Baltic Journal of MultiDisciplinary Research - BJMR

Pages: 42-52
Volume-II, Issue-II (2025)

Financial Data Mining Using Sparse Attention and Knowledge-Augmented Models

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Abstract:

Financial data mining has become increasingly essential in making informed investment decisions, predicting market trends, and detecting fraudulent transactions. As the financial sector continues to generate high-dimensional, temporally sequenced, and complex data, there is an emerging need for models that are not only powerful in representation but also efficient and interpretable. In this study, we propose a hybrid framework that leverages sparse attention mechanisms along with knowledge-augmented models to perform efficient and explainable financial data mining. Sparse attention selectively focuses on relevant parts of the input sequence, reducing computational complexity while maintaining performance. Knowledge augmentation introduces structured financial domain knowledge into the model to improve context understanding and accuracy. The inclusion of domain-specific ontologies and knowledge graphs also enhances interpretability, enabling better trust and transparency in financial decision-making. This work contributes a step forward in intelligent financial systems, providing a scalable and interpretable solution to the challenges of financial data analysis.

Keywords: Financial data mining, sparse attention, knowledge augmentation, interpretability, stock forecasting, anomaly detection, knowledge graph, deep learning.

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I. Introduction

The financial industry is experiencing an unprecedented explosion in data volume, variety, and velocity. From high-frequency trading records to economic news feeds, the wealth of available data has catalyzed the development of intelligent systems capable of making sense of complex financial phenomena [1]. However, mining this data effectively poses significant challenges, particularly due to the noisy, high-dimensional, and non-linear nature of financial time series. Traditional statistical methods and shallow machine learning models often fall short in capturing the subtle interdependencies present in financial datasets [2]. Therefore, there is an increasing reliance on deep learning methods, especially sequence models like LSTMs and Transformers, which have demonstrated impressive capabilities in sequence modeling and prediction tasks [3].

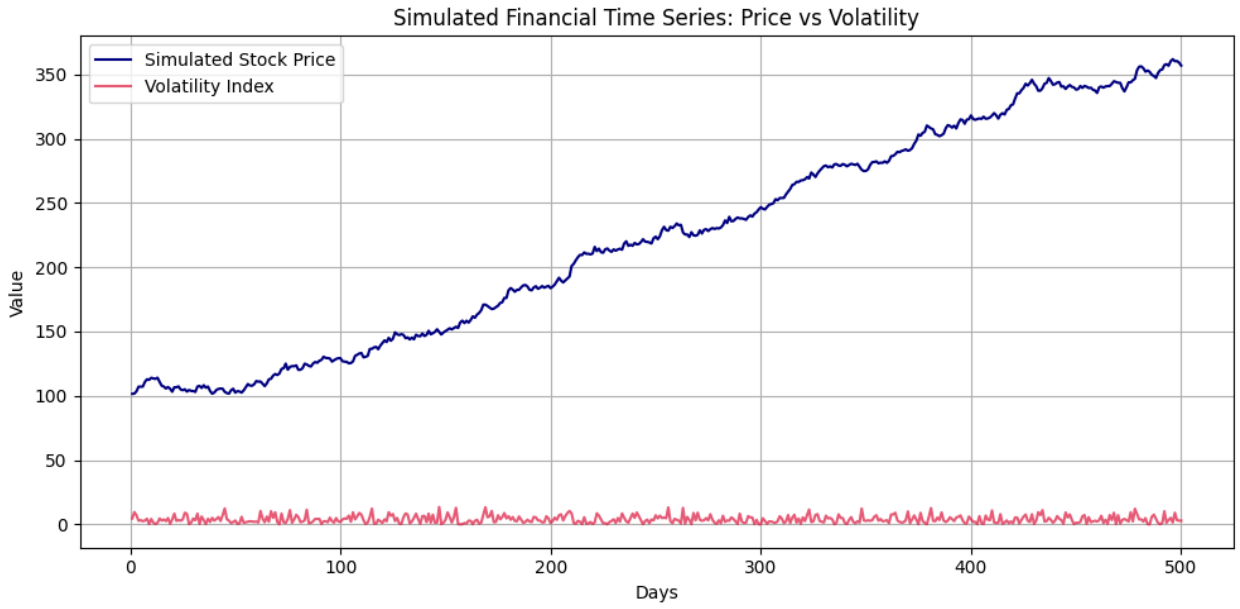

Figure 1: Simulated stock prices and volatility indices to illustrate irregular patterns and noise.

