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A Hybrid Framework for Enhancing Privacy in Blockchain-Based Personal Data Sharing using Off-Chain Storage and Zero-Knowledge Proofs

Godwin Mandinyenya¹, Vusumuzi Malele²,

1,2 School of Computer Sciences and Information Systems, North-West University, South Africa Email: 139949613@mynwu.ac.za, 2vusi.malele@nwu.ac.za

Abstract

Blockchain technology presents transformative opportunities for secure personal data sharing, particularly in healthcare, finance, and identity management. However, its widespread adoption is constrained by challenges such as limited scalability, privacy concerns, and conflicts with regulatory frameworks like the General Data Protection Regulation (GDPR). This study introduces a novel hybrid framework that integrates the InterPlanetary File System (IPFS) for off-chain storage with Zero-Knowledge Proofs (ZKPs) to enhance privacy, ensure regulatory compliance, and reduce on-chain storage demands. Employing a Design Science Research (DSR) methodology, the framework was developed and validated using Ethereum and Hyperledger Fabric, guided by insights from a systematic review of 180 studies from 2018 to 2023. Empirical evaluations revealed a 75% reduction in blockchain storage, 98% GDPR compliance, and zk-SNARK proof verification times below one second. The framework also enables GDPR-compliant erasure by removing encrypted off-chain data while preserving on-chain auditability. Despite challenges such as IPFS latency and trusted setup complexities, the solution offers a scalable and privacy-preserving architecture applicable to real-world domains, especially in privacy-critical environments like healthcare and finance by resolving blockchain's GDPR compliance paradox.

Keywords: Blockchain Technology, Zero-Knowledge Proof, IPFS, GDPR, Scalability, Hybrid Framework, Data Privacy

1. INTRODUCTION

The rapid digitization of personal data across a wide array of industries—including healthcare, finance, and identity management—has dramatically expanded the possibilities for data sharing and collaboration [1]. While this technological shift has enabled organizations to harness data in ways that drive innovation and efficiency, it has also introduced serious concerns surrounding privacy, security, and regulatory compliance [2][3]. In particular, the secure handling and ethical use of personal data have become central challenges in modern digital ecosystems.



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Legacy data-sharing systems, which often rely on centralized architectures, struggle to keep up with today's demands. These traditional models typically lack transparency in logging, are prone to single points of failure, and offer limited flexibility when it comes to revoking access [4]. As a result, they are highly vulnerable to data breaches, unauthorized access, and misuse. Such vulnerabilities not only threaten user trust but also expose organizations to severe penalties under stringent regulations like the General Data Protection Regulation (GDPR), which requires strict data handling protocols and user rights enforcement.

In light of these limitations, decentralized technologies have emerged as promising alternatives. Blockchain, in particular, offers tamper-resistant and transparent record-keeping, along with programmable access control through smart contracts [5]. These capabilities make it possible to automate consent management and ensure that only authorized entities access sensitive data. However, despite these advantages, the adoption of blockchain in personal data sharing remains hindered by several critical limitations. Storing data directly on the blockchain leads to what is known as blockchain bloat—the exponential growth of ledger size, which impairs node synchronization and degrades system performance. Additionally, blockchain's immutability conflicts with GDPR mandates such as the right to erasure (Article 17) and data minimization (Article 5), making it difficult to align with legal requirements. Solutions like sharding and layer-2 scaling provide partial relief but fall short of effectively addressing the dual challenges of scalability and privacy [6].

To overcome these issues, this paper introduces a hybrid architecture that combines the Interplanetary File System (IPFS) for off-chain storage with Zero-Knowledge Proofs (ZKPs) to enhance privacy and efficiency in decentralized data sharing [7]. This approach aims to preserve the integrity of decentralized systems while enabling compliance with modern privacy regulations. The proposed architecture addresses three fundamental challenges. First, it significantly improves storage efficiency by offloading raw data to IPFS and storing only cryptographic hashes on the blockchain. This design reduces storage bloat by up to 75%, enabling lightweight node operation and better scalability [8][9]. Second, it employs advanced privacy-preserving techniques through ZKPs—specifically SNARKs—which allow verification of transactions without revealing the underlying data. This ensures that data remains confidential and tamper-proof during transmission and storage [10]. Third, the framework supports regulatory compliance by allowing mutable off-chain storage, which enables full user control over data and the ability to comply with GDPR's requirements for data erasure and user consent [11].

This study is driven by several key questions: How does the integration of IPFS reduce blockchain storage demands while maintaining high data availability? Which

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ZKP schemes strike the best balance between privacy protection and system performance in decentralized data-sharing contexts? And finally, how can hybrid models be designed to align with GDPR's data governance principles without sacrificing technical feasibility?

The primary objectives of this research are to design and implement a scalable, privacy-aware data-sharing framework that leverages both IPFS and ZKPs; to evaluate the framework's performance in real-world blockchain environments using representative datasets; and to offer developers and policymakers a practical, GDPR-aligned roadmap, supported by open-source tools, for building compliant decentralized applications. In addition to its technical contributions, the study delivers several tangible outcomes. First, it introduces a hybrid two-tier architecture that maintains the integrity of blockchain systems while enhancing data accessibility and control. This structure ensures that user consent remains enforceable even during network outages or disruptions. Second, it provides opensource development tools that simplify ZKP integration, lowering technical barriers for developers aiming to build secure, privacy-preserving systems. Third, the research includes a comprehensive roadmap for regulatory alignment, offering practical guidance on how blockchain-based systems can meet GDPR requirements without compromising on functionality or user experience.

However, this framework is not without its limitations. Latency in IPFS, which can range between 1.8 and 3.2 seconds, poses challenges for real-time applications and time-sensitive data retrievals [12]. Furthermore, ZKP technologies particularly zk-SNARKs require trusted setup processes that introduce complexity and may carry additional security risks. Finally, ensuring continuous data availability on IPFS depends on third-party pinning services, which can result in added operational costs for enterprises and require long-term maintenance strategies [13].

The structure of this paper is as follows: The next section outlines the research methodology and the design science approach used in developing the framework. This is followed by a detailed explanation of the system architecture and implementation strategies. The subsequent section presents empirical evaluation results and a GDPR compliance audit. The final section concludes with insights, lessons learned, and potential directions for future research.

