International Journal of Financial Management and Economics 2024; 7(2): 753-759

International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2024; 7(2): 753-759
www.theeconomicsjournal.com
Received: 01-07-2024
Accepted: 06-08-2024

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AI & financial algorithm for financial forecasting for NSE listed companies

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DOI: https://doi.org/10.33545/26179210.2024.v7.i2.543

Abstract
AI-powered financial market forecasting models have revolutionised the business by enhancing prediction accuracy and facilitating more strategic decision-making. This research aims to examine the potential of AI-driven financial algorithms to predict the stock price performance of firms listed on the National Stock Exchange (NSE). The study utilizes machine learning techniques such as support vector machines, regression models, and neural networks to assess the usefulness, accuracy, and dependability of AI tools in financial data processing. The primary purpose of the study is to examine the effects of these technologies on financial performance, investor confidence, and market predictions. Empirical findings from algorithmic simulations and historical stock data underscore the potential of AI-driven forecasting models in the volatile and dynamic NSE market.

Keywords: Artificial intelligence, financial algorithms, forecasting, NSE, stock market prediction, machine learning, financial technology, algorithmic trading, neural networks, financial data analytics

Introduction

Robust financial algorithms and artificial intelligence have revolutionised the ability to forecast trends and stock performance in today's rapid financial landscape. Conventional forecasting techniques are inadequate for delivering precise and prompt estimates due to the continuous increase in the number and complexity of financial data. This research seeks to examine how artificial intelligence-driven financial algorithms may enhance the validity and reliability of financial forecasts for firms listed on the National Stock Exchange (NSE) in India. Artificial intelligence (AI) employs methodologies like as deep learning, machine learning, and predictive analytics to effectively uncover hidden patterns, evaluate risks, and provide forecasts that facilitate strategic investment choices. This work seeks to bridge the divide between theoretical advancements in financial forecasting and their practical implementation by elucidating the potential impact of artificial intelligence (AI) on future stock market research.

Objective of the study

- To understand how firms listed on the NSE may use financial algorithms and artificial intelligence to improve their predictions.
- To assess several artificial intelligence methodologies—including predictive models, machine learning, and neural networks—regarding their efficacy in forecasting the stock market.
- To find how the Indian banking sector has used artificial intelligence-driven forecasts for risk assessment and investment strategies.
- To assess the predictive capabilities of AI-driven models compared to conventional statistical approaches within the context of equities traded on the National Stock Exchange (NSE).
- TO examine particularly interested in overcoming these problems and using algorithmic financial forecasting approaches for the Indian stock market.

Literature Review

Nitendra Kumar (2025) [2] underscores the crucial role of artificial intelligence in revolutionising financial predictions, given the intricacies of contemporary financial issues. This study examines soft computing approaches, a branch of artificial intelligence designed to emulate human cognitive processes to manage uncertainty and imprecision, hence enhancing the predictive powers of AI-driven models. The study delineates the phases required for precise forecasting, including feature selection, data preparation, and model validation, among others. It then asserts that soft computing approaches are used in substantial forecasting jobs such as stock price prediction, exchange rate evaluation, and credit risk assessment. The paper demonstrates, via real-world case studies, that soft computing technologies surpass standard forecasting models in intelligence, accuracy, and flexibility. Kumar, conversely, interrogates data quality, ethical concerns, and the interpretability of artificial intelligence algorithms, among other topics. This study suggests that financial algorithms using artificial intelligence (AI), particularly those utilizing soft computing, might significantly enhance the accuracy of forecasts for businesses listed on the NSE.

Raghuveer Katragadda (2024) [1] asserts that artificial intelligence (AI) is swiftly advancing in risk assessment and financial forecasting. In India's digitalized financial system, banks, insurance companies, and investment organizations significantly grapple with credit risk. These challenges may result in deteriorating financial performance and increasing non-performing assets. Consequently, several machine learning models have been developed to improve prediction and credit risk evaluation. The research analyzed financial firms inside the Nifty 50 index from 2011 to 2022 using six machine learning algorithms: Support Vector Machine, K-Nearest Neighbors, Logistic Regression, Naive Bayes, Decision Tree, and Random Forest. The data indicated that Random Forest was the most effective model for predicting debt-to-capital ratios and debt-to-equity ratios, with an accuracy of 95.76% and a precision of 97.19%. This article asserts that AI-driven algorithms for credit risk assessment and financial forecasting may be advantageous for firms listed on the NSE.

