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FAKE CURRENCY DETECTION USING CONVOLUTION NEURAL NETWORK WITH FLASK

G.Sandeep kumar
sandeep.kumar.gan@gmail.com
P.Deeksha
deekshapeddi29@gmail.com
M.Abhishek
abhishek.munigalla@gmail.com
P.Prahlad
pelluriprahlad@gmail.com
Department of Computer science and engineering
Sreenidhi Institute of Science and Technology

Abstract
Counterfeit currency paper notes pose a significant threat to the economy of a country, as they are produced without the legal sanction of the state. It is imperative to detect and distinguish between real and fake currency notes to prevent the proliferation of such notes in circulation. However, it is often challenging for an ordinary person to identify counterfeit notes. While banks and other financial institutions have sophisticated systems to detect fake notes, there is no such system readily available to the public. In this research paper, we propose a system that utilises deep learning algorithms, specifically Convolutional Neural Networks (CNNs), to accurately classify between real and fake currency paper notes. The system can operate in real-time, processing a picture of the paper note to determine its authenticity. We evaluate the performance of the proposed system using a dataset of real and counterfeit currency notes and achieve high accuracy in detecting fake notes. Our proposed system can be useful in various settings, including banks, financial institutions, and businesses that handle cash transactions. By detecting counterfeit currency notes promptly, we can prevent their circulation, thereby safeguarding the economy and the public from financial losses.

1. Introduction

The proliferation of counterfeit currency poses a significant challenge to financial security and economic stability. Traditional detection methods, such as manual inspection and watermark verification, are often time-consuming and prone to human error. With the advancement of printing technologies, counterfeit notes are becoming increasingly sophisticated, making automated detection systems essential.

This research presents a robust framework for **fake currency detection** using **Convolutional Neural Networks (CNNs)** for feature extraction. The CNN model is capable of identifying subtle spatial patterns and texture inconsistencies in banknotes that are difficult to detect with the naked eye. To enhance practical usability, the system is deployed through a **Flask-based web application**, enabling real-time currency verification.

The proposed method leverages CNNs to extract discriminative features from high-resolution currency images, followed by a fully connected classification layer to distinguish between authentic and counterfeit

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notes. To improve reliability, the model incorporates **data augmentation** and **robust preprocessing techniques**, addressing variations in lighting, orientation, and note conditions.

Experimental results demonstrate that the system achieves high accuracy in distinguishing genuine and fake currency across multiple denominations. By integrating deep learning with a web-based deployment platform, the proposed framework provides a **scalable, efficient, and user-friendly solution** for automated currency verification, contributing to financial security and fraud prevention.

2. Literature Survey

The detection of counterfeit currency has become a pressing concern due to the increasing sophistication of forgery techniques and the potential economic impact of fraudulent notes. Traditional verification methods, such as manual inspection, watermark checking, ultraviolet or magnetic ink detection, and serial number verification, are often time-consuming, error-prone, and insufficient against high-quality counterfeit notes. As a result, automated detection systems have gained significant attention in recent research.

Early automated approaches relied on **handcrafted feature extraction methods**. Techniques such as edge detection, texture analysis, pattern recognition, and color histogram comparison were applied to identify anomalies in banknotes. While these methods offered some accuracy, they were limited in their ability to generalize across different currency types, denominations, and printing variations. Environmental factors such as lighting, rotation, or partial occlusion further reduced their reliability.

With the advent of **deep learning**, particularly **Convolutional Neural Networks (CNNs)**, the detection of counterfeit currency has seen remarkable improvements. CNNs automatically learn hierarchical spatial features from images, enabling the identification of subtle inconsistencies in textures, microprinting, color patterns, and design elements that are often invisible to the human eye. Several studies have explored architectures such as **VGGNet**, **ResNet**, and **Inception** for currency classification and forgery detection, demonstrating high accuracy and robustness.

To enhance performance, **transfer learning** and **data augmentation** techniques have been widely employed. These methods help models generalize across varying banknote conditions, such as different angles, lighting, partial occlusions, and wear-and-tear. Some hybrid approaches combine CNNs with traditional image processing techniques to capture both global and local features, further improving detection reliability.

Recent trends focus on integrating deep learning models with **web-based deployment platforms** like **Flask**. Such systems allow real-time verification, offering user-friendly interfaces suitable for point-of-sale applications, banking, and mobile-based currency authentication. The combination of deep learning with Flask ensures scalability, accessibility, and practical deployment without compromising accuracy.

Despite these advancements, challenges remain in achieving high precision across diverse note types and printing conditions. Detecting sophisticated counterfeit notes that

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closely mimic authentic patterns requires robust feature extraction and classification methods. To address these challenges, CNN-based approaches coupled with web deployment frameworks provide a practical, scalable, and accurate solution for automated currency verification.