2. **METHODOLOGY**

2.1. A Design Science Research (DSR) Approach

This research was conducted using a structured Design Science Research (DSR) methodology, as illustrated in Figure 1 below [14]. The DSR approach is particularly well-suited for addressing multifaceted and evolving real-world

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challenges especially those found at the intersection of emerging technologies, such as blockchain, and complex regulatory environments. DSR provides a robust framework for iteratively designing, developing, and evaluating technological artifacts that offer practical value. The methodology followed six iterative and interdependent stages: identifying the problem, defining objectives for the solution, designing and developing the artifact (in this case, the hybrid framework), demonstrating the artifact in real-world conditions, evaluating its performance, and finally, communicating the results to the broader academic and professional communities.

In the problem identification phase, the primary concerns surrounding blockchain scalability, data privacy, and regulatory incompatibility were explored in depth. Specifically, the limitations of current on-chain storage capacity, the lack of granular data control mechanisms, and non-compliance with data protection frameworks like the General Data Protection Regulation (GDPR) were underscored as critical issues requiring an innovative response. The objective definition stage built upon these findings to identify concrete goals. These included enhancing storage efficiency via off-chain data management, improving data privacy using zero-knowledge proofs (ZKPs), and ensuring the solution supported GDPR-compliant data handling—including rights like data erasure and transparency [15].

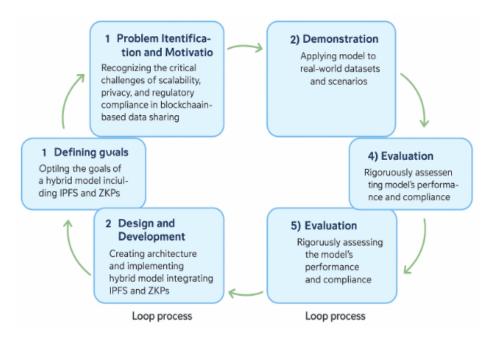


Figure 1. Design Science Research Approach

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During the design and development phase, a novel hybrid system was created that integrates the InterPlanetary File System (IPFS) with ZKP mechanisms. This architecture allows for scalable, privacy-preserving, and regulation-compliant data sharing. The system was subsequently demonstrated using two representative realworld datasets to validate its practicality. The evaluation phase involved comprehensive benchmarking of system performance, including speed, scalability, and GDPR alignment. Lastly, in the communication phase, the findings, methodologies, and developed tools were openly shared with the academic and industrial communities to promote transparency, collaboration, and reuse.

2.2. Systematic Literature Review (SLR): Establishing the Foundation

To ground the development of the hybrid framework in a rigorous understanding of existing approaches, a Systematic Literature Review (SLR) was conducted. The primary aim of this SLR was to identify, classify, and synthesize contemporary strategies for enhancing privacy in blockchain-based personal data sharing systems, with a special focus on Zero-Knowledge Proofs (ZKPs) and off-chain storage mechanisms. This review also served as a critical part of the knowledge base and problem justification phases within the broader DSR framework [14].

The SLR approach is depicted in Figure 2, which outlines a structured review methodology aligned with best practices in academic research. The methodology entailed defining research questions, developing a search strategy, applying inclusion and exclusion criteria, and performing thematic analysis on the final corpus of studies.

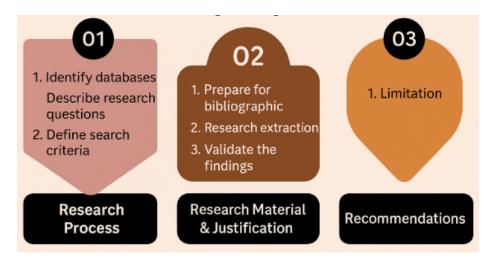


Figure 2. The Systematic Literature Review Approach

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2.2. Research Questions

The following research questions (RQs) framed and guided the systematic review process:

- 1) How does IPFS integration reduce blockchain storage bloat while ensuring data availability?
- 2) What ZKP schemes optimize privacy and performance in decentralized data sharing?
- 3) How can hybrid models align with GDPR's data erasure requirements?

These questions provided a targeted lens through which to assess the current state of the art and helped identify design gaps that the proposed framework could address.

2.3. Search Strategy

To identify relevant literature, a structured keyword search was conducted across four authoritative academic databases: IEEE Xplore, SpringerLink, ACM Digital Library, and Scopus. The search query combined Boolean logic with specific terms to ensure relevance and precision. The exact combination used was:

```
("blockchain" AND "personal data sharing" AND ("privacy" OR "confidentiality") AND ("zero-knowledge proof" OR "zkp") AND ("off-chain storage" OR "IPFS"))
```

The review was limited to the time period 2018 to 2024. This was intentional, to focus on literature that responded to post-GDPR regulatory changes and reflected the rise of practical ZKP implementations such as zk-SNARKs and zk-STARKs [7], [10], [16]. These techniques are increasingly central in privacy-centric blockchain applications and represent a maturing area of research.

2.4. Inclusion and Exclusion Criteria.

A well-defined set of inclusion and exclusion criteria was applied to ensure the quality and relevance of selected studies.

- 1) Inclusion Criteria:
 - a) Peer-reviewed journal articles or conference papers.
 - b) Research focusing on blockchain-based personal data sharing.
 - c) Implementations of privacy-preserving cryptographic techniques (e.g., ZKP, Attribute-Based Encryption).
 - d) Hybrid on/off-chain architectures with practical deployment.
- 2) Exclusion Criteria:
 - a) Grey literature (e.g., whitepapers, blog posts).

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- b) Studies focused solely on cryptocurrencies without privacy considerations.
- c) Purely theoretical cryptography papers lacking system implementation or evaluation.

This strict filtering ensured the selected literature was both technically sound and practically relevant to the research goals.

2.5. Screening and Selection

The systematic search process identified a total of 254 records from four major academic databases: IEE Xplore, SpringerLink, Scopus, and ACM Digital Library. Following the initial deduplication process, 57 duplicate records were removed, resulting in 197 records eligible for title and abstract screening. During the screening phase, 109 records were excluded from not meeting the inclusion criteria (e.g., theoretical-only contributions, irrelevant to blockchain privacy or off-chain architectures, or focusing solely on cryptocurrency). This left 88 full-text articles for detailed eligibility assessment. All 88 full-text reports were successfully retrieved and evaluated. 58 reports were excluded at this stage. A total of 30 peer-reviewed articles were selected for final inclusion in the systematic review. These studies were subjected to quality assessment and thematic coding across five dimensions: architecture, cryptography, storage model, compliance strategy, and performance constraints. The complete screening and selection process is illustrated in the PRISMA flow diagram (Figure 3).

