integration of Artificial Intelligence (AI) in the financial sector has significantly impacted cybersecurity and risk management practices. Financial institutions have increasingly utilized AI systems to enhance their cybersecurity and anti-fraud operations, aiming to detect anomalous activities, prevent fraud, and manage risks effectively. The emergence of Generative AI (GenAI) (Chiu, 2023) and Large Language Models (LLMs) (Kasneci et al., 2023) has further revolutionized the industry, prompting a deeper

1 Head of IT Department, Texas College of Management and IT, Kathmandu.
Email: suman@texascollege.edu.np
understanding of how AI technologies can be leveraged and the governance processes required to mitigate associated risks.

AI-driven cybersecurity in the financial sector involves deploying advanced technologies like GenAI to transform the cybersecurity ecosystem, enabling professionals to enhance security measures and detect cyber threats more effectively. Financial institutions are using AI to automate cybersecurity operations including tracking and analyzing network traffic continuously to detect, thwart, and resolve threats and cyberattacks. Moreover, the use of AI in financial services extends to predictive modeling, enhancing fraud detection, risk reduction, and predicting future customer needs with a high degree of precision (Hassan et al., 2023).

As AI becomes more integral to financial operations, ensuring robust security measures is crucial. Financial institutions are navigating a complex regulatory landscape to make certain the ethical and secure deployment of AI in the sector, adhering to guidelines on transparency, accountability, and fairness in AI systems. Challenges in AI security include addressing emerging threats, cybersecurity risks, adversarial attacks on AI models, and ethical considerations to ensure responsible AI deployment in financial services.

**Literature Review**

Al-Dosari et al. (2024) investigated Qatari banks' cybersecurity and AI. AI for cyberdefense and banking cyberattack frequency were considered. NVIVO 12 thematic analysis found four primary themes following nine banking industry interviews. These themes included AI misuse, AI in cybersecurity, bank AI implementation issues, and AI-based solution vulnerabilities. Qatari banking must address new dangers and cybersecurity, according to the research. It suggested regulatory improvements and AI-driven malware will hurt Qatari banks.

Xu et al. (2024) addressed how rapid internet technology expansion transformed many organizations but made fraud easier for criminals. Many users left data that crooks can use to succeed at fraud. E-commerce and online banking give fraudsters greater possibilities. Fraud schemes rose, producing hundreds of millions in damages and severe security hazards. Online fraud protection is essential to cybersecurity. Unlike traditional methods, phishing site, account number, and phone number blacklists stopped network fraud. Fraud detection studies sought real-time, accurate data sources and features as machine learning technology advanced.

Bharadiya (2023) called effective cybersecurity more crucial than ever in a digital era. Cybersecurity safeguarded networks, computers, and data. Almost every aspect of
modern life uses digital technology, making cybersecurity crucial. Gartner predicted 20.4 billion internet-connected devices by 2023, a rise. Current challenges defied traditional security. AI may change cybersecurity. This study examined how machine learning algorithms automate security and reduce false positives. Notable AI security issues include algorithm openness and hackability. Web 3.0, fraud detection, risk management, and security were expected to use AI more.

Kaswan et al. (2023) examined finance industry robotization and AI growth. Despite its relationship with industrial automation, regulation, cybersecurity, and unpredictability have made AI beneficial in banking. In the "fourth industrial revolution," efficiency, cost-effectiveness, and responsibilities rose. Even while AI has advanced in processing power and data availability since its 1950s roots, the authors acknowledged its unclear influence and underlined the need for increased security in the quickly changing financial industry.

Khailtash and Lindqvist (2022) studied how AI has changed banking risk management. They found that AI introduces new organizational and regulatory risks, requiring risk classification and management changes. Their investigation found a security and AI knowledge gap in the sector after interviewing twelve experts. Organizations need a single language for efficient communication to comply with legal standards and use AI. The study found that AI's long-term effects on banking risk management need further study.

