



AI-DRIVEN PERSONAL FINANCE MANAGEMENT APP WITH PREDICTIVE SPENDING ANALYSIS

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Abstract - Personal finance management has grown increasingly complex due to the rise of digital transactions, subscription-based services, and fluctuating income patterns, which have made budgeting and savings challenging for individuals. Many people struggle to effectively track expenses and plan financial goals using traditional tools, often resorting to manual methods or static applications that provide limited insights.

This paper proposes an AI-driven personal finance management application with predictive spending analysis, designed to enhance users' ability to budget, save, and make informed financial decisions. By leveraging advanced machine learning techniques, the system analyzes historical transaction data, identifies spending patterns, and forecasts future expenditures. The application offers personalized budget recommendations, predictive alerts, and actionable insights to help users optimize their spending behavior. It emphasizes user-centric design principles, ensuring simplicity, security, and transparency in financial data handling.

Through predictive analytics, the system shifts personal finance from a reactive tracking process to a proactive planning tool. The study explores the system architecture, methodology, and potential impacts of AI-based predictive tools in personal finance management, highlighting benefits such as improved financial awareness, better savings practices, and reduced financial stress. Limitations and potential enhancements are also discussed, emphasizing future opportunities to integrate more sophisticated analytics, broader financial instruments, and interactive educational modules.

Keywords: AI-driven personal finance, Predictive spending analysis, Budget management, Savings optimization, Machine learning in finance, Financial decision support

Effective personal finance management is essential for maintaining financial stability, yet it remains a challenging task for many individuals in the modern digital economy. The proliferation of credit cards, mobile payment platforms, online subscriptions, and e-commerce services has introduced convenience but also increased complexity in tracking expenditures. Users often lose sight of their spending patterns, resulting in insufficient savings, budget overruns, and long-term financial insecurity. Traditional financial management tools typically offer static budget tracking, manual transaction entry, and limited visualization of spending patterns, making them less effective in helping users adapt to real-time changes in their financial behavior. Such tools provide descriptive insights rather than actionable guidance, which often results in delayed or reactive financial decisions.

Artificial intelligence and machine learning technologies offer a transformative approach to personal finance by enabling predictive and adaptive financial insights. By analyzing historical transaction data, AI systems can identify spending trends, detect anomalies, and forecast future financial obligations. Predictive spending analysis not only informs users about their past behavior but also equips them with forward-looking insights to plan budgets, manage expenses, and optimize savings strategies. This paper presents an AI-driven personal finance management application aimed at enhancing users' budgeting and saving capabilities through predictive analytics.

The system's design prioritizes user engagement, transparency, and security while delivering personalized recommendations based on individual spending behavior. By integrating AI-based insights, the proposed application aims to shift financial management from a reactive, post-spending approach to a proactive, goal-oriented process that empowers users to make better financial decisions and achieve sustainable financial well-being.

INTRODUCTION

LITERATURE REVIEW

Over the past decade, personal finance management systems have evolved from manual spreadsheets and record-keeping tools to sophisticated digital applications. Early tools required extensive user input for expense recording and categorization, which often led to user fatigue and low retention rates. Research indicates that high manual effort and limited insight generation reduce the long-term adoption of financial management tools, as users often fail to perceive tangible benefits. As technology advanced, automated expense tracking and bank integration features improved convenience, allowing transactions to be categorized automatically. While these tools improved accuracy and ease of use, they primarily offered descriptive analytics, summarizing past expenditures without predictive capabilities. Studies in behavioral finance suggest that descriptive insights alone are insufficient to induce long-term financial behavior changes, as individuals require timely, personalized feedback to adjust spending habits effectively.

This paper builds upon existing literature by proposing a system that combines predictive analytics with personalized recommendations, allowing users to receive context-specific insights that reflect their unique financial patterns. The study demonstrates how AI-driven approaches can bridge gaps in traditional personal finance tools, promoting proactive management and enabling users to develop consistent saving habits, avoid unnecessary spending, and improve overall financial health.

SIGNIFICANCE OF THE STUDY

The significance of this study lies in its focus on transforming personal finance management through predictive analytics and AI-driven intelligence. Traditional financial tools have limited capacity to anticipate user behavior or provide actionable, personalized guidance, leaving individuals to make financial decisions based on incomplete information. In contrast, an AI-driven approach allows for proactive financial management, empowering users to make informed decisions and better allocate resources.

By forecasting future expenses and identifying spending patterns, the system helps users anticipate financial obligations, avoid overspending, and optimize savings plans. The predictive nature of the system enables users to not only reflect on past expenditures but also plan for upcoming financial events, seasonal fluctuations, or unexpected costs, fostering long-term financial stability.

From a technological perspective, the study highlights the practical application of AI and machine learning in consumer-focused financial tools. It illustrates how predictive modeling can be integrated into mobile applications while ensuring user-friendliness, privacy, and security.

