

AI-Driven Personal Finance Management System Using Machine Learning and Flask

Rahul Huchgond¹, Aditya Jadhav², Shreyash Nale³, Akshata Bhosale⁴, Prof. Dipali Jadhav⁵

*1,2,3,4,5Dept. Of Information Technology, Sinhgad College Of Engineering, Pune, Maharashtra, India.

Abstract - In today's digital era, managing personal finances has become increasingly complex due to multiple income sources, diverse expenses, and limited financial awareness. Existing financial tools primarily focus on basic expense tracking and lack intelligent insights and personalization. This paper presents an AI-Driven Personal Finance Management System that integrates machine learning and rule-based logic to automate financial tracking, predict future expenses, and provide personalized investment recommendations. The system uses Linear Regression for expense forecasting and a rule-based engine to suggest suitable investment options such as SIPs, Fixed Deposits, Recurring Deposits, and Mutual Funds. Developed using Python, Flask, and scikit-learn, the system provides a user-friendly dashboard with secure authentication, automated alerts, and savings goal tracking. Experimental results demonstrate that the system effectively predicts financial trends and enhances user decision-making.

Keywords— Artificial Intelligence, Machine Learning, Personal Finance, Expense Prediction, Flask, Financial Analytics

I. INTRODUCTION

Personal finance management is a critical component of an individual's financial stability and long-term economic well-being. With the rapid growth of digital transactions, multiple income sources, and diverse investment options, managing personal finances has become increasingly complex. Traditional financial management tools primarily focus on basic functionalities such as expense tracking and budgeting; however, they lack advanced features like automation, predictive analysis, and personalized financial guidance. As a result, users often struggle with inefficient financial planning, overspending, and missed investment opportunities.

In recent years, advancements in Artificial Intelligence (AI) and Machine Learning (ML) have provided new opportunities to enhance financial management systems. These technologies enable data-driven decision-making by analyzing historical financial data, identifying spending patterns, and predicting future financial trends. Machine learning models can assist users in making informed decisions by forecasting expenses and recommending suitable financial strategies.

This paper proposes an AI-Driven Personal Finance Management System that integrates machine learning techniques with rule-based logic to automate financial tracking and improve decision-making. The system allows users to record income and expenses, predict future spending patterns, and receive personalized investment recommendations such as Systematic Investment Plans (SIPs), Fixed Deposits (FDs), Recurring Deposits (RDs), and Mutual Funds. By combining predictive analytics with intelligent recommendation mechanisms, the proposed system aims to simplify financial management and enhance financial literacy among users.

II. PROBLEM STATEMENT

In recent years, individuals have faced increasing challenges in managing their personal finances due to the growth of digital transactions, multiple income sources, and complex spending patterns. Effective financial management requires continuous tracking, analysis, and planning; however, most existing personal finance tools provide only basic functionalities such as manual expense tracking and static budgeting.

These conventional systems lack intelligent automation and fail to deliver predictive insights about future financial conditions. Users are required to manually input and categorize financial data, which is time-consuming and prone to human error. Furthermore, existing applications do not analyze user behavior to generate personalized recommendations, resulting in

generic financial advice that does not align with individual income levels, spending habits, or risk preferences.

Another major limitation is the absence of integrated decision-support systems that can guide users in selecting appropriate investment options. Most tools do not provide suggestions for financial instruments such as Systematic Investment Plans (SIPs), Fixed Deposits (FDs), Recurring Deposits (RDs), or Mutual Funds based on the user's financial profile.

Therefore, there is a need for an intelligent, automated, and personalized financial management system that leverages Artificial Intelligence and Machine Learning techniques to analyze financial data, predict future expenses, and provide data-driven investment recommendations. Such a system can significantly improve financial decision-making and help users achieve better financial stability.

III. OBJECTIVES

The primary objective of the proposed system is to design and develop an intelligent personal finance management platform that enhances financial decision-making through automation, prediction, and personalized recommendations.