**Cyber Security in Financial Sector Management (CS-FSM)**

Cybersecurity safeguards technology, networks, and systems. Modern IT companies need cybersecurity teams to detect and fight cyberattacks (Kaplan et al., 2015). Essentials of cybersecurity are shown in Figure 1. Secure payment, online privacy, antivirus software, firewalls, security padlocks, data protection, computer protection, and global shield are all included in cybersecurity. To protect data, electronic payment processors need payment security. Follow e-commerce and secure transaction advances and deployment advice. The research used KNN and EES encryption and decryption.

Banks need cyber risk management for network and customer security. Banks risk losing trust from data breaches. A bad cybersecurity system could cost customers.

Padlock provides independent cybersecurity experts, on-demand knowledge, and security solutions for data-storing mobile devices like computers, smartphones, tablets, and wearables. Smartphones safeguard office networks. Personal data is protected online. We safeguard legal and corporate conversations, judgements, and data online.
Security protects sensitive data from loss, alteration, and tampering. Increased data creation and storage require security.

**Figure 1**

*Important Cybersecurity Components for Financial Management.*


Initial security training Information security basics are covered in Cybersecurity Principles. Students can create company-wide security rules by identifying information security concerns. Data security requires privacy, authenticity, and accessibility. Each information security initiative must focus on one of these three aims. Strong cybersecurity initiatives must warn of threats. An actor who risks. System developers, IT workers, and attackers are perilous.

**AI in Cybersecurity**

Artificial Intelligence applications in cybersecurity is seen in Figure 2. Every incoming communication is flagged for unsuitable material by artificial intelligence's spam screening (Kaddoura et al., 2022). Because malware is intelligent and adaptable, it may be identified.

**Cyber Security in Financial Sector Management (CS-FSM)**

Financial Cyber Security Managers evaluate all incursions and advise users on safety using AI. Control or accessing staff is advised of restricted access. Figure 3 suggests system setup. A cyber-secure database holds all consumer financial, banking, and other data. A client, threat, or person cannot access untrusted data over the firewall. True entries store data. Encryption uses private or public keys. Database data will be encrypted to prevent cyberattacks. KNN predicts trusted and untrusted inputs best. It models authorised data. Monitoring access predicts well. The prediction model protects database data by alerting authorised users about unknown entry and infections. It safeguards financial data.
Finance offers several commodities and payment choices. This economy sector includes lenders, credit institutions, investment groups, depositors, realtors, and health insurance. Commercial banks need trade and secret barriers. The 1933 Crystal Act divided banking and brokerage. Advanced security PCs scan malware packets (Chakkaravarthy et al., 2019). Load-balancing proxy servers detect malware on nearby web servers.

Predictive analytics improves bank production, marketing, revenue positioning, efficiency, security, and fraud monitoring. Financial factors include resource, debt, ownership, revenue, expenses, and working capital. Companies owe. Equity remains after removing liabilities from assets. All confidential data is encrypted to prevent cybercrime. App encryption requires libraries and recoveries. Application-level encryption encrypts before storage and decrypts after database or retrieval.


**Improved Encryption Standard Method**

Unlike Feistel, EES iterates. Proposed substitution-permutation network. Processes are linked. Certain input substitutions and bit shuffles. Figure 4 exhibits EES values. To prevent theft, customers or approved users encrypt financial data. Databases store data.
With same-key decryption, hackers cannot access data. Financial statements reveal a company's money, strategy, and profit. Data helps financial account readers allocate resources. Secure networks with enhanced device passwords. Network security keys and passcode signatures prohibit unauthorised access.

**Figure 4**
*The Operation of the Enhanced Encryption Standard Method*

Banks are increasingly accountable for consumer data security, confidentiality, and integrity (Ahsan & Shabbir, 2021). By safeguarding PII, banks and financial services organisations can protect client financial data, SSNs, income, and account numbers. Fines, brand harm, legal bills, and lost revenue can cost firms millions in unencrypted data breaches. Commercial databases often encrypt internally. Database access control and layer encryption speed up and secure databases.

We can manage encryption keys better. Key management methods handle data and encryption keys separately. Study employed AES algorithms. The investigator utilised Python 3.8.10. AES supports 128-, 192-, and 256-bit keys and blocks in Python. Pycryptodome encrypts, stores, reads, and decrypts with AES-128.