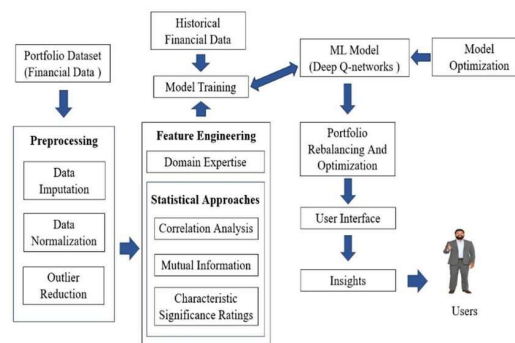
PROPOSED SYSTEM

The proposed AI-driven personal finance management application collects transaction data from linked financial accounts or user inputs. Transactions are categorized into spending domains such as groceries, utilities, transportation, entertainment, and savings. The system uses machine learning to analyze historical spending patterns, detect anomalies, and predict future expenses. Based on these predictions, personalized budget recommendations and alerts are generated to guide user behavior.

The application provides an intuitive interface with dashboards, charts, and notifications that allow users to track progress, understand trends, and adjust financial goals. Data security is a primary consideration, with encryption, secure authentication, and consent mechanisms implemented to protect sensitive information.

The system aims to help users control discretionary spending, plan for upcoming expenses, and develop consistent saving habits.

Figure1. Architecture of the Proposed Ai-driven Personal Finance Management App With Predictive



METHODOLOGY

The methodology of the proposed system involves several key stages: data collection, preprocessing, feature extraction, model training, prediction, and user feedback integration. Transaction data is collected securely from financial accounts or manual input and cleaned to ensure accuracy and consistency. Feature extraction identifies important attributes such as spending

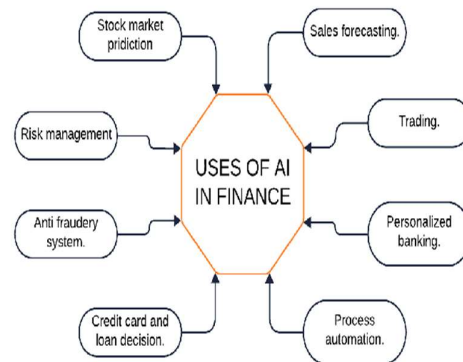
frequency, average transaction values, and category-wise distributions. Machine learning models, including regression and time-series algorithms, are used to forecast future expenses, while classification models support accurate transaction categorization and anomaly detection.

Predictions are compared against user-defined budgets and financial goals, generating alerts, recommendations, and actionable insights. Continuous model retraining ensures adaptation to changing user behavior, enhancing prediction accuracy over time

Table 1. Methodology of the Proposed System

Step	Process	Description
1	Data Collection	Gather transaction data from accounts or user input.
2	Data Cleaning	Remove errors and organize data.
3	Feature Selection	Identify important details like spending patterns and categories.
4	Model Training	Train machine learning models to predict future spending.
5	Prediction	Forecast expenses and detect unusual transactions.
6	Budget Comparison	Compare predictions with user budgets and goals.

Figure 2. Flowchart of the Proposed ai-driven personal



LIMITATIONS

Despite its advantages, the system has limitations. Its predictive accuracy depends heavily on the quality and quantity of historical transaction data; users with limited history may receive less reliable forecasts. Sudden changes in income, lifestyle, or unexpected expenses can reduce prediction accuracy. Human financial behavior, influenced by emotional, social, and external factors, may not always align with predictions. Privacy concerns exist, as the system requires access to sensitive financial information, despite encryption and security measures.

CONCLUSION

This paper presents an AI-driven personal finance management application with predictive spending analysis to help users budget effectively and save consistently. By leveraging machine learning and historical transaction data, the system forecasts future expenses, provides personalized recommendations, and generates alerts to support informed financial decision-making. Unlike traditional finance tools that primarily track past transactions, the proposed system emphasizes proactive, data-driven insights that enhance financial awareness, improve savings behavior, and encourage disciplined spending. While limitations related to data dependency, privacy, and behavioral variability exist, the application demonstrates significant potential in promoting sustainable financial habits.

Future enhancements, including deep learning integration, interactive AI features, and expanded financial services, can further improve adaptability, accuracy, and user engagement.



FUTURE ENHANCEMENTS

Future enhancements include integrating advanced deep learning models to improve prediction accuracy and incorporating external factors such as economic trends, inflation, and seasonal patterns. Expanding functionality to support investment planning, credit score monitoring, debt management, and retirement planning can provide a comprehensive financial management platform. Interactive AI assistants and conversational interfaces could offer real-time financial guidance and scenario analysis. Gamification and personalized financial education modules may enhance engagement and encourage positive financial behavior. Integration with additional fintech services, including automated savings tools and peer-to-peer payments, can further increase system utility.

These enhancements aim to create a more robust, adaptive, and user-focused application capable of supporting long-term financial well-being and informed decision-making for a wide range of users.

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