



How Maqasid Al-Shariah lead to Sustainable Development Goals (SDGs) Achievement?

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Abstract

This empirical study comprised the objective to achieve the sustainable development goals (SDGs) and construct the green financing term as the intermediating role with the preservation of maqasid al shariah parameter that are fully categorized in perspective of Islamic banking thoughts. The main purpose is to emphasize how these parameters affect the SDGs with admiration for the previous literature. Moreover, in view of the environment and social impacts by enhancing the green investment opportunities as well as increasing financial literacy toward the green investment. The sample of data was collected from the 5 Islamic bank's employees by using the smart PLS software to examine the purpose of study-initiated variables with PLS-SEM and sought to the assessment model analysis. This study inspection's finding derives out the positive and significant impacts of all maqasid al shariah parameters (except preserving faith with the mediating role of green financing (GF), preserving wealth (PW) and human self (PHS) on the SDGs. Hence, findings highlighted that there is no direct impact of faith (PF), wealth (PW), human self (PHS) preservations in the attainment of SDGs with mediation of the green financing (GF).

Introduction

Green financing is imperative, the funding activities with rapports of shariah, Islamic sharia compliance, prerequisite to be prioritize in every financial sector that should follow the rules of shariah and maqasid al shariah in the direction of the accomplishment of their aims (Ng, 2018; Wu et al., 2020). It persisted to examined that there is less percentage of green banking or financing but the shariah compliance, rules as in Islamic banks are mandatory. The shariah maqasid are all significantly governing in all Islamic banks of countries. Literature determine the several factors that influences the climate, environment and a barrier in business management, findings designate that the climate financing (investment plans and projects in the direction of the well-being of atmosphere) is also associated with the positive and significant relation with the Islamic shariah financing and green financing (Johan, 2022; Wang et al., 2023). There are two main terms of investing, Debt or Equity financing people choose more the debt (Han & Gu, 2021; Legesse & Guo, 2020) because of their some barriers related to investment choices, risk analysis, cost of investment, asymmetric information, awareness of consumer toward the financial literacy, so people focusing more on the debt financing. Result indicate that it is more suitable and Islamic mode of debt financing like ijarah, Murabaha, leasing, hire purchase, musharkah and Mudarabah all are made suitable toward the debt base financing that is the substitute of conventional banks financing (Yustiardi et al., 2020).

Muslim state, shariah compliance really matters to financing institutions with their decision-making process toward the financing (Kahf, 2007; Shafii, Salleh, & Shahwan, 2010; Shaikh et al., 2020). This research analyses that there is a significant relationship between many financing factors and shariah compliance that tangled to be studied, and these factors include "net working capital, profit, decisions of investments and cash holding by investors, leverage" which all play a vital role toward an investor for the financial management. Literature suggested that "cost, religion, return satisfaction and loyalty of customers indeed staples on the way toward the Islamic banking or financing services". The issuance of green bonds and green securities also plays an important part in developing green policies in any economy (Bhutta et al., 2022) that has a negative influence on carbon dioxide emissions; there is causation between both of these variables that leads to the effect of carbon dioxide emissions and green finance. As a result of all of the previous research concepts and their assistance, this research study is limited to the area of Bahawalpur Islamic banks; however, future analysis may expand the research study to include many other variables and different research methods to determine the results. The maqasid al shariah framework is presented in Figure 1.

This research determines the several shariah financing factors which are GF and SDGs, that directly impact the financing goals of the different Islamic banks with the

analysis of the environment (society) to examine the research aim. This quantitative study is based on the different questions arise from the main parameters of “green shariah financing” which are used to seek impartial and practice to

determine the main objective of the research. Thus, this empirical research is based on shariah, as well as green financing role for attainment of SDGs. The research questions are as follows:

