

## **Ensemble Learning Boosting Model of Improving Classification and Predicting**

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### **Abstract**

Artificial Intelligence Engineering is an important topic and has been studied extensively in various fields. Machine learning is part of Artificial Intelligence that has been used to solve prediction problems and financial decision making. An effective prediction model is one that can provide a higher prediction accurate, that is the goal of prediction model development. In the previous literature, various classification techniques have been developed and studied, which by combining several classifier approaches have shown performance over a single classifier. In building a boosting ensemble model, there are three critical issues that can affect model performance. First are the classification techniques actually used; the second is a combination method for combining several classifiers; and all three classifiers to be combined. This paper conducts a comprehensive study comparing the ensemble boosting classifier and three widely used classification techniques including AdaBoost, Gradient boosting, XGB Classifier. The results of the experiment with two financial ratio datasets show that the Ensemble Boosting Classifier has the best performance with an accurate value of 98%, while AdaBoost is 96%, Gradient\_boosting is 98%, and XGB Classifier is 98%. Ensemble Boosting matches all available data, so the predict () function can be called to make predictions on new data.

### **Keywords**

Ensemble Learning, Boosting, Financial Ratio, Classification

### **Introduction**

Ensemble learning is a strategy where a group of models is used to solve problems that exist today, strategically ensemble learning combines various machine learning models into a single predictive model. In general, the ensemble method is mainly used to improve the accuracy of the overall performance of the model and combine some basic learners, for classification or

prediction of the actual class. The more diverse the basic learner is, the stronger the final model will be. In each machine learning model, generalization error is given by the sum of the squares of bias + variance + irreducible error. By using the ensemble technique, it will reduce the bias and variance of the model. This reduces generalization errors overall.

Utilization of data in science applies to various fields to study hidden patterns and make predictions or descriptions accordingly, and it refers to the collection of techniques used to extract hidden knowledge, such as patterns, relationships, or rules from large data sets (Almasoud et al., 2015). This extracted knowledge can be analyzed and is able to predict future trends (Mhetre et al., 2017). Machine learning model optimization is an important step in producing more effective and efficient models. Optimization can include accelerating the data base reading process, determining parameters for the hypothesis function.

Machine learning applications are found in the retail, banking, military, health, financial, image, housing, etc. sectors, to achieve their goals, researchers develop different algorithms using expertise from various fields of study (Cherfi et al., 2018; Berquist et al., 2017; Tsai et al., 2014; Hsu et al., 2012; Jardin et al., 2018; Hung et al., 2006; Sun et al., 2017; Brahmana et al., 2005; Hemmatfar, 2018; Zi et al., 2016; Zhao et al., 2017; Khairalla et al., 2018; Priya et al., 2018; Janggo, 2018; Santosh et al., 2020; Pisula et al., 2020; Zi et al., 2016; Barboza et al., 2017; Altman, 2000; David, 2011; Chen, et al., 2013). This algorithm can be used to build models, which can obtain insights from previous data. This can be applied to solve problems related to classification, regression, grouping and optimization using algorithms such as decision trees, random forests, logistic regression, support vector machines (SVM), Naïve Bayes, K-Nearest Neighbor (KNN), K-Means and others..

In this paper, the proposed method is Ensemble Learning Gradient Boosting (EL-GB), where the EL-GB model has the advantage of being able to achieve better prediction and classification performance than other algorithms.

## Methodology

The EL-GB model uses several base classifiers in the learning process, there are two stages in EL-GB learning. Stage 1, each base classifier used is trained using the same dataset so as to produce the results of their respective predictions. Stage 2, the meta classifier takes the prediction results from the base class as input to determine which class is most likely to test data.

Hyperparameter is the number of decision trees used in ensemble boosting. Decision trees are added to the model sequentially in an attempt to refine and improve the predictions made by the previous trees. Thus, more trees is often better. The number of trees can be set via the *n-estimators* argument and the default is 100. The number of samples used for each tree can vary. This means that each tree fits into a randomly selected subset of the training data set. Using fewer samples introduces more variables for each tree, although it can improve the overall performance of the model. The number of samples used to match each tree is determined by the subsample

argument and can be set to a fraction of the size of the training data set. The diagram of the ensemble boosting method used is shown in Figure 1. Ensemble Boosting Prediction.