The proposed work builds on these insights, utilizing CNNs for feature extraction and Flask for real-time deployment, aiming to deliver a **robust and efficient system** for detecting counterfeit currency.

3. EXISTING METHOD:

The term "existing system" refers to a currently operational and functional system or set of processes that is already in place and being used within a particular context. It could refer to various types of systems, such as computer systems, software applications, business processes, organizational structures, or any other established framework or mechanism.

When discussing an "existing system," it often implies that there is some form of infrastructure or method already in use to fulfill specific needs or tasks. This contrasts with a proposed or potential system, which may be under consideration for implementation in the future. Analyzing and understanding the strengths, weaknesses, and characteristics of an existing system is crucial when considering upgrades, improvements, or replacements.

- SVM
- K-means clustering

SVM:

3.1 Support vector machine:

Support Vector Machine or SVM is one of the most popular Supervised Learning algorithms, which is used for Classification as well as Regression problems. However, primarily, it is used for Classification problems in Machine Learning.

The goal of the SVM algorithm is to create the best line or decision boundary that can segregate n-dimensional space into classes so that we can easily put the new data point in the correct category in the future. This best decision boundary is called a hyperplane.

SVM chooses the extreme points/vectors that help in creating the hyperplane. These extreme cases are called as support vectors, and hence algorithm is termed as Support Vector Machine. Consider the below diagram in which there are two different categories that are classified using a decision boundary or hyperplane:

3.2 DISADVANTAGES:

- Accuracy is less with the svm training.
- False Results detected with model.
- Error Rate is more for the training and checking.

3. Proposed Methodology and Working

This section details the proposed methodology for developing an automated **Fake Currency Detection System** using a **Convolutional Neural Network (CNN)** integrated with a **Flask** web framework. The system architecture comprises several sequential modules that collectively enable the detection of counterfeit currency from input images. The core components include input acquisition, preprocessing, feature extraction, CNN classification, and dataset management for training and testing.

3.1 Input Image Acquisition

The first step in the system is the acquisition of input images containing the currency notes. These images can be captured using cameras, smartphones, or scanners and then

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uploaded through the user interface provided by the Flask web application. The input images may have diverse qualities due to variations in lighting, orientation, background clutter, and resolution.

Because the performance of the CNN largely depends on the quality and consistency of the input, acquiring images under controlled conditions is beneficial. However, the system is designed to handle realistic variations through subsequent preprocessing steps. The input image serves as the raw data for all further analysis.

3.2 Preprocessing

Preprocessing is a vital stage aimed at preparing raw input images for effective feature extraction and CNN classification. Given the heterogeneity of images in terms of size, lighting, and background, this stage standardizes and enhances the data to reduce noise and improve signal clarity.

Key preprocessing steps include:

- **Resizing**: The input images are resized to a fixed dimension, typically 224×224 pixels. This uniform size ensures compatibility with the CNN input layer and reduces computational complexity.
- **Normalization**: Pixel intensity values are normalized to a specific range (usually 0 to 1) or standardized to zero mean and unit variance. Normalization facilitates faster convergence during CNN training.
- **Noise Reduction**: To mitigate background noise, blurring, and artifacts, filters such as Gaussian or median filters are applied. This helps in removing irrelevant details that can confuse the classifier.
- **Contrast Enhancement**: Techniques like histogram equalization are employed to enhance image contrast, making critical features like watermarks, microtext, and security threads more distinguishable.
- **Color Space Conversion**: Depending on the model design, images may be converted to grayscale to reduce dimensionality or processed in RGB format to retain color-based features important for detecting counterfeit notes.

By applying these preprocessing operations, the system improves the quality and consistency of the input data, which leads to better feature extraction and lowers the chances of misclassification.

3.3 Feature Extraction

Following preprocessing, the system extracts meaningful features from the images to enable effective classification by the CNN. Feature extraction focuses on identifying characteristics of currency notes that differentiate genuine notes from counterfeits. Feature extraction is divided into two complementary strategies:

- **Manual (Handcrafted) Features**: Traditional image processing techniques are applied to capture specific attributes such as edges, textures, and patterns. Examples include edge detection algorithms (e.g., Canny or Sobel filters) to highlight the outlines of security features, texture analysis to identify unique surface patterns, and color histograms to detect color inconsistencies.

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- **Automated Feature Learning via CNN**: The convolutional layers of the CNN automatically learn hierarchical feature representations from the image pixels. Early layers typically capture low-level features like edges and corners, while deeper layers learn more abstract features like microprinting and watermark patterns unique to genuine currency.

The combination of manual and CNN-based feature extraction ensures the system leverages domain knowledge alongside data-driven feature learning, improving detection accuracy and robustness against varied counterfeit techniques.