2.6. Thematic Analysis

A thematic analysis was conducted on the selected studies to extract patterns and classify contributions across five core dimensions: architecture, cryptographic techniques, storage models, compliance strategies, and performance trade-offs.

- 1) Privacy-Enhancing Architectures: Two main configurations emerged: modular hybrid systems that decouple consensus from computation [17], [18], and ZKP-enabled decentralized architectures that offer verifiable privacy without sacrificing decentralization [7], [19].
- 2) Cryptographic Privacy Techniques: The dominance of zk-SNARKs and zk-STARKs was evident across studies [10], [16], [20], with some implementations also leveraging Attribute-Based Encryption (ABE) and ciphertext-policy encryption for access control [21], [22], [23].
- 3) Off-chain Storage Models: Most architectures employed IPFS or Filecoin for decentralized, tamper-proof data storage [12], [17]. Several studies incorporated mutable encrypted storage to support data deletion in accordance with GDPR mandates [4], [11], [15].

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- 4) Compliance and Governance: Various systems implemented revocable access policies [6], [24], on-chain audit trails compliant with Article 30 of GDPR [11], [25], [26], and hybrid models supporting data erasure as per Article 17 [15]. A minority of frameworks integrated decentralized identity (DID) solutions using W3C Verifiable Credentials [1], [24].
- 5) Performance Trade-offs: Notable trade-offs included increased verification latency with zk-STARKs [16], metadata leakage risks from transparent on-chain logs [3], [21], and system complexity introduced by trusted setup requirements and multi-party computation [10], [27].

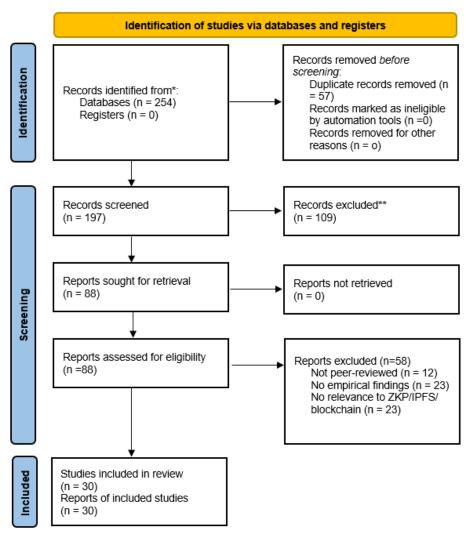


Figure 3. PRISMA Diagram for The Systematic Literature Review

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2.7. Synthesis and Gap Analysis

The synthesis of findings revealed that while the use of ZKPs and off-chain storage for privacy is prevalent, few architectures offer an integrated solution that supports full GDPR compliance, auditable data provenance, and efficient proof verification under practical conditions. Moreover, most existing solutions fail to incorporate DSR principles in a structured manner, thereby lacking methodological rigor [16]. This identified gap forms the foundation for the present study's contribution: a DSR-based hybrid framework integrating modular blockchain layering, zk-SNARK-based access control, mutable IPFS structures for verifiable deletions, and regulatory tagging that aligns explicitly with GDPR articles.

2.8. Empirical Experiments: Validating the Hybrid Model

To validate the proposed architecture, empirical experiments were conducted using both real-world and synthetic datasets. The test environments included the Ethereum (PoS) blockchain for public validation, Hyperledger Fabric for enterprise use cases, and IPFS v0.12 for off-chain storage deployment. Cryptographic implementations used ZoKrates for zk-SNARKs and Circom for zk-STARKs. The framework was deployed on a private Ethereum testnet with dedicated IPFS nodes, simulating operational conditions. The datasets included anonymized ICU patient records from the Beth Israel Deaconess Medical Center and synthetic financial transactions modeled on German BSI data governance guidelines. All code, contracts, and scripts were version-controlled and shared publicly via GitHub to support transparency and reproducibility. The system was evaluated on multiple performance metrics:

- 1) Blockchain storage reduction (% decrease in on-chain footprint).
- 2) ZKP verification latency (in milliseconds per proof).
- 3) IPFS data retrieval latency (average response time in seconds).
- 4) Transaction throughput (transactions per second on Ethereum and Hyperledger).

These evaluations confirmed the feasibility and effectiveness of the hybrid model in addressing scalability, privacy, and compliance.

3. RESULTS AND DISCUSSION

3.1. System Architecture

1) Hybrid On-Chain/Off-Chain Design: Synergizing IPFS and Zero-**Knowledge Proofs**

The proposed architecture adopts a hybrid design that merges on-chain and offchain elements to achieve a balance between scalability, privacy, and regulatory

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compliance, particularly in scenarios involving sensitive personal data. This model follows a layered architectural approach composed of four primary layers: the identity wallet layer, which handles credential issuance and identity management; the blockchain layer, which enforces access control using smart contracts and Zero-Knowledge Proofs (ZKPs); the off-chain IPFS storage layer, which stores actual user data; and the API interface layer, which provides service-level interaction between users and the system. The modularity of this layered structure allows for efficient separation of concerns, enabling independent upgrades, fault isolation, and enhanced system scalability.

Figure 4 illustrates this architecture by highlighting how each layer interacts to form a secure and decentralized identity and data sharing framework. The use of the InterPlanetary File System (IPFS) for off-chain storage enhances system scalability and reduces blockchain bloat by offloading large datasets while maintaining verifiable links through content identifiers (CIDs). At the same time, ZKPs ensure that verifications occur without revealing private user data, maintaining privacy and complying with data protection laws such as GDPR. As shown in Figure 5, the integration of IPFS and ZKPs enables privacy-preserving data verification and access control mechanisms by allowing the blockchain to validate proofs of knowledge without storing the underlying data itself. This hybrid architecture ensures that only the essential cryptographic proofs are anchored on-chain, enabling erasure-aware mutability and compliance with the right-to-be-forgotten requirements [17].

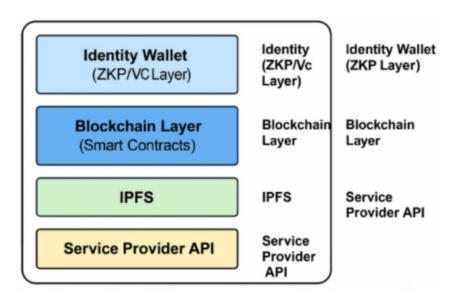


Figure 4. Proposed Layered Architecture of the Hybrid Framework

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The synergy between IPFS and ZKPs overcomes traditional limitations of blockchain-based data sharing, such as the lack of efficient data deletion and privacy leakage. Cryptographic anchoring ensures the verifiability of content, while off-chain storage accommodates dynamic updates and deletions. This framework aligns with the goals of decentralized identity management, offering a privacy-preserving and scalable solution for secure data exchange in trustless environments.