This study uses a dataset of banking industry financial ratios that publish financial reports on the web site <https://www.ojk.go.id> as well as on the respective banking websites. The use of this dataset is intended for classification of financial performance based on the Altman Z-Score. The features used are as follows: capital to total assets; retained earnings to total assets; earning before interest and taxed to total assets; book value and book earning to total debt. While the output is Z-Score and target. The following is a summary of the financial ratio dataset used can be seen in Table 1. Financial Ratio Dataset. The method of measuring the results uses for measurement criteria, namely accuracy, precision, sensitivity and specificity of testing 10 fold cross validation.

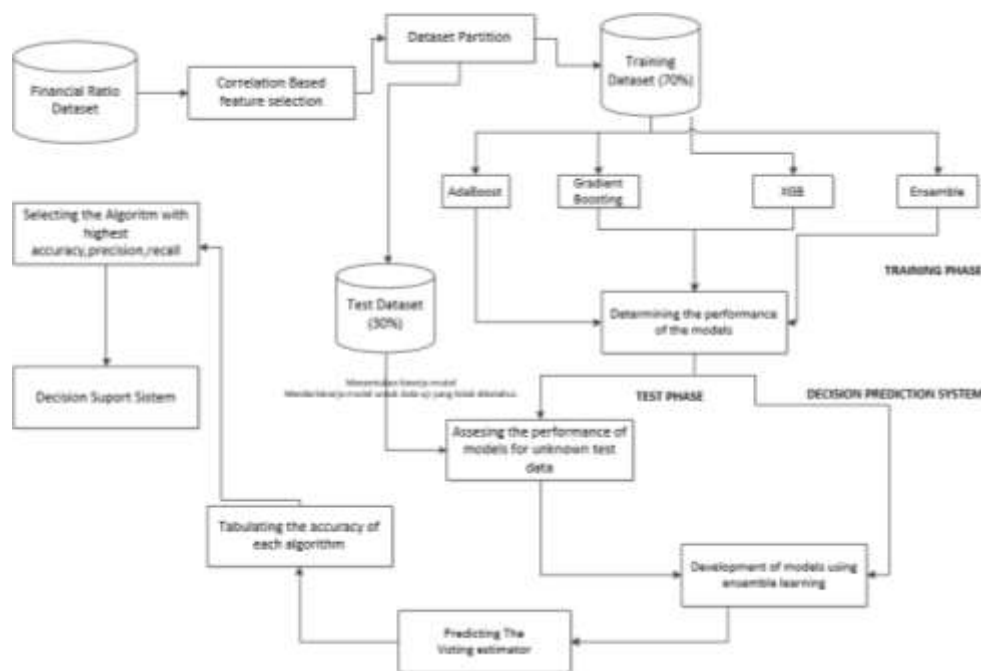


Figure 1. Boosting Clasifier Method

Table 1. Financial Ratio Dataset

WCTA	RETA	EBITA	BVEBDTA	ZSCORE	CLASS
4.2700	1.5000	0.6900	11.1000	0.4092	Distress Zone
.4376	0.1144	0.0610	0.2961	5.9081	Safe Zone
0.0024	0.0114	0.0177	0.0813	0.0852	Distress Zone
1.8000	1.5000	0.7200	31.4300	5.7425	Safe Zone
3.5900	1.6250	0.6100	27.6800	2.1127	Gray Zone
3.5200	1.8750	1.9000	13.1400	0.3796	Distress Zone
7.1000	1.9300	-1.8700	15.2700	1.2372	Distress Zone
1.8600	1.3000	1.3700	16.5400	0.0512	Distress Zone

6.8400	2.1200	0.1700	14.7600	1.1334	Gray Area
2.0900	1.7000	1.5000	11.5700	0.8147	Distress Area
0.1000	1.0000	0.8000	29.6000	1.2637	Gray Area
4.5700	2.0000	0.8800	11.9100	0.5932	Distress Zone
1.0200	1.3500	1.0300	20.8300	1.7915	Gray Area
4.07000	2.000	0.27000	15.8500	0.6564	Distress Zone

The financial ratio dataset shows that there are four features as independent variables and two features as target classes. The graph is shown in Figure 2. Financial Ratio Dataset Graph

