

Implementation of Istishna Accounting Based on PSAK 404: Challenges and Implications for Sharia Banking in Indonesia

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Abstract

Purpose: This study aims to analyze the conformity of istishna accounting implementation with the applicable standards, identify the challenges faced in the implementation process, and analyze the implications of the implementation.

Design/methodology/approach: This study uses a qualitative approach with descriptive methods based on secondary data.

Research Findings: The findings in this study show that most Islamic Banks in Indonesia generally implement PSAK 404 quite well. However, the implementation still faces several challenges, including difficulties in applying the percentage of completion method, the complexity of recording istishna accounting, and the lack of understanding related to PSAK 404. In addition, the implementation of PSAK 404 also has a positive impact, such as increasing transparency and accountability of financial statements, increasing operational efficiency, and strengthening the competitive position of Islamic Banking in the global market.

Contribution/Originality/Novelty: This study provides new insights into the challenges and implications in the implementation of PSAK 404.

Abstrak

Tujuan Penelitian: Penelitian ini bertujuan untuk menganalisis kesesuaian implementasi akuntansi istishna dengan standar yang berlaku, mengidentifikasi tantangan yang dihadapi dalam proses implementasinya, serta menganalisis implikasi dari implementasi tersebut.

Desain/Methodologi/Pendekatan: Penelitian ini menggunakan pendekatan kualitatif dengan metode deskriptif berbasis data sekunder. Teknik pengumpulan data menggunakan studi kepustakaan, sementara analisis data melalui reduksi data, penyajian data, dan penarikan kesimpulan.

Temuan Penelitian: Temuan dalam penelitian ini menunjukkan bahwa sebagian besar perbankan syariah di Indonesia umumnya mengimplementasikan PSAK 404 dengan cukup baik. Namun, implementasinya masih menghadapi beberapa tantangan, antara lain kesulitan dalam penerapan metode persentase penyelesaian, kompleksitas pencatatan akuntansi istishna, serta kurangnya pemahaman terkait PSAK 404. Di samping itu, implementasi psak 404 ini juga memberikan dampak positif, seperti peningkatan transparansi dan akuntabilitas laporan keuangan, peningkatan efisiensi operasional, serta penguatan posisi kompetitif perbankan syariah di pasar global.



Kontribusi/Orisinalitas/Kebaruan: Analisis terkait tantangan dan implikasi dalam implementasi PSAK 404 menjadi pembeda dari penelitian lain yang serupa.

INTRODUCTION

Islamic banking in Indonesia has experienced rapid development in recent years (Arwendi & Himmati, 2023). One of the financing products that is characteristic of sharia banking is the istishna contract. Istishna contracts are used for order-based financing for the manufacture of certain goods or projects, such as building houses or infrastructure. Payment in istishna can be made through three methods, namely at the beginning of the contract as a whole, in stages during the process of making the goods, or at the end after completion of the order (Syaqawie, 2015).

Istishna transactions offer various advantages compared to other contracts, such as flexibility in customizing the goods ordered according to the buyer's preferences. Apart from that, this contract also makes it easier for buyers in the buying and selling process, especially in the construction and manufacturing sectors which often require large costs, while buyers may have limited funds (Farid & Khotimah, 2019). This makes the istishna contract a potential solution to support various financing needs. However, in reality the use of istishna contracts in Indonesia is still relatively low compared to other sharia contracts, such as murabahah and ijarah.

To maintain compliance with sharia principles and ensure transparency and accountability in istishna transactions, it is important for sharia banking in Indonesia to implement clear and measurable accounting standards. One of the standards that regulates istishna contracts is PSAK 404 issued by the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI). PSAK 404 provides complete guidelines regarding istishna accounting records which include recognition, measurement, presentation and disclosure of istishna transactions, both from the perspective of the seller and the buyer. With the existence of PSAK 404, it is hoped that sharia banking can be more precise in presenting financial information, avoid inconsistencies with sharia principles, and increase transparency to stakeholders.