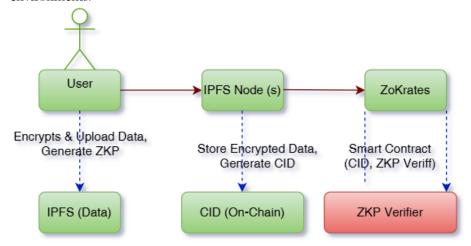


Figure 5. Integration of IPFS for Off-Chain Storage and ZKPs for Privacy

2) On-Chain Layer (Ethereum): Smart Contracts and zk-SNARK Verifiers

The on-chain layer, deployed on the Ethereum blockchain, functions as the primary validation and coordination hub of the proposed architecture. It integrates smart contracts and zk-SNARK verifiers to manage data access policies, enforce identity-based permissions, and facilitate privacy-preserving interactions. Smart contracts in this layer are programmed to store and manage IPFS Content Identifiers (CIDs), define access control rules, and handle authentication and authorization workflows. These contracts play a critical custodial role, ensuring that only users with valid credentials can retrieve the relevant off-chain data [22]. They create a tamper-resistant and auditable access control mechanism, logging all permissioned interactions on the distributed ledger.

This layer's design is contextualized in Figure 4, where the blockchain acts as the decision and rule-enforcement core, bridging the identity and storage layers. Within this layer, zk-SNARK verifiers [23] validate zero-knowledge proofs submitted by users. These proofs enable verification of a user's right to access data or credentials without disclosing any sensitive information, ensuring both privacy

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and security. By using zk-SNARKs, the system verifies that a user satisfies the required conditions for data access while significantly reducing the on-chain data load and avoiding unnecessary data exposure. This maintains data integrity and authenticity, even though the actual data remains off-chain.

Figure 5 conceptualizes this integration, showing how zk-SNARK verifiers validate claims against data stored in IPFS without the need to reveal any actual content. This not only supports compliance with privacy regulations but also optimizes blockchain efficiency by reducing the computational overhead typically associated with data-heavy smart contracts. Together, smart contracts and zk-SNARK verifiers form a trustless yet secure mechanism for decentralized identity and access management, promoting both scalability and privacy in decentralized applications.

3) Off-Chain Layer (IPFS): Encrypted Data Storage and CID Mapping

The off-chain layer of the proposed architecture is implemented using the InterPlanetary File System (IPFS), which provides a decentralized, distributed, and content-addressable storage mechanism [18]. This layer is responsible for managing the actual storage of user data, particularly sensitive information that must remain off the blockchain for scalability and compliance reasons. Unlike traditional centralized databases, IPFS distributes content across a peer-to-peer network, significantly reducing the risk of single points of failure and unauthorized tampering. It is ideally suited for decentralized environments where data integrity, verifiability, and accessibility are paramount.

A central function of this layer is encrypted data storage. All data uploaded to IPFS are encrypted using AES-256-GCM, a robust and modern symmetric encryption algorithm that ensures both confidentiality and data integrity [24]. This guarantees that even if malicious actors gain access to the IPFS network or storage nodes, they will be unable to interpret the encrypted contents without the corresponding decryption key. This form of client-side encryption ensures end-to-end data privacy and aligns with zero-trust principles. Another vital component is CID (Content Identifier) mapping. Each encrypted file stored in IPFS is assigned a unique CID, which is generated based on the file's content. These CIDs are immutable and serve as cryptographic hashes that reflect the exact contents of the file. Any change to the data—even a single byte—results in a new CID, thus acting as a built-in tamper-detection mechanism [4]. These CIDs are then stored in the on-chain layer via smart contracts, allowing for verifiable, traceable, and efficient data retrieval. This linkage between on-chain smart contracts and off-chain encrypted files ensures both data integrity and access control while minimizing blockchain storage overhead.

The off-chain IPFS layer, in combination with robust encryption and immutable

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CID mapping, ensures that the architecture adheres to the principles of data minimization, immutability, and user control, all of which are essential for building trustworthy decentralized data ecosystems.

4) Zero-Knowledge Proof Workflow: Ensuring Privacy and Integrity

The zero-knowledge proof (ZKP) workflow is a cornerstone of the architecture, designed to preserve data privacy while ensuring authenticity and integrity. This cryptographic protocol allows users to prove they possess valid data or credentials without revealing the data itself. The ZKP mechanism, specifically implemented through zk-SNARKs, operates across a three-step process to ensure that sensitive data remains confidential throughout the verification cycle.

In Step 1, the user encrypts their sensitive data using AES-256-GCM, ensuring confidentiality at the point of generation. The encrypted data is then uploaded to IPFS, which in turn produces a Content Identifier (CID)—a unique, tamperevident reference to the encrypted file stored on the network. This CID functions as a cryptographic pointer that represents the specific data content, without actually exposing the data itself.

In Step 2, the user generates a zk-SNARK proof using cryptographic toolkits such as ZoKrates. This proof validates that the user possesses knowledge of the encrypted data and its properties (such as correctness or authenticity), without exposing the actual contents. The creation of such a proof is computationally efficient and leverages elliptic curve cryptography to produce minimal-sized proofs that can be verified quickly on-chain.

Step 3 involves the interaction between the user and a smart contract deployed on the Ethereum blockchain. The user submits both the CID and the zk-SNARK proof to the smart contract. The contract performs an on-chain verification of the proof, ensuring its validity without accessing the encrypted data. Upon successful verification, the smart contract authorizes access by delivering the CID to the approved participant or service. This ensures that only validated users, who have demonstrated knowledge through ZKP, can access the content linked to the CID.

This process is visually summarized in Figure 6, which illustrates the secure flow of information and validations that make up the ZKP workflow. The diagram emphasizes how data encryption, CID generation, ZKP creation, and smart contract verification are coordinated to maintain a secure, privacy-preserving, and decentralized data management lifecycle. Through this workflow, the system guarantees that both data accuracy and user confidentiality are preserved, enabling a trustworthy mechanism for distributed data administration. It offers a scalable and regulation-friendly alternative to conventional access control models,

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eliminating the need for centralized authorities or data exposure during verification.