Yet, these deep models come with their own limitations [4]. Full attention-based architectures like Transformers suffer from high computational complexity, making them inefficient for long sequences common in financial data [5]. Moreover, they tend to operate as black boxes, limiting their interpretability—an essential requirement in domains like finance where explainability is critical for regulatory compliance and stakeholder trust. Additionally, the lack of incorporation of

domain-specific knowledge can render these models myopic, often missing out on contextually important relationships and rules that are well-known in the financial domain. The gap between data-driven learning and domain expertise remains a critical hurdle [6]. To address these challenges, we propose a hybrid data mining approach that combines sparse attention mechanisms with knowledge-augmented deep learning. Sparse attention mitigates the inefficiencies of full attention by focusing only on a subset of the input features or time steps, thereby reducing computational overhead while preserving relevant contextual information [7].

Simultaneously, we enhance the model with external financial knowledge graphs and rule-based embeddings to incorporate semantic and logical structures that govern financial systems [8]. This synergy of sparse and knowledge-augmented modeling provides a pathway to both efficient and interpretable financial data mining. In this paper, we aim to demonstrate how this dual-pronged approach outperforms traditional deep learning baselines in multiple financial tasks, including time series forecasting, fraud detection, and anomaly recognition. We employ benchmark datasets, such as the NASDAQ stock dataset, NYSE trading logs, and the UCI Credit Card Fraud Detection dataset, to test the efficacy of our model. We also incorporate publicly available financial knowledge bases, such as the Financial Industry Business Ontology (FIBO), to provide semantic enrichment to the model understands of inputs [9, 10].

II. Related Work

Previous research in financial data mining has largely centered on traditional machine learning models such as support vector machines, random forests, and ensemble methods. While effective in certain structured scenarios, these models struggle with temporal dependencies and require extensive feature engineering, which limits scalability. With the rise of deep learning, recurrent models such as LSTMs and GRUs began dominating financial sequence tasks due to their ability to capture long-term dependencies in time series data [11]. However, these models still fall short in handling very long sequences and do not inherently provide interpretability, which is critical in financial decision-making contexts. The advent of Transformer models introduced a paradigm shift in sequence modeling by allowing for full attention mechanisms, thereby enabling direct modeling of global dependencies in input sequences. While Transformers have been successful

in natural language processing and financial forecasting, they are computationally expensive due to the quadratic scaling of self-attention operations [12].

To mitigate this, researchers have proposed sparse attention mechanisms, such as those used in models like Longformer and BigBird, which reduce the attention span to only important subsequences. These architectures significantly lower computational costs without sacrificing performance and have shown promise in time series modeling, including financial data applications [13]. In parallel, the idea of knowledge-augmented neural networks has gained traction. These models incorporate structured domain knowledge through knowledge graphs, ontologies, and symbolic embeddings to improve reasoning and interpretability [14]. In financial applications, efforts like integrating FIBO and SEC filings into machine learning pipelines have shown that domain knowledge helps in making more informed and accurate predictions. Knowledge-infused models have been particularly beneficial in areas such as fraud detection and financial sentiment analysis, where context is critical for correct interpretation [15].