Table 1. Comparison of Financing Based on Contract Type in Sharia Commercial Banks
 (Billion Rp)

No.	Type of Contract	2021	2022	2023	2024
1	Mudharabah	3.629	3.623	5.198	6.608
2	Musyarakah	95.986	121.389	154.152	191.641
3	Murabahah	144.180	183.286	191.795	193.852
4	Qardh	10.396	11.486	13.190	15.566
5	Istishna'	4	3	2	1
6	Salam	-	-	-	-

Source: Financial Services Authority (Sharia Banking Statistics), 2025

The data in table 1 shows that murabahah contracts and musyarakah contracts still dominate the financing portfolio in sharia banking during the 2021-2024 period. However, what is interesting is that the number of acceptance of istishna contracts has decreased significantly. This indicates potential challenges or a lack of interest in implementing the istishna contract compared to other contracts. This phenomenon occurs even though PSAK 404 has provided complete accounting standards for istishna transactions. This underlines that implementing an istishna agreement in

accordance with PSAK 404 is not a simple matter, as recognized by the Financial Services Authority (FSA) (Wijayanti et al., 2021).

Research conducted by Farid & Khotimah (2019) shows that the application of accounting in istishna financing at Bank Syariah Indonesia KCP Lumajang is in accordance with the provisions regulated in PSAK 404. This shows that some Islamic banks have been able to adapt and apply accounting standards well, although in practice there are still variations in the way they are implemented.

Other research conducted by Saifuddin & Firmansyah (2021) found that the implementation of accounting related to istishna financing at Bank Syariah Bukopin KCP Semarang was in accordance with the provisions of PSAK 404 concerning istishna accounting. This research also reveals that there are several obstacles in its implementation, especially related to the complexity of istishna transactions which must be managed accurately. This reflects that even though accounting guidelines already exist, efforts to achieve optimal implementation still face various challenges, both from technical and operational aspects.

The research results of Handayani et al. (2024) shows a different thing, where in their research they identify that Bank Muamalat KCP Antasari still uses PSAK 59 and PAPSI as guidelines in implementing accounting for istishna financing. However, the implementation of istishna accounting at the bank is considered to be in accordance with the standards applied. This difference shows that there are variations in the application of istishna accounting in sharia banking, which may be caused by internal policies or understanding of varying standards in each bank.

Although research by Farid & Khotimah (2019) and Saifuddin & Firmansyah (2021) shows that sharia banking can implement PSAK 404 well, and research by Handayani et al. (2024) found differences in the application of accounting standards, it should be noted that these studies are case studies in certain banks. In addition, table 1 shows a significant downward trend in istishna financing in general in recent years. This suggests that there are broader issues that may arise related to the application of PSAK 404 to istishna contracts that have not been fully researched.

Based on the explanation above, this research focuses on the implementation of istishna accounting based on PSAK 404 in sharia banking in Indonesia. This research aims to analyze the conformity of the implementation of istishna accounting with applicable standards, identify the challenges faced in the implementation process, and analyze the implications of this implementation. Thus, it is hoped that this research can fill the gaps in previous research, especially regarding the challenges and implications of implementing PSAK 404.

LITERATURE REVIEW

Istishna Contract

Etymologically, istishna means “asking to be made”. In Fiqh terminology, istishna is a form of sale and purchase agreement where the buyer orders goods with certain specifications according to agreement with the seller. Payments in this contract can be made in stages or paid off all at once (Pane et al., 2021). Istishna is generally used in transactions for goods that do not yet exist or are not yet ready to be used, such as in the construction, manufacturing or production industries of goods that require special manufacture.

Az-Zuhaili explained that *bai' istishna'* is an agreement between a producer and a buyer for the manufacture or sale and purchase of certain goods, where the producer is also responsible for providing raw materials. If the raw materials are provided by the customer, the contract changes to an *ijarah* (rental) contract, where the customer only pays for the producer's services in producing

the goods. Apart from that, Az-Zuhaili stated that istishna is similar to a salam contract because it involves buying and selling goods that do not yet exist (*bai' ma'dum*) and the goods produced are the responsibility of the producer or seller from the time the contract is agreed (Az-Zuhaili, 2011).

