International Journal of Engineering and Information Systems (IJEAIS)
ISSN: 2643-640X
Vol. 9 Issue 8 August - 2025, Pages: 45-49

Machine Learning Approaches That Keep User Data Decentralized To Enhance Privacy And Comply With Regulations Like Gdpr

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Abstract— *With the exponential growth of data-driven applications, privacy concerns have become a central issue in machine learning (ML). Regulations such as the General Data Protection Regulation (GDPR) have further emphasized the need for systems that protect individual data. This paper explores decentralized machine learning methods that enhance user data privacy and ensure regulatory compliance. Techniques such as federated learning, split learning, and homomorphic encryption are examined in terms of their privacy guarantees, efficiency, and practical deployment. The discussion also evaluates trade-offs and challenges associated with decentralization, such as communication overhead and data heterogeneity.*

Keywords— Decentralized Machine Learning, Federated Learning, Data Privacy, GDPR, Homomorphic Encryption, Split Learning, Edge Computing

1. INTRODUCTION

The exponential rise in data generation, driven by smart devices, the Internet of Things (IoT), and widespread digital services, has fundamentally transformed the way machine learning (ML) systems are developed and deployed. These systems are increasingly integrated into critical sectors including healthcare, finance, transportation, and education, offering predictive insights and automation capabilities that drive efficiency and innovation [Smith, 2019, p. 203]. However, this rapid expansion has also triggered heightened concerns around user privacy, data ownership, and regulatory compliance. Traditional ML architectures are largely centralized. This means that raw user data is collected and aggregated in a centralized server where model training takes place. While effective for training powerful models, this architecture poses severe risks. Centralized data repositories are vulnerable to data breaches, unauthorized access, and cyberattacks. Moreover, they violate the principles of modern data protection regulations, such as the European Union’s General Data Protection Regulation (GDPR), which mandates data minimization, purpose limitation, and explicit user consent [Voigt & Von dem Bussche, 2017, p. 38]. In response to these challenges, decentralized machine learning (DML) approaches have emerged as a promising solution. Unlike traditional centralized models, DML strategies aim to train algorithms across multiple decentralized devices or servers without transferring raw data to a central location. These methods offer significant privacy advantages by ensuring that sensitive information remains on the user’s device or within the local environment [Brown & Zhao, 2021, p. 88]. One of the most discussed frameworks within DML is Federated Learning (FL), which allows devices to collaboratively learn a shared model while keeping the training data local. FL gained traction initially in mobile applications such as Google’s Gboard, where user typing data remained on-device, significantly reducing privacy risks [McMahan et al., 2017, p. 3]. Another innovative paradigm is Split Learning (SL), where only parts of the neural network are trained on the client-side, and intermediate computations are transferred to the server, further minimizing data exposure [Gupta & Raskar, 2018, p. 22]. Homomorphic encryption and differential privacy are complementary technologies that can be integrated into DML frameworks to enhance privacy guarantees. Homomorphic encryption allows operations on encrypted data, ensuring that even if intercepted, the data remains unintelligible [Gentry, 2009, p. 54]. Differential privacy adds statistical noise to datasets or outputs, making it difficult to identify individuals in a dataset [Dwork & Roth, 2014, p. 12]. Together, these techniques form a robust toolkit for privacy-preserving ML. The adoption of DML approaches is not merely a technical solution but a regulatory imperative. The GDPR, as well as other national privacy laws such as the California Consumer Privacy Act (CCPA), impose strict limitations on how personal data can be collected, processed, and stored. Decentralized ML architectures inherently align with these principles, making them attractive to organizations aiming to maintain legal compliance while leveraging the power of AI [Li et al., 2020, p. 73]. However, the road to fully decentralized, privacy-preserving ML is not without obstacles. Technical challenges include managing communication overhead, ensuring model convergence with heterogeneous data, maintaining performance parity with centralized models, and addressing fairness and bias in decentralized settings. In addition, socio-technical considerations such as user consent, trust, and transparency in

algorithmic decisions are equally crucial [Kairouz et al., 2019, p. 15]. This paper provides an in-depth exploration of decentralized machine learning approaches, focusing on privacy-preserving mechanisms and compliance with legal frameworks.

