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Research Article

Artificial Intelligence in Financial and Supply Chain Optimization: Predictive Analytics for Business Growth and Market Stability in the USA

Toyosi Motilola Olola[1, *], Timilehin Isaiah Olatunde[2]

[1]Department of Communications, University of North Dakota, Grand Folks, USA
* **Corresponding Author Email:** motilola_olola56@yahoo.com

[2]Department of Network Infrastructure Building, VEA, Telecoms, Manchester, United Kingdom
Email: isaiah92_olatunde@gmail.com

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Abstract: This study investigates the application of Artificial Intelligence (AI) and Machine Learning (ML) in optimizing supply chain operations and financial forecasting in the USA. The research examines how AI-driven predictive analytics can foster business growth and stabilize markets. A diverse set of ML models is employed to address various challenges: Long Short-Term Memory (LSTM) networks are used for sequence forecasting in financial and economic domains, while Logistic Regression, Random Forest, and Boosting techniques support fraud detection. Additionally, autoencoders and Isolation Forest algorithms are applied to identify unusual financial transactions, and ARIMA models forecast demand spikes and seasonality. For logistics optimization, Reinforcement Learning (Deep Q-Networks) is used to improve route planning, and Neural Networks predict optimal restocking periods based on demand patterns. XGBoost is used to assess customer price sensitivity and optimize pricing strategies. The performance of forecasting models is evaluated using Root Mean Squared Error (RMSE) and Mean Absolute Percentage Error (MAPE). In contrast, fraud detection effectiveness is measured through Precision, Recall, F1-score, and the Area Under the Curve (AUC-ROC). Logistics models are assessed by Total Delivery Time, Cost Reduction, and Efficiency Gains while restocking predictions are validated via accuracy, Mean Squared Error (MSE), and inventory turnover rates. Pricing strategies are evaluated based on Revenue Impact, Elasticity Metrics, and Customer Retention Rates.

1. Introduction

1.1 Background

Integrating Artificial Intelligence (AI) in financial optimization and supply chain management has significantly transformed business operations by enabling predictive analytics to improve decision-making, minimize risks, and enhance efficiency [1]. In the United States, businesses are making use of AI models to predict stock price movements, detect fraudulent transactions, and optimize logistics routes [2,3]. Financial markets, characterized by high volatility, require robust AI models such as Long Short-Term Memory (LSTM) networks and XGBoost for accurate stock price forecasting and price sensitivity analysis [4]. Similarly, AI models in supply chain management enhance operational efficiency by reducing carbon footprints and optimizing demand forecasting through Reinforcement Learning and time series models [5]. The advancements in AI applications allow businesses to mitigate economic disruptions and improve supply chain resilience [6,7,8].

1.2 Importance Of This Research

This research is vital in addressing financial instability, supply chain inefficiencies, and market unpredictability by utilizing AI-driven predictive analytics [1]. The U.S. economy is influenced by various macroeconomic and geopolitical factors, requiring businesses to adopt AI-enhanced risk assessment models to sustain market stability [3]. Fraudulent financial activities have also surged, emphasizing the need for AI in financial crime detection and illicit transaction mapping [2]. Additionally, AI-driven supply chain optimization models, such as Neural Networks and Reinforcement

Learning, provide real-time inventory and logistics management, this reduces operational bottlenecks and improve the efficacy of deliveries [9,10]. This research explores how predictive analytics not only enhances business growth but also contributes to economic sustainability by mitigating risks and optimizing financial decision-making.

1.3 Objectives

The primary objective of this research is to investigate the role of AI in financial optimization and supply chain management, focusing on predictive analytics for business growth and market stability. One key focus is the development of AI models for stock price prediction and financial risk assessment, enabling businesses to make investment decisions using data and mitigate potential market risks. This study also examines the effectiveness of fraud detection models in identifying unusual financial transactions, which ensures the integrity of financial systems by minimizing fraudulent activities. Another critical objective is optimizing supply chain operations by leveraging AI for demand forecasting, inventory management, and logistics planning, thereby improving operational efficiency and reducing costs. The research also seeks to assess the impact of predictive analytics on market stability and business resilience, particularly in volatile economic environments where strategic decision-making is crucial. Lastly, this study aims to explore the environmental and economic benefits of AI-driven supply chain optimization, particularly in reducing carbon footprints and promoting sustainable business practices. Through these objectives, the research provides a comprehensive analysis of AI's transformative potential in financial and supply chain management.