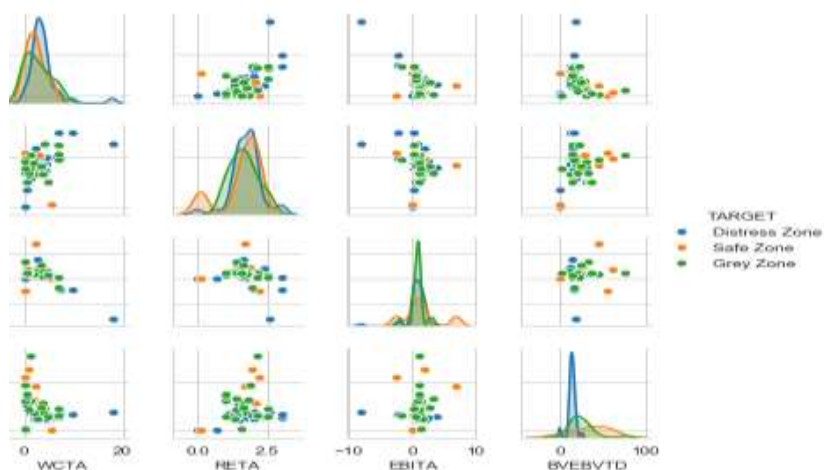


Figure 2. Financial Ratio Dataset Graph

### Results and Discussion

The results of the AdaBoost Based Classifier training dataset with  $n_{estimator}$  5, Gradient boosting with  $n_{estimator}$  10, XGB with a max depth of 5, and a learning rate of 0.001, and ensemble using voting hard are shown in Table 2. Comparison Results of Distress Dataset Accuracy.

Table 2. Comparison Results of Distress Dataset Accuracy

Training Dataset	Ada Boost Classifier	Gradient Boost Classifier	XG Boost Classifier	Ensemble Classifier
	%	%	%	%
BankSaria	91	91	92	91
BankConven	96	98	98	98

Table 2 shows that the accuracy increases to 98% when using the boosting classifier based on the multiclass dataset, with majority voting, the Adaboost model is 96%, although with other individual models the accuracy is just as good.

Table 3. Comparison Results of Confusion Matrix Accuracy

Training Dataset	Precision %	Recall %	F1-Score %
BankSaria	86	86	84
BankConven	86	86	84

Specific results may vary given the stochastic nature of the learning algorithm. In this case, we can see that the Boosting ensemble with hyperparameter the  $n$  estimator =10 achieves precision, recall, and F1-Score quite well on the four datasets as the ensemble boosting model can be used as the final model and make predictions for classification. First, ensemble Boosting matches all available data, then the `predict ()` function can be called to make predictions on new data. A qualitative bankrupt dataset is a binary classification, the ensemble boosting model can evaluate on this dataset. The results of machine learning such as ensemble learning boosting show high potential for use in corporate bank distress finance prediction systems, especially when combined with knowledge of financial analysis. This paper strengthens research on the use of boosting that has been done by Santosh, (Santosh et al, 2020) with accuracy in ensemble boosting 98%. In this study, the level of accuracy with GradientBoost and XGBboost based learn shows the same accuracy with ensemble boosting, which is 98%, while AdaBoost is sensitive to noise data, this is greatly influenced by outliers because it tries to adjust each point perfectly so AdaBoost accuracy rate of 96%, lower compared to other based learn.

## Conclusions

This study is designed to develop a learning ensemble boosting, to detect the level of control of the banking industry financial distress using a combination of based learning which refers to the performance of the model with the approach of using classification techniques; a combination method for combining several classifiers; and the number of classifiers to combine. The proposed model, compared with other classifiers, significantly improves accuracy, recall, precision, and F1Score. Ensemble boosting is easy to implement, iteratively corrects weak classifier errors and improves accuracy by combining weak based learns, can use many base classifiers, is not prone to overfitting. In future research, various objectives can be considered as follows: Building a server that functions to store banking financial reports so that it can integrate data, expert knowledge, feature selection, balance operations on the dataset, and add the use of various other influencing factors as a level of distress control financial factors such as liquidity factors and corporate governance indicator factors to improve the detection performance of the level of financial distress control by learning ensemble boosting.

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