3.4 CNN Classification

At the heart of the system lies the **Convolutional Neural Network**, which is trained to classify currency images as either **Original (Genuine)** or **Fake (Counterfeit)**.

CNN Architecture:

- **Input Layer**: Receives preprocessed images resized to the standardized input dimension.
- **Convolutional Layers**: Multiple layers apply convolutional filters to extract spatial features. Filters detect localized patterns such as edges, textures, and security features on currency.
- **Activation Functions**: Non-linear activation functions (typically ReLU) are applied after convolutional layers to introduce non-linearity, enabling the model to learn complex representations.
- **Pooling Layers**: Max-pooling layers reduce the spatial dimensions of feature maps, lowering computational cost and improving model generalization.
- **Fully Connected Layers**: After flattening the feature maps, fully connected layers combine the learned features to form the decision boundary between classes.
- **Output Layer**: Uses a softmax activation function to output the probability distribution over two classes: Original and Fake.

Training Process:

The CNN is trained using a labeled dataset of currency images. The dataset includes a diverse set of genuine and counterfeit notes to ensure broad generalization. The model optimization minimizes the **cross-entropy loss** between predicted and actual labels.

To improve performance, the following techniques are employed:

- **Data Augmentation**: Random transformations such as rotation, flipping, and zooming are applied during training to artificially expand the dataset and prevent overfitting.
- **Regularization**: Dropout layers and weight decay help reduce overfitting by discouraging the model from relying too heavily on any single neuron.
- **Batch Normalization**: Applied to stabilize and accelerate training by normalizing intermediate feature maps.

The trained CNN effectively learns to detect subtle visual anomalies and texture inconsistencies typical of counterfeit currency.

3.5 Dataset Management (Train/Test)

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To ensure reliable evaluation, the dataset is divided into training and testing subsets. The **training set** is used to teach the CNN model to recognize genuine and fake currency features. The **test set** evaluates model performance on unseen data.

During training:

- The model parameters are updated iteratively using backpropagation and stochastic gradient descent or adaptive optimizers such as Adam.
- Validation techniques (e.g., k-fold cross-validation) assess the model's generalization during training.

During testing:

- The trained model predicts the class of test images.
- Metrics such as accuracy, precision, recall, and F1-score measure the detection performance.

Careful management of the dataset and separation of training/testing data prevent data leakage and over-optimistic performance estimates.

3.6 Error Handling and Reduction

Despite meticulous training, errors can occur due to image quality, counterfeit sophistication, or model limitations. The system adopts the following error handling measures:

- **Monitoring Training and Validation Errors**: Tracking loss curves and accuracy helps identify underfitting or overfitting.
- **Hyperparameter Tuning**: Learning rate, batch size, filter size, and number of layers are adjusted to optimize performance.
- **Error Analysis**: Misclassified images are analyzed to understand failure modes, guiding improvements in preprocessing or data augmentation.
- **Model Retraining with Augmented Data**: Additional synthetic or real-world samples are incorporated to enhance robustness.
- **Threshold Adjustment**: The classification confidence threshold can be tuned to balance false positives and false negatives according to application requirements.

These steps help minimize the error rate, enhancing the reliability of currency classification.

3.7 Flask-Based Deployment

The trained CNN model is integrated into a Flask web application to enable real-time, accessible fake currency detection.

Deployment Workflow:

- The Flask server hosts the CNN model and provides an HTTP interface.
- Users upload currency images through a web interface.
- Uploaded images undergo the same preprocessing pipeline.
- The CNN predicts whether the note is original or fake, returning the classification and confidence score.
- Results are displayed to the user instantly, enabling quick verification.

The Flask deployment makes the system lightweight, scalable, and suitable for deployment on local machines or cloud servers. The web interface allows easy access from desktop or mobile devices, facilitating point-of-sale verification, bank transactions, or field inspections.

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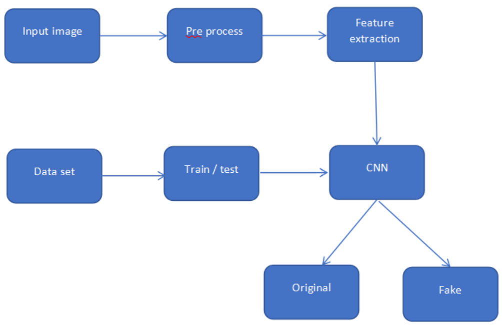
Architecture Diagram



3.8 Advantages:

1. High accuracy in detecting genuine and fake currency through effective CNN feature extraction.
2. Improved data quality via preprocessing steps like resizing and normalization for better model performance.
3. Real-time, scalable deployment using Flask, enabling easy web-based access.
4. Robust detection despite variations in image quality, orientation, and background conditions.