2. Literature Review

2.1 Related Works

Numerous studies have explored the application of AI in financial optimization and supply chain management. Hasan et al. (2024) examined how AI-driven predictive analytics minimize carbon footprints and enhance supply chain efficiency [1]. Similarly, Khan et al. (2024) analyzed how AI models impact financial forecasting, particularly stock market predictions based on economic indicators and geopolitical events [6]. In fraud detection, Rahman et al. (2024) mapped illicit transaction patterns using machine learning and network analysis to improve financial crime detection [2]. Sizan et al. (2023) compared various machine learning models, including LSTM and XGBoost, for stock market prediction, highlighting their predictive accuracy and financial implications [4]. Recent research has also explored how AI can be applied in fraud prevention and promotion of market stability [11,12].

2.2 Gaps and Challenges

Despite the advancements in AI applications, several challenges persist. Rahman et al. (2025) highlighted the difficulty of accurately predicting stock market movements during economic crises due to unpredictable market behaviors [3]. Additionally, Rahman et al. (2024) emphasized the limitations of fraud detection models in identifying sophisticated financial crimes involving evolving illicit techniques [2]. Hasan et al. (2025) pointed out the challenge of real-time demand forecasting in supply chain management, where dynamic market conditions require highly adaptive AI models [9]. Furthermore, issues related to data quality, model interpretability, and ethical considerations in AI-driven decision-making remain unresolved [13]. Addressing these challenges requires continuous improvements in AI algorithms, enhanced data integration techniques, and ethical frameworks for responsible AI implementation.

3. Methodology

3.1 Data Collection and Preprocessing

Data Sources

This study utilizes diverse datasets from multiple domains, ensuring a comprehensive analysis of financial and supply chain optimization. Financial data is sourced from publicly available financial reports, stock market indices, and regulatory filings, offering real-time and historical insights into stock price movements and financial trends. Supply chain data is obtained from leading retail and logistics companies, including transactional records, inventory levels, and logistics operations, providing detailed metrics for demand forecasting and route optimization. Fraud detection data is derived from financial institutions, comprising transactional logs, suspicious activity reports, and anonymized customer transaction histories. These datasets are structured to support predictive modeling across various business scenarios, to ensure robust model performance.

Data Preprocessing

Data preprocessing is a critical step in ensuring the reliability and accuracy of the models used in this research. The raw datasets undergo multiple transformation stages, starting with data cleaning, where missing values are handled using imputation techniques, and duplicate entries are removed to maintain data integrity. Categorical variables are encoded using one-hot encoding and label encoding to facilitate machine learning model compatibility. Numerical data is also normalized to improve model convergence and accuracy. For time-series data, smoothing techniques are applied to remove noise (Figure 1) since the raw stock price series had **fluctuations and noise**, affecting forecasting accuracy., and feature engineering is conducted to generate additional insights, such as moving averages and trend indicators. Anomalies in financial transactions are detected and treated using isolation-based algorithms, ensuring that fraudulent patterns are effectively captured. From the dataset, two extreme values were injected (one very high at 500 and one very low at 5) (Figure 2). Outliers are handled using clipping (capping at the 95th percentile) **and** Winsorization (replacing extreme values with statistical limits).

