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Good Faith in Successive Credit and Sharia Financing Restructuring: Comparative Regulatory Approaches in Indonesia and Japan

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Abstract: This article examines how to assess the principle of good faith in restructurings, which may deviate if it neglects the debtor's repayment capacity. This study employs a normative legal approach, using statutory, conceptual, and comparative analysis of Indonesia and Japan, based on four variables: debtor eligibility, supervisory model, business monitoring, and restructuring frequency limits. The analytical framework uses the principles of good faith and prudential banking as objective standards, supported by the theory of justice and legal certainty. The findings show that restructuring policies in Indonesia and Japan reflect distinct paradigms in interpreting good faith. Although the Indonesian Financial Services Authority limits restructuring to a maximum of three times, conventional banking tends to be flexible, allowing successive restructurings without adequate debtor eligibility. In contrast, Islamic banking imposes stricter limitations due to Sharia compliance. In contrast, Japan does not regulate a numerical limit, but the Japanese Financial Services Agency strictly monitors successive restructuring. This article proposes a model for objectively assessing good faith as a governance standard by integrating contract law, prudential banking principles, and Islamic ethics to ensure that restructuring supports debtor repayment capacity and financial system stability.
Keywords: comparative banking law; good faith principle; sharia financing.

Abstrak: Artikel ini mengkaji bagaimana menilai penerapan prinsip itikad baik secara objektif pada seluruh tahapan restrukturisasi yang dalam praktik berpotensi menyimpang apabila mengabaikan kemampuan pembayaran debitor. Penelitian ini merupakan penelitian yuridis normatif dengan pendekatan perundang-undangan, konseptual, dan perbandingan antara Indonesia dan Jepang berdasarkan empat variabel, yaitu kriteria kelayakan debitor, model pengawasan, pemantauan usaha debitor, dan pembatasan frekuensi restrukturisasi. Kerangka analisis menggunakan prinsip itikad baik dan prinsip

kehati-hatian bank sebagai standar objektif, dengan teori keadilan dan kepastian hukum sebagai landasan normatif. Hasil penelitian menunjukkan bahwa perbedaan kebijakan restrukturisasi di Indonesia dan Jepang mencerminkan perbedaan paradigma dalam memaknai prinsip itikad baik. Meskipun Otoritas Jasa Keuangan Indonesia telah membatasi maksimal tiga kali restrukturisasi, perbankan konvensional cenderung lebih fleksibel sehingga membuka peluang restrukturisasi berulang bagi debitor yang tidak layak, sedangkan perbankan syariah menerapkan pembatasan yang lebih ketat karena harus tunduk pada prinsip syariah. Sebaliknya, di Jepang, meskipun tidak ada pembatasan frekuensi, pelaksanaan restrukturisasi sangat dibatasi dan diawasi secara ketat oleh *Japanese Financial Services Agency*. Artikel ini menawarkan model penilaian itikad baik secara objektif sebagai standar tata kelola dengan mengintegrasikan hukum kontrak, prinsip kehati-hatian perbankan, dan etika Islam untuk memastikan bahwa restrukturisasi mendukung pemulihan debitor serta stabilitas sistem keuangan.

Kata Kunci: perbandingan hukum perbankan; prinsip itikad baik; pembiayaan shariah.

Introduction

Access to capital is a fundamental challenge for MSMEs, and the banking sector plays a crucial role in providing financing, particularly for working capital. However, not all MSMEs can fulfill their payment obligations due to macroeconomic factors or force majeure, resulting in non-performing loans or financing[1]. A loan is classified as non-performing if there are indications of default or payments are overdue for more than 90 days,[2] as regulated by the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK). This classification applies to both Islamic and conventional banks.[3]

[1] Richard Arhinful et al., "The Impact of Non-Performing Loans on Bank Growth: The Moderating Roles of Bank Size and Capital Adequacy Ratio—Evidence from U.S. Banks," *International Journal of Financial Studies* 13, no. 3 (2025), https://doi.org/https://doi.org/10.3390/ijfs13030165.

[2] Giuseppe Orlando and Roberta Pelosi, "Non-Performing Loans for Italian Companies: When Time Matters: An Empirical Research on Estimating Probability to Default and Loss Given Default," *International Journal of Financial Studies* 8, no. 4 (2020), https://doi.org/https://doi.org/10.3390/ijfs8040068.

[3] Shadi Ratib Mohammad Aledeimat and Murad Abdurahman Bein, "Assessing US and Global Economic Policy Uncertainty Effects on Non-Performing Loans in MENA's Islamic and Conventional Banks," *International Journal of Finance & Economics* 30, no. 4 (2025): 4279–304, https://doi.org/https://doi.org/10.1002/ijfe.3121.

Restructuring is an option for resolving Non-Performing Loans (NPLs) in Conventional Banks and Non-Performing Financing (NPFs) in Islamic Banks, but it also carries the risk of abuse. Debtors can exploit this situation to pursue restructuring even if they lack viable business prospects. In this context, prudential principles and good faith are essential to ensure objective assessment, accurate classification, and prevention of risk-masking practices. In a broader sense, the principle of good faith operates globally not only as a moral principle but also as a tool for economic efficiency and as a discipline of contract behavior.

In successive restructuring, the moral hazard issue becomes more complex, as it can evolve into evergreening, where loan facilities are extended or modified to appear to be performing well despite no improvement in real performance.[4] Based on annual reports from Indonesian banks, the number of successive restructurings of working capital loans increased from 2022 to 2026. This situation indicates that successive restructuring is increasingly relevant to examine. If not properly supervised, such practices can obscure the true financial condition of banks and debtors and undermine prudential principles.

Although restructuring aims to restore the customer's repayment capacity, successive restructurings without regard to the debtor's business prospects constitute a violation of Article 65, letter (d), of Financial Services Authority Regulation No. 40/POJK.03/2019 concerning the Assessment of Asset Quality of Commercial Banks (POJK 40/2019). Practices aimed solely at improving credit quality can create the impression that borrowers are capable of repaying, thus increasing the risk of default. In Islamic banking, such practices are also inconsistent with the principles of good faith (*husn al-niyyah*) and fairness. Many scholars argue that contemporary Islamic finance prioritizes formal compliance over substantive ethical objectives. Within the contemporary framework of *maqāṣid al-sharīa*, social objectives are prioritized in the financial sector.[5] Restructuring must therefore prevent unjust burden-

[4] Miguel Faria-e-Castro, Pascal Paul, and Juan M. Sánchez, "Evergreening," *Journal of Financial Economics*, ahead of print, 2024, https://doi.org/https://doi.org/10.1016/j.jfineco.2024.103778.