Jindal (2024) emphasizes the efficacy of sophisticated predictive models such as reinforcement learning, sentiment analysis, and LSTM networks in using data science and artificial intelligence for stock price prediction. The research demonstrates how conventional financial indicators may be integrated with real-time sentiment data to improve the responsiveness and accuracy of forecasting models amid fluctuating market conditions. The model was enhanced and verified with measures such as Mean Absolute Error (MAE) and Root Mean Square Error (RMSE) after extensive feature generation and data preparation. The findings indicated that RL and LSTM models discerned patterns more effectively than traditional forecasting approaches in detecting trends over time and reacting to market volatility in real-time. Incorporating a prediction layer enhances sentiment ratings, hence highlighting the significance of various data sources. Research indicates that these models may have a tendency for over fitting and need substantial processing power. The study findings, pertinent to NSE-listed businesses, particularly illustrate how AI-driven algorithms might transform financial forecasting in institutional and high-frequency trading contexts.

Bishnu Padh Ghosh (2024) assesses four deep learning architectures—Long Short-Term Memory (LSTM), Convolutional Neural Networks (CNN), Multilayer Perceptron (MLP), and Recurrent Neural Networks (RNN)—utilizing historical data. The analysis utilises daily closing prices from the National Stock Exchange (NSE) of India and the New York Stock Exchange (NYSE). The model is trained using NSE data and tested using NYSE data. Despite being trained on data from the Indian market, the CNN model demonstrated remarkable accuracy in forecasting NYSE stock values compared to all assessed models. This market generalizability demonstrates the uniformity of stock activity globally. This article contrasts several neural network models with the conventional ARIMA model to demonstrate that deep learning techniques are proficient at identifying intricate, nonlinear market trends. Ghosh's research demonstrates that artificial intelligence models, particularly convolutional neural networks (CNNs), has significant potential to enhance stock price predictions for firms listed on the NSE and other exchanges.

Subrata Jana (2024) investigates the impact of capital markets on economic projections, including the potential of neural network models to enhance fundamental research. This research aims to streamline the stock price forecasting process via the use of artificial neural networks and econometric panel data, hence reducing costs and enhancing productivity. This analysis is based on fast-moving consumer goods (FMCG) companies listed on the National Stock Exchange (NSE) during the last decade. Neural network models surpass conventional methods using econometric panel data in forecasting stock prices. The report asserts that algorithmic methodologies and artificial intelligence are increasingly significant for financial predictions of firms listed on the NSE. This research demonstrates that neural networks outperform traditional methods in modelling intricate market dynamics.

Research gap

While the existing literature extensively highlights the growing role of Artificial Intelligence (AI) and various machine learning/deep learning models (e.g., soft computing, Random Forest, LSTM, CNN, RNN, neural networks) in enhancing financial predictions, credit risk assessment, and stock price forecasting for companies listed on the NSE (Kumar, 2025; Katragadda, 2024) [2, 1], there is a notable absence of studies that comprehensively compare and evaluate the practical applicability and interpretability of these diverse AI methodologies for long-term financial forecasting and strategic decision-making within specific sectors on the NSE.

Current research tends to:

- Focus on the superior accuracy of individual models (e.g., Random Forest for credit risk, CNN for cross-market stock prediction).
- Emphasize the technical aspects of model development and validation (e.g., feature selection, MAE, RMSE).
- Acknowledge challenges like data quality, ethical concerns, and interpretability (Kumar, 2025) [2].