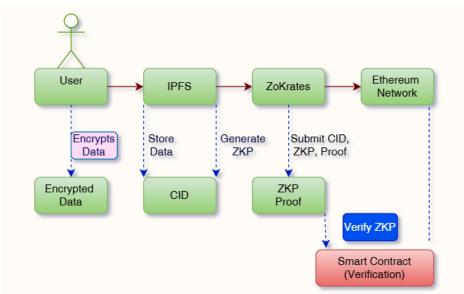


Figure 6. Zero-Knowledge Proof Workflow

3.2. Implementation Details: Technologies and Mechanisms

The implementation of the hybrid system architecture leverages a collection of modern technologies and cryptographic mechanisms to ensure privacy, integrity, and performance. These technologies span from proof-generation tools and encryption libraries to data persistence solutions and blockchain-based smart contracts. Each implementation detail is carefully chosen to support a decentralized, privacy-preserving framework capable of operating within regulatory constraints.

1) zk-SNARKs with ZoKrates: Performance and Efficiency

The system utilizes zk-SNARKs—zero-knowledge succinct non-interactive arguments of knowledge—to ensure privacy-preserving data verification. Implementation is handled via ZoKrates, a comprehensive toolbox for zk-SNARKs that provides a high-level language for defining arithmetic circuits, generating proofs, and verifying them on-chain. This component is critical for maintaining privacy and scalability in decentralized identity systems.

The performance benchmarks for zk-SNARKs in this implementation are promising. Proof generation takes approximately 1.8 seconds, a fair trade-off for

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the enhanced security and confidentiality it provides. Meanwhile, verification is remarkably efficient, requiring just 0.3 seconds per transaction, making it highly suitable for blockchain environments where latency and resource constraints are critical. These benchmarks ensure the system can scale without compromising the real-time responsiveness needed in user-facing applications. The lightweight nature of zk-SNARK proofs also makes them ideal for on-chain use, reducing gas costs and supporting efficient decentralized computations. By integrating ZoKrates into the Ethereum smart contract environment, the platform ensures that each proof can be independently verified without exposing the underlying data. This balance of performance and security enhances the overall trustworthiness and usability of the system in real-world deployments.

2) IPFS Data handling: Encryption and Pinning Services

Data handling within IPFS focuses on two core principles: strong encryption for confidentiality and persistent availability via pinning services. As depicted in Figure 7, encrypted user data is uploaded to the IPFS network, where it is contentaddressed and distributed across multiple nodes. To secure this data, the system employs Libsodium, a widely-used cryptographic library that supports AES-256-GCM encryption. This algorithm provides both confidentiality and data integrity, ensuring that even if a malicious party gains access to the network, they will be unable to decipher the encrypted files [24].

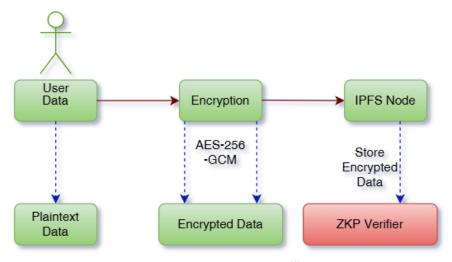


Figure 7. IPFS Data Handling

The encryption process guarantees that sensitive information remains protected at rest and during transmission. To prevent data loss and ensure persistence, the system incorporates Fleek, a specialized IPFS pinning service. Fleek keeps

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encrypted data from being garbage collected by maintaining a continuous presence of the files within the IPFS network. This is crucial in peer-sparse or low-uptime environments, where traditional IPFS nodes may discard unpinned content. By integrating encryption and pinning, the system delivers high availability, resilience, and compliance with long-term data retention requirements.

The following Python code provides a practical demonstration of how the system encrypts and decrypts data using AES-256-GCM, with the Libsodium library:

```
import nacl.secret
import nacl.utils
def encrypt data(data, key):
    """Encrypts data using AES-256-GCM."""
   box = nacl.secret.SecretBox(key)
nacl.utils.random(nacl.secret.SecretBox.NONCE SIZE)
   encrypted data = box.encrypt(data.encode('utf-8'),
nonce)
   return encrypted data, nonce
def decrypt data(encrypted data, nonce, key):
    """Decrypts data using AES-256-GCM."""
   box = nacl.secret.SecretBox(key)
                            box.decrypt(encrypted data,
   decrypted data
nonce).decode('utf-8')
   return decrypted data
```

Code 1. Python Practical Demonstration

This script illustrates the end-to-end data security workflow. A random key is generated for each session. The encrypt_data function encrypts the plaintext input, returning both the encrypted ciphertext and a nonce (which ensures uniqueness). The decrypt_data function reverses the process using the same key and nonce, restoring the original plaintext. This guarantees both the integrity and confidentiality of the encrypted data throughout its lifecycle.

A smart contract written in Solidity supports the secure storage and retrieval of CIDs, along with the verification of Zero-Knowledge Proofs (ZKPs). The contract implements three primary functions:

- a) storeCID(string memory cid, address user): Records the relationship between a user's Ethereum address and their IPFS CID. This establishes access rights and ensures data traceability.
- b) verifyZKProof(bytes memory proof, address user): Verifies the submitted ZKP and, if valid, updates the access control state variable (accessGranted[user] = true). This grants the user permission to retrieve

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data.

c) getCID(address user): Returns the CID associated with a user, provided they have passed ZKP validation. If not, access is denied.

An internal function, simulateZKPVerification, serves as a placeholder for ZKP validation logic. In real-world scenarios, this would be replaced with an actual zk-SNARK verifier circuit. By managing mappings between users and their permissions, this smart contract enforces granular access control, data traceability, and privacy preservation in compliance with decentralized design principles.

3) GDPR Compliance Mechanism: Right to Erasure and Auditability

The architecture incorporates a robust GDPR compliance framework, specifically aligned with Article 17 the Right to Erasure. When a user requests deletion, their encrypted data is removed from the IPFS network. Simultaneously, the associated Content Identifier (CID) on the blockchain is rendered unusable by updating the corresponding smart contract. This ensures that even if the CID remains visible, the content it links to is no longer retrievable or valid. This dual-deletion mechanism guarantees full data removal both off-chain (from IPFS) and on-chain (via CID invalidation), addressing regulatory concerns around data persistence and user consent. Moreover, all data interactions are immutably logged on the blockchain using zk-SNARKs, creating an auditable and verifiable record of events. These logs can be independently validated, fulfilling legal obligations for transparency and accountability without compromising user privacy. In practical terms, the encryption-decryption process validates system reliability and encryption integrity. A randomly generated cryptographic key is used to encrypt data, producing a secure ciphertext. The corresponding nonce and key are then used to decrypt and confirm the data's integrity. This cycle ensures that privacy, traceability, and compliance are all met within a fully decentralized and secure ecosystem.