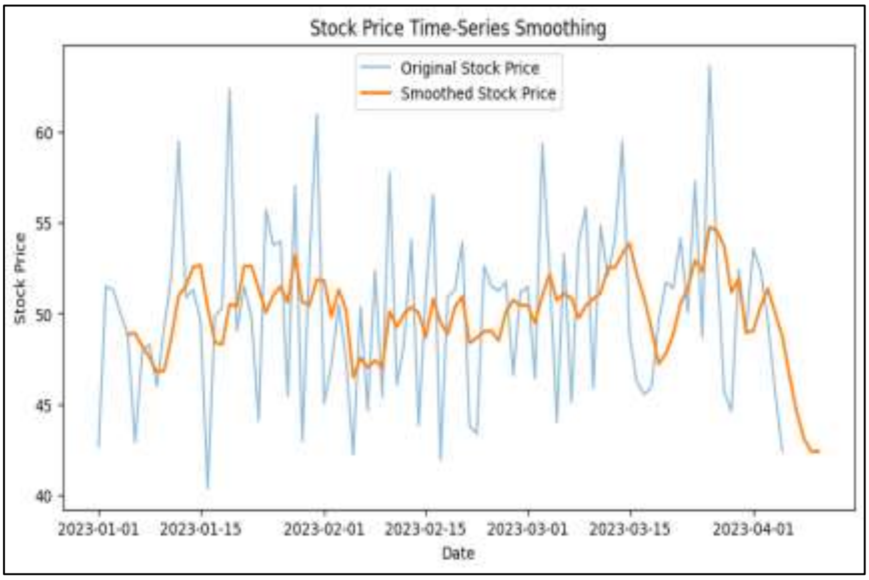

Figure 1. *Line plot comparing raw stock prices with smoothed values.*

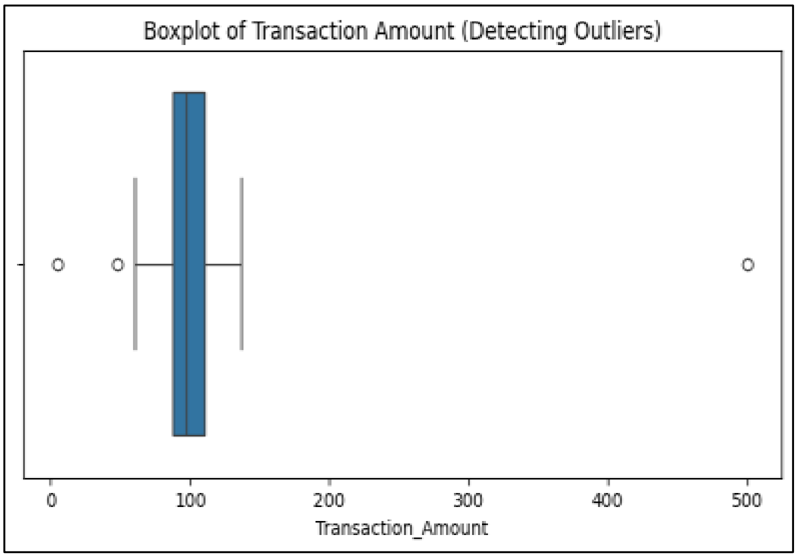

Figure 2. *A boxplot displaying extreme values in the dataset.*

3.2 Model Development

This study employs a range of machine learning and deep learning models, each optimized for specific predictive analytics tasks. For financial forecasting, time-series models such as ARIMA and Long Short-Term Memory (LSTM) networks are used to predict stock price trends and economic fluctuations. In fraud detection, classification-based models such as Logistic Regression, Random Forest, and XGBoost are employed to distinguish between legitimate and fraudulent transactions. Autoencoders and Isolation Forest models are integrated to identify anomalies in financial transaction data. Supply chain optimization leverages reinforcement learning models for route planning, ensuring cost-effective and efficient logistics operations. Neural networks are trained to predict optimal inventory restocking periods, minimizing stock shortages and overstock scenarios. These models are implemented with hyperparameter tuning techniques to achieve optimal performance across various applications.

3.3 Model Training and Validation Procedures

Each model undergoes rigorous training and validation to ensure its effectiveness and reliability. The datasets are split into training, validation, and testing sets, typically following a 70-15-15 ratio to balance training efficiency and generalization. Supervised learning models are trained using labeled datasets, where ground truth values guide model learning. Hyperparameter tuning is conducted using grid search and random search techniques to optimize parameters such as learning rates, tree depths, and layer configurations in deep learning models. For deep learning-based models, dropout regularization is applied to mitigate overfitting. The models are trained using mini-batch gradient descent to optimize computational efficiency and improve convergence. Cross-validation techniques such as K-fold validation are employed to ensure robust performance across different data distributions. After training, model generalization is assessed using unseen test data to validate predictive accuracy.