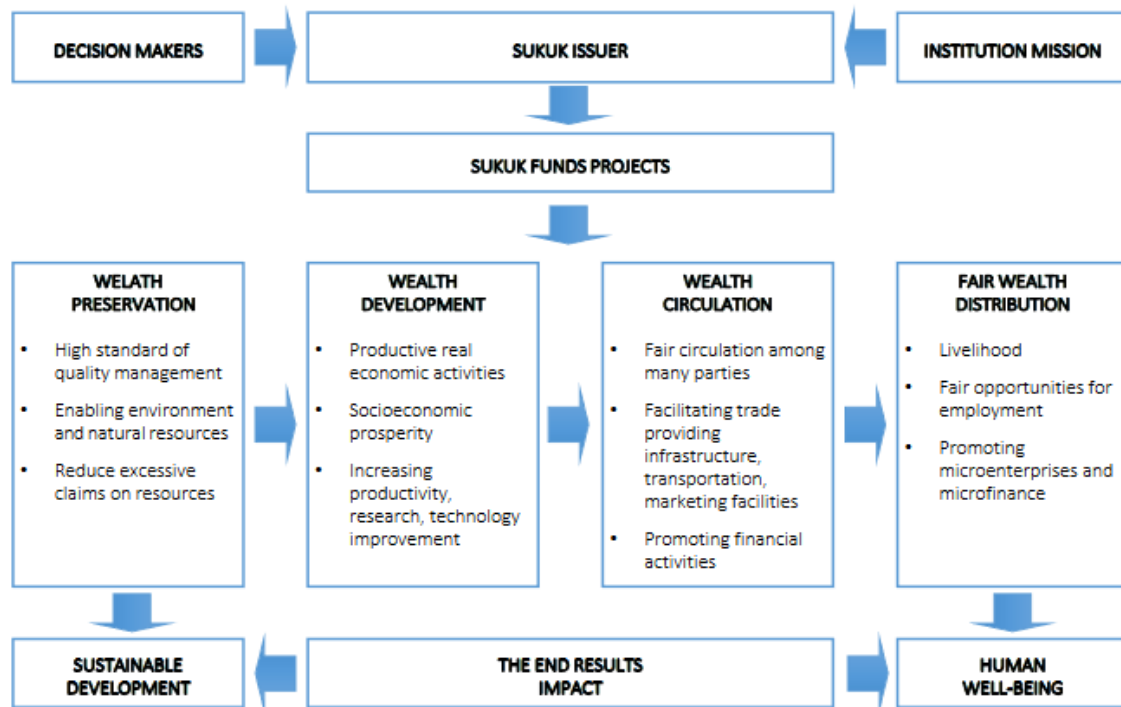


Figure 1: Maqasid al Shariah Framework.
Source: Al Madani, Alotaibi and Alhammadi (2020).

1. What is the role of maqasid al shariah (four parameters) in green financing (GF)?
2. What is the role of maqasid al shariah in SDGs?
3. Does green financing mediate the relationship between maqasid al Sahirah parameters and SDGs?

Main objective of this quantitatively systematic study is to regulate the SDGs achievement by the different Islamic banking sectors in the direction of the green financing GF intervention. To examine the role of maqasid al shariah in green Financing, the objectives are as follows:

1. To examine the role of maqasid al shariah in sustainable development goals SDGs.
2. To examine the mediating role of green financing between maqasid al shariah parameters and SDGs.

Literature Review

The issuance of 1st green bond in 2008 by directing on the external level financing, it has been concluded that invention in the bonds “green bond” that is targeted to the “climate risk vindication” can also quantify the sustainability of the economy and financial institutions (Bhutta et al., 2022; Chatziantoniou et al., 2022; Tolliver, Keeley, & Managi, 2020). This the cognizance and financial literacy on the way to the green bonds

also a central portion, the policies and market for green bonds issuance can boost its issuance toward the world mitigation of the high climatic risk to sustain the environment. IMF encompass the sustainability can be accomplished by the disseminating character of shariah financing with mediation of green advancement with determination of the green banking.

As there are many several aspects that are relating toward the human beliefs, attitude, norms, religion, really serving as an influencing victim that matter for the investment decision in institution. The Islamic literacy on the way to the financial terms, individuals ability of religious choices, reputation, intentions are adhere toward influences aspect of Islamic finance with indicating fallouts of positive impact of Islamic finance with the financial inclusion are important (Ali, Ullah, & Jan, 2023; Danladi et al., 2023; Mader & Sabrow, 2019; Risman et al., 2023). Islamic financial institutions such as banks are working on the Islamic products. The innovation in Islamic products (Hoque, Hashim, & Azmi, 2018; Yustiardihi et al., 2020) according to the Islam can be helpful in the promotion of green financing and it will help to maintain the sustainability in the environment.