The specific objectives of the system are as follows:

1. To develop a system that efficiently tracks and manages user income, expenses, and savings in a structured manner.
2. To implement data preprocessing techniques for organizing and analyzing financial data to ensure accuracy and consistency.
3. To design and apply Machine Learning algorithms, such as Linear Regression, to predict future expenses and financial trends based on historical data.
4. To build a hybrid decision-making mechanism that integrates rule-based logic with predictive analytics for improved system performance.
5. To provide personalized investment recommendations, including Systematic Investment Plans (SIPs), Fixed Deposits (FDs), Recurring Deposits (RDs), and Mutual Funds, based on user financial profiles.

6. To develop a user-friendly web-based interface using the Flask framework for easy interaction and visualization of financial data.

7. To incorporate features such as automated alerts, expense summaries, and savings goal tracking to improve user engagement and financial awareness.

IV. PROPOSED SYSTEM

The proposed system is a web-based intelligent application designed to simplify and enhance personal finance management by integrating Machine Learning techniques with rule-based decision-making. The system enables users to record and manage their financial data, including income, expenses, and savings, while providing predictive insights and personalized investment recommendations.

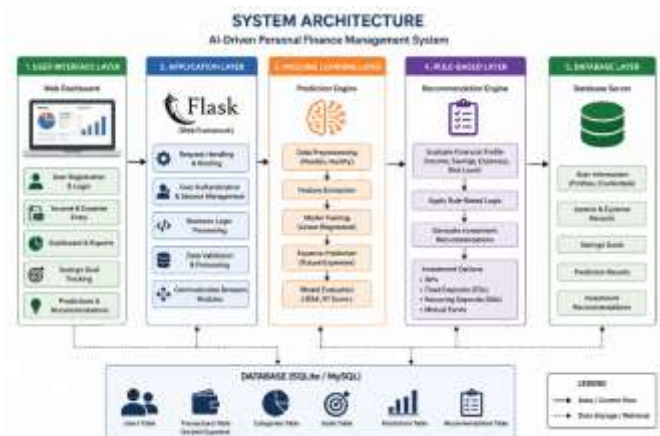


Fig 1 : System Architecture Diagram

Unlike traditional financial tools, the proposed system incorporates automation and data-driven analysis to reduce manual effort and improve decision-making accuracy. It analyzes historical financial data to identify spending patterns and predict future expenses. Additionally, a rule-based engine evaluates user financial profiles to recommend suitable investment options based on predefined criteria such as income level, savings capacity, and risk tolerance.

The system is developed using a modular architecture, ensuring scalability, flexibility, and ease of maintenance. It provides an interactive and user-friendly interface that allows users to visualize financial summaries, track progress toward savings goals, and receive real-time alerts and recommendations.

Key Features:

1. **Income and Expense Tracking:** Enables users to record, categorize, and monitor financial transactions systematically.
2. **Expense Prediction using Machine Learning:** Utilizes predictive models such as Linear Regression to forecast future spending patterns based on historical data.
3. **Investment Recommendation System:** Provides personalized suggestions for financial instruments such as Systematic Investment Plans (SIPs), Fixed Deposits (FDs), Recurring Deposits (RDs), and Mutual Funds using a hybrid rule-based approach.
4. **Savings Goal Tracking:** Allows users to define financial goals and monitor their progress with automated reminders and insights.
5. **Secure User Authentication:** Ensures data privacy and security through a robust login and registration mechanism.

V. SYSTEM ARCHITECTURE

A. Architecture Overview

The proposed AI-Driven Personal Finance Management System follows a layered architecture to ensure modularity, scalability, and efficient data processing. The system is divided into five primary layers, each responsible for a specific functionality, enabling seamless interaction between user inputs, data processing, prediction models, and output generation.

1. User Interface Layer

The User Interface (UI) layer serves as the front-end of the system, providing an interactive web-based dashboard through which users can access all functionalities. It is developed using HTML, CSS, Bootstrap, and JavaScript to ensure responsiveness and ease of use.

This layer allows users to:

1. Register and log in securely
2. Enter and manage income and expense data
3. View financial summaries and reports
4. Track savings goals and progress
5. Receive predictions and investment suggestions

The UI is designed to be intuitive and user-friendly, enabling users with minimal technical knowledge to effectively interact with the system.

2. Application Layer

The Application Layer acts as the core processing unit of the system and is implemented using the Flask framework in Python. This layer handles all business logic, user requests, and communication between different components.