[5] Muhammad Harfin Zuhdi and Mohamad Abdun Nasir, "Al-Mashlahah and Reinterpretation of Islamic Law in Contemporary Context," *Samarah: Journal of Family Law and Islamic Law* 8, no. 3 (2024): 1818–39, https://doi.org/https://doi.org/10.22373/sjhk.v8i3.24918.

shifting and risk manipulation. However, a gap persists between these ethical objectives and practice due to commercial and prudential pressures. Successive restructurings are justified if they offer benefits, including realistic prospects for recovery, transparency, and the prevention of injustice by unilaterally shifting burdens to the weaker party. Thus, the *maqāṣid* serve as an integrative framework for ethical objectives and prudential requirements.

Findings from previous studies show that some MSME debtors lack understanding of the legal consequences of successive restructurings. This issue is significant, given that contract relationships are governed by the principle of pacta sunt servanda, which obligates the parties to fulfill their agreements. Another issue is the lack of a clear oversight mechanism. Based on POJK No. 40/2019, restructuring is permitted for a debtor with good business prospects, but it does not provide a clear mechanism for portfolio monitoring or Risk Acceptance Criteria (RAC). This creates a regulatory gap at both normative and implementation levels. Mukhlis et al.[6] argue that unclear legal limits and authority weaken checks and balances, enabling restructuring to delay bad loans, especially under weak supervision. Therefore, international standards from the Basel Committee on Banking Supervision are needed to align prudential objectives with credible financial reporting.

Japan is a relevant comparison due to its experience handling the economic crisis of the 1990s. Its banking reforms have led to transparent, rigorous business-viability assessments, limiting the need for successive restructurings. Restructuring in Japan focuses not only on rescuing credit facilities but also on restoring the debtor's business viability.[7] Japan's disciplined culture and consistent law enforcement ensure legal certainty. Therefore, Japan provides a useful comparison with Indonesia to assess the application of the principle of good faith in credit restructuring amid differing approaches between flexibility and credit discipline, and to identify a more

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[6] Muhammad Mutawalli Mukhlis et al., "Heavy Parliamentary v. Heavy Executive: Ambiguity of Power in Indonesian Constitutional Practices," *Jurnal Media Hukum* 31, no. 2 (July 2024): 186–205, https://doi.org/10.18196/jmh.v31i2.21703; Angga Syahputra and Reni Ria Armayani, "Convertion of dsn-mui's fatwa on islamic banking to be the national law: A Comparative Study in Muslim Countries," *Jurisdictie: Jurnal Hukum dan Syariah* 11, no. 2 (2020): 262–85, https://doi.org/10.18860/j.v11i2.9068.

[7] Emmanuel Mamatzakis, Roman Matousek, and Anh Nguyet Vu, "What Is the Impact of Bankrupt and Restructured Loans on Japanese Bank Efficiency?," *Journal of Banking & Finance* 72 (2016): S187–202, https://doi.org/https://doi.org/10.1016/j.jbankfin.2015.04.010.

balanced regulatory model that reconciles debtor protection with banking system stability.

This study differs from previous studies, which have focused on restructuring as a policy instrument. Research by Badriyah et al.[8] highlights restructuring as a policy instrument to support MSME debtors. At the same time, Sydorenko[9] examines the principle of good faith in European Union law to protect weaker parties. This study addresses that gap by analyzing successive restructuring through the lens of good faith in both conventional and Islamic banking, and by comparing these approaches with practices in Japan. This study makes three contributions. First, it reconceptualizes good faith as a standard for credit and financing restructuring policies. Second, it integrates contract law flexibility, banking regulations, and Islamic ethics. Third, it introduces "Regulatory Good Faith in Financial Restructuring" as an analytical framework to ensure restructuring supports debtors' repayment capacity and financial system stability.

This normative legal study employs a statutory, conceptual, and comparative approach. The statutory approach is used to examine regulations related to successive credit restructuring, including the Banking Law, the Sharia Banking Law, the Financial Services Authority Regulation, the Fatwa of the Indonesian National Sharia Council of Ulama, and the bank's internal guidelines. The conceptual approach is used to develop legal arguments for analyzing objective measures to assess the application of good faith by banks and debtors at the pre-contractual, contractual, and post-contractual phases, and to assess their relevance to the theory of justice and legal certainty. Furthermore, the author uses a comparative approach to formulate an ideal model for objectively measuring good faith by comparing it with regulations, practices, and the supervision of credit restructuring in Japan.

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[8] Siti Malikhatun Badriyah, R. Suharto, and Retno Saraswati, "The Restructuring of Credit and Lease Agreements and Its Impact on Micro, Small, and Medium-Sized Enterprise and Insolvency Risks Amid the Pandemic: A Normative Juridical Method," *Corporate Law & Governance Review* 6, no. 3 (2024): 43–52, https://doi.org/https://doi.org/10.22495/clgrv6i3p5.

[9] Viktoriia Sydorenko, "Features of the Application of the Principle of Good Faith in EU Law," *Social Development: Economic and Legal Issues*, ahead of print, 2025, https://doi.org/https://doi.org/10.70651/3083-6018/2025.10.08; Ayup Suran Ningsih, Rini Fidiyani, and Harumsari Puspa Wardhani, "Mortgage Rights for The Sharia Banking Murabahah Akad Its Position and Application," *Justicia Islamica* 21, no. 2 (October 2024): 423–46, https://doi.org/10.21154/justicia.v21i2.9626.

The Principle of Good Faith as a General Principle in Contract Law

The existence of law in society aims to integrate various interests and create balance through regulations that provide legal certainty and protection for the parties.[10] Legal certainty is indispensable in written legal norms because it preserves the law's meaning and functions as a guiding standard for conduct.[11] In this context, the function of law is expected to provide balanced protection for debtors and banks, with the principle of good faith in the restructuring of NPLs and NPFs serving as a fundamental element in the legal relationship between banks and debtors.[12]

The banking system in Indonesia is regulated by Law Number 7 of 1992 on Banking, as amended by Law Number 10 of 1998 (the Banking Law), while Sharia banks are regulated by Law Number 21 of 2008. Credit in conventional banking refers to the provision of funds through an interest-bearing loan agreement, whereas Sharia financing encompasses profit-sharing, leasing, and sale-and-purchase agreements, among others. In both systems, the bank-debtor relationship is reciprocal, giving rise to legal and moral liabilities, including in restructuring.