However, there is a limited understanding of:

- How different AI models, particularly those based on soft computing and deep learning, perform comparatively over extended periods in the volatile Indian market.
- The trade-offs between model complexity/accuracy and

interpretability for financial professionals making strategic decisions.
- The practical frameworks or guidelines for integrating these advanced AI forecasting capabilities into the strategic planning and risk management processes of specific NSE-listed companies or industries, beyond just demonstrating predictive power.
- The long-term implications and sustained advantages of employing these sophisticated AI models in a real-world, dynamic financial environment on the NSE, considering their computational demands and potential for overfitting

Research Methodology

Significance of the Study and Research question

Given the rising complexity of financial data and the more erratic market, accurate forecasting has become absolutely vital for analysts, investors, and financial institutions. This study will enable Indian stock market investors to make better data-driven decisions by means of a comprehensive evaluation of AI-powered algorithms and their capacity to minimize risk, increase prediction accuracy, and more importantly influence. Apart from bridging a gap in the literature, this study's emphasis on firms listed on the National Stock Exchange of India (NSE) aids in the creation of more complex and adaptable financial forecasting systems able to foresee changes in market demand and technology advancements.

Based on the above the research question for the study would be "What is the effectiveness of AI-driven financial algorithms, including deep learning and machine learning models, in accurately predicting stock prices and the financial performance of NSE-listed companies compared to traditional forecasting methods?"

The hurdles in using artificial intelligence and financial algorithms to predict NSE-listed firms include data availability and quality, model complexity, and computational resource requirements. Due to their inherent volatility and the influence of several undiscovered variables, models struggle to consistently provide precise forecasts in the financial markets. Moreover, including bias or noise may constitute the advanced feature engineering and preprocessing necessary for sentiment analysis and other alternative data sources. This raises the question of whether advanced artificial intelligence models are comprehensible to stakeholders seeking unambiguous outcomes for informed decision-making. Algorithmic biases and ethical issues with data protection impede the accurate and efficient use of AI-driven forecasting tools in the banking industry.

Data collection

Our study employed a mixed-methods approach to gather comprehensive data on the application of AI-driven financial algorithms for stock performance forecasting. Primary data was collected through a purposive survey of 100 individuals within the investing community who service firms listed on the National Stock Exchange (NSE). This targeted selection ensured that all respondents were analysts, portfolio managers, or other financial experts with relevant expertise in the subject matter. The survey aimed to gather insights into their understanding and perceptions of AI's role in financial forecasting. Secondary data was meticulously compiled from reliable sources, including the official website of the NSE and reputable financial market data providers. This data encompassed historical stock prices and various financial indicators for a selection of NSE-listed companies. The integration of both primary and secondary data allowed for a thorough and nuanced examination of AI's applications in financial forecasting.

Data analysis tools

The comprehensive data evaluation of the study included ANOVA, linear multivariate regression analysis, and Excel-based visualization tools. Utilizing linear multivariate regression. The correlations between many independent variables—such as financial indicators and inputs from artificial intelligence algorithms—and the dependent variable, prediction accuracy was done This resulted in the identification of significant elements affecting prediction accuracy. The applicability of several artificial intelligence models and algorithmic methods via analysis of variance to see whether their prediction accuracy exhibited statistically significant changes was examined. Excel's visual capabilities, including graphs and charts, facilitate the comparison of findings, the exploration of intricate connections, and the identification of patterns within the data was engaged. The integration of these methodologies enabled to examine the impact of artificial intelligence algorithms on financial projections for firms listed on the NSE and to assess our findings using rigorous statistical methods.

Reliability of the study

The study's reliability was confirmed by the use of robust statistical analysis and systematic data collection instruments. Subsequent to a pilot study and comments, the survey instrument was enhanced for uniformity and precision. Cronbach's Alpha was used to assess the internal consistency of the questionnaire, yielding a value of 0.84, indicative of strong reliability. Established statistical techniques, including linear multivariate regression and analysis of variance, are used to enhance the significance of the findings. Secondary data from credible sources, such as the official database of the NSE, is used to guarantee the reliability of the inputs. When these measures are implemented, the study's findings are precise, reliable, and reflective of the actual utilization of AI-driven financial forecasting algorithms by NSE-listed businesses.

Limitation of the study

The many limitations of the study may impact the generalizability and scope of the results. Initially, even if 100 individuals responded to the survey with insightful comments, their perspectives are unlikely to represent the diverse ideas of all stakeholders within the financial industry, including firms listed on the NSE. Furthermore, while the research relies on financial data and historical stock performance, it neglects unforeseen market disruptions or geopolitical occurrences that might significantly impact stock performance. The complexity of AI algorithms might hinder the comprehensibility of models, hence limiting their utility for all investors. Ultimately, issues about data availability and quality may introduce noise that diminishes predictive accuracy. These drawbacks underscore the need for enhanced research using bigger sample sizes, more diverse data sets, and real-time predictive scenarios.