Green financing and financial inclusion are increasingly interconnected (Li, Dong, & Dong, 2022). Green financing promotes environmentally sustainable projects, which often

target underserved and rural areas, creating opportunities for financial inclusion by providing access to credit and financial services in these regions (Lee, Chen, & Chu, 2023; Singh et al., 2023). Financial inclusion refers to efforts to make financial products and services accessible and affordable to all individuals and businesses, regardless of their personal net worth or company size. Financial inclusion supports green financing by increasing the availability of financial products for eco-friendly projects among small and medium enterprises

(SMEs), particularly in developing countries where traditional financing may be limited. Together, they help build resilience against climate impacts, empower low-income communities, and stimulate sustainable economic development by broadening access to financial resources aligned with environmental goals (Saydaliev & Chin, 2023). It study developed a framework to examine the role of Maqasid Al-Shariah in SDGs achievement which is given in Figure 2.

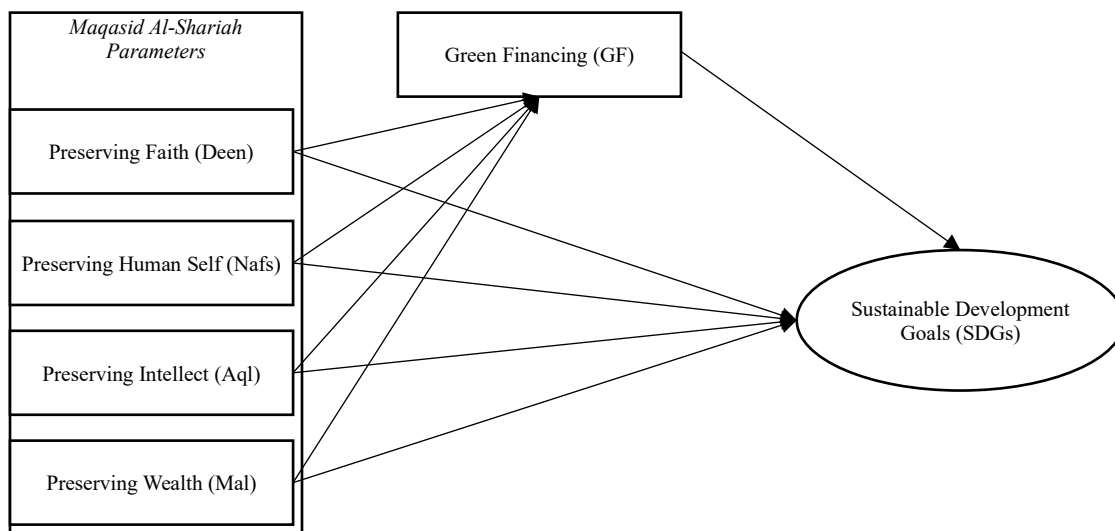


Figure 2: Study Framework Showing how Maqasid Al-Shariah Influence SDGs.

“Trust” as the influencing key factor of the individuals toward the investment in the small margin Islamic financing institution that leading the “Murabaha” mode of financing, so their collateralized feature of business as well as the credit worthiness of individual’s history glorify the negative effect of the integrity of the customers wealth’s in finical institutions. Customer intentions, purchase or sale decisions, with the market considerations, financial risk is lying the contributing factor for themselves to pertain the Islamic mode of financing instead of the conventional. After the pandemic problem of covid19 the green evolution becomes the main target of the financial institution, as like to the banks as well that epidemic attack turns down the sustainability goals of the economy and major institutions. Toward the financial institution are on stage the crucial role of the uphold toward the green investment, financing principal to the environmental and health subjects that are the blockades of the sustainability evolving goals of economy (Duque-Grisales et al., 2020; Zhang, Wei, & Xu, 2023; Zhang & Yousaf, 2020).

Here is the subsequent variables hypothesis that determines the dependent variables and multiple independent variables significant effect with respect to the mediating role of green financing grounded previous studies. There are relationships evaluating the banking’s sectors to achieve their sustainable development goals toward the green projects financing and determining that whether these variables have relationship

influencing SDGs.