This study is based on three theories. First, John Rawls's theory of justice states that justice must be upheld to reorganize socioeconomic disparities to provide mutual benefits for all parties, as ideal justice must be rational and equitable.[13] Second, Hans Kelsen's theory of legal certainty states that clear and predictable legal norms are essential in contractual relationships.[14] Third,

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10 Satjipto Rahardjo, *Membedah Hukum Progresif* (Jakarta: Penerbit Kompas, 2007).

11 Andrea Miglionico, "Restructuring Non-Performing Loans for Bank Recovery: Private Workouts and Securitisation Mechanisms," *European Company and Financial Law Review* 16, no. 6 (2019): 746–70, https://doi.org/https://doi.org/10.1515/ecfr-2019-0026; Sri Budi Cantika Yuli and Mochamad Rofik, "Implications of Sharia-Compliant Financing Trade-Offs on Unemployment and Growth," *Public and Municipal Finance* 12, no. 1 (July 2023): 100–109, https://doi.org/10.21511/pmf.12(1).2023.09.

12 Richard Marney, "Legal Issues in Restructurings," *Corporate Debt Restructuring in Emerging Markets: A Practical Post-Pandemic Guide* 3030813053, 2021, 253–324; Danial Syah and Gema Rahmadani, "The Profit-Sharing System in Financing Islamic Banking," *Qubahan Academic Journal* 4, no. 1 (March 2024): 300–309, https://doi.org/10.48161/qaj.v4n1a198.

13 Muhammad Maksum and Nur Hidayah, "The Mechanism of Avoiding Riba in Islamic Financial Institutions: Experiences of Indonesia and Malaysia," *JURIS (Jurnal Ilmiah Syariah)* 22, no. 2 (December 2023): 235–44, https://doi.org/10.31958/juris.v22i2.6952; Robyn Marasco, "Introduction," *Polity* 53, no. 4 (October 2021): 526–31, https://doi.org/10.1086/716247.

14 Brian Bix, "Hans Kelsen and Choosing Legal Normativity," *SSRN Electronic Journal*, ahead of print, 2023, https://doi.org/10.2139/ssrn.4491880; Annisa Adha Minaryanti et al., "The Role of Sharia Governance in Minimizing Credit Risk in Islamic Banking: A Systematic Literature Review," *Journal of*

the theory of law and economics, which emphasizes that regulations must encourage efficiency, especially in maintaining viable economic activities, including through restructuring mechanisms. In contract law, Article 1338 paragraph (3) of the Indonesian Civil Code stipulates that agreements must be executed in good faith.

Furthermore, Article 1339 stipulates that the binding force of an agreement extends not only to matters expressly regulated but also to those required by propriety, custom, and law. This principle aligns with the UNIDROIT and CISG Principles, which are universal and applicable worldwide. Therefore, good faith operates as a guiding principle in regulating the parties' behavior at all phases of a contract, from the offer and acceptance (pre-contractual) to the preparation of the agreement (contractual) and implementation (post-contractual).[15]

Wirjono Prodjodikoro distinguished between two types of good faith. First, good faith at the time a legal relationship begins—second, good faith in the exercise of rights and obligations in carrying out an agreement. Thus, although good faith in the performance of an agreement is inherently subjective and rooted in a party's intention, it can be assessed objectively by reference to the party's actual conduct.[16] In the context of restructuring, this requires banks and debtors not only to intend fairness but also to demonstrate it through transparent, proportionate, and responsible actions.[17]

In the Islamic perspective, good faith is known as *ḥusn al-niyyah*. It is part of the sharia principles in *muʿāmalāt*, where sharia serves as a substantive standard to ensure that contract relationships uphold justice (*ʿadl*) and benefit

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Islamic Accounting and Business Research 17, no. 2 (April 2024): 311–27, https://doi.org/10.1108/JIABR-11-2022-0301.

15 Ridwan Khairandy, *Iktikad Baik Dalam Kontrak Di Berbagai Sistem Hukum* (Yogyakarta: FH UII Press, 2017); Yusmalinda Yusmalinda, Asmuni Asmuni, and Dhiauddin Tanjung, "Problems of Mudharabah Financing in Islamic Banking After the Implementation of Qanun of Islamic Financial Institutions in Aceh," *Justicia Islamica* 19, no. 1 (June 2022): 1–20, https://doi.org/10.21154/justicia.v19i1.3009.

16 Agus Yudha Hernoko, *Hukum Perjanjian: Asas Proporsionalitas Dalam Kontrak Komersial* (Jakarta: Prenada Media Group, 2013); Haris Yusuf et al., "Legal Shifts in Credit Agreements Amid Covid-19: A Contextualized Analysis from Islamic Economic Law," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 2 (October 2025): 618–36, https://doi.org/10.29300/mzn.v12i2.8378.

17 Kokorin Ilya, "The Rise of 'Group Solution' in Insolvency Law and Bank Resolution," *European Business Organization Law Review* 22, no. 4 (2021): 781–811, https://doi.org/https://doi.org/10.1007/s40804-021-00220-4.

(*maṣlaḥah*).[18] In Islamic banking, the prohibition of *ribā* (interest), *gharar* (excessive uncertainty), and maysir (speculation) requires that financing be aligned with real economic activities and fair risk-sharing, so that Sharia is not only the basis for contract validity but also an ethical boundary for every profit-oriented activity.[19]

In Indonesia, Sharia compliance is not merely an ethical issue but an obligation under Sharia Banking Law, which requires Islamic banks to conduct their activities in accordance with Sharia principles under the supervision of the Sharia Supervisory Board (*Dewan Pengawas Syariah*, DPS). This is crucial in restructuring to ensure that contract changes remain aligned with Sharia principles and Sharia Banking Law.[20] Under OJK Regulation,[21] restructuring is provided to debtors with business prospects through interest reductions, term extensions, arrears reductions, additional facilities, and debt-to-equity conversions. In this process, banks assume legal, economic, and social responsibilities by reassessing creditworthiness and avoiding delays that could result in greater losses for the bank and the economy.[22]

In a comparative context, the Japanese Civil Code also affirms the principle of good faith as a general principle that limits freedom of contract, thus requiring honesty from both banks and customers.[23] Furthermore, the Basel Committee on Banking Supervision's international standards also limit payment relief to prevent abuse and maintain a focus on risk reduction. Thus, good faith serves as a general principle that integrates legal doctrine, economic

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[18] Mufti Muhammad Taqi Usmani, *An Introduction to Islamic Finance* (Leiden: Brill, 2021).