2. LITERATURE REVIEW

The rapid advancement of decentralized machine learning (DML) has led to the emergence of various strategies aimed at preserving user privacy while ensuring efficient model training. A comprehensive review of recent literature reveals that several innovative methodologies and supporting technologies contribute to this field. These include federated learning, split learning, differential privacy, homomorphic encryption, and edge computing. Each of these methods presents unique mechanisms, benefits, and limitations, which collectively shape the foundation for privacy-preserving, regulation-compliant machine learning systems. **Federated Learning (FL)** Federated Learning (FL) is considered the cornerstone of decentralized ML. First introduced by McMahan et al. [2017, p. 3], FL enables collaborative model training across distributed devices while keeping raw data on-device. Clients perform local training and only share model updates (e.g., gradients or weights) with a central aggregator. This significantly reduces the risk of data leakage and ensures a higher degree of data sovereignty. Kairouz et al. [2019, p. 15] provide a detailed taxonomy of FL algorithms and distinguish between horizontal FL (where data across clients share the same feature space), vertical FL (different feature spaces), and federated transfer learning (when both data and feature spaces differ). FL systems are particularly well-suited for mobile and edge environments where bandwidth, computation, and energy resources are limited. Applications range from predictive keyboards (e.g., Google Gboard) to healthcare diagnostics, financial modeling, and industrial IoT. However, despite its advantages, FL is susceptible to inference attacks. As shown by Melis et al. [2019, p. 91], even gradients shared in FL can leak information about local data. This has prompted the integration of secure aggregation protocols and differential privacy layers to enhance robustness. **Split Learning (SL)** Split Learning (SL), developed by Gupta and Raskar [2018, p. 22], addresses privacy by dividing a neural network into two parts: the client-side model and the server-side model. The client processes the input data up to a certain layer and sends intermediate activations (also called "smashed data") to the server, which continues training. Since raw data never leaves the device, privacy is inherently preserved. SL has demonstrated strong performance in sensitive domains like healthcare. Vepakomma et al. [2018, p. 29] applied SL to train models across multiple hospitals without sharing patient data. One key advantage of SL is its support for cross-silo collaboration, where institutions can jointly train models while maintaining data governance. However, SL requires synchronization between clients and servers and may not scale well in high-latency or low-bandwidth environments. **Homomorphic Encryption and Differential Privacy** Homomorphic encryption (HE) is a cryptographic method that allows computations on encrypted data without requiring decryption. Gentry [2009, p. 54] introduced the first fully homomorphic encryption (FHE) scheme, which laid the foundation for privacy-preserving ML in untrusted environments. Chen et al. [2020, p. 76] implemented HE in a neural network model, demonstrating feasibility but also revealing performance limitations due to high computational overhead. Differential privacy (DP) provides a probabilistic guarantee that the output of a function remains statistically similar regardless of the presence of a single data point [Dwork & Roth, 2014, p. 12]. Abadi et al. [2016, p. 34] integrated DP into deep learning using a technique called the "moment accountant," which allows tight control over privacy loss. DP is commonly used in FL to inject noise into model updates, thus minimizing the risk of re-identification from gradients. HE and DP are often used in combination with other DML techniques to achieve a balance between privacy, utility, and computational efficiency. For example, Zhu et al. [2021, p. 104] implemented federated learning with differential privacy in a healthcare application, achieving strong privacy protection with minimal impact on model accuracy. **Edge Computing and Decentralization Support** Edge computing provides the computational infrastructure necessary to support DML in resource-constrained environments. According to Shi et al. [2016, p. 45], edge computing reduces latency, improves energy efficiency, and limits data exposure by performing computations closer to the data source. This is crucial for real-time applications like autonomous vehicles, surveillance, and wearable health monitors. Zhang et al. [2019, p. 77] optimized ML workloads at the edge by dynamically allocating tasks based on resource availability. Satyanarayanan [2017, p. 66] emphasized the role of micro data centers and edge clusters in enabling scalable and decentralized ML. Edge devices, however, introduce heterogeneity in computation power, network conditions, and storage capacity. Li et al. [2020, p. 73] highlight that ensuring model convergence in non-IID (non-independent and identically distributed) settings remains an open challenge. This has led to the development of personalization techniques, federated averaging optimizations, and meta-learning approaches that adapt global models to local data distributions. **Comparative Evaluations and Integration Strategies** Literature also reflects an emerging trend toward hybrid architectures that combine multiple privacy-preserving techniques. For instance, Wang et al. [2022, p. 89] evaluated a system integrating FL, DP, and HE for financial fraud detection. The study reported a 5-fold increase in computational time but achieved privacy compliance with minimal accuracy trade-offs. Similarly, Thapa et al. [2020, p. 112] compared split learning and federated learning on medical imaging datasets. Their findings suggest that SL may outperform FL in low-data regimes or when feature privacy is paramount. However, FL remains more scalable for large-scale mobile deployments. The trade-offs between scalability, privacy, accuracy, and computational burden are central to the literature. Kairouz et al. [2019, p. 15] advocate for use-case-specific tailoring of decentralized approaches rather than one-size-fits-all solutions. **Theoretical Foundations and Policy Alignment** Decentralized ML methods are not only technological but also philosophical responses to centralized control and surveillance capitalism. Theoretical discussions in the literature emphasize ethical ML design, informed consent, data sovereignty, and algorithmic transparency [Brown & Zhao, 2021, p. 88]. Regulatory frameworks like GDPR require that systems ensure privacy by design and by default. Voigt & Von dem Bussche [2017, p. 38] argue that

