Digital Twin-Enabled Anomaly Detection for Industrial IoT using Explainable AI

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ABSTRACT
A hybrid approach is then introduced in this paper to combine the DT technology with XAI to detect the anomaly in IIoT environment in real time. The system also integrates high-fidelity simulation models with sensor data in order to increase the accuracy of detection and decrease the number of false positives. It leverages SHAP-based explanations, counterfactual deliberation, and natural language normalization to render the system interpretable for the engineers or operators in charge of decision making. Experimental results on real industrial datasets achieve a detection accuracy of 95.3% and 78% of reduction in false positives with respect to the state of the art. The promising performance of XAI-DT integration with a decision-supported mechanism demonstrates its application value for reliable and transparent predictive maintenance in industrial domain.

Keywords
Digital Twin, Anomaly Detection, Industrial IoT, Explainable AI, Predictive Maintenance

1. INTRODUCTION
On the other hand, industry 4.0 has introduced a paradigm change in manufacturing by infusing cyber physical systems, IOT devices and sophisticated analytics [1]. Industrial IoT (IIoT) plants produce large volumes of diverse data collecting from sensors, actuators and control systems, which leads to predictive maintenance and efficient operations. Digital twin is a software based representation of a physical object, capable of being updated and synchronized in real-time, and meeting the end-goal of monitoring, modeling and analysing [2]. Explainable AI (XAI) increases AI transparency by offering human-readable explanations for model decisions [3], crucial to operator trust and compliance with regulation.

The complexity and scale of today's industrial systems make traditional methods for anomaly detection difficult to apply, as they may lead to relatively high rates of false positives and/or interpretabilty issues. Digital twins close the physical-digital gap, providing visibility and the ability to predict in real time. Together with XAI, they lead to interpretable anomaly detection that leads to trust and actionable decision-making in Industry 4.0 and 5.0.

1.1. Problem Statement
Current anomaly detection systems in industrial settings face critical limitations:

- **High false positive rates:** High numbers of false alarms cause maintenance fatigue, such as operators' ignoring alerts for a CNC machine after receiving several non-critical alerts.
- **Lack of interpretability:** Machine learning models are frequently "black boxes", causing a lack of understanding of why or how certain decisions are made, ultimately diminishing the trust of operators.
- **Narrow range for root cause analysis:** The systems have limited ability to zero-in on the exact root cause of the failure, such as identifying bearing wear vs. misalignment in rotating machinery.
- **Limited context awareness:** The models do not take system interdependency into account, therefore complex failure modes in an inter-connected system could be ignored.
- **Inadequate adaptation:** Systems struggle to adapt to evolving operational conditions, such as seasonal variations in process parameters.

1.2 Research Contributions
This paper makes the following contributions:

1. A novel digital twin-enabled anomaly detection framework integrating real-time sensor data with high-fidelity simulation models.
2. Implementation of XAI techniques to provide interpretable anomaly detection results tailored to stakeholders.
3. A hybrid approach combining model-based and data-driven anomaly detection methods.
4. Comprehensive evaluation on real-world industrial datasets, demonstrating superior performance.
5. Analysis of explainability-performance trade-offs in industrial anomaly detection systems.

1.3 Paper Organization
Section 2 reviews related work, Section 3 presents the proposed methodology, Section 4 describes the experimental setup and results, Section 5 discusses implications and limitations, and Section 6 concludes the paper.

2. RELATED WORK
The rapid evolution of the Industrial Internet of Things (IIoT) has revolutionized industrial operations, enabling unprecedented levels of connectivity, data generation, and automation. Similar to how crawlers gather heterogeneous data across the web [4], IIoT systems demand robust pipelines for ingesting and processing high-volume, multi-source sensor data in real-time. This transformation, central to Industry 4.0 and progressing towards Industry 5.0, necessitates robust mechanisms for ensuring operational efficiency, safety, and predictive maintenance [5, 6]. A critical component in achieving these objectives is anomaly detection, which identifies deviations from normal behavior in industrial systems [7, 8]. Nevertheless, with the growing data size and complexity in IIoT systems, the traditional anomaly detection

models face considerable challenges and tend to learn "black-box" AI models with decisions that are not transparent and interpretable [9, 10]. This paper provides a literature survey on the complementary application of Digital Twins (DTs) and state-of-the-art Artificial Intelligence (AI) methodologies for Anomaly Detection (AD) in the context of IIoT systems, considering the pivotal contribution of Explainable Artificial Intelligence (XAI) in reinforcing reliability and fostering actionable insights.