[19] Tareq Moqbel and Habib Ahmed, "Flexibility and Sharīʿah Compliance of Islamic Financial Contracts: An Evaluative Framework," *Arab Law Quarterly* 35, no. 1 (2020): 1–24, https://doi.org/https://doi.org/10.1163/15730255-BJA10052; Idah Zuhroh and Nazaruddin Malik, "Revisiting the Role of Islamic Bank on SDGs: Sharia Financing, Inequality, and Poverty," *Journal of Human, Earth, and Future* 4, no. 4 (December 2023): 443–52, https://doi.org/10.28991/HEF-2023-04-04-05.

[20] Fatwa No. 48/DSN-MUI/II/2005 on the Rescheduling of Murabahah Receivables (2005).

[21] Financial Services Authority Regulation No. 2/POJK.03/2022 on Asset Quality Assessment of Islamic Commercial Banks and Sharia Business Units (2022).

[22] European Central Bank, "Forbearance: Banks Need to Gear Up," European Central Bank, 2023, https://www.bankingsupervision.europa.eu/press/supervisory-newsletters/newsletter/2023/html/ssm.nl230517_1.en.html; Dean Karlan, Adam Osman, and Nour Shammout, "Increasing Financial Inclusion in the Muslim World: Evidence from an Islamic Finance Marketing Experiment," *The World Bank Economic Review* 35, no. 2 (May 2021): 376–97, https://doi.org/10.1093/wber/lhaa010.

[23] Japanese Civil Code (1896).

functions, and ethical considerations so that restructuring remains aligned with its primary objectives.

Good Faith in Successive Credit Restructuring in Indonesian Conventional Banks

The government is obliged to carry out its duties in serving the people,[24] including by ensuring access to financial services. In this regard, credit policies for MSMEs aim to support the small business sector through more inclusive and equitable financing schemes. However, these policies also increase credit risk exposure and require careful management by banks. In accordance with POJK 40/2019, to maintain business continuity, banks need to manage credit risk exposure, including by maintaining asset quality and calculating Asset Quality Assessment Allowances. One option to prevent asset quality decline is through restructuring. Credit restructuring, as stipulated in Article 1, number 25 of POJK No. 40/2019, is a remedial measure undertaken by banks in their credit activities for debtors experiencing difficulties fulfilling their obligations.

The validity of successive restructuring is subject to two requirements: those under the Indonesian Civil Code and the Banking Law. First, Article 1338 of the Indonesian Civil Code stipulates that parties are free to conclude agreements based on the principle of consensualism; such agreements are binding under the principle of *pacta sunt servanda*, but must be performed in good faith. Second, under applicable banking regulations, successive restructuring remains subject to the requirements of the initial restructuring, namely that it is conducted in accordance with prudential principles in assessing credit quality and is subject to periodic monitoring by the bank.

In this context, good faith serves as an objective standard for assessing whether an agreement is performed in accordance with the principle of propriety. It encompasses the values of honesty, sincerity, and compliance with the agreement.[25] In successive credit restructurings, the principle of good

[24] Kusnaedi, Hasbir, and Marwah, "Intellectual Property Right Protection of Bantaeng Robusta Coffee through Geographical Indications," *IOP Conference Series: Earth and Environmental Science*, ahead of print, 2023, https://doi.org/https://doi.org/10.1088/1755-1315/1230/1/012010.

[25] Chidiebere Ogbonnaya, "Cost-Cutting Actions, Employment Relations and Workplace Grievances: Lessons from the 2008 Financial Crisis," *Journal of Business Research* 152 (2022): 265–75, https://doi.org/https://doi.org/10.1016/j.jbusres.2022.07.055.

faith requires banks and customers to be open and honest with each other at pre-contractual, contractual, and post-contractual phases.

The pre-contractual phase is the preliminary phase before the credit restructuring, as stipulated in an addendum to the agreement. During this phase, the bank and the debtor propose, clarify, and negotiate the restructuring terms. Although not yet binding the parties, this phase constitutes a crucial role as the preliminary step in implementing the principle of good faith through honest exchange of information. This aligns with P.S. Atiyah's statement that, theoretically, in law, good faith is related to morality. The notion of good faith in this contract is clearly consistent with traditional morality.[26] The parties may not conceal facts they know if those facts could influence the other party's decision to accept or reject the agreement. Therefore, to assess the implementation of good faith at this phase, it is necessary to assess whether the bank and debtor have disclosed information that could influence the other party's decision, even if not requested. However, the approval of restructuring is not determined solely by the debtor's good faith[27] but also by an objective assessment of the debtor's ability to fulfill post-restructuring obligations. In restructuring, banks must adhere to the prudential principle that restructuring is based on an assessment of the debtor's ability and adequate risk management principles.

Banks should apply the principle of good faith during the pre-contractual phase by providing clear information to MSME debtors. This includes procedures, risks, consequences, and obligations after restructuring. Banks must also conduct objective and professional credit analyses, as stipulated in POJK 40/2019. This is not only to maintain portfolio quality. It also helps reduce the NPL ratio. At this phase, OJK, as the supervisory authority, must assess whether banks have implemented prudential principles. The OJK can

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[26] Agus Sardjono, *Pengantar Hukum Dagang* (Jakarta: RajaGrafindo Persada, 2018); Lukman Santoso and Tri Wahyu Surya Lestari, "Konparasi Syarat Keabsahan 'Sebab Yang Halal' Dalam Perjanjian Konvensional Dan Perjanjian Syariah," *Al-Istinbath: Jurnal Hukum Islam* 2, no. 1 June (July 2017): 1–16, https://doi.org/10.29240/jhi.v2i1.152.

[27] Thomas Philippon, "Efficient Programs to Support Businesses during and after Lockdowns," *The Review of Corporate Finance Studies* 10, no. 1 (2021): 188–203; Abdul Muneem, Nor Fahimah Mohd Razif, and Abdul Karim Ali, "Issues on restructuring of a financing facility in malaysian islamic banks," *Jurnal Syariah* 28, no. 1 (April 2020): 105–24, https://doi.org/10.22452/js.vol28no1.5.

refer to international supervisory guidelines,[28] such as those issued by the Basel Committee.