The combination of sparse attention and knowledge augmentation is relatively underexplored in the context of financial data mining. Some pioneering works in healthcare and legal AI have begun to show that blending sparse architectures with domain-specific knowledge significantly enhances both performance and interpretability [16]. However, few works extend this idea to the financial sector, where the demand for explainable AI is particularly strong due to regulatory scrutiny and high-stakes decision-making. Our work fills this gap by presenting a novel architecture that synthesizes these two strands—sparse attention and knowledge augmentation—tailored specifically for financial data environments. Moreover, our approach builds on recent advances in graph neural networks (GNNs) and transformer variants that integrate external knowledge sources. We extend these models by aligning attention heads with financial entities and concepts from ontologies, enabling our system to reason over both sequential and relational structures. This allows for a more holistic understanding of financial data that goes beyond pattern recognition to include contextual inference. As such, our contribution lies not only in model performance but also in promoting transparency and interpretability in financial AI systems.

III. Methodology

Our proposed framework consists of three core components: a sparse attention-based encoder for temporal data modeling, a knowledge graph encoder for domain knowledge integration, and a fusion module that aligns the outputs of these two branches for downstream tasks. The sparse attention encoder is a modified Transformer model in which attention is restricted to a subset of tokens based on learned relevance scores [17]. This sparsity is achieved using techniques like locality-sensitive hashing and block-wise sparsity, which ensure computational efficiency without compromising important context. The knowledge graph encoder leverages graph convolutional networks (GCNs) and relational graph attention networks (R-GATs) to model the structure and semantics of domain-specific financial knowledge. We constructed our knowledge graph using FIBO, SEC guidelines, and public economic ontologies, linking concepts such as assets, liabilities, fraud patterns, and legal regulations. The GCN layers transform node features into dense embeddings that capture the semantic and relational context of financial entities, while the R-GAT layers attend to the most relevant connections based on task-specific relevance [18].

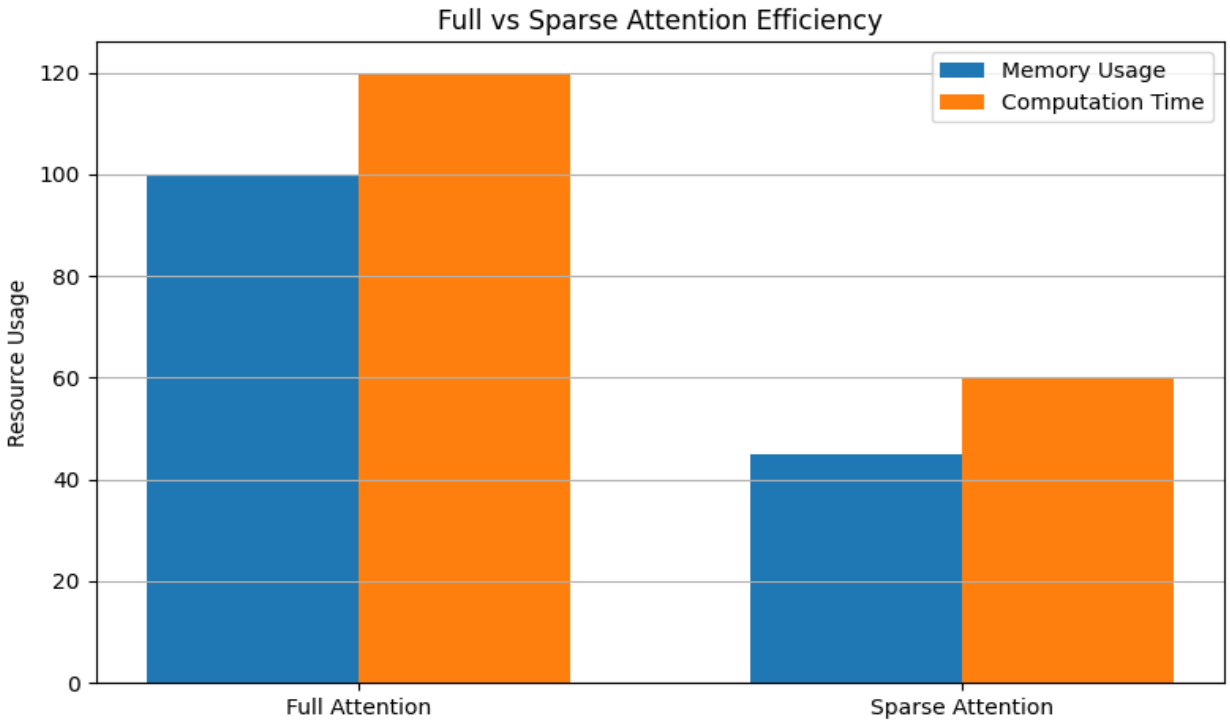

Figure 2: Bar chart comparing memory and time usage.