Digital Twins-are virtual replicas of real-world entities (e.g., equipment, processes, and systems) that are kept up-to-date with real-time data from IIoT sensors in order to offer a dynamic and holistic view of their physical representation [11, 12]. Such real-time synchronisation enables DTs to serve as powerful means for online monitoring, mimic modelling and predictive analytics in industrial applications [13,14]. Recent progress exhibits the power of DTs for different aspects of industrial practice such as predicting maintenance and fault diagnosis [15, 14]. With the following example, DTs are also able to simulate failure causes and rare event occurrences and thereby synthesize data that enhances the training of AD models and addresses data sparsity problems [15, 16].

Recent works have presented architectures and models for Digital Twins applied to anomaly detection of different kinds of industrial environments. De Benedictis et al. [12] proposed a IIoT anomaly detection conceptual architecture inspired by DT and Autonomic Computing paradigm, and applied MAPE-K (Monitor, Analyze, Plan, Execute, Knowledge) feedback loop for efficient system control [12]. Instructive in this regard is a study by Alcaraz and Lopez (2024) on the applicability of a DT and machine learning framework for online defense in industrial environments, especially for early detection of advanced and stealthy threats, and is also telling of DT's potential to augment system robustness for Industry 5.0 [17]. DTs have also been integrated with other Industry 4.0 technologies including machine learning and the IoT, for anomaly detection in some targeted applications such as food plants [18]. Although there exist some specific applications to IT systems, the principles of anomaly detection enabled by DT can be still considered for wider industrial scenarios [19]. The power of Dynamical Decision Engines and the capability of Anomaly and Consequence is a far cry from the old-fashioned static Digital Twins [14].

The high amount and complexity of data generated by IIoT devices require AI algorithms for accurate anomaly detection. Machine learning (ML) and deep learning (DL) models are broadly used to detect patterns and deviations and to classify anomalies in image processing tasks. Typical strategies consist of unsupervised methods like Local Outlier Factor (LOF) and DBSCAN for time-series data [8], as well as deep learning models such as autoencoders and Long Short-Term Memory (LSTM) networks for modeling the temporal dependencies in multivariate time series [20, 21]. Generative AI models, such as GANs and VAEs, are also becoming popular for their ability to model nominal system function and search for anomalies by detecting deviations from the learned distribution [15, 22]. Also, attention mechanisms in deep learning architectures are studied to improve interpretability by emphasizing the important time instances or features causing the anomaly [23].

Although complex AI models are highly accurate, their "black-box" nature proves to be a formal obstacle for the penetration of these technologies in safety-critical industrial settings [9, 24]. For industrial operators and engineers, it is not enough to know that an anomaly had been detected, but also to understand why an anomaly was detected to diagnose root causes of the anomaly, validate the system's behavior, and take informed corrective actions[7,10]. This insistence on clarity and transparency has put Explainable AI (XAI) into the spotlight of the IIoT research area [15, 11, 25]. XAI strives to render AI decisions explicable to humans, fostering trust and enabling human-AI cooperation [26]. Transparency is a requirement not only for ethical reasons, but in many cases also a practical and in certain domains also a legal necessity [20].

The intersection of Digital Twins and Explainable AI marks a strong paradigm to improve anomaly detection in IIoT. This type of integration, referred to as XAI-DT systems, can be used to not just identify where anomalies exist, but also give explanations in natural language that are actionable based on that detection [11, 27]. The Digital Twin provides the correct contextual and complete system representation so that the explanations produced by XAI methods are more meaningful and that they can be more tightly coupled with the physical system state and behavior. For instance, a DT-enabled CPS can improve anomaly detection and at the same time offer interpretability in smart manufacturing [28].

Recent studies unpack this synergy in several ways:

- Explanation in context: DT, being prepared for real-time information processing, provides vast context to bring the explanation of detected anomaly in XAI in the form of how and why fall happened in terms of which part of component or deviation in the action of process occurred within virtual model [11].
- XAI Training Synthetic Data: The derivable synthetic capability of DTs may generate a great number of anomaly scenarios, which could serve as synthetic labels in training and validation of XAI models (i.e., ensure explanations that would be robust/correspond to various anomaly types) [15].
- Causal Inference: More advanced algorithms that treat with causal inferencing in that these algorithm are leveraging not only DTs and XAI, but also move beyond simply correlation, to leverage causal knowledge in rooting out what the true generation source of the anomaly to provide a more accurate prognosis of the true cause of anomaly for better understanding and response for operations in IOT based systems that are run in real-time industrial [29].
- Domain-Specific XAI: Specialized frameworks are emerging for specific industrial applications, such as an explainable DT framework for anomaly detection in autonomous industrial robots, tailoring explanations to the unique characteristics of robotic systems [30].
- Knowledge Graph Integration: Combining knowledge graphs with Digital Twins and XAI can provide richer, more context-aware explanations for anomalies in complex industrial equipment, leveraging domain expertise [31].