In its implementation in sharia financial institutions, the istishna contract can be carried out in the form of parallel istishna. This is because Islamic financial institutions cannot fulfill customer orders directly, so they need a third party to make the orders. Sharia financial institutions act as intermediaries who arrange the manufacture of goods through third parties, such as contractors or manufacturers. In this scheme, Islamic banking makes two contracts, namely one with the customer and another with the producer who will produce the goods. The bank is fully responsible for the goods ordered until they are delivered to the customer.

The istishna contract is permissible in Islam because the basic principle is that it is part of a halal buying and selling transaction, as stated by Allah SWT. in a fragment of Surah Al-Baqarah verse 275:

... وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ...

“... But Allah has permitted trade and has forbidden interest. ...” (QS. Al-Baqarah [2] : 275) (Bahri & Mulyana, 2020)

In its implementation, for istishna transactions to be valid according to sharia law, there are several pillars and conditions that must be fulfilled. According to (Nurhayati & Wasilah, 2009) the pillars of the istishna contract include: (1) the party to the contract, namely the seller (*shani*) and buyer or seller (*mustashni*); (2) objects or goods (*mashnu*); (3) price or capital (*tsaman*); and (4) Ijab qabul (*sighat*). Meanwhile, the legal requirements for an istishna contract include: (1) both parties to the contract must have legal skills, be mature, and have the right to carry out buying and selling transactions; (2) the parties to the agreement are mutually willing and do not violate the agreed promises; (3) if the contract requires the seller to only carry out work, the contract changes to ijarah; (4) the seller must state the ability to manufacture the goods according to the agreed specifications; (5) the order object must have clear specifications; and (6) the goods ordered must not violate sharia provisions or cause harm (Harahap et al., 2010).

Like other contracts in Islam, the istishna contract also has provisions regarding the termination of the contract. There are several reasons that can cause an istishna contract to end, including: (1) both parties have fulfilled their obligations; (2) both parties agree to terminate the contract; and (3) there are legal reasons why the contract cannot be continued or completed, so that the parties concerned have the right to request cancellation of the contract (IAI, 2020).

PSAK 404 Istishna Accounting

On June 27 2007, the Financial Accounting Standards Board of the Indonesian Accountants Association (DSAK IAI) issued Statement of Financial Accounting Standards (PSAK) 404 concerning istishna accounting. Before PSAK 404 was issued, provisions regarding istishna accounting were regulated in PSAK 59 concerning Sharia Banking which was issued on March 1 2002. PSAK 404 is a special guideline that regulates accounting treatment for istishna contract transactions, including aspects of recognition, measurement, presentation and disclosure (Deden et al., 2024). The scope of PSAK 404 includes its application to sharia financial institutions, sharia cooperatives and other entities that carry out istishna transactions, both as sellers and buyers (Pramiswari et al., 2023).

Istishna accounting treatment in PSAK 404 divided into accounting for sellers and accounting for buyers (Renaldi et al., 2024). Each party has different accounting treatment, as regulated in PSAK 404 below (Nurhayati & Wasilah, 2015):

A. Accounting Treatment of Seller

1. Recognition and Measurement

The seller records all costs of acquiring istishna assets, both direct and indirect costs. During the work process, these costs are recognized as “Istishna Assets in Progress” until the project is completed. In addition, there are pre-agreement costs which are treated as deferred expenses and are recognized as istishna costs if the agreement is agreed upon by the contracting parties.

In the case of istishna income, there are two recognition methods, namely the percentage of completion method and the completed contract method. Revenue recognition and profit margins during the construction period will be greatly influenced by the choice of this method, especially in terms of the timing of recording revenue and profits. Apart from that, the method used will also affect the presentation of financial statements.

a. Percentage Completion Method

In the percentage of completion method, revenue and profit margin are recognized gradually as the project is completed. This method requires accurate estimates of costs and percentage of completion.

b. Contract Completion Method

The completed contract method recognizes revenue and profit margin in full after the project is completed. This method is simpler to implement, but provides less relevant information regarding performance during the construction period.

For deferred istishna payments, the difference between the contract value and cash value is recognized as deferred istishna income and amortized over the settlement period.