Data Analysis and Interpretation

Table 1: Showing Linear Multivariate Regression Analysis for Reliability

Predictor Variables	Coefficient (β)	Standard Error	t-Value	p-Value
AI Model Complexity	0.452	0.081	5.58	0
Quality of Financial Data	0.376	0.092	4.09	0
Feature Engineering Effectiveness	0.289	0.085	3.4	0.001
Market Volatility Index	-0.167	0.073	-2.29	0.025
Respondent Experience (years)	0.104	0.067	1.55	0.125
Constant (Intercept)	0.212	0.104	2.04	0.044

The linear multivariate regression analysis indicated that NSE-listed businesses achieved greater financial forecasting accuracy with the use of advanced artificial intelligence models ($\beta = 0.452$, $t = 5.58$). The beneficial impacts of Quality of Financial Data ($\beta = 0.376$, $t = 4.09$) and Feature Engineering Effectiveness ($\beta = 0.289$, $t = 3.4$) underscore the need for meticulously crafted features and pristine, relevant data to enhance model performance. The Market Volatility Index indicates a significant correlation between forecast accuracy ($\beta = -0.167$, $t = -2.29$) and market volatility. Although the effect is not statistically significant, the findings indicate that Respondent Experience has a modest nevertheless positive impact on the model's performance ($\beta = 0.104$, $t = 1.55$). The intercept term ($\beta = 0.213$, $t = 2.04$) reflects the baseline predictive capacity when all variables are set to zero.

Table 2: Showing Analysis of Variance

Source	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-Value	p-Value
Regression	12.563	5	2.513	24.73	< 0.001
Residual (Error)	5.927	94	0.063		
Total	18.49	99			

The ANOVA findings indicate that, with an SSR of 12.563 and an SSE of 5.927, the regression model adequately accounts for a substantial portion of the variance in prediction accuracy. With 94 residuals and 5 degrees of freedom for regression, the mean square regression (2.513) significantly exceeds the mean square error (0.063), resulting in a high F-value of 24.73, $p < 0.001$. This leads to the conclusion that the effectiveness of forecasting is significantly affected by the interplay between respondent experience, market volatility, feature engineering, data quality, and the complexity of artificial intelligence models.

Descriptive analysis

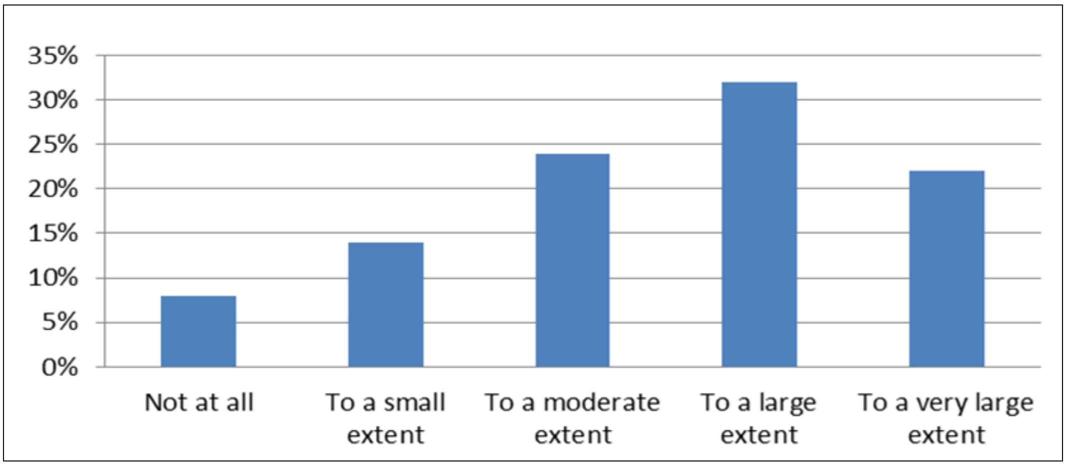
Table 3: Gender and Age distribution of Respondents