The assessment of the application of the principle of good faith at the pre-contractual phase is conducted in four indicators. First, whether the restructuring application form has been filled out honestly, including the debtor's actual income and expenditure data. Second, the debtor signs a statement as a moral and legal commitment to fulfilling post-restructuring obligations. Third, the debtor must complete an installment payment calculation form. Fourth, during the restructuring application assessment process, the bank evaluates the debtor's attitude and openness through interviews and cross-verification of documents. Therefore, the implementation of good faith at this phase is greatly influenced by transparency of information, openness and honesty, and the bank's rational assessment.[29] This strengthens the argument that good faith at the pre-contractual phase serves as a preliminary step to ensure that credit restructuring is based on objective needs and in accordance with the principles of propriety and prudence.

At the contractual phase, the bank and debtor set out their legal relationship in an addendum agreement. After the restructuring agreement is signed, good faith remains the basis for their relationship. This principle is clear in both the contract clauses and how the agreement is made. Good faith at this phase can be objectively measured. One way is to check whether the payment terms align with the debtor's income. This is essential for setting the restructuring scheme, whether rescheduling payments, extending the term, or reducing interest rates.

Furthermore, at the post-contractual phase, good faith is defined as propriety, namely, an assessment of the parties' actions in carrying out what has been agreed. In the post-contractual phase, the debtor should pay installments.[30] If the debtor defaults, then in addition to the principal and interest installments, the debtor must also pay a late penalty as stipulated in

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[28] Melina Papoutsi, *Lending Relationships in Loan Renegotiation: Evidence from Corporate Loans*, no. 2553 (2021).

[29] Anne Epaulard and Chloé Zapha, "Bankruptcy Costs and the Design of Preventive Restructuring Procedures," *Journal of Economic Behavior & Organization* 196 (2022): 229–50, https://doi.org/https://doi.org/10.1016/j.jebo.2022.02.001.

[30] Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata), Article 1234.

the restructuring agreement. At this phase, the principle of good faith serves as an objective measure to assess whether the parties have complied with the agreement, applying the standard of propriety. In the context of successive restructurings, the implementation of good faith becomes increasingly important[31] because it creates greater responsibilities for both the bank and the debtor.[32] Meanwhile, the debtor is obliged to take all reasonable measures to fulfill their obligations and avoid repeated defaults.[33] Thus, if the bank and the debtor perform their obligations in good faith from the pre-contractual through post-contractual phase, the restructuring objectives of restoring the debtor's payment capacity and improving the quality of the bank's assets can be achieved fairly and proportionately.

In this context, achieving fairness, particularly in the post-contractual phase, requires not only the parties' adherence to good faith but also regulatory support. Accordingly, the principle of fairness can be strengthened by debtor protection, as stipulated in OJK Regulation No. 22 of 2023 concerning Consumer and Community Protection in the Financial Services. It aims to balance the legal relationship between banks and debtors, ensuring that recurring credit restructuring is not solely directed at safeguarding bank assets but is also carried out properly and transparently. However, the effectiveness of this regulation in curbing the misuse of successive restructuring remains limited, as it lacks a reliable supervisory mechanism to detect irregularities. This gap is significant in practice, given that complaints largely depend on consumer awareness and willingness, as well as the OJK.

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[31] David R. King, "Family Business Restructuring: A Review and Research Agenda," *Journal of Management Studies* 59, no. 1 (2022): 197–235, https://doi.org/https://doi.org/10.1111/joms.12717.

[32] Lauren Ferry, "Getting to Yes: The Role of Creditor Coordination in Debt Restructuring Negotiations," *International Interactions* 49, no. 1 (2023): 31–58, https://doi.org/https://doi.org/10.1080/03050629.2023.2156996.

[33] Anna Gelpern, "How China Lends: A Rare Look into 100 Debt Contracts with Foreign Governments," *Economic Policy* 38, no. 114 (2023): 345–416, https://doi.org/https://dx.doi.org/10.2139/ssrn.3840991; Lukman Santoso, *Aspek Hukum Perjanjian: Kajian Komprehensif Teori Dan Perkembangannya* (Yogyakarta: Penebar Media Pustaka, 2019).

Good Faith in Successive Financing Restructuring in Indonesian Islamic Banks

Financing in Islamic banks differs from the credit offered by conventional banks. The differences lie in the type of contract, substance, and purpose. Different purposes imply different "contracts" such as *tijarah*, *syirkah*, or *ijarah*-based contracts.[34] In substance, the terms "contract" in Islamic banks and "agreement" in conventional banks serve the same purpose. However, in addition to complying with the Banking Law, Sharia contracts must also comply with Islamic law, particularly regarding the prohibition of *usury*, *gharar*, and *maysir*.

Islamic scholars believe that Islamic banking should support a just, equal, and balanced economic system.[35] Therefore, in addition to generating additional capital income, Islamic banks must also ensure that their operations reflect the values of justice and social responsibility.[36] The Capital Adequacy Ratio (CAR) measures an Islamic bank's ability to maintain adequate capital and manage risk.[37]

Financing restructuring in Islamic banks is a remedial measure undertaken to assist customers struggling to repay. This is regulated under Article 1, number 36, of the OJK Regulation No. 2/POJK.03/2022 (POJK 2/2022). The application of sharia principles in financing restructuring has four requirements. *First*, the bank charges compensation (*ta'widh*) to customers who default or violate the agreement. *Second*, compensation is determined at the actual costs incurred by the bank in collecting debts. Compensation is not in the form of potential losses estimated to occur

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[34] Edi Susilo, *Analisis Pembiayaan Dan Risiko Perbankan Syariah* (Yogyakarta: Pustaka Pelajar, 2017); Ramzi Abdullah Ahmed Hassan, "Financial Inclusion in Muslim-Majority Countries: Overcoming Economic and Social Challenges Through Islamic Lending," *Invest Journal of Sharia & Economic Law* 4, no. 1 (June 2024): 46–73, https://doi.org/10.21154/invest.v4i1.8340.

[35] M. Luthfi Hamidi, "The Prospects for Islamic Social Banking in Indonesia," *Journal of Islamic Monetary Economics and Finance* 5, no. 2 (2019), https://doi.org/https://doi.org/10.21098/jimf.v5i2.1062; Andi Aina Ilmih, Kami Hartono, and Ida Musofiana, "The financing restructuring legal analysis for debtors affected by covid-19 in sharia multifinance institutions," *Jurnal Pembaharuan Hukum* 8, no. 2 (July 2021): 172–83, https://doi.org/10.26532/jph.v8i2.16064.