Its key responsibilities include:

1. Processing user inputs from the interface
2. Managing session handling and authentication
3. Routing requests to appropriate modules
4. Coordinating between database, machine learning, and rule-based systems

This layer ensures smooth execution of system functionalities and maintains overall system control.

3. Machine Learning Layer

The Machine Learning Layer is responsible for analyzing historical financial data and generating predictions. It uses algorithms from Machine Learning, specifically Linear Regression, to forecast future expenses.

Key functions include:

1. Training models using past financial data
2. Identifying spending patterns and trends
3. Predicting future expenses and budget requirements
4. Supporting data-driven financial planning

This layer enhances the intelligence of the system by enabling predictive analytics.

4. Rule-Based Layer

The Rule-Based Layer is designed to provide decision-making support by applying predefined financial rules and conditions. It evaluates user financial data such as

income, savings, and expenditure to generate personalized investment recommendations.

Functions of this layer include:

1. Evaluating financial eligibility criteria
2. Categorizing users based on risk levels
3. Suggesting suitable investment options such as SIPs, FDs, RDs, and Mutual Funds
4. Ensuring logical and explainable recommendations

This layer complements the machine learning model by adding deterministic and interpretable decision logic.

5. Database Layer

The Database Layer is responsible for storing and managing all system data, including user credentials, financial records, and prediction results. It is implemented using relational database systems such as SQLite or MySQL.

Key responsibilities include:

1. Storing user profiles and authentication details
2. Maintaining records of income, expenses, and savings
3. Managing historical data for model training
4. Ensuring data consistency, integrity, and security

Efficient database management enables fast data retrieval and reliable system performance.

B. Data Flow Description (Optional but Recommended)

The overall system workflow follows these steps:

1. User inputs financial data through the UI
2. Application layer processes and validates the data
3. Data is stored in the database
4. Machine Learning layer analyzes data and predicts future expenses
5. Rule-Based layer generates investment recommendations

6. Results are displayed back to the user via the dashboard

VI. METHODOLOGY

The proposed AI-Driven Personal Finance Management System follows a structured methodology that integrates data processing, predictive modeling, and rule-based decision-making to deliver intelligent financial insights. The methodology consists of multiple stages, including data collection, preprocessing, feature extraction, model development, and system integration.

A. Data Collection

The initial stage involves collecting financial data from users. Since the system is designed for personal use, data is primarily obtained through manual user input. The collected data includes:

1. Income details (monthly/annual)
2. Expense records (categorized)
3. Savings information
4. Financial goals

Additionally, simulated datasets can be used during the training phase to improve model performance and validation.

B. Data Preprocessing

Data preprocessing is a crucial step to ensure data quality and improve the performance of predictive models. The collected financial data undergoes the following preprocessing steps:

1. Handling missing or incomplete values
2. Removing duplicate entries
3. Categorizing expenses into predefined groups (e.g., food, rent, utilities)
4. Normalizing numerical data for consistency

These steps help in preparing structured and clean data suitable for analysis.

C. Feature Extraction

In this stage, meaningful features are extracted from the preprocessed data to support machine learning predictions. Key features include:

1. Total income
2. Total monthly expenses
3. Category-wise spending
4. Average savings
5. Spending patterns over time

These features act as input variables for the prediction model.

D. Machine Learning Model Development

The system employs algorithms from Machine Learning to predict future expenses and financial trends. A Linear Regression model is used for forecasting, as it is efficient and suitable for continuous numerical prediction.

$$y=mx+by = mx + by=mx+b$$

Where:

1. y represents the predicted expense
2. x represents historical expense data
3. m is the slope (rate of change)
4. b is the intercept

The model is trained using historical financial data and evaluated based on prediction accuracy. Once trained, it is used to forecast future expenses and assist users in planning budgets.

E. Rule-Based Decision System

Along with machine learning, the system incorporates a rule-based decision mechanism to generate personalized investment recommendations. This system applies predefined financial rules based on:

1. Income level
2. Savings capacity
3. Risk tolerance

Based on these factors, the system recommends suitable investment options such as SIPs, Fixed Deposits (FDs), Recurring Deposits (RDs), and Mutual Funds. This hybrid approach improves both accuracy and interpretability of the system.