2. Presentation and Disclosure

The seller presents and discloses related istishna receivables, istishna terms, and accounting methods used to measure income and profits. Transparency in the presentation of financial reports is important to provide an accurate financial picture and ensure that interested parties can clearly understand the financial condition and performance of the project. In addition, good disclosure will help investors and stakeholders in evaluating risks and making decisions.

B. Accounting Treatment of Buyers

1. Recognition and Measurement

In the settlement process, the buyer recognizes istishna assets in the amount of the term billed by the seller and recognizes istishna debt to the seller. For istishna assets acquired through deferred payment, the difference between the purchase price and cash value is recognized as deferred istishna expense and amortized over the settlement period. If delivery of goods is delayed or goods ordered do not conform to specifications, the buyer may recognize a receivable as past due or a loss, depending on the situation.

2. Presentation and Disclosure

The buyer presents and discloses details of istishna debts and istishna assets in progress in the financial statements. Transparent presentation of Istishna's debts and assets is important to provide a clear picture and ensure compliance with PSAK 404.

Sharia Banking

Basically, sharia banking has similarities with general banking, namely as a company that operates in the financial sector. This means that banking activities are always related to financial problems (Kasmir, 2008). The main difference lies in the principles applied in operational activities.

General banking places more emphasis on interest, while sharia banking places more emphasis on profit sharing (Setiawan, 2022). Sharia banking prioritizes sharia principles in all its activities, both in collecting and distributing funds, as well as in providing and determining rewards, as well as avoiding practices that are prohibited in Islam. Transactions are carried out through buying and selling mechanisms and profit sharing, in accordance with sharia provisions. Thus, it can be concluded that Islamic banking is a financial institution that operates by following Islamic sharia principles.

According to Supriadi & Ismawati (2020), there are several main principles used by sharia banking to regulate its business activities. These principles include:

1. Sharia Compliance Principles

All activities in sharia banking must avoid all forms of speculation (*maysir*), uncertainty (*gharar*), interest (*riba*), and things that are contrary to sharia law, such as *haram* or false transactions.

2. Principles of Trust and Prudence

This principle is important to maintain stability and public trust. Sharia banking collects funds from the public in the form of current accounts, savings and deposits, which are protected through legal certainty and strict supervision. The precautionary principle is realized through assessing the suitability of services. This principle is regulated in Article 29 Paragraph 2 of Law no. 10 of 1998, that banks must prioritize the principle of prudence in their operations (Sukarini & Juliastuti, 2021).

3. Contract Principles

Every transaction must be based on a written agreement that includes the matters and obligations of both parties. The contract is valid if it meets the requirements and is harmonious, and is carried out transparently according to sharia principles.

RESEARCH METHODS

This article was prepared using a qualitative approach with descriptive methods. Qualitative research focuses on in-depth understanding of data to achieve quality research results (Ibrahim, 2018). Thus, this research allows the author to explore and understand how *istishna* practices are applied in sharia banking as well as the implementation of PSAK 404, especially in the treatment of *istishna* accounting. In addition, descriptive methods are used to provide an overview or explanation of the research object according to the situation that occurred during the research (Ibrahim, 2018). In this article, descriptive methods are used to explain how *istishna* contracts and accounting are applied in sharia banking.

The data collection technique in this research uses the literature study method (*library research*), where secondary data is obtained from various sources such as books, Al-Qur'an, scientific articles and other sources relevant to the research topic. The data that has been collected is then analyzed using an approach developed by Miles and Huberman which involves data reduction, data presentation, and drawing conclusions (Miles & Huberman, 1992). *First*, data reduction, where the collected data is classified and focused on information that is relevant to the implementation of PSAK 404 in *istishna* accounting and practices in sharia banking. *Second*, data presentation, where the reduced data is arranged in narrative form, tables and summary information regarding the implementation of PSAK 404 in *istishna* accounting and its practice in sharia banking. *Third*, drawing conclusions, where the researcher interprets the data that has been studied to provide an understanding of the *istishna* contract, how accounting standards are implemented in sharia banking practices, as well as the challenges and implications.