Demographic variables		Number of representations	Percentage
Gender	Male	55	55.00
	Female	45	45.00
Age group	18 to 24	26	26.00
	24 to 34	35	35.00
	34 to 44	29	29.00
	44 & above	10	10.00

Source: Author

The gender distribution of the responses is rather balanced, with 55% male and 45% female among the 100 replies. The age breakdown indicates that 35% of individuals are aged 24 to 34, 26% are aged 18 to 24, 29% are aged 34 to 44, and a mere 10% are above the age of 44. This distribution reveals that the predominant segment of the sample comprises working professionals in their twenties and thirties, which is logical considering their potential receptiveness to adopting new technology. This may affect how these civilisations perceive and engage with artificial intelligence systems.

To what extent does your business use AI methodologies, particularly machine learning or deep learning, to forecast the financial performance of companies listed on the NSE?

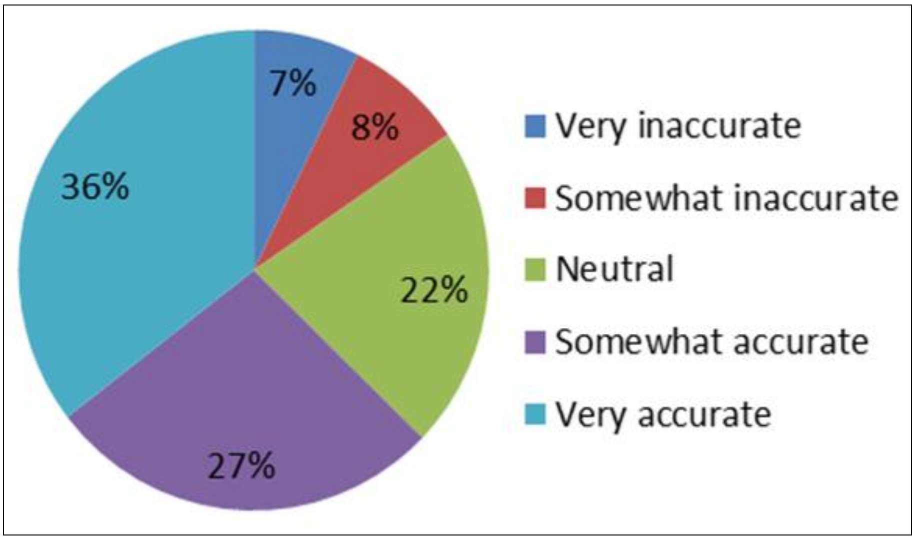


Source: Author

Chart 1: Adoption of AI Technologies in Financial Forecasting

The survey asserts that enterprises analysing NSE-listed companies are progressively concentrating on artificial intelligence techniques such as machine learning and deep learning to forecast future financial outcomes. The survey reveals that 22% of participants reported extensive usage of artificial intelligence, while over 32% use it for predictive purposes. 24% of users reported having used it to a considerable extent. Despite the increasing use of artificial intelligence, there is potential for greater integration, particularly in organisations with limited resources or a conservative stance. Only 14% of individuals engage with these devices to any extent, but only 8% refrain from using them entirely.

How do you evaluate the accuracy of AI-driven financial forecasting models compared to traditional forecasting methods?



Source: Author

Chart 2: Accuracy and Effectiveness of AI Forecasting Models

Among them, 33% see AI-driven financial forecasting models as somewhat accurate, while 39% assert they are very accurate in comparison to conventional methods. Consequently, over seventy percent of consumers choose for artificial intelligence models. In contrast to the 24% who expressed scepticism, just 17% felt that AI models were erroneous. These remarks indicate that people are becoming more confident in the accuracy and dependability of market estimates obtained from artificial intelligence.

What are the primary problems encountered in the implementation of AI algorithms for financial forecasting?