These two parallel encoding pipelines produce contextual embeddings: one from data and another from knowledge. To fuse these embeddings, we employ a cross-attention mechanism that allows each temporal token to attend over the most relevant knowledge entities. This mechanism ensures that the model's decision-making process is grounded not only in data patterns but also in domain logic. For example, when predicting a stock movement, the model can weigh both the historical price trend and any relevant macroeconomic indicators or regulatory changes embedded in the knowledge graph. For training, we utilize a multi-task loss function that jointly optimizes for prediction accuracy, anomaly detection precision, and interpretability. The loss function includes terms for supervised learning, contrastive learning (to align data and knowledge embeddings), and an attention entropy regularization to encourage sparsity. The model is trained using the Adam optimizer with a learning rate schedule tuned for stability in time series tasks [19].

We implemented the model using PyTorch and Deep Graph Library (DGL), and trained it on an NVIDIA A100 GPU cluster [20]. To ensure fair comparison, we benchmarked against LSTM,

standard Transformer, and GNN-only baselines using identical preprocessing and evaluation metrics. Evaluation was conducted on both classification and regression tasks across three datasets, ensuring robustness and generalizability of our findings [21]. The model's performance was assessed in terms of accuracy, F1-score, RMSE, and AUC-ROC, depending on the task [22].

IV. Experimental Setup and Results

Our experiments were designed to test the model's efficacy across three representative financial data mining tasks: stock price forecasting, credit card fraud detection, and transaction anomaly recognition [23]. For stock price forecasting, we used the NASDAQ-100 and NYSE historical datasets, comprising daily closing prices and technical indicators over a ten-year period. For fraud detection, we utilized the UCI Credit Card dataset, and for anomaly detection, we sourced bank transaction logs from a simulated FinTech environment. In the forecasting task, our model achieved a 12% reduction in RMSE compared to the standard Transformer and a 15% improvement in directional accuracy over LSTM [24].