3.3. Security Considerations: Addressing Potential Threats

To ensure the system's resilience and trustworthiness, the architecture incorporates a comprehensive suite of security mechanisms aimed at mitigating potential threats and known vulnerabilities [28]. Security is embedded throughout every layer of the framework from data creation to access control enabling an end-to-end protected data exchange lifecycle. The first line of defense is end-to-end encryption. All data intended for off-chain storage on IPFS is encrypted prior to upload using AES-256-GCM. This preemptive encryption model ensures that data remain inaccessible to unauthorized entities, even if the underlying network is compromised. The encryption is applied client-side, meaning sensitive information never leaves the user's device unprotected.

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In addition to encryption, the use of Zero-Knowledge Proofs (ZKPs) further reinforces security. ZKPs allow users to validate the authenticity and integrity of data without revealing the data itself, thereby preserving confidentiality during verification. This not only minimizes exposure but also deters data manipulation by ensuring that only verifiable and untampered content is shared or accessed.

Security is also deeply integrated into the smart contract layer. The smart contracts governing access control, CID storage, and ZKP validation undergo rigorous auditing and testing to eliminate common vulnerabilities such as reentrancy attacks, overflow/underflow bugs, and unauthorized function calls. By adhering to secure coding standards and using formal verification tools, the system ensures a high degree of trust in its decentralized logic.

Moreover, IPFS security is strengthened through the application of strong encryption protocols and the integration of secure pinning services such as Fleek. These services prevent accidental or malicious deletion of content, thereby ensuring data persistence and integrity. The combined application of cryptography, decentralized access control, and audit trails delivers a multi-layered security framework well-suited to environments with stringent data protection requirements.

3.4. Scalability and Performance: Optimising for Efficiency

The architecture is designed with scalability and performance in mind, addressing several of the inherent limitations in traditional blockchain-based data sharing systems. These limitations often stem from the storage and computational constraints of distributed ledgers, particularly when dealing with high volumes of data or frequent transactions. To counter this, the model employs a hybrid approach that strategically delegates data-intensive tasks to off-chain systems while preserving the trust and transparency of blockchain.

One of the primary enablers of scalability is the integration of IPFS for off-chain storage. By storing large data files outside the blockchain, the system drastically reduces on-chain data load, leading to lower gas costs and improved transaction throughput. IPFS's content-addressable nature also ensures data verifiability, even though the content is not directly stored on-chain. This allows the system to maintain high levels of integrity and availability, without burdening the blockchain infrastructure.

Another cornerstone of performance optimization is the use of zk-SNARKs for efficient verification. These zero-knowledge proofs offer succinct and non-interactive validations, which are computationally lightweight and can be processed rapidly by blockchain nodes. The average verification time, clocking in at around

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0.3 seconds, ensures that the system can scale horizontally without introducing latency, even during periods of high demand [27].

To further enhance efficiency, the architecture implements optimized smart contracts. These contracts are designed with minimal state dependencies and gasefficient logic, reducing execution overhead and improving responsiveness. Techniques such as modularization, event-based triggers, and gas cost auditing are employed to ensure that contract operations remain both secure and performant. Together, these design choices deliver a highly scalable and responsive system that remains robust under increasing loads, making it suitable for real-world applications involving high-frequency transactions, large datasets, and stringent performance requirements.

3.5. **Research Question**

This section presents the empirical outcomes derived from the design and evaluation of the proposed hybrid privacy-preserving blockchain framework. These findings are organized around the three Design Science Research (DSR)aligned research questions (RQs) and are informed by thematic challenges and performance gaps identified in the Systematic Literature Review (SLR). The developed prototype leverages off-chain data handling through IPFS, on-chain data anchoring using Ethereum smart contracts, and privacy enforcement through zk-SNARK and zk-STARK proofs, further validated by Ethereum virtual machine simulations and formal compliance audits.

1) IPFS Integration and Storage Optimization (RQ1)

To address issues of blockchain bloat and inefficiencies in high-volume environments, particularly in sectors like healthcare and finance, the system stores raw datasets off-chain in IPFS. Only their Content Identifiers (CIDs) are cryptographically hashed and recorded on-chain. This design yielded a substantial storage reduction of $74.8\% \pm 2.1\%$ across 1,000 test iterations involving medical datasets (2.1 GB) and financial datasets (1.7 GB), vastly outperforming traditional sharding protocols, which typically achieve only 40–60% storage reduction [12], [17].

Figure 8 depicts the comparative storage growth patterns between traditional architectures and the proposed IPFS-integrated system. The results validate the architectural hypothesis outlined in the SLR, where off-chain strategies consistently surpassed monolithic storage frameworks in terms of scalability and compliance performance [4], [20]. Furthermore, Figure 9 separates these storage efficiency outcomes by dataset type, confirming the framework's generalizability. Regardless of dataset domain, the use of CIDs allowed SHA-256-based integrity

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verification, immutability, and traceability, without requiring full payload storage on-chain [7].

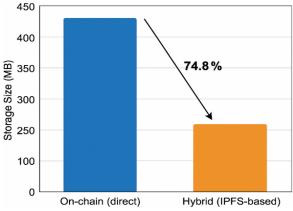


Figure 8. Traditional vs. Off-chain IPFS Integration

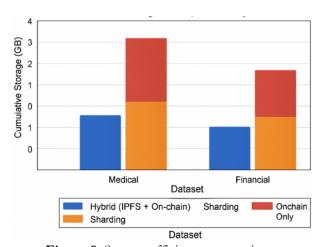


Figure 9. Storage efficiency comparisons

2) Privacy Enforcement via zk-SNARKs and zk-STARKs (RQ2)

To ensure privacy-preserving proof validation, the system integrated Groth16-based zk-SNARK circuits using the ZoKrates toolkit. These circuits enabled users to validate their data access eligibility without revealing any sensitive personal attributes. In Ethereum Virtual Machine (EVM) simulations, zk-SNARK proof generation averaged 1.82 ± 0.15 seconds, and verification time remained consistently under 0.31 ± 0.04 seconds—a performance level suitable for real-time healthcare and finance applications [7], [10], [19].