- H1:** Preserving faith has a positive effect on green financing.
- H2:** Preserving human self has a positive effect on green financing.
- H3:** Preserving intellect has a positive effect on green financing.
- H4:** Preserving wealth has a positive effect on green financing.
- H5:** Preserving faith has a positive effect on sustainable development goals.
- H6:** Preserving the human self has a positive effect on sustainable development goals.
- H7:** Preserving intellect has a positive effect on sustainable development goals.
- H8:** Preserving wealth has a positive effect on sustainable development goals.
- H9:** Green financing has a positive effect on sustainable development goals.
- H10:** Green financing mediates the relationship between preserving faith and sustainable development goals.
- H11:** Green financing mediates the relationship between preserving human self and sustainable development goals.
- H12:** Green financing mediates the relationship between preserving intellect and the sustainable development goals.
- H13:** Green financing mediates the relationship between preserving wealth and sustainable development goals.

Methodology

This study examined the relationship between maqasid al-shariah and SDGs. To examine this relationship, this study employed quantitative approach and cross-sectional research design was followed which is most suitable to this study. Questionnaire was used for data collection which is suitable to

examine the relationship between variables. Questionnaires were developed by following previous studies. Scale items from previous studies were adapted by making minor changes which were necessary. Data were collected from the employees of the banks including Islamic banks only. Scale items are reported in [Table 1](#) along with sources.

Table 1: Variable Measures.

Constructs	Scale Items	Source
Sustainable development goals SDGs	1. If the problem of unemployment is solved, then the profitability of organizations increases	Yang and Liu (2023)
	2. The costs of energy decrease with renewable energy also improve my organizations' earnings	
	3. Low CO2 emission and a cleaner environment are formed positively affected the organizational profitability	
	4. A decrease is experienced in the number of wastes can also improve the profitability.	
	5. Poverty decrease can increase the profitability of organizations."	
	6. To achieve sustainable development, companies must treat their employees, customers and suppliers in a fair way	
	7. Gender equality can increase the profitability of organizations."	
	8. "The effective health system can increase the profitability of organizations."	
	9. Famine decrease can increase the profitability of organizations	
	1. My company provides facilitation of ibadah (worship)	
Preserving Faith (Deen)	2. My company provides adequate time of ibadah	Julia, Kassim and Ali (2018)
	3. My company adjusts office time in the month of Ramadan to facilitate fasting.	
	4. My company allows leave for performing Hajj (leave with payment)	
	5. My company organizes motivational and moral training to helps employees to be contented and give their full effort for the betterment of the company	
	6. My company has taken green financing from shariah based financial institution	
	7. My company pays zakat, sadakah or donation to distress people of the community	
	8. My company sets fair prices of product.	
	9. My company involves in halal products and services business	
	10. My company maintains a fair-trading relationship with other stakeholders	
	1. My company provides adequate training, maintains equipment in good working condition, maintains a safe working environment	
Preserving Human-self (Nafs)	2. My company is committed to maintain quality, safety and hygienic production process.	Julia, Kassim and Ali (2018)
	3. My company treats employees fairly in terms of wages, working hours etc.	
	4. My company ensures good communication and excellent bonding among employees.	
	5. Company's good governance practice has uplifted the moral standing of employees	
	6. My company respects workers' rights, deals with workers' problems quickly and fairly.	
	7. My company has taken measures to protect employees' health and safety	
	1. My company thinks about society well-being beyond corporate profit maximization	
Preserving Wealth (Mal)	2. My company is serious about energy conservation	Chen et al. (2022)
	3. My company is not involving in any business that harm the environment	
	4. My company has undertaken initiatives to promote environmental responsibility	
	5. My company continuously improving technology and management	
	6. My company, by its product or service, protecting wealth from damage	
	7. My company, by the product and operation, is creating value to the firm and to society	
	8. My company is preserving wealth through ownership of company as well as factory.	
	1. My company invest in education and training.	
Preserving Intellect (Aql)	2. My company organizes training to boost awareness among employees about preserving environment, conserving energy, minimizing waste and enhance energy efficiency etc.	Chen et al. (2022)
	3. In my company all the stakeholders- management, employees, customers etc. have their freedom of expression and thought.	
	4. My company has created a working environment where employees can practice their innovativeness.	
	1. My company has Increase in the amount invested on eco-friendly projects	
Green financing (GF)	2. My company put our investment of more resources on recycling and recyclable products	Chen et al. (2022)
	3. My company has increase in investment on waste management and green brick manufacturing.	
	4. My company has increase in the amount invested on energy efficiency projects	
	5. My company has increase in the amount invested on green industry development	
	6. My company has increase in the amount invested on green marketing and others	
	7. We need stricter laws and regulations to protect the environment.	