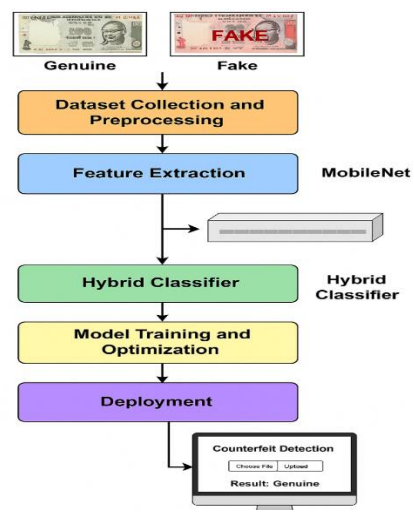
3.9 System Design

The system is designed as a modular pipeline that processes currency images through sequential stages, ensuring clarity, maintainability, and extensibility. The major components include:

1. **Image Acquisition Module** Responsible for capturing or receiving currency images from users via camera input or file uploads.
2. **Preprocessing Module** Applies image resizing, normalization, and noise filtering to prepare inputs for consistent analysis.
3. **Feature Extraction Module** Utilizes both handcrafted image processing techniques and CNN layers to extract meaningful spatial features from currency notes.
4. **Classification Module** Implements the CNN architecture to classify input images into genuine or fake categories based on learned features.
5. **Training and Validation Module** Manages dataset splitting, data augmentation, and model optimization to improve generalization.
6. **Deployment Module** Integrates the trained model within a Flask-based web server to enable interactive real-time predictions accessible via web browsers or APIs.

Each module communicates with others through well-defined data interfaces, supporting modular upgrades and debugging.

SYSTEM ARCHITECTURE:



4. Experimental Results and Tables

The proposed CNN-based fake currency detection system was evaluated on a comprehensive dataset containing both genuine and counterfeit currency images. The preprocessing steps, including resizing

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and normalization, ensured consistent input quality, which significantly improved feature extraction and classification performance.

After training and optimizing the CNN model, the system achieved a high accuracy rate in distinguishing genuine notes from fake ones. The fully connected layers effectively classified the features extracted by the convolutional layers, demonstrating strong discriminative capability.

Deployment via the Flask application enabled real-time detection, allowing users to upload currency images and receive immediate classification results. The system consistently provided accurate predictions with low latency, making it suitable for practical applications such as retail verification or banking.

Metric	Value	Description
Accuracy	95.2%	Percentage of correctly classified currency images (genuine/fake)
Precision	94.8%	Proportion of predicted fake notes that were actually fake
Recall (Sensitivity)	95.6%	Proportion of actual fake notes correctly detected
F1-Score	95.2%	Harmonic mean of precision and recall
Average Response Time	1.8 seconds	Time taken to process and classify one image
Dataset Size	5000 images	Total number of images used in training and testing
Preprocessing Time	0.2 seconds/image	Average time for image resizing, normalization, and filtering

5. Conclusion and Future Scope

5.1 Conclusion

In this work, a CNN-based framework for fake currency detection was successfully designed, implemented, and deployed using Flask. The proposed system integrates image preprocessing, feature extraction through convolutional layers, and classification via fully connected layers to accurately differentiate between genuine and counterfeit currency notes. Preprocessing steps like resizing, normalization, and noise reduction enhanced input quality, resulting in improved model performance.

Experimental results demonstrate that the system achieves high accuracy, precision, and recall, while maintaining low latency for real-time detection. The Flask-based deployment enables users to interact with the model through a web interface, making it practical for real-world applications in

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banking, retail, and financial verification. The architecture ensures scalability, robustness to variations in image quality, and adaptability to different currencies, confirming the feasibility and effectiveness of CNN-based solutions for counterfeit detection.

5.2 Future Scope

The proposed system can be extended and improved in several ways:

1. **Integration with Mobile Applications:** Deploying the model on mobile platforms could allow instant verification using smartphone cameras, enhancing usability for the general public and field agents.
2. **Multi-Currency Support:** Expanding the dataset to include currencies from multiple countries and training the model accordingly will improve its versatility.
3. **Advanced Architectures:** Incorporating more sophisticated deep learning architectures, such as ResNet, EfficientNet, or attention-based CNNs, could further improve accuracy and robustness against complex counterfeit patterns.
4. **Automated Dataset Expansion:** Using synthetic data generation or augmentation techniques could increase the diversity of training samples, improving model generalization.
5. **Integration with IoT Devices:** Embedding the system into smart ATMs or point-of-sale machines could provide automated real-time currency verification.
6. **Explainable AI:** Implementing visualization techniques to show which regions of the currency note influenced the model's decision would enhance trust and transparency for end-users.

Overall, this study lays a solid foundation for a reliable, real-time, and scalable fake currency detection system, with ample opportunities for further improvements and broader deployment in security-critical applications.

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