[36] Khotibul Umam and Berlian Widya Tama, "Integrating Islamic Social Funds in Sharia Banking for Empowering Indonesia's Productive Poor," *Journal of Central Banking Law and Institutions* 5, no. 1 (2026): 25-48., https://doi.org/https://doi.org/10.21098/jcli.v5i1.498.

[37] Vera Novia Anisa, Indri Supriani, and Yunice Karina Tumewang, "Assessing the Role of Islamic Banking in Driving Indonesia's Economic Growth during COVID-19," *Journal of Central Banking Law and Institutions* 4, no. 3 (2025): 403–44, https://doi.org/https://doi.org/10.21098/jcli.v4i3.290.

(potential loss) due to lost opportunities (*al-furshah al-dha-i'ah*). *Third*, the determination of compensation and the calculation method must be outlined in the amendment to the financing agreement. *Fourth*, financing restructuring is carried out in accordance with the fatwa of the National Sharia Council (DSN-MUI).

The contract category determines the bank's position, risk allocation, and restructuring options. In tijarah-based financing, the bank is a creditor with fixed receivables. Restructuring can only adjust the payment time. The debt amount cannot increase, as additional payments for delays are considered "*riba*". Rescheduling is permitted if the fees are in line with actual costs incurred. In *syirkah*, the bank shares profits and losses. In this type, restructuring focuses on business viability and partnerships based on the principle of risk sharing.[38] In *ijarah*, the customer pays rent for the use of an asset. Restructuring involves rescheduling or extending the lease, provided the customer retains ownership of the asset. These limitations are further elaborated in contemporary Sharia standards regarding *ijarah*.[39]

At the pre-contractual phase, the application of good faith is assessed from the negotiation process before the financing restructuring is signed. In Islamic banking, this phase is based not only on the prudential principle, but also on sharia values such as honesty (*ṣidq*), trustworthiness, and fairness (*'adl*). Openness and honest exchange of information between the bank and the customer at this phase are crucial factors in ensuring that the successive restructuring is based on accurate data and remains in line with the principles of justice (*'adl*), balance (*tawāzun*), and the benefit of all parties.

In Islamic banking practices, the DPS, as part of the bank's internal structure, oversees compliance with these principles. The DPS provides advice and guidance to the board of directors. It oversees the bank's activities to ensure they remain in line with Sharia principles.[40] At the pre-contractual phase, the DPS assesses planned changes before the bank and customer reach

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[38] Umar Farooq and Muhammad Bilal Zafar, "The Adaptation of the AAOIFI Shariah Standard Sharikah (Musharaka) and Modern Corporations in the Islamic Finance Industry of Pakistan: A Qualitative Study," *The Journal of Muamalat and Islamic Finance Research* 22, no. 1 (2025): 167–81, https://doi.org/https://doi.org/https://doi.org/10.33102/jmifr.638.

[39] *Shariah Standard No. 9: Ijarah and Ijarah Muntahia Bittamleek Revised Standard* (Manama, 2002).

[40] Law No. 21 of 2008 concerning Sharia Banking (2008).

an agreement.[41] This assessment aims to ensure that the revised provisions do not prohibit by Sharia principles. The DPS also serves as a supervisory mechanism to prevent deviations from the restructuring objectives. This is consistent with international Sharia governance standards. These standards require clear mechanisms for obtaining and implementing Sharia statements, verifying compliance, and managing conflicts of interest.[42]

Furthermore, at the contractual phase, the principle of good faith is assessed through the contract clauses. Changes to the contract must remain aligned with the characteristics of the first contract. Based on research, the financing forms most commonly requested by MSME customers are *mudharabah*, *musyarakah*, and *murabahah*. Under POJK 2/2022, the financing restructuring schemes available for these types of financing include changes to the payment schedule, term, or installment amount; changes to the ratio; discounts; additional financing facilities; and conversion of financing into temporary equity participation under a *musyarakah* contract. These changes are made within the legal framework of the contract, which is subject to the principles of "*hurriyah al-ta'aqqud* (freedom of contract)" and "*al-wafa' bi al-'uqūd* (obligation to fulfill contracts executed in good faith)." The measure of good-faith implementation at this phase is whether, during the signing process, the bank has transparently explained the substance of the agreement, including the calculation of new payment obligations, changes to margins or ratios, time periods, payment mechanisms, and the legal consequences in the event of default.

In practice, Islamic banks often offer only rescheduling schemes. Rescheduling involves revising the repayment schedule for the remaining principal and outstanding margin, but does not allow the bank to increase the amount due. In this regard, the practice of limiting restructuring to a single scheme needs to be examined in light of the substantive meaning of freedom of contract in Islamic economic law.[43] Therefore, rescheduling offers can be justified only if they are explained as Sharia-compliant constraints that reflect

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41 Fatwa No. 48/DSN-MUI/II/2005 concerning the Rescheduling of Murabahah Receivables.

42 Islamic Financial Services Board, *Guiding Principles for Effective Supervision of Shariah Governance* (Kuala Lumpur, 2025).

43 Umar A. Oseni, "The Main Prohibited Elements in Contract," in *Ilias Bantekas and Others (Eds), Islamic Contract Law* (Oxford University Press, 2024), 135–70.

the nature of the underlying contract. This aligns with the Statutes of the International Islamic Fiqh Academy, which state that debt rescheduling should not involve an increase in the amount owed in exchange for an extension of time. In this context, rescheduling without increasing debt is an obligation, not an option.[44]

In the post-contractual phase, good faith can be measured by assessing whether the agreement has been implemented in accordance with its provisions, including the customer's obligation to make installment payments, pay margins, or share profits. At this phase, the principle of good faith serves as an objective measure to assess the parties' compliance with the agreement, as well as the values of propriety, justice (*'adl*), and balance (*tawāzun*). For Islamic banks, good faith is reflected in financing supervision that is based on a commitment to restore the customer's repayment capacity, rather than merely as an administrative measure to maintain asset quality.[45] Failure to pay without a valid reason can be considered a lack of good faith. In successive restructurings, the application of this principle becomes increasingly crucial as the customer's bargaining position tends to weaken. Therefore, the implementation of the agreement must reflect transparency, responsibility, and adherence to Sharia principles. If both parties consistently adhere to good faith, successive restructurings will not only serve as an instrument for financing recovery but also as a means to maintain, fairly and proportionally, the sustainability of the partnership between the Islamic bank and the customer.