The proportions of the study populations as revealed directly above is based on the different regions of Punjab Pakistan. Therefore, the sample size of the research study is basically collaborating with Islamic banks employees with respect to the sample collection process as it were in the

preceding revisions by means of study, they have been determined the green financing, sustainable development goals SDGs concept. The population sample size is based on 400 employees. Thus, this study distributed 800 questionnaires among the Islamic banks in the region of Pakistan. From these

questionnaires, 401 questionnaires were returned.

Findings

Before data analysis the current study carried out the data screening process. In initial screening process this study

considered the identification of missing values outlier in the data and the normality of the data. It has been observed that there are no missing values in this data, furthermore it has also observed that no outlier was found in this data. Finally, the data statistics are provided in Table 2.

Table 2: Data Statistics.

	No.	Missing	Mean	Median	Min	Max	SD	Kurtosis	Skewness
PF1	1	0	4.31	4	4	5	0.462	-1.327	0.828
PF2	2	0	4.385	4	3	5	0.506	-1.411	0.256
PF3	3	0	4.423	4	4	5	0.494	-1.918	0.316
PF4	4	0	4.352	4	4	5	0.478	-1.626	0.624
PF5	5	0	4.324	4	4	5	0.468	-1.439	0.758
PF6	6	0	4.225	4	4	5	0.418	-0.249	1.324
PF7	7	0	4.282	4	4	5	0.45	-1.054	0.978
PF8	8	0	4.15	4	3	5	0.49	0.621	0.329
PF9	9	0	4.268	4	4	5	0.443	-0.891	1.057
PF10	10	0	4.221	4	3	5	0.478	0.022	0.543
PHS1	11	0	4.178	4	3	5	0.527	0.118	0.164
PHS2	12	0	4.164	4	3	5	0.586	-0.266	-0.048
PHS3	13	0	4.146	4	1	5	0.63	2.562	-0.692
PHS4	14	0	4.131	4	1	5	0.672	3.536	-1.002
PHS5	15	0	4.033	4	3	5	0.66	-0.694	-0.035
PHS6	16	0	4.113	4	3	5	0.579	-0.095	-0.01
PHS7	17	0	4.136	4	3	5	0.561	0.007	0.029
PI1	18	0	3.808	4	1	5	0.952	0.773	-0.92
PI2	19	0	4.038	4	3	5	0.588	-0.095	-0.007
PI3	20	0	3.911	4	1	5	0.923	1.363	-1.05
PI4	21	0	3.92	4	1	5	0.898	1.374	-1.018
PW1	22	0	4.178	4	3	5	0.553	-0.07	0.053
PW2	23	0	4.127	4	3	5	0.555	0.091	0.045
PW3	24	0	4.235	4	3	5	0.456	-0.19	0.802
PW4	25	0	4.07	4	2	5	0.692	-0.619	-0.18
PW5	26	0	4.178	4	1	5	0.57	3.87	-0.619
PW6	27	0	4.211	4	3	5	0.563	-0.251	0.006
GF1	28	0	3.901	4	1	5	0.796	2.167	-1.002
GF2	29	0	4.075	4	1	5	0.608	2.475	-0.543
GF3	30	0	3.901	4	1	5	0.722	0.549	-0.377
GF4	31	0	3.925	4	1	5	0.759	1.7	-0.715
GF5	32	0	3.915	4	1	5	0.889	1.186	-0.882
GF6	33	0	3.93	4	1	5	0.883	1.794	-1.058
GF7	34	0	4.052	4	1	5	0.739	0.284	-0.434
SDG1	35	0	3.859	4	1	5	0.944	1.023	-0.996
SDG2	36	0	3.906	4	1	5	0.95	1.987	-1.301
SDG3	37	0	3.977	4	1	5	0.76	0.566	-0.543
SDG4	38	0	3.939	4	1	5	0.894	1.294	-0.952
SDG5	39	0	4.085	4	1	5	0.714	0.974	-0.594
SDG6	40	0	4.117	4	1	5	0.685	1.264	-0.596
SDG7	41	0	3.897	4	1	5	0.861	0.92	-0.823
SDG8	42	0	3.85	4	1	5	0.972	1.266	-1.054
SDG9	43	0	4.042	4	1	5	0.674	0.989	-0.422