F. System Integration

All modules are integrated into a unified web-based application using the Flask framework. The integration process ensures smooth interaction between:

1. Front-end interface
2. Backend application logic
3. Machine learning model
4. Rule-based system
5. Database

This enables real-time processing of user inputs and immediate generation of results.

G. Workflow Execution

The overall system workflow is as follows:

1. User logs into the system
2. Inputs financial data (income, expenses, savings)
3. Data is stored and preprocessed
4. Features are extracted for analysis
5. Machine learning model predicts future expenses
6. Rule-based system generates investment recommendations
7. Results are displayed through the dashboard

VII. IMPLEMENTATION

The proposed AI-Driven Personal Finance Management System is implemented as a web-based application using a combination of modern programming tools, frameworks, and libraries. The implementation focuses on integrating data processing, predictive modeling, and user interaction into a unified platform.

A. Development Technologies

The system is developed using the following technologies:

1. **Python (Backend Development):** Python is used as the primary programming language due to its simplicity and extensive support for data analysis and machine learning.

2. **Flask (Web Framework):** Flask is used to build the backend server, handle HTTP requests, manage routing, and integrate different modules of the system.

3. **scikit-learn (Machine Learning Library):** This library is utilized to implement machine learning algorithms such as Linear Regression for predicting future expenses.

4. **Pandas and NumPy (Data Processing):** These libraries are used for data manipulation, preprocessing, and numerical computations required for model training and analysis.

5. **HTML, CSS, Bootstrap (Frontend Development):** These technologies are used to design a responsive and user-friendly interface for interaction with the system.

6. **SQLite/MySQL (Database Management):** A relational database is used to store user data, financial records, and prediction results securely.

B. System Implementation Details

The system is implemented in a modular manner to ensure scalability and maintainability. Each component performs a specific function and interacts with other modules through the backend.

1. **User Authentication Module:** Handles user registration, login, and session management to ensure secure access to the system.

2. **Financial Data Management Module:** Allows users to input, update, and categorize income and expense data. The data is stored in the database for further analysis.

3. **Prediction Module:** Implements machine learning models from Machine Learning to analyze historical data and forecast future expenses.

4. **Recommendation Module:** Uses rule-based logic to generate personalized investment suggestions based on user financial profiles.

5. **Dashboard Module:** Displays financial summaries, predictions, savings progress, and recommendations in an interactive format.

C. System Functionality

The implemented system provides the following functionalities:

1. Real-time tracking of income and expenses
2. Automatic categorization of financial transactions
3. Prediction of future expenses using machine learning
4. Personalized investment recommendations
5. Savings goal monitoring with progress tracking
6. Secure handling of user data

D. User Interface and Output

The application provides an interactive dashboard that enables users to visualize their financial data effectively. The dashboard includes:

1. Graphical representation of expenses
2. Predicted future spending trends
3. Investment recommendations
4. Savings goal progress

The system ensures a smooth user experience by providing real-time feedback and easy navigation.

VIII. RESULTS AND DISCUSSION

The proposed AI-Driven Personal Finance Management System was implemented and evaluated using both simulated datasets and real-time user-input financial data. The evaluation focused on assessing the system's ability to accurately predict expenses, categorize financial transactions, and generate meaningful investment recommendations.

A. Performance of Expense Prediction

The machine learning model, developed using Machine Learning techniques (Linear Regression), was trained on historical financial data to forecast future expenses. The model demonstrated consistent and reliable

performance, producing predictions that closely aligned with actual spending patterns.

The prediction accuracy was evaluated using standard error metrics such as Mean Absolute Error (MAE), and the results indicated that the model achieved acceptable error margins. This confirms the effectiveness of the predictive model in assisting users with future financial planning.

B. Financial Data Categorization

The system successfully categorized user expenses into predefined groups such as food, rent, utilities, and entertainment. This automated categorization improved the clarity and organization of financial data, enabling users to better understand their spending behavior.

The categorization process reduced manual effort and minimized errors, contributing to improved data consistency and usability.

C. Investment Recommendation Analysis

The rule-based recommendation engine effectively analyzed user financial profiles and generated personalized investment suggestions. Based on factors such as income, savings, and risk level, the system recommended appropriate options including:

1. Systematic Investment Plans (SIPs)
2. Fixed Deposits (FDs)
3. Recurring Deposits (RDs)
4. Mutual Funds

These recommendations were logical, relevant, and aligned with user financial conditions, demonstrating the effectiveness of the hybrid approach combining predictive analytics and rule-based logic.