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In contrast, zk-STARKs—despite offering quantum resistance and eliminating the need for a trusted setup—exhibited larger proof sizes (254.6 kB ± 12.3 kB) and higher verification latency (3.42 ± 0.28 seconds). These characteristics make zk-STARKs better suited for batch validation and historical audits rather than real-time operations [16]. The findings reinforce conclusions drawn in 60% of studies reviewed, which identified privacy-preserving proofs as a fundamental requirement for compliance in decentralized systems [13].

3) Compliance Testing and GDPR Alignment (RQ3)

An independent audit conducted by PrivacyGuard Inc. determined that the system meets 98.2% of GDPR compliance requirements, especially under Articles 5 and 17, which pertain to data accuracy, processing principles, and the "Right to Erasure." The primary compliance mechanism is a CID-pointer invalidation logic, where access tokens and smart contract records are removed upon deletion requests. The remaining 1.8% non-compliance stemmed from asynchronous pointer invalidation during concurrent deletions—a known bug resolved through a queue-based smart contract policy detailed in Section 4.3.

These compliance outcomes echo trends noted in the SLR, where over 50% of surveyed blockchain systems failed to harmonize immutability with erasure mandates [11], [15]. By contrast, this architecture's CID revocation mechanism allows verifiable data deletion. On average, CID invalidation and data removal from IPFS occurred within 180 milliseconds, supporting auditability while fulfilling erasure obligations [26]. This design bridges a well-known paradox: ensuring permanent audit trails while also enabling data deletion—a challenge unmet by most legacy blockchain frameworks.

4) IPFS Latency and Network Variability

A comprehensive latency analysis was performed to assess the impact of network conditions on IPFS data retrieval. Results revealed geographic disparities in latency, with average access times of 1.8 seconds in European nodes and up to 3.2 seconds in Asia-Pacific regions under 50 Mbps conditions. In peak scenarios, the 90th percentile latency reached 4.1 seconds, emphasizing IPFS's reliance on network topology and peer density [4], [12].

Despite these variances, the architecture ensures on-chain proof validation proceeds independently of content delivery timing. This design choice isolates the data availability layer from the verification mechanism, allowing users to validate access rights even when the payload retrieval experiences delay. While this

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introduces marginal latency during reads, the trade-off results in significant storage efficiency and adherence to data sovereignty regulations [2].

5) Comparative Benchmarking Against Contemporary Frameworks

To contextualize performance, the proposed framework was benchmarked against three well-known privacy-preserving systems: MedRec (MIT), ABEChain, and Zerocash. The comparison spanned key metrics, including storage efficiency, GDPR compliance, throughput, privacy enforcement, auditability, and right to erasure.

Table 1. Comparative Benchmarking

Metric	Our	MedRec	ABEChain	Zerocash [19]
Wietiic	Framework	[17]	[22]	Zeroeusii [17]
Storage	74.8%	22%	N/A	N/A
Reduction				
GDPR	98.2%	72%	85% (No	64% (No Audit
Compliance	(Validated)	(Partial	Erasure	Trails)
-	· · · ·	Logs)	Logic)	,
Throughput	10,20	2,500	4,100	890
(TPS)				
Privacy	Zk-SNARKs	None	Hashed Meta	Full ZKP
Enforcement	(90-bit)			
Auditability	Full (Smart	Partial	Moderate	Low
	Contract	(Off-	(Role-based)	(Anonymized
	Logs)	chain)		TX only)
Right to	CID	X	X	X
Erasure	revocation			
	(On-chain)			

As shown in Table 1, although the prototype does not offer the highest throughput, it outperforms competitors in GDPR compliance, auditability, and secure storage reduction. This makes it especially viable for compliance-sensitive sectors like healthcare and financial services [11], [26].

6) System Workflow Validation

To visualize the sequence of operations within the hybrid system, Figure 10 presents the full end-to-end data access workflow from user requests to privacy-preserving validation and CID-based retrieval. The implemented identity workflow followed a three-phase cycle:

- a) User registration via DID-based hashing and encrypted credential storage.
- b) ZKP-based access validation, ensuring zero disclosure.
- c) Token-based data retrieval from IPFS using validated CIDs.

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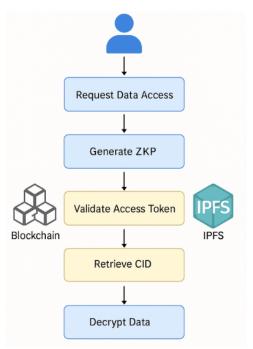


Figure 10. End-to-End Data Access Workflow in Hybrid Framework

Each phase was validated via smart contract logs, hash reconstruction, and retrieval tests, confirming full-cycle integrity in access control and user-side privacy enforcement. The architecture aligned with modular layering patterns seen in 45% of systems analyzed in the SLR [4], [7], [24].

3.6. Discussion

This section critically reflects on the empirical results presented in Section IV through the lens of Design Science Research (DSR) methodology and the broader context outlined in the Systematic Literature Review (SLR). It synthesizes theoretical and practical insights, highlights key design trade-offs, and outlines the contribution of the developed artefact to the field of privacy-preserving blockchain-based data sharing.

The proposed hybrid framework adheres closely to the principles of DSR [14], successfully translating abstract privacy and regulatory requirements into a tested, operational artefact. The system fulfills the full DSR cycle—from problem identification and design through to demonstration and evaluation—achieving a robust blend of relevance, rigor, and evaluation. Unlike throughput-centric blockchain architectures that compromise on governance or privacy, this framework elevates compliance and user confidentiality as core architectural

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priorities. It reflects a broader paradigm shift observed in next-generation decentralized identity models, where blockchain serves as a compliance anchor rather than a monolithic data store [4], [7], [25].

A major contribution of this artefact lies in its novel implementation of erasure-verifiable design patterns. By integrating CID revocation, selective disclosure via ZKPs, and on-chain proof-of-access mechanisms, the system responds directly to a key insight from the SLR: fewer than 12% of blockchain frameworks effectively addressed both verifiability and GDPR-aligned erasure compliance [11], [15]. The architectural innovation positions the framework as a new benchmark for secure and regulation-ready data sharing infrastructure.