Note: PF = Preserving Faith; PHS = Preserving human self; PI= Preserving intellect; PW= Preserving wealth; GF= green financing; SDGS= Sustainable Development Goals

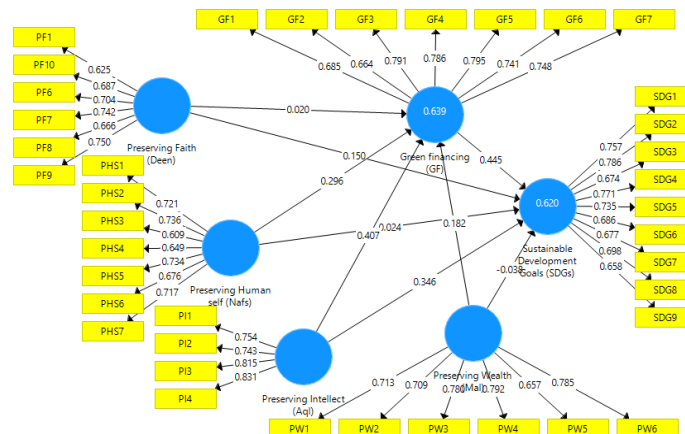


Figure 3: Measurement Model Assessment.

Note: PF = Preserving Faith; PHS = Preserving human self; PI= Preserving intellect; PW= Preserving wealth; GF= green financing; SDGS= Sustainable Development Goals.

Table 3: Factor Loadings.

	Green financing (GF)	Preserving Faith (Deen)	Preserving Human self (Nafs)	Preserving Intellect (Aql)	Preserving Wealth (Mal)	SDG s
GF1	0.685					
GF2	0.664					
GF3	0.791					
GF4	0.786					
GF5	0.795					
GF6	0.741					
GF7	0.748					
PF1		0.625				
PF10		0.687				
PF6		0.704				
PF7		0.742				
PF8		0.666				
PF9		0.75				
PHS1			0.721			
PHS2			0.736			
PHS3			0.609			
PHS4			0.649			
PHS5			0.734			
PHS6			0.676			
PHS7			0.717			
PI1				0.754		
PI2				0.743		
PI3				0.815		
PI4				0.831		
PW1					0.713	
PW2					0.709	
PW3					0.78	
PW4					0.792	
PW5					0.657	
PW6					0.785	
SDG1						0.757
SDG2						0.786
SDG3						0.674
SDG4						0.771
SDG5						0.735
SDG6						0.686
SDG7						0.677
SDG8						0.698
SDG9						0.658

Note: PF = Preserving Faith; PHS = Preserving human self; PI= Preserving intellect; PW= Preserving wealth; GF= green financing; SDGS= Sustainable Development Goals

The factors loading analysis in this study which oversee the connection and strength surrounded by the indicating variables and observed factor. Factor loading magnitude comes also between the range of 0 and 1 coefficient, as negative lead close to zero, but in acceptable format the range should be exceeded 0.5 (Hair Jr, Howard, & Nitzl, 2020). Moreover, with respect to all of the constructed variable all are lies with the series more than 0.6 range, the indicated low factor loading should be removed if not lie in acceptable range with criteria. Factor loading is given in Figure 3. To measure the reliability and

validity of the variable, the below result in Table 4 indicate the Cronbach's Alpha's and composite reliability along with AVE confirm the reliability and validity. Construct reliability is examined by using Cronbach's Alpha's and composite reliability. All the values are higher than 0.7. In addition, discriminant validity was addressed by using Heterotrait-Monotrait Ratio of Correlations (HTMT) (Alarcón, Sánchez, & De Olavide, 2015; Hafkesbrink, 2021). As values have been determined in below Table 5 all indicated values are less than 0.85.

Table 4: Reliability and Validity.