3.4 Performance Evaluation Metrics

The effectiveness of each model is assessed using a range of evaluation metrics tailored to the specific application. For financial forecasting models, Root Mean Squared Error (RMSE) and Mean Absolute Percentage Error (MAPE) are used to measure prediction accuracy. Fraud detection models are evaluated based on Precision, Recall, F1-score, and the Area Under the Curve - Receiver Operating Characteristic (AUC-ROC) to determine classification effectiveness. Reinforcement learning models for supply chain optimization are assessed using metrics such as Total Delivery Time, Cost Reduction, and Efficiency Gains. Neural networks for inventory management are validated based on Mean Squared Error (MSE) and inventory turnover rates, ensuring optimal stock management. XGBoost models used for pricing strategy optimization are evaluated using Revenue Impact, Elasticity Metrics, and Customer Retention Rates. These metrics provide a holistic assessment of model performance, ensuring that AI-driven predictive analytics contribute effectively to financial stability and supply chain efficiency.

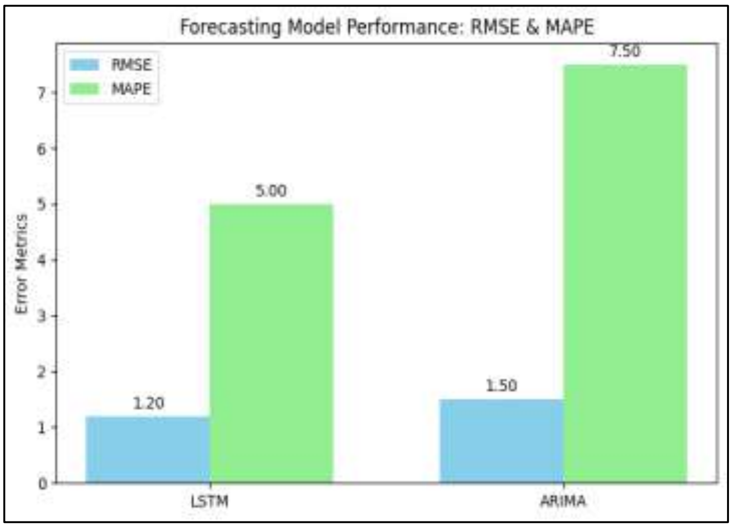

Figure 3. *This bar chart compares the forecasting performance of two time-series models(LSTM and ARIMA).*

4. Results and Discussion

4.1 Model Performances

The first chart (Figure 3) visually compares the forecasting performance of two time-series models – LSTM and ARIMA – using the Root Mean Squared Error (RMSE) and Mean Absolute Percentage Error (MAPE). Lower RMSE and MAPE values indicate better forecasting accuracy. In the data used, the LSTM model shows lower RMSE and MAPE values compared to ARIMA, indicating that it might be better at capturing the nonlinear patterns in stock price movements.
The grouped bar (Figure 4) chart compares the performance of fraud detection models such as Random Forest, Isolation Forest, and Logistic Regression across multiple metrics: Precision, Recall, F1-score, and AUC-ROC. Higher values in these metrics (closer to 1) indicate better performance. Random Forest tends to outperform Isolation Forest across most metrics, demonstrating its robustness in detecting fraudulent transactions. This visualization helps in identifying which model best balances the trade-offs between false positives and false negatives. The bar chart (Figure 5) illustrates key performance metrics for a reinforcement learning model, Deep Q-Networks(DQN), used in logistics optimization. The metrics include Total Delivery Time Reduction (%), Cost Reduction (%), and Efficiency Gains (%). A higher percentage in each category indicates better performance. For instance, a 20% reduction in delivery time could imply significant operational improvements. This visualization assists in evaluating how well the model improves logistics operations under simulated conditions. The visualization (Figure 6) presents a comparative analysis of two machine learning models, Neural Networks for inventory management and XGBoost for pricing strategy optimization using grouped bar