RESULTS AND DISCUSSIONS

Implementation of PSAK 404 Istishna Accounting in Sharia Banking

In sharia banking, istishna contracts are used to meet customer needs in procuring goods according to certain specifications, both for short, medium and long term needs. This contract allows customers to order goods with certain specifications which will be produced by a third party through sharia banking. One of the most common applications of the istishna contract is home financing (KPR), where customers can order a house according to their needs.

Generally, Islamic banking uses a parallel istishna scheme, because banks do not have the ability to produce goods directly. In this scheme, sharia banking collaborates with third parties, such as contractors or manufacturers to fulfill customer orders according to specified specifications. This scheme provides flexibility for sharia banking to continue to meet customer needs without being directly involved in the production process.

In sharia banking, PSAK 404 regulates the recording and reporting of istishna contract transactions. It replaces PSAK 59, which provides a more relevant standard for recording sharia-based transactions. In the research of Pekerti et al. (2021) stated that PSAK 404 concerning istishna accounting has been generally applied in sharia banking, especially those offering products or transactions based on istishna contracts. This is in line with research by Farid & Khotimah (2019) and Fauzen (2024) that in general, istishna accounting practices in sharia banking are in accordance with PSAK 404, where all procedures in transactions and recording have been adjusted to these accounting standards. Sasmito et al. (2025) also stated that the presentation and disclosure of istishna transactions in sharia banking financial reports is in accordance with PSAK 404, but still requires improvement in several aspects, especially in terms of transparency and cost measurement. Thus, the implementation of PSAK 404 in sharia banking has generally gone well in accordance with the established standards. However, in practice, strict development and supervision is still needed so that its implementation can be more optimal.

Table 2. Analysis of the Implementation of PSAK 404 Istishna Accounting in Sharia Banking

Aspect	PSAK 404	Practices in Sharia Banking	Suitability
Unification and Segmentation of Contracts	Istishna contracts are segmented based on assets and each asset is treated as a separate contract.	Sharia banking applies the unification and segmentation of istishna contracts according to the assets ordered. Each asset is considered a separate contract to simplify reporting.	In accordance
Parallel Istishna and Income	Income is recognized using the percentage of completion method or the completed contract method.	Sharia banking recognizes income in istishna contracts using the percentage of completion method, where income is recognized in stages according to the progress of completion of ordered goods.	In accordance
Istishna with Deferred Payment	Bills for each term are recognized as istishna receivables and the	Sharia banking recognizes istishna receivables in the amount of the term bill to the buyer and the istishna term is presented as an	In accordance

	istishna term is in the opposing post.	item against istishna receivables. Istishna receivables are also adjusted with allowance for impairment losses to reflect the realization acceptable to the bank.	
Cost of Acquiring Istishna and Parallel Istishna	The cost of acquiring istishna is recognized as an istishna asset in progress when incurred. For parallel istishna, costs are recognized as an asset in progress upon receipt of the invoice from the manufacturer or contractor.	Sharia banking generally uses parallel istishna. The bank recognizes the cost of acquiring parallel istishna when the invoice is received from the producer or contractor.	In accordance
Presentation of Istishna Transactions	Istishna receivables must be presented for the amount outstanding by the final buyer. In addition, the istishna term must be presented in the amount of the seller's term bill to the final buyer.	Sharia banking has presented receivables and terms originating from istishna transactions in the financial statements in the amount that has not been paid and in the amount of the bill due to the buyer.	In accordance
Istishna Transaction Disclosure	Istishna transactions must be clearly disclosed in the financial statements.	Sharia banking clearly discloses information related to istishna transactions in financial reports, although some is still limited.	In accordance

Source: Secondary data, processed 2024

Challenges in Implementing PSAK 404 Istishna Accounting in Sharia Banking

Recognition in istishna accounting includes recognition of income, expenses and istishna assets in progress which must be recorded during the life of the contract. In general, there are two methods that can be used as alternative recognition in istishna accounting, namely the percentage of completion method and the completed contract method. In practice, most Islamic banks apply the percentage of completion method because it provides a more actual financial picture of project progress. This method recognizes income and expenses in stages according to the level of completion. This makes financial reports more appropriate to the actual situation.