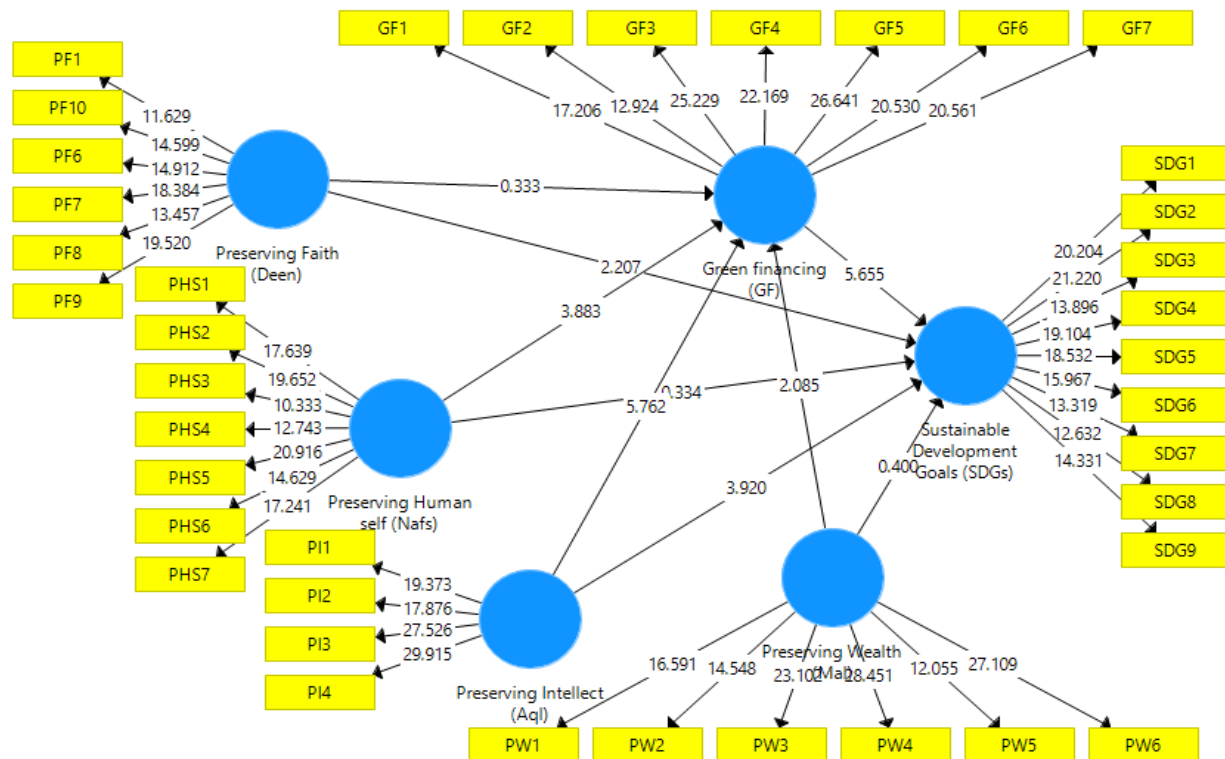
	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Green financing (GF)	0.866	0.897	0.556
Preserving Faith (Deen)	0.787	0.849	0.506
Preserving Human self (Nafs)	0.819	0.866	0.508
Preserving Intellect (Aql)	0.794	0.866	0.619
Preserving Wealth (Mal)	0.835	0.879	0.549
Sustainable Development Goals (SDGs)	0.881	0.905	0.514

Table 5: HTMT.

	Green Financing (GF)	Preserving Faith (Deen)	Preserving Human self (Nafs)	Preserving Intellect (Aql)	Preserving Wealth (Mal)	Sustainable Development Goals (SDGs)
Preserving Faith (Deen)	0.687					
Preserving Human self (Nafs)	0.819	0.806				
Preserving Intellect (Aql)	0.802	0.67	0.77			
Preserving Wealth (Mal)	0.809	0.79	0.829	0.808		
Sustainable Development Goals (SDGs)	0.842	0.649	0.677	0.847	0.693	

PLS structural model is reported in Figure 4. A Partial Least Squares (PLS) Structural Model, also known as PLS-SEM (Partial Least Squares Structural Equation Modeling), is a statistical approach used for analyzing complex relationships among observed and latent variables (Fattah & Setyadi, 2019; García-Fernández et al., 2018; Hameed et al., 2022; Rihatno & Nuraini, 2023; Ringle, Sarstedt, & Straub, 2012). This model is widely used in social sciences, business research, and other

fields that involve testing theoretical models, particularly when data does not meet strict assumptions, such as large sample sizes or normal distribution. In the current study results are reported in Table 6 which are direct effect and indirect effect are given in Table 7. Out of nine direct effects, six were supported and three were not supported. On the other hand, out of four indirect effect hypotheses, one was not supported and three were supported.