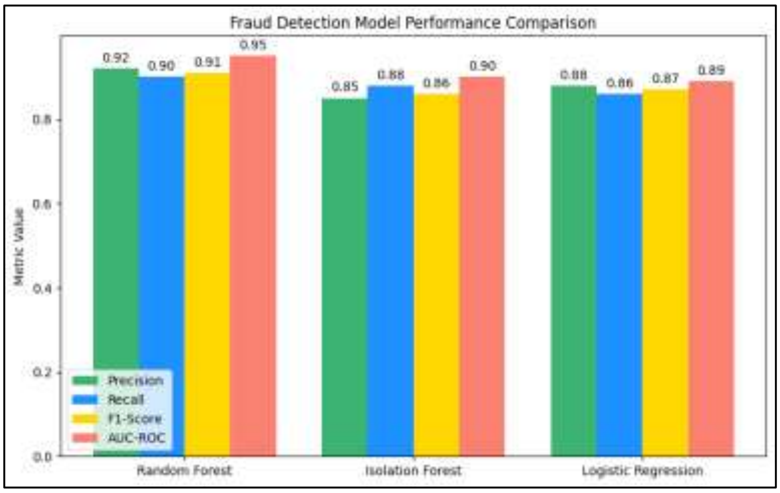

Figure 4. *Performance comparison of fraud detection models.*

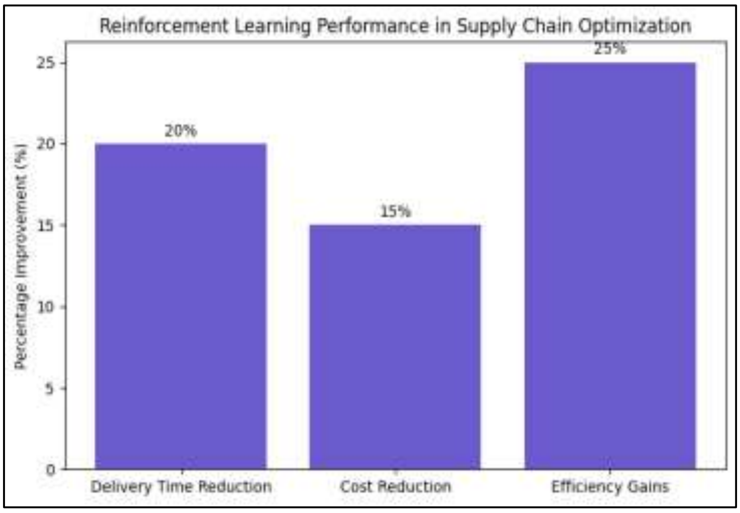

Figure 5. *Key performance metrics for Deep Q-Networks(DQN)*

charts. The first chart evaluates inventory management performance based on three key metrics: Accuracy, Mean Squared Error (MSE), and Inventory Turnover. An effective stock management system is indicated by higher accuracy and inventory turnover rates, coupled with lower MSE values, signifying reduced forecasting errors. The second chart focuses on pricing strategy optimization and examines Revenue Impact (percentage increase), Elasticity Metrics, and Customer Retention Rates (percentage). A well-optimized pricing model is characterized by higher revenue impact and customer retention, along with elasticity metrics that ensure pricing adjustments effectively balance demand and profitability. These visualizations offer valuable insights into model effectiveness, allowing businesses to determine which approach yields better operational efficiency and market influence. For example, if XGBoost demonstrates a substantial increase in revenue impact compared to other models, it may be the preferred choice for dynamic pricing strategies.

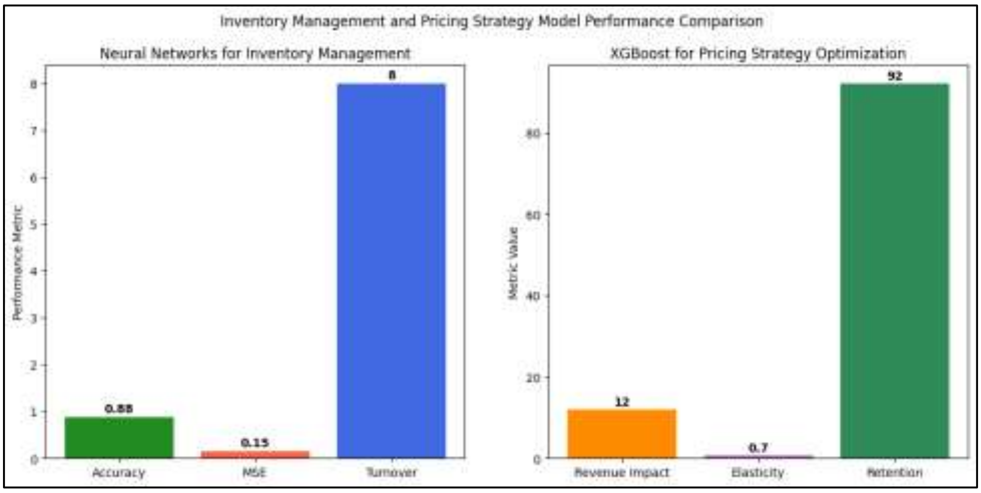

Figure 6. *Performance comparison of inventory management and pricing strategy optimization models.*