decentralized architectures naturally fulfill key GDPR principles such as data minimization, purpose limitation, and storage limitation.

3. DISCUSSION

The implementation of decentralized machine learning (DML) frameworks represents both a technological innovation and a paradigm shift in the way machine learning models are developed, deployed, and governed. Drawing upon the findings in the literature, this section provides an integrative discussion of the practical implications, trade-offs, and future directions of various DML approaches in the context of privacy protection and regulatory compliance, particularly with frameworks such as the GDPR. One of the most significant benefits of DML systems is their ability to maintain data locality. This not only reduces the likelihood of massive data breaches but also enables organizations to adhere more strictly to the data minimization and purpose limitation principles of GDPR [Voigt & Von dem Bussche, 2017, p. 38]. In federated learning (FL), for instance, user data remains on personal or institutional devices, and only model updates are exchanged. This is in stark contrast to traditional centralized systems, where raw data is routinely aggregated in central servers—creating critical points of vulnerability [McMahan et al., 2017, p. 3]. Despite these advantages, FL is not without its weaknesses. One recurring concern is the potential leakage of private information through shared gradients or model updates. In some cases, attackers can infer sensitive training data from seemingly benign updates [Melis et al., 2019, p. 91]. This highlights the need for additional layers of privacy, such as differential privacy (DP) and secure aggregation protocols. DP, when properly tuned, can obscure individual contributions to a dataset without significantly compromising model utility [Abadi et al., 2016, p. 34]. However, improperly configured DP can severely degrade model performance, especially in settings with limited data. Split learning (SL), on the other hand, presents an alternative architecture that significantly limits the information sent to the server by only sharing intermediate activations. This mechanism has been shown to work effectively in healthcare and finance applications where privacy is paramount [Vepakomma et al., 2018, p. 29]. Nevertheless, SL typically requires greater synchronization between clients and servers and may face scalability challenges in environments with large numbers of participating devices or unstable network conditions. Homomorphic encryption (HE) offers the strongest theoretical privacy guarantees because it allows computation on encrypted data. Yet, in practice, its computational overhead remains a barrier. Applications in finance and healthcare have proven conceptually feasible but resource-intensive [Chen et al., 2020, p. 76]. While research in optimized FHE schemes is ongoing, their use in large-scale, real-time ML systems remains limited. Another challenge affecting all DML systems is heterogeneity in client devices and data. Non-IID data distributions—where the data varies significantly between clients—can lead to biased models and reduced generalizability [Li et al., 2020, p. 73]. Various strategies, such as personalized federated learning and meta-learning approaches, are being developed to address these disparities. Nonetheless, achieving uniform performance across diverse client datasets remains an open research problem. Additionally, from a system design perspective, the communication overhead in DML frameworks must be carefully managed. In resource-constrained settings (e.g., rural healthcare systems or mobile networks), frequent exchange of model parameters can lead to latency, dropped connections, and degraded user experience. Compression techniques, update sparsification, and asynchronous training protocols are being developed to mitigate these concerns [Kairouz et al., 2019, p. 15]. Edge computing plays a pivotal role in supporting DML systems by offloading computation from the cloud to local or near-user devices. It reduces latency and enhances real-time responsiveness, which is critical for time-sensitive applications such as autonomous driving or emergency medical diagnostics [Satyanarayanan, 2017, p. 66]. However, deploying DML on edge infrastructure requires robust orchestration tools, fault tolerance mechanisms, and energy-efficient model architectures. The alignment of DML with legal regulations is also noteworthy. GDPR and other privacy regulations increasingly push for 'privacy by design and by default'—principles inherently embodied in decentralized systems. However, legal compliance goes beyond technical solutions. Organizations must implement transparent consent mechanisms, robust audit trails, and user control over data usage. Failure to do so could lead to non-compliance even if the system architecture itself is decentralized [Brown & Zhao, 2021, p. 88]. Moreover, ethical considerations such as algorithmic fairness, accountability, and inclusivity are paramount. There is a risk that DML systems, trained on biased local datasets, may perpetuate or exacerbate social inequities. For example, a federated learning model for loan approval trained only on data from urban populations may underperform when applied in rural contexts. Addressing these challenges requires integrating fairness-aware learning objectives and validation strategies into the DML training pipeline. Finally, the future of DML lies in hybrid systems that combine multiple privacy-preserving technologies tailored to specific domains. For instance, combining FL with DP and SL may offer a more balanced approach to privacy, utility, and efficiency.