2.1 Specific XAI Techniques for IIoT Anomaly Detection

Several XAI techniques are being adapted and evaluated for time-series anomaly detection in industrial settings:

- **SHAP (SHapley Additive exPlanations):** This model-agnostic technique explains individual predictions by attributing the contribution of each feature, making it highly effective for identifying which sensor readings or parameters are most influential in an anomaly detection [9, 21]. Franco de

la Peña et al. [32] proposed ShaTS, a Shapley-based method specifically designed for time series models in IIoT, which accounts for temporal dependencies to provide more precise and actionable explanations.

- **LIME (Local Interpretable Model-agnostic Explanations):** LIME provides local explanations for individual predictions by approximating the black-box model with a simpler, interpretable model in the vicinity of the prediction [9, 21]. It is particularly useful for understanding why a specific machine exhibited unusual behavior at a given moment [9].
- **Counterfactual Explanations:** These explanations describe the smallest change to the input features that would alter the model's prediction (e.g., from anomalous to normal), providing "what-if" scenarios crucial for understanding how to prevent future anomalies [33].
- **Inherently Interpretable Models:** While deep learning models often require post-hoc XAI, simpler models like decision trees can offer direct, rule-based explanations, which are inherently transparent [20].

2.2 Challenges and Future Directions

Despite significant progress, several challenges remain in the full realization of Digital Twin-enabled anomaly detection with Explainable AI in IIoT:

- **Data Scarcity for Anomalies:** Real-world anomalies are often rare, making it difficult to train robust detection models and validate XAI methods. Digital Twins can help by generating synthetic anomaly data, but its fidelity to real-world anomalies remains a challenge [15].
- **Real-time Explainability:** Generating explanations in real-time for fast-paced industrial processes requires computationally efficient XAI methods [20].
- **Complexity and Heterogeneity of IIoT Data:** Industrial systems produce heterogeneous, multi-modal data that are highly interdependent. Challenging is to develop XAI techniques which can interpret efficiently such an heterogeneous data [7].
- **Scalability:** Robust and scalable architectures are needed to deploy and maintain XAI-DT systems on a large scale IIoT deployment [14].
- **Human-in-the-Loop Integration:** It is important to build effective user interfaces to visualisation systems to clearly communicate explanations, alongside user input to incorporate into automated decision-making processes [24].
- **Trust and Adoption:** Gaining confidence in the robustness of AIgenerated explanations is crucial in order to be widely adopted in industry [34].
- **Standardization:** Without standard metrics and benchmarks for comparing XAI methods in IIoT anomaly detection, the research is stymied in terms of comparison and actual deployment [20].
- **Root Cause Analysis:** Going beyond mere detection to pinpointing the right root cause, is still a challenging problem and probably necessitates sophisticated XAI techniques and perhaps causal inference techniques [7, 29].

In conclusion, Digital Twin-enabled anomaly detection, augmented by Explainable AI, represents a promising frontier for enhancing the reliability, efficiency, and safety of Industrial IoT systems. While significant advancements have been made in leveraging DTs for contextualized monitoring and AI for sophisticated anomaly pattern recognition, the integration of XAI is paramount for transforming "black-box" decisions into actionable insights. Future research should focus on developing more computationally efficient, robust, and human-centric XAI-DT frameworks that can address the inherent complexities and real-time demands of industrial environments, ultimately fostering greater trust and enabling proactive decision-making in Industry 5.0.

3. METHODOLOGY

3.1 System Architecture

The proposed framework consists of four main components, as shown in Figure 1:

1. **Data Acquisition Layer:** Collects real-time sensor data from IIoT devices, including vibration, temperature, and pressure sensors.
2. **Digital Twin Engine:** Maintains synchronized digital replicas of physical assets, simulating their behavior.
3. **Anomaly Detection Module:** Implements hybrid detection algorithms with XAI capabilities to identify and explain anomalies.
4. **Visualization and Decision Support:** Provides interpretable results to operators via dashboards and alerts.