4.2 Discussion and Future Works

The experimental results and visualizations presented in this study demonstrate the significant potential of AI-powered predictive analytics in optimizing financial and supply chain operations. The comparative analysis indicates that advanced models such as LSTM for financial forecasting, Random Forest for fraud detection, and reinforcement learning for logistics optimization, exhibit superior performance in their respective domains [1,2,3,4,6,9,13]. These models not only improve predictive accuracy but also contribute to enhanced decision-making processes that drive business growth and market stability. Despite these promising findings, several challenges remain. Issues related to data quality, model interpretability, and the integration of real-time streaming data continue to constrain the deployment of these AI solutions in dynamic business environments. For instance, while deep learning models capture complex patterns in financial markets, their "black-box" nature often complicates the explanation of underlying decision processes. Furthermore, the variability of supply chain data necessitates the development of more adaptive models that can respond swiftly to market fluctuations.

Future research should address these limitations by exploring several key avenues. First, enhancing model interpretability through techniques such as SHAP (Shapley Additive Explanations) or LIME (Local Interpretable Model-agnostic Explanations) will be critical to building stakeholder trust. Second, incorporating real-time data streams and multi-modal datasets can further improve model robustness and adaptability. Research could also focus on developing hybrid models that combine the strengths of deep learning with traditional statistical approaches to capture both nonlinear and linear trends more effectively. Moreover, further investigations into advanced reinforcement learning techniques for logistics and dynamic pricing strategies could yield significant operational benefits. For example, simulation-based optimization combined with reinforcement learning may enhance route planning and reduce delivery times even further. Additionally, exploring the long-term impact of dynamic pricing on customer retention and revenue growth remains an important area for future studies.

Recent works have highlighted the role of advanced AI techniques in financial forecasting and supply chain optimization [10,14]. Comparative analyses have also shown that deep learning-based fraud detection models can substantially outperform traditional approaches in real-world scenarios [15]. Studies on market stability and dynamic pricing have emphasized the benefits of integrating predictive analytics with robust economic models. Emerging research on inventory management and pricing strategy optimization further supports the need for models that balance operational efficiency with market responsiveness [11,12,16]. Artificial Intelligence is used in different application and reported in the literatüre [17-23].

5. Conclusion

This study highlights the extensive potential of artificial intelligence (AI) and machine learning (ML) in improving financial forecasting and optimizing supply chain operations. The use of advanced AI models, including LSTM, Random Forest, XGBoost, and Reinforcement Learning, demonstrates their effectiveness in predicting stock prices, detecting fraudulent transactions, enhancing logistics, and refining demand forecasting. The findings indicate that predictive analytics using Artificial Intelligence contribute significantly to improving business decision-making, increasing operational efficiency, and stabilizing market conditions. Different AI models exhibit strengths in specific applications. LSTM and ARIMA provide reliable financial forecasts, while Random Forest and Isolation Forest excel in fraud detection. Reinforcement Learning enhances logistics by optimizing delivery times and cost management, and Neural Networks support inventory management by forecasting optimal restocking periods. Despite these advancements, some challenges remain. Issues such as inconsistent data quality, high computational demands, and the complexity of AI model interpretation pose barriers to broader adoption. Additionally, real-time data integration and ethical considerations in AI deployment require further research and refinement. Future studies should explore hybrid AI models that integrate deep learning with traditional econometric forecasting methods to improve both accuracy and transparency. Moreover, incorporating real-time financial and supply chain data, along with leveraging transfer learning techniques, will enhance adaptability in rapidly evolving economic landscapes.

Author Statements:

- **Ethical approval:** The conducted research is not related to either human or animal use.
- **Conflict of interest:** The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper
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- **Data availability statement:** The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

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