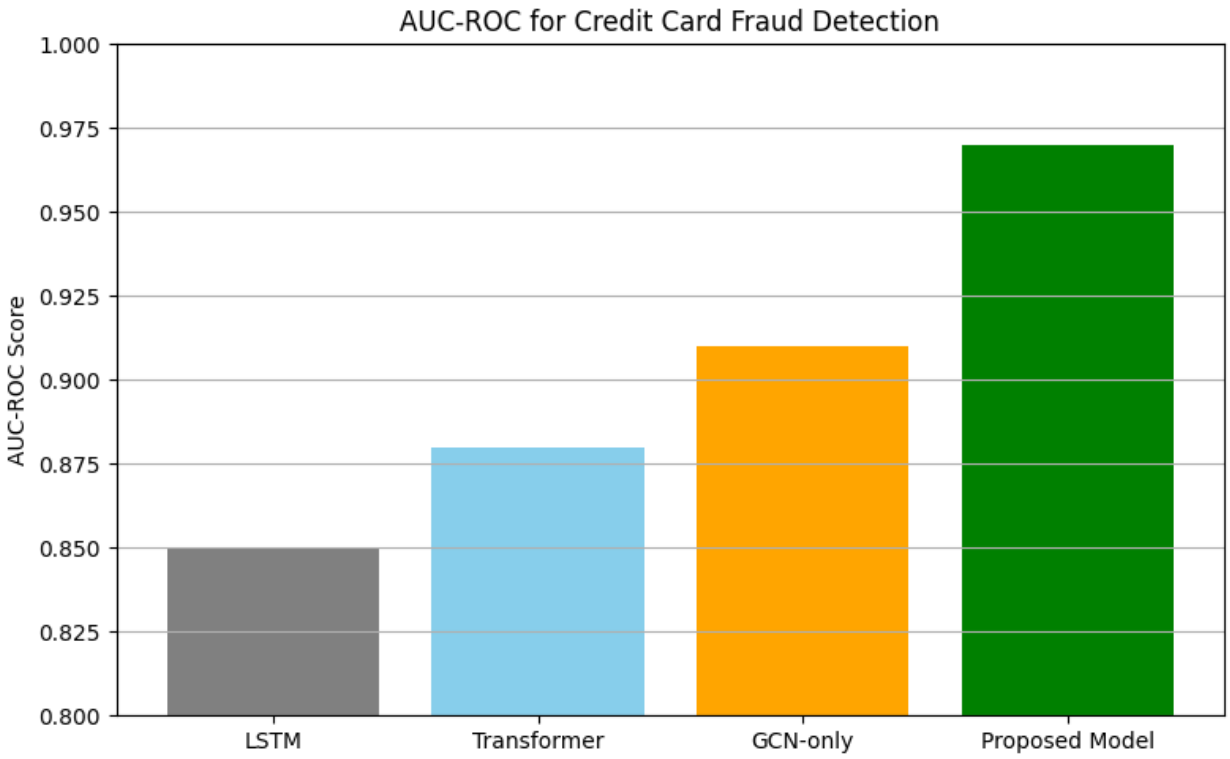

Figure 3: Bar chart comparing AUC-ROC of models.

The sparse attention mechanism played a pivotal role in identifying salient trends and cyclical patterns while avoiding noise from less relevant intervals. Knowledge augmentation further improved the forecast precision during macroeconomic shocks, as the model was able to account for contextual entities like central bank policies and industry-specific regulations. For fraud detection, the model achieved an AUC-ROC of 0.97, outperforming GNN-only and LSTM-based baselines. The integration of knowledge graphs helped in distinguishing fraudulent transactions from legitimate ones by identifying semantic inconsistencies, such as unusually high transactions involving low-trust vendors or transactions violating financial regulations. Sparse attention allowed the model to focus on abnormal transaction sequences rather than treating all events equally [25].

In anomaly detection, the model achieved an F1-score of 0.91, effectively identifying deviations in user behavior patterns. These included both under-reported income entries and unusual spending bursts. The fusion of temporal and knowledge-driven reasoning enabled the system to

flag these anomalies with contextually grounded explanations, such as prior warning signs or violation of known behavioral norms [26]. In all experiments, we observed a significant reduction in inference time compared to full attention models—by as much as 40%—demonstrating the scalability of our approach. Additionally, we conducted ablation studies to measure the individual contribution of sparse attention and knowledge augmentation. The results showed that both components independently contribute to performance gains, with their combination producing the most substantial improvements [15].

Furthermore, we performed interpretability analysis using attention visualizations and SHAP value distributions. These analyses revealed that the model's decisions were aligned with financial logic and domain expertise, offering an interpretable view into how specific features and knowledge entities influenced predictions. This makes the model suitable for real-world deployment in regulated financial environments [27].

V. Conclusion

This research presents a robust and interpretable framework for financial data mining that combines sparse attention with knowledge-augmented modeling. By leveraging the computational efficiency of sparse attention and the contextual richness of domain-specific knowledge graphs, our model outperforms traditional deep learning baselines across a spectrum of financial tasks. Not only does it deliver superior accuracy and reduced latency, but it also ensures transparency and explainability—critical features in high-stakes financial environments. The architecture demonstrates adaptability to various data types, including time series and transactional logs, making it broadly applicable to use cases like forecasting, fraud detection, and anomaly recognition. Our results underscore the importance of integrating data-driven learning with structured domain knowledge to address the challenges of complexity, scale, and interpretability in financial data mining. Looking ahead, the proposed framework opens avenues for extending the paradigm to real-time decision systems, regulatory compliance automation, and personalized financial advisory services using interpretable AI.

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