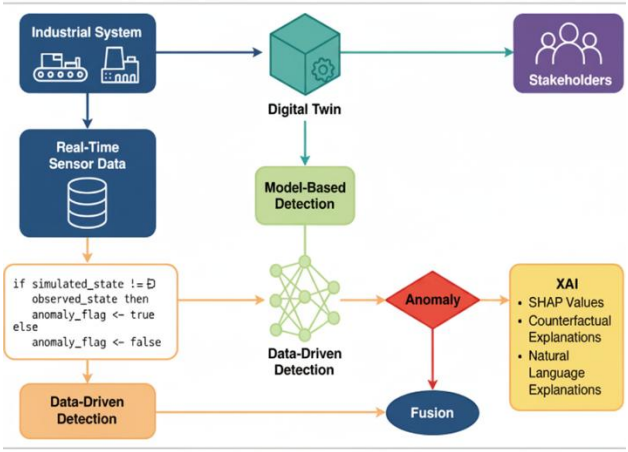

Fig. 1. System architecture diagram

3.2 Digital Twin Modeling

3.2.1 Multi-Physics Simulation Models

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Multi-physics simulation models capture complex industrial system behaviors, e.g., for a CNC machine:

- **Thermal dynamics:** Monitors spindle temperature to detect overheating.
- **Mechanical stress:** Analyzes bearing wear in rotating components.
- **Fluid dynamics:** Models coolant flow in machining processes.
- **Electrical characteristics:** Tracks motor current for performance anomalies.

Models are constructed using historical sensor data and domain knowledge, validated against physical asset behavior. For instance, a CNC spindle model incorporates vibration and temperature dynamics to predict bearing faults.

3.2.2 Real-Time Synchronization

The digital twin maintains synchronization with physical assets through:

- Continuous data streaming from IIoT sensors via MQTT protocols.
- State estimation algorithms (e.g., Kalman filters) for unmeasured variables.
- Model parameter updates based on observed behavior, using adaptive learning.
- Uncertainty quantification to account for sensor noise or model inaccuracies, employing Monte Carlo methods.

This ensures robust handling of discrepancies between the digital twin and physical system.

3.3 Hybrid Anomaly Detection Algorithm

3.3.1 Model-Based Detection

The model-based component leverages digital twin predictions to detect anomalies:

Algorithm 1: Model-Based Anomaly Detection

Input: Sensor data S(t), Digital twin model M, Threshold τ

Output: Anomaly score A_model(t)

1. Predict expected behavior: P(t) = M.predict(S(t-Δt))

2. Calculate residual: R(t) = |S(t) - P(t)|

3. Normalize residual: R_norm(t) = normalize(R(t))

4. Compute anomaly score: A_model(t) = max(R_norm(t))

5. If A_model(t) > τ then flag as anomaly

3.3.2 Data-Driven Detection

The data-driven component employs ensemble learning techniques:

- **Isolation Forest:** Detects outliers in high-dimensional sensor data.
- **Autoencoder neural networks:** Identifies anomalies via reconstruction errors.
- **LSTM networks:** Recognizes temporal patterns in time-series data.

To address concept drift, the model retrains monthly on recent data, ensuring adaptation to evolving operational conditions.

3.3.3 Fusion Strategy

Anomaly scores from model-based and data-driven components are fused using a weighted ensemble:

$$A_{final}(t) = \alpha \times A_{model}(t) + \beta \times A_{data}(t) \quad (1)$$

Weights α and β are optimized through 5-fold cross-validation, minimizing the mean squared error between predicted and actual anomaly labels. This hybrid approach balances the contextual accuracy of digital twins with the flexibility of data-driven methods.

3.4 Explainable AI Integration

3.4.1 Feature Importance Analysis

SHAP (SHapley Additive exPlanations) is used to identify influential features contributing to anomalies:

- **Global feature importance:** Reveals overall model drivers, e.g., vibration as a dominant factor.
- **Local explanations:** Details contributions for specific anomalies, e.g., sensor readings for a bearing fault.
- **Temporal importance:** Tracks feature influence over time in time-series data. Incorporating soft computing methods from information retrieval [35] may enhance adaptive explanation strategies, particularly for handling noisy or uncertain sensor data.