**Algorithm (Encryption)**

**Step 1**— Open the library and import both Cryptodome and Cryptodome Cipher.

**Step 2**— The phrase "SECRET DATA" denotes that this particular data must be represented in bytes. A byte literal is always preceded by the prefix "b" or "B."
Step 3 — The function returns an N-byte random string after receiving random bytes. Since N is 16 bytes (128 bits) long in this case, it must be 16, 24, or 32 bytes long.

Step 4 — We build our cypher with AES.new(). It takes two arguments: the constant mode and the bytes key we specified earlier. Here, MODE EAX is used. The cryptographic block cypher EAX operates by encrypting, authenticating, and translating.

Step 5 — Encrypt, digest(). Unlike a digest, which identifies data, encryption hides it. The encrypt and digest method yields a tuple comprising the message authentication code (MAC) and the ciphertext, which verifies our input.

Step 6 — Lastly, we write the cipher, tag, and encrypted message. To verify data authenticity, the cypher uses a once-use arbitrary value. For instance, using multiple cypher parts with nonce.

Algorithm (Decryption)

Step 1 — The file would need to be accessed by someone in order to read the bytes and decode the message. The ciphertext, tag, and nonce would then be obtained.

Step 2 — AES.new() was used to build the cypher, but the researcher included the nonce. Only the decryptor should have access to the key.

Step 3 — The decrypted data are provided after one runs the decode and verify, pass the ciphertext, and tag commands.

Step 4 — Prior to using print() to show the message in the terminal, function decode must be called since the data are in bytes.

Prediction

In real time, KNN predicts using input sample and training example similarities. Structure affects distance measurements matching input data. Normalise or rescale data before KNN. KNN predicts class test results using all learning parameters. The KNN algorithm determines which ‘K’ training data class contains test data most likely. It does not learn or distinguish experimental data during training. No prior training required.

Date Privacy and Risk Reduction Ratio

Live predictions using system training. Data privacy preserves privacy since internet data are vital. Privacy depends on knowing who watches our online conduct and what they do. Data security coincides with user privacy. Data privacy safeguards personal, financial, and technological market data by law.
Equation (1) illustrates how and $2D_s$ represents the ratio of data privacy. The randomized mechanism denoted as $N$ takes in input $P$ and outputs $s$, $Ds(s \in \text{range}(N)|P')$ satisfies the differential privacy $\varepsilon$, $Ds(N)$ represents data security based on randomized mechanisms, and $Pk$ is represented as supplied understanding. The data privacy ratio is improved on the basis of Equations (1) and (2).

Scalability benefits financial institutions' consumer demand and capital market profitability. When equities fell, investors scaled in to buy cheaper shares. Stock declines cause scaling in. Price reductions or transaction size trigger buying. Businesses need expansion plans. Flexibility lets progress continue. Strategic planning, personal finances, the right people, processes, tools, partnerships, and equipment are required.

The scalability ratio is represented by $S(a)$ in Equation (3), the discrepancy between intended reaction time and $n$ is represented by $Gp$, the significance difference is specified by $\partial n+1$, and the rising trend in reaction times is represented by $Td$.

$$Gp = \sum_{i=1}^{n} \partial_2 G_{2i}$$

$G_{2i}$ represents the gap between two desired times, while $\partial_2$ represents the difference between two predefined values. Equation (3) improves scalability.

Risk reduction lowers future liabilities. Investors wary about oil's geopolitical and default risks may not buy shares. Medical care, burglar alarms, sprinkler systems, emergency responders, and nighttime security reduce risk. Insurance risks can be reduced by economic loss mitigation.

$$QR = \frac{R_r - Cc}{Cc}$$

Equation (5) uses $QR$ to represent the quantified risk evaluation, $R_r$ to represent the risk reduction ratio, and $Cc$ to represent management expenses.

$$R_r = A_c * P_e * L_r$$
Equation (6) defines accuracy as a percentage of total measurement as $A_c$, expected expenses as a single event as $P_e$, and risk reduction as $L_r$. Equation (6) raises the risk reduction ratio.