4.1 RESULTS

Empirical evaluations and simulation-based experiments provide critical insight into the practicality, performance, and privacy benefits of decentralized machine learning (DML) frameworks. This section presents detailed results from various case studies and experimental setups that explore the effectiveness of federated learning (FL), split learning (SL), and hybrid approaches involving differential privacy (DP) and homomorphic encryption (HE). These results demonstrate how different DML strategies can be aligned with both performance objectives and legal compliance requirements such as the GDPR. **Federated Learning in Healthcare and Mobile Systems** A prominent implementation of FL was conducted by Zhu et al. [2021, p. 104], who applied federated learning to

a multi-hospital healthcare dataset for cardiovascular disease prediction. The study showed that the FL model achieved 92.3% accuracy, closely matching the centralized baseline while keeping all raw patient data local. When combined with DP noise injection, privacy leakage was significantly reduced without a dramatic drop in accuracy (a 1.7% reduction). In the context of mobile systems, Google's implementation of FL in Gboard—a keyboard app for Android—demonstrated the feasibility of on-device training for next-word prediction. According to McMahan et al. [2017, p. 3], Gboard's FL model maintained similar predictive quality as server-trained models while complying with GDPR's requirements regarding data sovereignty and user consent. **Split Learning in Medical Imaging and Finance** Thapa et al. [2020, p. 112] evaluated split learning for medical image analysis using chest X-ray datasets across multiple healthcare centers. Their findings showed that SL models achieved over 90% classification accuracy for pneumonia detection, even in scenarios where each institution had limited local data. Importantly, no raw image data was ever transmitted between clients and servers, preserving patient confidentiality. In the financial sector, SL was applied to a credit risk scoring system where institutions collaborated without revealing internal data [Gupta & Raskar, 2018, p. 22]. Results indicated that SL enabled accurate credit prediction while maintaining strict data governance policies and achieving compliance with internal privacy regulations. **Homomorphic Encryption for Encrypted Model Inference** Wang et al. [2022, p. 89] demonstrated the application of fully homomorphic encryption (FHE) in a financial fraud detection system. The encrypted model inference pipeline detected anomalies in encrypted transaction data with an accuracy of 87%. However, the study highlighted significant computational latency—up to 5 times slower than traditional plaintext inference. While not yet optimal for real-time systems, this method confirmed the theoretical feasibility of privacy-preserving inference in untrusted environments. **Differential Privacy in Federated Contexts** Abadi et al. [2016, p. 34] explored the integration of DP into deep neural networks trained under FL protocols. Using the MNIST and CIFAR-10 datasets, they found that model accuracy dropped by approximately 3–5% when moderate DP noise was applied ($\varepsilon \approx 1$), suggesting a trade-off between privacy and performance. However, the technique effectively mitigated inference attacks, demonstrating its practicality for real-world applications in healthcare and education. **Hybrid Architectures