**Figure 4:** Structural Model Assessment.

Note: PF = Preserving Faith; PHS = Preserving human self; PI= Preserving intellect; PW= Preserving wealth; GF= green financing; SDGS= Sustainable Development Goals

Table 6: Results of Direct Effect.

	Beta Value	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Green financing (GF) -> Sustainable Development Goals (SDGs)	0.445	0.445	0.079	5.655	0
Preserving Faith (Deen) -> Green financing (GF)	0.02	0.022	0.059	0.333	0.739
Preserving Faith (Deen) -> Sustainable Development Goals (SDGs)	0.15	0.153	0.068	2.207	0.028
Preserving Human self (Nafs) -> Green financing (GF)	0.296	0.296	0.076	3.883	0
Preserving Human self (Nafs) -> Sustainable Development Goals (SDGs)	0.024	0.019	0.071	0.334	0.738
Preserving Intellect (Aql) -> Green financing (GF)	0.407	0.409	0.071	5.762	0
Preserving Intellect (Aql) -> Sustainable Development Goals (SDGs)	0.346	0.343	0.088	3.92	0
Preserving Wealth (Mal) -> Green financing (GF)	0.182	0.181	0.087	2.085	0.038
Preserving Wealth (Mal) -> Sustainable Development Goals (SDGs)	-0.038	-0.039	0.096	0.4	0.689

Table 7: Results of Indirect Effect.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Preserving Human self (Nafs) -> Green financing (GF) -> Sustainable Development Goals (SDGs)	0.132	0.131	0.04	3.291	0.001
Preserving Wealth (Mal) -> Green financing (GF) -> Sustainable Development Goals (SDGs)	0.081	0.08	0.041	1.969	0.049
Preserving Faith (Deen) -> Green financing (GF) -> Sustainable Development Goals (SDGs)	0.009	0.01	0.027	0.325	0.745
Preserving Intellect (Aql) -> Green financing (GF) -> Sustainable Development Goals (SDGs)	0.181	0.183	0.047	3.817	0

Conclusion

It is the elementary perception that, there is no doubt the earning is too important to live but in today's life, as money is imperative to animate as well as the environment acting an important leading role toward the society or the entire living and working standard. It has been observed that there is much importance of green financing as shariah, many of the bank's institution are involved in the financing accord to the shariah guidelines but they also have to be followed the rules of green, (environmental sustainability), that should do financing that is according to the shariah but also be in line of green, should protect the environment. Literature has been cossetting the shariah governance regulation in the banks, and there is much provision given to the shariah governance in industries or its products and services that they are involving in financing activities. Basically, shariah governance principal and procedures are endorsing and generating many breaks for individuals and industries. These Islamic shariah governing policies and ways should do financing with regulation of shariah compliance, shariah risk management and Shairah research. So, there is significance importance of the GF that should be assumed toward with the Islamic concept of shariah financing and its prevailing of all maqasid al shairah that we are using in our study to govern the attainment of the sustainable advance goals by investigating the savings and investment.

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CRedit Authorship Contribution Statement

Sawaira Bibi: Conceptualization, Data curation, Formal analysis, Funding acquisition, Investigation, Methodology, Project administration, Resources, Software, Supervision, Validation, Visualization, Writing – original draft, Writing – review & editing.

Declaration of Competing Interest

I state that there are no pertinent financial or non-financial interests associated with this research.

Funding

No external funding was provided for the completion of this research.

Ethical Statement

The author confirms compliance with ethical principles, with no approval required due to the absence of biological or tissue samples

Data Availability Statement

The author can provide the datasets used in this research upon a reasonable request.

Artificial Intelligence/ Language Module Statement

The author solely assumes responsibility for this work. It has been completed without any assistance from AI or LLM.

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