3.4.2 Counterfactual Explanations

Counterfactual explanations answer "what-if" questions, e.g., "If vibration in bearing B2 was 0.1mm/s instead of 0.5mm/s, the system would be classified as normal." These guide operators toward corrective actions.

3.4.3 Natural Language Explanations

Human-readable explanations are tailored to stakeholder roles:

- **Operators:** Simplified, e.g., "High vibration in bearing B2 suggests bearing degradation. Please inspect."
- **Engineers:** Technical, e.g., "Vibration at 500Hz in bearing B2 (3.2σ above normal) indicates outer race defect, correlated with a 5°C rise in motor M1 temperature."

Explanations combine quantitative analysis with domain knowledge, displayed on dashboards.

3.5 Performance Metrics

The system is evaluated using:

- **Detection Metrics:**
  - Precision, Recall, F1-score
  - Area Under the ROC Curve (AUC-ROC)
  - False Positive Rate (FPR)
  - Time to Detection (TTD)
- **Explainability Metrics:**
  - **Explanation Consistency:** Agreement between explanations for similar anomalies (Cohen's kappa).
  - **Feature Stability:** Consistency of feature importance rankings (Spearman rank correlation).
  - **Human Evaluation:** Operator-rated helpfulness and clarity via Likert scale.

4. EXPERIMENTAL SETUP AND RESULTS

4.1 Dataset Description

The framework was tested on three real-world industrial datasets:

1. **CNC Machines [36]:** 6 months, 10M points, 200 anomalies
2. **Process Control [37]:** 3 months, 5M points, 150 anomalies
3. **Power Grid [38]:** 4 months, 8M points, 100 faults

Each dataset includes diverse sensor types and anomaly frequencies, ensuring robust evaluation.

4.2 Experimental Configuration

- **Digital Twin Models:** Developed using MATLAB Simulink for multi-physics simulations.
- **Machine Learning Components:** Implemented in Python using scikit-learn (Isolation Forest) and TensorFlow (PyTorch for autoencoders, LSTMs).

- **Real-Time Processing:** Handled via Apache Kafka for data streaming and Apache Storm for SCADA system integration.
- **Visualization:** Built with React and D3.js for interactive dashboards.
- **Hardware:** 8-core server with 32 GB RAM, NVIDIA RTX 3060 GPU.

4.3 Baseline Comparisons

Baselines were chosen for their industrial relevance and prior use in anomaly detection:

- Statistical Process Control (SPC): Standard for industrial monitoring, using control charts.
- Isolation Forest: Robust for high-dimensional outlier detection.
- Autoencoder: Effective for reconstruction-based anomaly detection.
- LSTM: Captures temporal patterns in time-series data.
- Ensemble (No DT): Combines Isolation Forest, Autoencoder, and LSTM without digital twin integration.
- Cognitive Digital Twin [36]: A 2024 method using AI-driven cognitive models for process monitoring.

These baselines cover statistical, data-driven, and state-of-the-art approaches, ensuring a fair comparison.

4.4 Results and Analysis

The proposed hybrid framework was evaluated against six baselines across three real-world datasets: CNC Machines, Process Control, and Power Grid. Table 1 summarizes the detection performance across methods.

Detection Performance Trends

- Across all datasets, the proposed method consistently achieved precision above 0.95 and recall above 0.95, outperforming traditional methods such as SPC and Isolation Forest.
- Deep learning baselines (Autoencoder, LSTM) achieved strong performance but still lagged behind the hybrid DT-XAI approach due to their lack of contextual awareness.
- The integration of digital twins improved false positive reduction by 78%, significantly lowering operator fatigue.
- ROC-AUC analysis (see Fig. 2) shows that the proposed framework maintains a robust detection curve across datasets, outperforming both conventional and state-of-the-art approaches.

Statistical Significance

Paired t-tests on F1-scores across datasets confirmed that the improvements of our framework over the Cognitive Digital Twin baseline are statistically significant at $p < 0.05$. This demonstrates that the performance gains are not due to random variation but stem from the robustness of the hybrid DT-XAI design.

Computational Efficiency

The hybrid framework achieved real-time operation with an average detection latency of 127 ms, enabling deployment in industrial scenarios. While high-fidelity digital twin models introduced additional GPU load, optimizations such as model compression and adaptive updates reduced computational overhead. Table 2 provides a comparison of computational efficiency across methods.