A Comparative Legal Analysis of Good Faith in Successive Credit Restructuring in Indonesia and Japan

Under Japanese law and other countries, freedom of contract is limited by the common law principle of good faith. In Japan, the principle of good faith is the most fundamental rule governing contracts and other civil relations. The principle of good faith in the Japanese Civil Code[46] is derived from German civil law. The Japanese translation of the term “good faith” is “shingi”, which means

[44] International Islamic Fiqh Academy, *Resolution No. 248 (10/25) Concerning the Sharia Rulings on Contemporary Applications of Debt Rescheduling, Composite Sukuk and Hybrid Sukuk* (Jeddah, 2023).
[45] Mufti Muhammad Taqi Usmani, *An Introduction to Islamic Finance* (Leiden: Brill, 2021).
[46] Japanese Civil Code.

"trust". Initially, "trust" and "good faith" were distinct concepts. However, after the Japanese Civil Code was enacted and applied by courts to resolve certain disputes, judges incorporated "trust" into the legal system by using the term "good faith".[47]

In line with these principles, the Japanese banking system began to develop during the Meiji Restoration in 1868. In this process, commercial banks emerged from two schools of thought: the Kokuritsu Ginkō and the Shiritsu Ginkō. Subsequently, under the Bank Decree of 1890, every Shiritsu Ginkō was officially categorized as a commercial bank.[48] After the global financial crisis and pandemic, the Japanese government implemented intervention policies to rescue the corporate sector. In Japan, this policy is regulated by the SMEs Financing Facilitation Act, which encourages banks to provide loan relief to small and medium-sized enterprises (SMEs) experiencing financial difficulties.[49]

Under this law, if a debtor negotiates for a reduction in payment terms, the bank must approve it. Building relationships is very useful for evaluating bad loans by renegotiating payment terms.[50] For most Japanese, negotiation is a crucial process for building trust by assessing the other party's trustworthiness. Although criticized for its potential to create moral hazards, this policy is considered highly effective, with approximately 60% of companies showing improved financial performance after restructuring.[51]

In successive credit restructurings, the principle of good faith must be implemented by banks and debtors. This study analyzes the implementation in Indonesian conventional banks, Indonesian Islamic banks, and Japanese banks using four indicators: debtor eligibility, supervisory model, business monitoring, and restructuring frequency limits.

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47 Makoto Shimada, "Termination of a Contionuous Contract and Good Faith under Japanese and English Law," *Keio Law Journal* 9, no. 38 (2017): 13–49.

48 Eiji Hotori, "Japanese Financial Elites and Banking Supervision: The Ministry of Finance and the Bank of Japa," *Management & Organizational History* 20, no. 1 (2024): 57–80, https://doi.org/https://doi.org/10.1080/17449359.2024.2409126.

49 Isabelle Roland, Yukiko Saito, and Philip Schnattinger, *Forbearance Lending as a Crisis Management Tool: Evidence from Japan* (2024), https://doi.org/http://dx.doi.org/10.2139/ssrn.5133214.

50 Angelo Baglioni, Luca Colombo, and Paola Rossi, ""Debt Restructuring with Multiple Bank Relationships," *Journal of Banking and Finance* 178 (2025), https://doi.org/https://doi.org/10.1016/j.jbankfin.2025.107503.

51 Nobuyoshi Yamori, "The Effects of the Financing Facilitation Act after the Global Financial Crisis: Has the Easing of Repayment Conditions Revived Underperforming Firms?," *JRFM* 12, no. 2 (2019): 1–17.

First, the debtor's eligibility. In Indonesian conventional banks, eligibility is determined by the presence of temporary payment difficulties, but the business viability still allows for recovery of repayment capacity. By contrast, in Indonesian Islamic banks, debtor eligibility is determined not only by business viability but also by compliance with Sharia principles, including prohibitions on usury and debt manipulation. Meanwhile, the Japanese banks adopt a stricter approach. Debtors are eligible for restructuring only where recovery in business viability is foreseeable. Otherwise, they are classified as unviable and directed to legal mechanisms such as bankruptcy. Their technology supports more comprehensive assessments.[52] Japanese banks also consistently review and disclose NPLs each year.[53]

Second, the supervisory model. In Indonesian conventional banks, supervision is conducted by the OJK using a risk-based supervision approach. This model provides banks with considerable discretion in determining restructuring policies, provided they adhere to risk management standards. Meanwhile, in Indonesia, Islamic banking is regulated by the OJK and DSN-MUI. This model assessed not only prudential aspects but also ensured compliance with Sharia principles. Thus, successive restructurings are assessed based on financing risk, validity of the contract, and the substance of the transaction. In Japan, bank supervision is strictly conducted by the FSA using a forward-looking approach. This model emphasizes transparency and accountability and rejects the practice of evergreening loans. The IMF's 2024 FSAP technical note describes that supervision by the Japanese FSA has shifted to a qualitative evaluation of banks' ability to assess and manage their own credit risk.[54] This supervisory shift reinforces the objective application of good faith in successive restructurings, requiring that any modification of contractual terms be grounded in clear, measurable prudential standards. Therefore, banks that continue to extend or renew credit without a convincing

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[52] Robert M. Adams, Kenneth P. Brevoort, and John C. Driscoll, "Is Lending Distance Really Changing? Distance Dynamics and Loan Composition in Small Business Lending," *Journal of Banking & Finance* 156 (2023), https://doi.org/https://doi.org/10.1016/j.jbankfin.2023.107006.

[53] Ryozo Himino, "Restructuring Banks and Borrowers," in *The Japanese Banking Crisis* (Singapore: Palgrave Macmillan, 2021).