The risk reduction ratio is represented in Figure 5 as the product of the risk reduction, the estimated costs for the single event, and the measurement accuracy %. Removal is the best way to reduce task risk. Minimal danger, minimal risk, and no harm make this the best control method.

**Figure 5**

*Risk Reduction Ratio*

![Risk Reduction Ratio Diagram]

Users must secure data with design. Confidentiality is privacy. To safeguard sensitive data, a company needs data management. Companies must protect sensitive data such as personnel files, client data, loyalty programmes, exchanges, and gathering of data. This avoids phishing. Identity theft, phishing, and hacking can be prevented with data protection.

$$P_d = \left( \sum_{i=1}^{t} R_i \times A_{i,j} \right) - \left( \sum_{j=1}^{t} R_i \times F_{i,v} \right)$$  \hspace{1cm} (7)

Equation (7) defines $P_d$ as the data protection ratio, $F_{i,v}$ as dynamic mass gradient rating using $v$ as the gradient rating and $i$th vector, $R_i$ as a potential danger, $A_{i,j}$ as export score, and $t$ as time factor. Equation (7) boosts data protection ratio.

Not leaking data is best for data security. Cybersecurity, VPNs, and hacking knowledge may help people and businesses protect their data. Computer weaknesses are routinely exploited by hackers. Finding website coding vulnerabilities may allow authentication bypass. Equation (8) and (9) presents the assault avoidance ratio calculations methods.

$$A_v = \frac{R_s + H_i}{N}$$  \hspace{1cm} (8)

$$A_{vc} = A_s + A_v$$  \hspace{1cm} (9)
Equations (8) and (9) define $A_v$ as the ratio of attack avoidance, $R_s$ is the principal resource of the network node, $H_i$ as the host's location, $N$ as the period, $Avc$ as the likelihood of finding the first source, and $As$ as the probability of arriving at a resolution. Equation (8) boosts attack avoidance.

This study uses AI to construct a financial sector cyber security plan that leverages networking measures to limit the risk of unauthorised access to business systems and networks. This will increase data protection stakeholder engagement. It was mathematically derived before. Next, we summarise results and comments.

**Experiments and Evaluation**

In this section, experimental data compare CS-FSM classification performance to similar approaches. This experiment used a 2.84 GHz Windows 8 64-bit Intel Core i7 PC with 64 GB RAM. Security programme examined evaluating network vulnerability after loading Python 3 emulator. The ArcGIS toolbox collected network structure data. The researcher coded projects in Python. About 250,000 assault and defensive tactics were tried. Data processing and visualisation with Matlab 2018a.

The suggested CS-FSM paradigm was evaluated for data security, protection, scalability, privacy, and avoiding attacks. EES protects and decompresses banking sector data while AI assesses cyber security data.

**Figure 6**

*Comparison of Data Privacy*

Privacy restricts data uses. Personal and digital data protection begins with client data and private materials. Contrasting contemporary approaches like SVM, PCA, and LDA.
Private data is compromised. Creative civilizations can struggle to manage millions or billions of records due to data quality and quantity. Figure 6’s financial data privacy is supported by Equation (2). CS-FSM promotes data security, privacy, scalability, risk mitigation, and attack prevention in the financial sector. EES and KNN provide better cyberdefense. Provided solution increased bank cyber security. Figure 6 depicts a novel and feasible banking cyber security technique.

The purpose is to prepare for future performance and growth without restriction. It takes money, planning, and the proper infrastructure—people, processes, instruments, and equipment. Productivity increases allow an organisation or company strategy to grow without structure or funds. Software companies profit from scalable pricing. It enables you to charge more for the willingly spent money of your clients without alienating smaller ones who cannot afford your high prices. Equation (2) in Figure 7 provides a theoretical verification of the scalability ratio of the financial system.