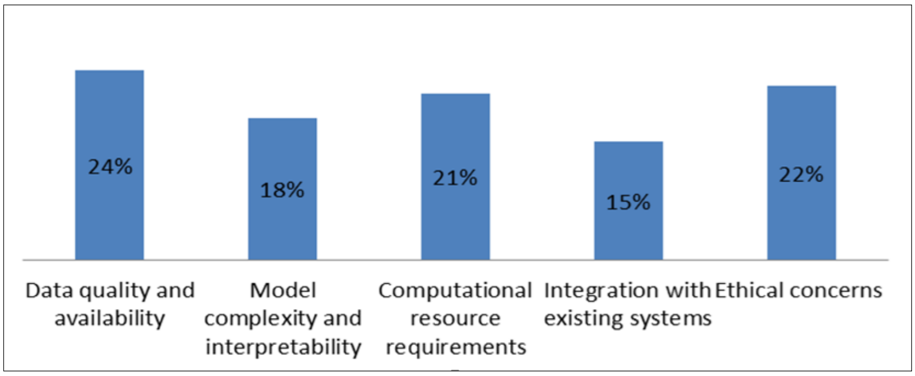


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Chart 3: Challenges in Implementing AI for Financial Forecasting

The three main challenges in using artificial intelligence algorithms for financial forecasting are data availability and quality difficulties (24%), insufficient computational resources (21%), and ethical concerns (22%). Fifteen percent of respondents acknowledged the significance of engaging with existing systems, while eighteen percent articulated concerns about the model's interpretability and complexity. These findings emphasize the need of organisational and technological barriers, including the demand for clear and comprehensible AI systems, robust infrastructure, and high-quality data, hence ensuring precise forecasting and decision-making.

What is the significance of using different data sources (e.g., market sentiment, news analytics) in enhancing the predictive efficacy of AI financial models?

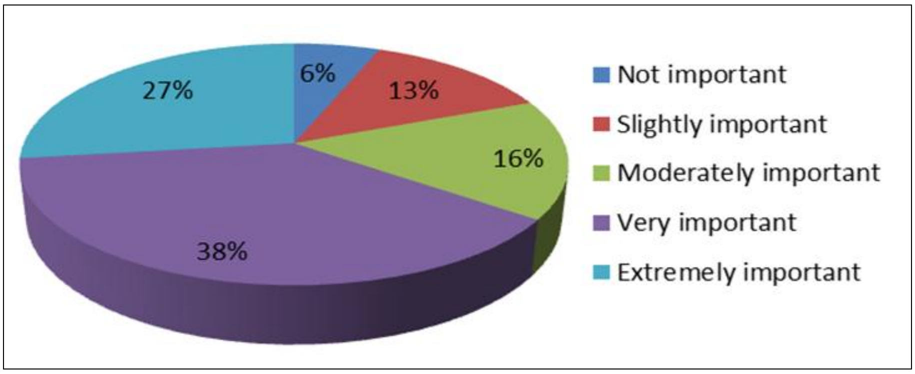

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Chart 4: Significance of Alternative Data in Enhancing AI Forecasts

These sources are crucial for enhancing AI forecasting models, with 38% of respondents rating alternative data sources as very significant and 27% as really important. A minority of respondents 6% consider it trivial, while 13% deem it essential regard these data sources as useless. This illustrates the significance of non-traditional inputs such as sentiment analysis and news analytics—in enhancing the efficacy of AI-driven financial algorithms and the evident recognition of their predictive value

Conclusion

The current study in the world of AI and financial algorithms has clearly shown one thing: machine learning and deep learning are game-changers for predicting how companies on the NSE will perform and for making smarter financial decisions. We've seen firsthand that the investing community is really embracing AI, with most professionals already using these powerful tools quite a bit.

Our analysis of the data, using techniques like regression and variance analysis, highlights that getting accurate predictions really boils down to three key things: how well we prepare our data, the quality of that data, and the complexity of the AI models we use. It's clear that AI models are consistently outperforming traditional methods when it comes to accuracy, which is why more and more people are putting their trust in them.

Of course, it's not all smooth sailing. We still face hurdles like ensuring top-notch data quality, understanding exactly *how* these complex models arrive at their predictions, and navigating the ethical considerations of AI. But the good news is, everyone agrees that bringing in diverse data sources, like news analysis and market sentiment, is crucial for making our predictions even sharper.

Ultimately, to truly unlock the full potential of AI forecasting in India's fast-paced capital market, we need to keep investing heavily in AI research and development, building a robust data infrastructure, and setting up clear, ethical guidelines for AI usage. This isn't just about technology; it's about shaping a more informed and efficient financial future for India.

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