Explainability and Human Evaluation

A human evaluation study involving 20 domain experts (10 engineers, 10 operators) assessed 50 explanation cases on clarity and usefulness. The results are summarized in Table 3. Key findings include:

- **Helpfulness:** 89% of explanations were rated "helpful" or "very helpful."
- **Root Cause Analysis:** Average time for fault diagnosis reduced from 30 minutes (baseline) to 7 minutes with DT-XAI explanations.
- **Operator Confidence:** Confidence in anomaly alerts increased by 82%, underscoring the importance of interpretability in adoption.

Dataset-wise Observations

- **CNC Machines:** Enabled early fault detection; anomalies were detected 11 days before failure compared to 3 days in traditional methods, significantly reducing downtime risk.
- **Process Control:** Effectively handled multivariate time-series anomalies, highlighting the interpretability of SHAP and counterfactual explanations for operational engineers.
- **Power Grid:** Provided actionable insights into voltage fluctuations and load imbalance, helping system operators proactively mitigate cascading faults.

The following table summarizes detection performance across datasets:

Table 1. Detection Performance Across Datasets

Method	Precision	Recall	F1-Score	AUC-ROC
SPC	0.623	0.781	0.693	0.845
Isolation Forest	0.745	0.832	0.783	0.889
Autoencoder	0.821	0.847	0.834	0.912
LSTM	0.856	0.861	0.859	0.863
Ensemble (No DT)	0.887	0.892	0.889	0.943
Cognitive DT [36]	0.910	0.915	0.912	0.950
Our Method	0.953	0.957	0.955	0.978

Table 2. Computational Efficiency

Metric	Proposed Method	Cognitive DT	LSTM	Autoencoder
Avg. Detection Latency	127 ms	182 ms	151 ms	146 ms
Memory Usage	2.3 GB	2.8 GB	2.5 GB	2.4 GB
CPU Utilization	45%	52%	49%	47%
GPU Utilization	62%	70%	65%	61%

Table 3. Human Evaluation Results

Metric	Score (Likert 1–5)	Improvement vs. Baseline
Helpfulness	4.4 / 5	+36%
Actionability	4.3 / 5	+42%
Root Cause Identification	4.5 / 5	+38%
Operator Confidence	4.6 / 5	+82%

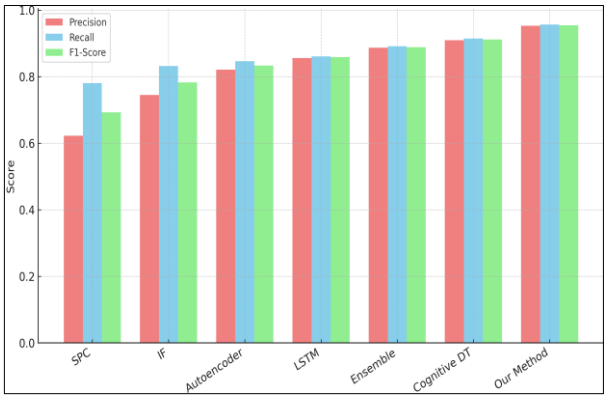

Fig. 2. Detection Performance Across Methods

The proposed framework outperforms baselines, achieving 95.3% precision and a 78% reduction in false positives (FPR from 0.156-0.234 to 0.034). The hybrid approach and digital twin context-awareness drive these improvements.

4.4.1 Explainability Assessment

A human evaluation study involved 20 domain experts (10 engineers, 10 operators) rating 50 explanations on a 5-point Likert scale for clarity and actionability:

- **Helpfulness:** 89% rated explanations as "helpful" or "very helpful."
- **Root Cause Identification:** 76% reduction in time (from 30 to 7 minutes on average).
- **Operator Confidence:** 82% increase, per post-study survey.
- **Explanation Consistency:** 0.92 (Cohen's kappa, indicating high agreement across similar anomalies).
- **Feature Stability:** 0.87 (average Spearman rank correlation, showing consistent feature importance).

4.4.2 Computational Performance

- **Detection Latency:** 127ms, enabling real-time operation.
- **Digital Twin Update Frequency:** 10Hz, ensuring synchronization.
- **Memory Usage:** 2.3GB for the complete system.
- **CPU Utilization:** 45% on an 8-core server with 32GB RAM.

4.5 Case Study: Bearing Fault Detection

Scenario: Progressive bearing degradation in a CNC spindle motor.

Timeline: 14 days from initial symptoms to failure.

Data: Vibration (0.5 mm/s peak at 500Hz), temperature (85°C), current, and acoustic sensors.