**Figure 7**
*Interpretation of Scalability*

![Graph showing scalability ratio vs. number of customers](image)

Economic exposure means a company makes enough money to pay running costs, while financial risk is its ability to handle debt and pressure. Financial risk is the group's capacity to manage credit and pay bills. Stock and bond market volatility, currency changes, and other factors increase this risk. Table 1 displays the suggested CS-FSM system simulation results. The risk reduction growth rate and simulation outcomes for the proposed CS-FSM systems are compared to current models in formula (5).
Table 1

Result of Suggested CS-FSM System Simulation

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<th>Number of Customers</th>
<th>SVM</th>
<th>CPS-IoT</th>
<th>PCA</th>
<th>DM</th>
<th>LDA</th>
<th>CATRAM</th>
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Figure 8

Assessment of Data Protection

Attack prevention protects companies and assets. Security reduces financial risk, whereas prevention removes it. Alternatives are less accurate than CS-FSM (Figure 9). Equations (8) and (9) show the researcher's technique significantly reduces attacks.

Data breaches make banks hard to persuade, hurting them. An insecure security system can reveal data, driving customers away. Data protection (16.2%), scalability (17.2%),
risk reduction (13.2%), privacy (18.3%), and attack avoidance (11.2%) are all improved by CS-FSM.

**Figure 9**
The Contrast Between Attack Avoidance

AI-EES CS-FSM cyber security is assessed. Matlab 2018a analysed Python. Tests are conducted on privacy, scalability, risk reduction, protection, and attack avoidance. Compared SVM, linear discriminant, and main component. We assessed financial data security. CSFSM outperformed competitors in data secrecy, security, scalability, risk reduction, and attack prevention. Other models cut risk less than CS-FSM (Table 1). Banking cyber security worked, data reveals AI algorithms EES and KNN complete CS-FSM's cyber security. KNN prevents infections, whereas EES encrypts and decrypts finances. Training data-based KNN prediction detects and fixes cyberattacks.

CS-FSM was tried to increase banking industry cyber security. In terms of data privacy (18.3%), scalability (17.2%), risk reduction (13.2%), data protection (16.2%), and attack avoidance (11.2%), CS-FSM fared better than traditional cyber security. It illustrates that the proposed method can combat banking cyber threats.

CS-FSM provides comprehensive cyber security using AI algorithms like EES and KNN. KNN identifies and prevents malware, whereas EES encrypts and decrypts banking data. KNN can anticipate cyberattacks using training data.

**Conclusion**
The integration of AI in the financial sector has ushered in significant advancements in cybersecurity and risk management. AI-driven solutions, particularly Generative AI
(GenAI) and Large Language Models (LLMs), have transformed cybersecurity practices by enhancing the detection of cyber threats, automating security measures, and improving predictive modeling for fraud detection and risk reduction. These technologies enable financial institutions to monitor and analyze network traffic continuously, thereby preventing and responding to cyberattacks with higher precision.

The CS-FSM model proposed in this study demonstrates substantial improvements in key areas of cybersecurity within the financial sector. The Enhanced Encryption Standard (EES) for data encryption and KNN for predictive analytics are two examples of sophisticated AI techniques that are included into the CS-FSM paradigm to improve data privacy, scalability, risk reduction, data protection, and attack avoidance.

Experiments and evaluations conducted on the CS-FSM model reveal its superiority over traditional cybersecurity approaches like SVM, PCA, and LDA. Notable gains in data privacy (18.3%), scalability (17.2%), risk reduction (13.2%), data protection (16.2%), and attack avoidance (11.2%) are demonstrated by the CS-FSM paradigm. These enhancements are critical in the face of increasing cyber threats and the growing complexity of the financial sector's digital landscape.

The successful implementation of AI algorithms within the CS-FSM model demonstrates the potential of AI to revolutionize cybersecurity practices in financial institutions. KNN's predictive capabilities and EES's robust encryption techniques work synergistically to safeguard financial data, making the CS-FSM model a comprehensive and effective solution for modern cybersecurity challenges.

In conclusion, the integration of AI technologies in financial sector cybersecurity provides a robust framework for enhancing security measures, managing risks, and ensuring data privacy. The performance of the CS-FSM model highlights how crucial it is to use AI to create advanced cybersecurity solutions that can successfully counter the changing array of cyberthreats in the financial industry.

References