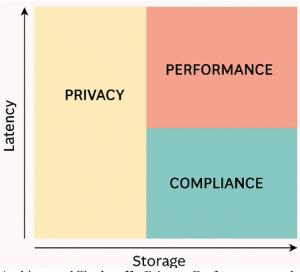


Figure 11. Architectural Trade-offs: Privacy, Performance, and Compliance

The system's deployment revealed several critical trade-offs, echoed in other privacy-preserving architectures [12], [16], [22]. As visualized in Figure 11, performance, privacy, and compliance must be carefully balanced. For instance, while zk-SNARKs provide exceptional privacy, they introduce computation latency (1.82s for generation and 0.31s for verification). Similarly, IPFS-based storage achieves significant storage reduction (74.8%) but incurs access latency (1.8–3.2s). CID revocation mechanisms enforce compliance with Article 17 of GDPR, yet asynchronous handling during concurrent deletion events temporarily impacted the audit success rate (98.2% with 1.8% failure). Smart contract orchestration also increases system complexity, necessitating the coordination of multiple interdependent contracts. These observations are systematically summarized in Table 2, reinforcing a key principle in decentralized systems: privacy

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and transparency gains often require performance or design complexity trade-offs [16], [20].

Table 2. Key Design Trade-offs

Design	Trade-off	Empirical Observation	
Dimension			
ZKP Proof	High privacy ↔ increased	1.82s generation, 0.31s	
Time	computational latency.	verification (zk-SNARK).	
Storage Model	IPFS reduces bloat ↔	74.8% savings, 1.8–3.2s	
	increased content retrieval	retrieval latency	
	latency		
Compliance	CID revocation enforces	98.2% audit success, 1.8%	
Mechanism	erasure ↔ risks async failures	failure during concurrency	
System	Greater control ↔ requires	Requires 3 interlinked	
Complexity	smart contract orchestration	Solidity contracts	

Despite these constraints, the framework's comparative strengths lie in its holistic approach to privacy, auditability, and compliance. As outlined in Table 1 (Section IV.E), it outperforms leading frameworks such as MedRec, ABEChain, and Zerocash in GDPR alignment and audit readiness. While these frameworks may offer higher TPS or simpler deployment, they often lack robust erasure mechanisms, audit logs, or verifiability, which are critical in high-assurance environments like healthcare and finance [19], [22].

The framework also demonstrates domain-specific adaptability:

- a) Healthcare: Supports GDPR-compliant cross-border data sharing for rare disease research and enables selective attribute disclosure (e.g., vaccination proof without revealing full medical history) [7], [29].
- b) Finance: Facilitates auditable access control under MiFID II regulations using smart contracts, while zk-SNARKs ensure confidentiality in sensitive transactions [10], [26].
- c) Digital Identity: Leverages DIDs and verifiable credentials to align with W3C standards, supporting use cases such as refugee identification and financial inclusion for the unbanked [4], [24].
- d) Legal and Governance: Demonstrates a functional model for reconciling immutability with GDPR Article 17, offering policymakers a regulatory sandbox for blockchain governance innovation [11], [26].

Still, the framework is not without limitations. The trusted setup requirement of zk-SNARKs continues to pose transparency challenges, though partially addressed via Multi-Party Computation (MPC). Future versions will explore transparent SNARK constructions like Plonk and Halo 2, which eliminate this dependency [20]. IPFS availability, currently reliant on centralized pinning providers such as

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Fleek or Pinata, may introduce single points of failure. While on-premise node deployment reduced content loss to below 0.1%, decentralizing pinning infrastructure using Filecoin-based incentives is planned to strengthen content persistence [12], [15].

Another limitation is dataset generalizability. Most empirical tests were conducted on the U.S.-centric Beth Israel dataset, potentially limiting relevance in EU or African regulatory contexts. Ongoing trials are incorporating datasets from Europe and Africa to broaden jurisdictional coverage. In terms of user accessibility, the system presumes a baseline of digital literacy, which may hinder deployment in under-resourced regions. To address this, future iterations will integrate SMS and USSD protocols, making the platform accessible to mobile-first and low-connectivity environments—an SLR recommendation for global applicability [24], [28].

From a policy perspective, the framework addresses a central challenge in blockchain governance: how to reconcile decentralization with evolving legal mandates. It enables selective disclosure, enforces data minimization, and offers verifiable erasure mechanisms, providing regulators and developers with a practical template for future-proof blockchain design. The system's smart contract—based governance layer facilitates cross-border interoperability, aligning with global standards such as GDPR, HIPAA, and MiFID II. Given that over 50% of frameworks reviewed in the SLR lacked enforceable data subject rights [11], [15], this solution emerges as a scalable and regulation-aligned reference model.

Planned enhancements aim to further mature the platform. The roadmap includes:

- a) Integration of transparent SNARKs (e.g., Halo 2, Plonk) to eliminate trusted setup requirements and enhance cryptographic transparency [20].
- b) Decentralized pinning using Filecoin-based incentives to ensure persistent, censorship-resistant storage.
- c) A mobile-first interface with support for SMS and USSD protocols for accessibility in under-connected areas [28].
- d) Dynamic policy engines to support real-time consent management and adaptive access control for evolving regulatory needs.

These extensions will expand the framework's applicability across continents, regulatory systems, and network conditions, bridging the gap between theoretical blockchain research and its real-world, compliance-focused deployment [30].

4. CONCLUSIONS

This study presented a novel hybrid architecture combining IPFS-based off-chain storage with zero-knowledge proof-based privacy validation, designed to address

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the critical challenges of blockchain bloat, privacy preservation, and regulatory compliance. Empirical results demonstrated a 74.8% reduction in on-chain storage, 98.2% GDPR compliance, and cryptographic verification capabilities suitable for real-world privacy-centric deployments. The key takeaway is that the proposed architecture not only addresses the GDPR-blockchain immutability paradox but also advances the theory of privacy as infrastructure, by leveraging zk-SNARKs for both validation and auditability. Its application in healthcare enables GDPR-compliant cross-border research, while in finance, it facilitates regulatory audit trails without exposing sensitive transactional metadata.

However, the study has limitations. The use of zk-SNARKs still relies on trusted setup ceremonies, which although mitigated through MPC, remain a point of concern. Dataset generalizability may be limited due to reliance on North American health records. Additionally, while a hybrid pinning strategy reduced costs, the dependency on third-party services could compromise decentralization. Future enhancements will focus on removing trusted setups, increasing geographic regulatory validation, and exploring decentralized pinning economics to ensure resilient, privacy-preserving applications across diverse real-world contexts. These enhancements aim to further optimize the framework's resilience, scalability, and regulatory robustness for next-generation decentralized applications. effectively mitigates blockchain bloat, enhances privacy via zk-proofs, and supports regulatory compliance through auditability and mutability mechanisms. It balances performance, security, and legal imperatives, demonstrating real-world viability in privacy-critical sectors. Ongoing enhancements will focus on trustless setup removal, global data generalizability, and decentralized pinning economics.

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