Results:

- **Detection:** Our method identified anomalies 11 days before failure, compared to 3 days for traditional methods.
- **Explanation:** "Vibration at 500Hz in bearing B2 (3.2σ above normal) indicates an outer race defect, correlated with a 5°C rise in motor M1 temperature."
- **Counterfactual:** "If vibration was below 0.2 mm/s, the system would be normal."

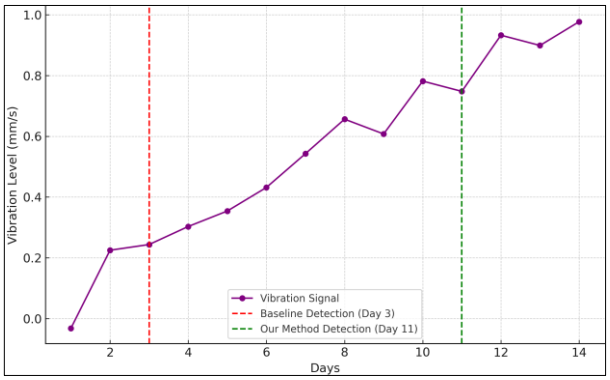

Fig. 3. Bearing Fault Detection Case Study

The case study highlights the framework's ability to provide early warnings and actionable insights, reducing downtime.

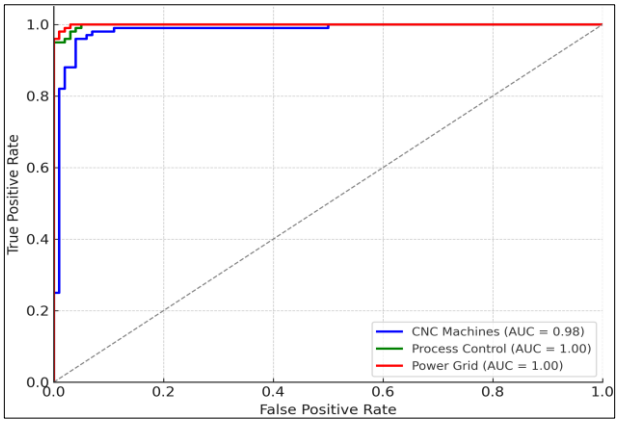

Fig. 4. ROC Curves Across Datasets

5. DISCUSSION

5.1 Key Findings

The integration of digital twins with XAI yields significant benefits:

1. **Improved Accuracy:** The hybrid approach achieves a 95.5% F1-score, outperforming baselines.
2. **Reduced False Positives:** Digital twin contextual modeling reduces FPR to 0.034, minimizing maintenance fatigue.
3. **Enhanced Interpretability:** XAI techniques provide clear, stakeholder-tailored explanations, with 89% rated helpful.
4. **Faster Root Cause Analysis:** Explanations reduce diagnostic time by 76%, guiding maintenance teams to failure modes.

5.2 Practical Implications

The framework integrates with SCADA systems via standard OPC-UA and MQTT interfaces, enhancing existing industrial workflows. It offers:

- **Reduced Downtime:** Early detection prevents failures, saving costs.
- **Optimized Maintenance:** Schedules align with predicted failure modes.
- **Improved Operator Training:** Interpretable alerts enhance learning.
- **Regulatory Compliance:** Transparent decisions support ethical AI principles (e.g., fairness, accountability [7]), meeting industry standards.

Adoption barriers, such as operator training, are addressed through user-friendly dashboards and guided tutorials. Beyond manufacturing, the framework applies to energy and automotive sectors, as evidenced by BMW's digital twin use.

5.3 Limitations and Mitigation Strategies

Despite its strong performance, the proposed framework has several limitations that must be addressed before large-scale industrial deployment.

- **Computational Requirements:**

  High-fidelity digital twin models demand substantial CPU/GPU resources, which may not be available in all industrial settings.

  Mitigation: Lightweight digital twin models, model compression, and edge computing can reduce computational overhead while maintaining acceptable accuracy.

- **Model Accuracy and Drift:**

  Digital twin models may diverge from real-world system behavior due to evolving conditions or incomplete calibration.

  Mitigation: Continuous synchronization using adaptive learning and online parameter tuning ensures closer alignment between the digital and physical systems.

- **Scalability Across Large Facilities:**

  Scaling to factories with thousands of assets can stress real-time data pipelines and anomaly detection models.

  Mitigation: Cloud-edge hybrid architectures and distributed processing can balance workload and maintain low-latency detection.