and Comparative Outcomes** Hybrid systems combining FL, SL, and DP have also been tested for robustness and privacy. A study by Vepakomma et al. [2018, p. 29] used hybrid SL and DP techniques to build a collaborative diagnostic model across hospitals. The model achieved 94.5% accuracy for diabetic retinopathy detection while reducing communication overhead and maintaining legal privacy standards. Zhang et al. [2019, p. 77] applied edge computing principles alongside FL for a smart city traffic optimization system. The model ran inference tasks on embedded IoT devices, reducing latency by 40% and preserving real-time responsiveness. Importantly, user GPS and travel behavior data never left the edge device, fulfilling GDPR's locality and consent provisions.

Key Observations Across Use Cases

Table 1: Table header

Technology Used	Application Area	Accuracy	Privacy Mechanism	Notes
Federated Learning	Healthcare	92.3%	DP Noise Injection	Maintained local data; minor accuracy drop
Federated Learning	Mobile (Gboard)	High	On-device Training	GDPR-compliant, real-world deployment
Split Learning	Medical Imaging	>90%	Intermediate Activations	No raw data sharing between institutions
Split Learning	Finance (Credit Scoring)	High	Institutional Privacy	Secure multi-party training
Homomorphic Encryption	Fraud Detection	87%	Fully Encrypted Inference	High latency; theoretical feasibility
Differential Privacy	Image Classification	Slightly lower	Noise Injection	Strong privacy; 3–5% accuracy trade-off
Hybrid (SL + DP)	Diabetic Retinopathy	94.5%	Mixed	Reduced comms, high compliance
Edge + Federated	Smart Cities (Traffic)	High	Local Processing	Reduced latency; full data locality

4. CONCLUSION

Decentralized machine learning (DML) represents a paradigm shift in how sensitive data can be utilized for training intelligent systems while preserving user privacy and complying with stringent regulations like the General Data Protection Regulation (GDPR). This study explored and evaluated several DML approaches—such as federated learning, split learning, differential privacy, and homomorphic encryption—demonstrating their practical applications across key domains, including healthcare, finance, mobile services, and IoT. The results from real-world case studies and simulations illustrate that DML frameworks can

deliver competitive accuracy while minimizing risks of data leakage. Federated learning enables collaborative model building without centralized data aggregation. Split learning further reduces client-side resource needs, making it suitable for environments with low computing capacity. Meanwhile, privacy-preserving techniques like differential privacy and homomorphic encryption enhance data security, although with certain trade-offs in model accuracy or computational efficiency. A key takeaway is that there is no one-size-fits-all DML method. Each application domain has its own requirements regarding latency, model accuracy, privacy levels, and legal constraints. Therefore, hybrid models that integrate multiple techniques (e.g., FL + DP, or SL + HE) show the greatest promise for real-world deployment. Furthermore, the integration of DML within edge computing ecosystems shows strong potential for GDPR-compliant, low-latency AI systems that can scale effectively. However, challenges remain in standardizing these technologies, ensuring interoperability, and minimizing computational costs.

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