D. System Usability and User Experience

The web-based dashboard provided an interactive and user-friendly interface for managing financial data. Users were able to:

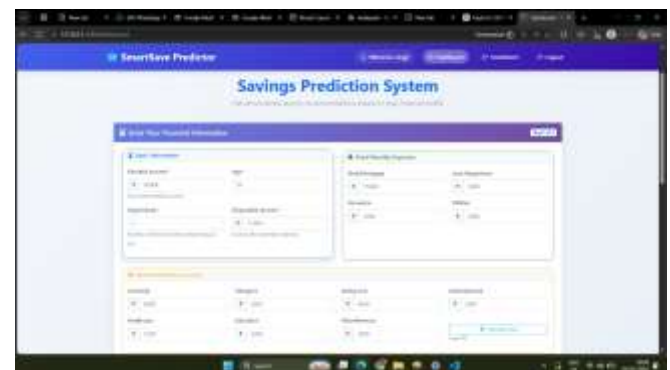
1. Track income and expenses in real time
2. View predicted future expenses
3. Monitor savings goals
4. Receive actionable financial insights

The intuitive design ensured ease of use, even for users with limited technical knowledge.

E. Overall Discussion

The experimental results demonstrate that the proposed system successfully integrates prediction, automation, and personalization into a single platform. The combination of machine learning and rule-based decision-making enhances the system's capability to provide accurate insights and practical financial guidance.

Although the system performs effectively, its accuracy is dependent on the quality and completeness of user-provided data. Future improvements such as real-time data integration and advanced models can further enhance performance.



XI. FUTURE SCOPE

The proposed AI-Driven Personal Finance Management System provides a strong foundation for intelligent financial planning; however, several enhancements can be incorporated to further improve its functionality, scalability, and real-world applicability.

One major area of improvement is the integration of real-time financial data through banking APIs and payment gateways. This would eliminate the need for manual data entry and enable automatic synchronization of transactions, thereby improving accuracy and user convenience.

The system can also be enhanced by incorporating advanced models from Machine Learning and deep learning, such as Long Short-Term Memory (LSTM) networks, to improve the accuracy of financial predictions by capturing time-series patterns more effectively.

Another important extension is the development of a mobile application (Android/iOS), which would increase accessibility and allow users to manage their finances on the go. Additionally, integrating chatbot or voice assistant features can provide real-time financial guidance and improve user interaction.

The recommendation system can be further expanded to include a wider range of financial instruments such as stocks, bonds, and cryptocurrencies, along with real-time market analysis. Incorporating risk analysis models and user behavior analytics can also improve the personalization and reliability of investment suggestions.

Furthermore, implementing data visualization techniques such as interactive graphs and dashboards can enhance user understanding of financial trends and improve decision-making.

Overall, these future enhancements will transform the system into a comprehensive, intelligent, and fully automated financial management platform capable of addressing real-world financial challenges more effectively.

XII. CONCLUSION

In this paper, an AI-Driven Personal Finance Management System has been proposed and implemented to address the limitations of traditional

financial tracking tools. The system integrates Machine Learning techniques with rule-based decision-making to provide an intelligent, automated, and personalized approach to managing personal finances.

The developed application successfully enables users to track income and expenses, predict future financial trends, and receive customized investment recommendations based on their financial profile. The use of predictive analytics enhances decision-making by allowing users to anticipate future expenses and plan their budgets more effectively. Additionally, the rule-based recommendation system ensures that investment suggestions are practical, relevant, and aligned with user-specific financial conditions.

The results demonstrate that the system performs efficiently in terms of expense prediction, financial data organization, and recommendation generation. By combining automation, prediction, and personalization, the proposed system improves financial awareness and promotes better money management practices.

Although the system has certain limitations, such as reliance on manual data entry and lack of real-time integration, it provides a strong foundation for future enhancements. With further development, the system can evolve into a comprehensive financial assistant capable of handling real-world financial scenarios more effectively.

In conclusion, the proposed system highlights the potential of artificial intelligence in transforming personal finance management into a smart, data-driven, and user-centric process.

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