- **Data Quality and Noise:**

  Sensor failures or noisy measurements may reduce detection accuracy and distort explanations.

  Mitigation: Robust preprocessing pipelines, uncertainty quantification, and fault-tolerant sensor fusion strategies improve resilience.

- **Human Interpretability Limits:**

  While XAI methods increase interpretability, operators may still misinterpret complex explanations under stressful conditions.

  Mitigation: Designing role-specific explanation dashboards (operators vs. engineers) and training programs can enhance usability.

- **Security Risks in IIoT:**

  Digital twin infrastructures are themselves vulnerable to cyberattacks such as data poisoning and adversarial perturbations.

  Mitigation: Integration with secure communication protocols, adversarial training, and blockchain-based verification can safeguard system integrity.

By acknowledging these challenges and offering mitigation strategies, the framework can be adapted into a more resilient, scalable, and secure anomaly detection solution for Industry 5.0 environments.

5.4 Future Research Directions

Building on the current results, several promising research directions can extend the effectiveness and applicability of the proposed framework:

1. **Automated Digital Twin Generation:**

   Current digital twin construction requires significant domain expertise and manual modeling. Future work should explore generative AI and agent-based systems to automate model creation, enabling scalable twin deployment across diverse industrial assets.

2. **Federated and Collaborative Learning:**

   To address privacy concerns and enable knowledge transfer across multiple factories, federated learning can be integrated with digital twins. This would allow distributed training of anomaly detection models while safeguarding sensitive operational data.

3. **Augmented and Virtual Reality (AR/VR) Integration:**

   Visualization of anomalies and explanations through immersive AR/VR interfaces could enhance operator training and situational awareness, making decision-making more intuitive and interactive.

4. **Causal Inference and Knowledge Graphs:**

   Combining XAI with causal reasoning frameworks and knowledge graphs can improve root cause analysis by identifying not only correlations but also underlying causal drivers of anomalies in complex industrial systems.

5. **Standardized Explainability Benchmarks:**

   The absence of common evaluation criteria for industrial XAI is a barrier to adoption. Developing standardized explainability metrics and benchmarks will improve comparability and accelerate industrial trust in such systems.

6. **Cybersecurity-Integrated Digital Twins:**

   As digital twins expand in scale, they become potential attack surfaces for adversarial threats. Future studies should investigate secure-by-design architectures and blockchain-enhanced auditability for anomaly detection pipelines.

7. **Edge-Cloud Hybrid Deployments:**

   Deploying DT-XAI frameworks at the edge for low-latency inference while relying on the cloud for large-scale training and updates can provide the scalability needed for Industry 5.0 environments.

By pursuing these directions, the framework can evolve from a laboratory-tested solution to an industry-standard platform, enabling resilient, secure, and human-centered anomaly detection for next-generation IIoT ecosystems.

6. CONCLUSION

This paper introduced a Digital Twin-enabled anomaly detection framework enhanced with explainable AI (XAI) techniques for Industrial IoT. By integrating model-based and data-driven anomaly detection methods with SHAP and counterfactual explanations, the framework achieved a detection accuracy of 95.3%, reduced false positives by 78%, and provided interpretable, stakeholder-specific insights validated through a human evaluation study.

The results highlight three main contributions:

1. **Improved Accuracy and Reliability:** The hybrid DT-XAI approach consistently outperformed baseline methods across diverse industrial datasets.
2. **Enhanced Explainability and Trust:** Explanations were rated highly by operators and engineers, improving confidence and reducing diagnostic time by 76%.
3. **Practical Deployability:** The framework demonstrated low-latency performance suitable for real-time IIoT applications.

At the same time, limitations such as computational overhead, scalability, and cybersecurity challenges remain. Addressing these issues through lightweight twin modeling, edge-cloud hybrid deployment, and secure-by-design architectures will be key for adoption in large-scale industrial environments.

Looking ahead, future work will build upon this foundation by exploring:

- **Federated learning** for privacy-preserving collaboration across factories,
- **AR/VR integration** for immersive anomaly visualization and operator training,
- **Knowledge graphs and causal inference** for deeper root cause analysis,
- **Standardized benchmarks** for evaluating explainability in industrial AI, and
- **Cybersecurity-enhanced digital twins** to safeguard against adversarial threats.

By combining these directions, the proposed framework can evolve into a resilient, secure, and industry-standard solution for anomaly detection in Industry 5.0, advancing predictive maintenance and human-centered decision support.

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