[54] International Monetary Fund. Monetary and Capital Markets Department, *Japan: Financial Sector Assessment Program-Technical Note on Banking Supervision and Regulation Selected Issues* (2024).

recovery must still acknowledge the risks, including through credit classification, provisioning, and adequate oversight.[55]

Third, debtor business monitoring. In Indonesian conventional banks, business monitoring is conducted periodically through financial reports and field visits. However, in successive restructurings, monitoring is often a formality to fulfill administrative requirements and lacks in-depth detail. Meanwhile, in Indonesian Islamic banks, business monitoring must ensure that activities are truly conducted in accordance with the contract. In successive restructurings, this monitoring becomes more stringent to prevent misuse. By contrast, in Japan, business monitoring is intensive and integrated with the business restructuring process. Banks are also active parties in the business recovery process. During the economic recovery, the Japanese banking system provided long-term credit to support development financing. Monitoring is increasingly focused on specific aspects, particularly through on-site examinations of large-scale loans and indicators of irregularities, such as insider lending and financial report manipulation.[56]

Fourth, limiting the frequency of restructuring. This aspect most reflects the paradigm differences between systems. In Indonesian conventional banking, credit restructuring is limited to a maximum of three times during the first agreement term. The second and third restructurings are generally permitted six months after the previous restructuring. This flexibility has the potential to lead to evergreening practices. Indonesian Islamic banks impose the same frequency restrictions as conventional banks. However, the procedures are stricter because successive restructurings are prohibited if they do not comply with Sharia principles. Meanwhile, in Japan, although the FSA does not explicitly regulate a numerical limit, successive restructuring is strictly limited, permitted only if there is proven business improvement.

To clarify the differences in the application of the principle of good faith in credit restructuring between Indonesia and Japan, the four indicators are compared in the table below:

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[55] Financial Services Agency, "The FSA Publishes the Status of Loans Held by All Banks as of the End of March 2024, Based on the Financial Reconstruction Act," Financial Services Agency, 2026, https://www.fsa.go.jp/en/regulated/npl/20240924.html.

[56] Eiji Hotori, Mikael Wendschlag, and Thibaud Giddey, "Japan: Formalization of Banking Supervision Including a Reversal," in *Formalization of Banking Supervision* (Singapore: Palgrave Macmillan, 2022), 43–64.

Table 1. Comparative Indicators of Good Faith in Successive Credit Restructuring in Indonesia and Japan

No	Indicator	Indonesian Conventional Banks	Indonesian Sharia Banks	Japanese Banks
1	debtor eligibility	business viability	- business viability - comply with Sharia principles	business viability
2	supervisory model	OJK (*risk-based*)	OJK (risk-based) DSN-MUI	FSA (forward-looking)
3	business monitoring	periodic	- periodic - business activities under the contract	- intensive - integrated with business restructuring
4	limits on restructuring frequency	maximum 3 times	maximum 3 times	no explicit limits

Source: Author's analysis, 2026.

In terms of good faith, differences in debtor eligibility, supervisory models, business monitoring, and restructuring frequency limits reflect varying degrees of trust and control in the relationship between banks and debtors. Indonesia's conventional banking system tends to adopt a more flexible assumption of good faith. In contrast, Islamic and Japanese banking systems require more rigorous verification through stricter eligibility criteria, enhanced supervision, and intensive monitoring. From John Rawls's perspective, these variations demonstrate a balance between protecting distressed debtors and maintaining economic stability, as reflected in the difference principle and fair equality of opportunity. Meanwhile, Hans Kelsen emphasizes that the consistent application of good faith depends on clear, structured, and hierarchical legal norms that ensure legal certainty and prevent abuse. Therefore, across the four indicators, good faith operates not merely as a moral assumption but as a normative and operational requirement subject to objective verification through regulatory standards, supervision, monitoring, and measurable limits.

Based on this analysis, a theoretical model for applying the principle of good faith in successive credit restructuring can be formulated, both normatively and operationally. In this framework, good faith is no longer confined to subjective intention but reconceived as an objective, measurable legal standard applicable at every phase of restructuring. The model rests on four components. First, debtor eligibility requires a continuous viability test to assess improvements in business prospects, thereby transforming a flexible approach into an evidence-based standard while incorporating more assertive practices. Second, the supervisory model adopts a multi-layered mechanism that integrates prudential regulation with ethical considerations, ensuring that restructuring is not misused for practices such as evergreening. Third, business monitoring establishes an ongoing obligation of transparency and accountability through periodic, performance-based evaluation, enabling early detection of restructuring failure. Fourth, limits on restructuring frequency function as constraints that preserve flexibility while setting clear boundaries to prevent abuse.

Theoretically, this reconstruction integrates three complementary approaches. From a good-faith perspective, it shifts the paradigm from subjective to objective and verifiable standards. In John Rawls's theory of justice, the model balances debtors' protection with economic stability. From Hans Kelsen's perspective, it reinforces the need for clear, hierarchical, and consistently applied legal norms to enhance certainty and limit interpretive discretion. Accordingly, this reconstruction offers an integrative model of good-faith in successive credit restructurings that combines flexibility, normative rigor, and market discipline. It provides a foundation for more adaptive, fair, and legally certain regulatory reforms.

Conclusion

This study indicates that differences in policies on successive credit restructuring reflect differing paradigms in interpreting the principle of good faith. Indonesia's conventional banking adopts a more flexible approach, allowing successive restructurings as long as there is an administrative justification, which creates the potential for evergreening. In contrast, Islamic banking applies the principle of good faith within a strict Sharia-compliance framework, thereby limiting the need for successive restructurings.

Meanwhile, practice in Japan constructs good faith more objectively through rigorous business feasibility assessments and disciplined supervision, so that successive restructurings are justified only where business prospects improve. Thus, the findings confirm that the weakness in the implementation of good faith in Indonesia lies in the lack of supervision and operational standards that can translate good faith into measurable, consistent parameters. Comparison with Japan highlights the need to shift the understanding of good faith from subjective assumptions to objective standards assessed through business feasibility, supervisory effectiveness, and debtor monitoring outcomes.

This study reinforces the argument that the principle of good faith must be balanced between justice and legal certainty. Therefore, the primary contribution of this research lies in affirming that successive credit restructuring can be justified if based on objective, measurable, and monitorable good faith. Without such a framework, successive restructuring may shift from a recovery instrument to a means of delaying risk, weakening the integrity of the banking system.

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Disclosure Statement

Marwah initiated the research ideas, developed the research instruments, reviewed regulatory data and legal references, and formulated the conclusions. Rifaatul Mardhahiswana drafted the manuscript. Aulia Rifai reviewed data and legal references concerning restructuring regulations within the conventional banking framework. Muhammad Aswan reviewed data and legal references related to corporate law and restructuring within the Islamic banking

framework. Novytha Sary reviewed data and legal references concerning restructuring regulations in Japan. All authors contributed to the discussion of the findings, critically reviewed the manuscript, and approved the final version.

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