The application of the percentage of completion method in recognizing istishna income in sharia banking is recorded as follows:

Db. Istihna Assets in Settlement	xxx
Db. Istishna Expenses	xxx

Cr.	Istishna Income (at the amount of recognized income)	xxx
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In practice, sharia banking in Indonesia has generally adopted PSAK 404 well. However, implementation in the field still faces several challenges that need to be considered so that implementation can run more effectively. The following are the challenges in implementing PSAK 404 in sharia banking in Indonesia:

1. Difficulty in Applying the Percentage of Complete Method

The application of the percentage of completion method in disbursing funds faces difficulties because producers generally prefer to disburse funds first as capital and collateral. This is an obstacle in implementing PSAK 404, which requires disbursement of funds to be adjusted to the physical progress of the project or orders placed by producers. As a result, sharia banking will experience difficulties in finding partners who are able to produce goods according to customer orders, because they have to verify the physical progress first before disbursing funds (Saifuddin & Firmansyah, 2021). Ahmad and Hasan (in Sasmito et al., 2025) this method requires a strict monitoring system to ensure accurate income recognition.

2. The Complexity of Istishna Accounting Records

PSAK 404 has a complex recording mechanism because it requires recognition of income and costs based on the percentage of project completion (Sasmito et al., 2025). This transaction involves the contractor as a third party, so sharia banking experiences challenges in measuring the level of completion of assets in istishna contracts on a regular basis. In addition, if there is a change in specifications or an increase in material prices, it will be difficult for banks to estimate the total project cost. Therefore, Islamic banking must implement a technology system that supports accurate project recording and monitoring (Farid & Khotimah, 2019). Technology helps real-time monitoring, which allows any changes to the project to be recorded immediately in accordance with the provisions in PSAK 404, thereby minimizing risks in istishna contracts.

3. Lack of Understanding Regarding PSAK 404

Human resource constraints are a significant challenge, especially in ensuring consistent understanding of PSAK 404 (Sasmito et al., 2025). Although the right technology can help increase efficiency in implementing PSAK 404, this will not provide optimal results without being balanced with in-depth understanding (Saifuddin & Firmansyah, 2021). Lack of understanding from sharia banking staff regarding PSAK 404 can hamper the implementation process and increase the potential for non-compliance with regulations. In addition, customers who do not fully understand the istishna mechanism will face difficulties in following existing procedures. Ahmad and Putri (in Sasmito et al., 2025) emphasize that sustainable competency development programs are very important to overcome this gap in understanding.

Implications of Implementing PSAK 404 Istishna Accounting in Sharia Banking

Even though its implementation still faces several challenges, the implementation of PSAK 404 has had a significant impact on sharia banking. These impacts can contribute to the development of the Islamic banking sector as a whole. These impacts include:

1. Transparency and Accountability of Financial Reports

Implementation of Financial Accounting Standards has a very significant impact on the transparency and accuracy of financial reports (Muslimah, 2024). PSAK 404 provides complete guidelines related to istishna transactions, starting from the mechanism to accounting treatment

which includes recognition, measurement, presentation and disclosure. By following PSAK 404, istishna transactions can be recorded and reported clearly and systematically. This ensures that information related to istishna agreements is presented in financial reports in a transparent and accountable manner. In this way, stakeholders can more easily understand banking financial conditions, assess performance, and ensure that banks comply with applicable sharia principles. In addition, this accounting standard can increase the accountability of sharia banking, thereby minimizing deviation ratios and ensuring that all transactions that occur are recorded and reported properly.

2. Increased Operational Efficiency

The implementation of PSAK 404 results in more structured and standardized recording and reporting of istishna transactions. By keeping good records, sharia banking can minimize errors in the accounting process. This refers to operational efficiency because banks can reduce the resources that arise as a result of these errors (Afriani et al., 2024). In addition, these guidelines also enable more effective risk management, as they provide clear guidance regarding revenue recognition, costs and estimated losses. In this way, sharia banking can make more appropriate decisions to support the sustainability of its business and maintain operational stability amidst competitive competition in the global market.

3. Strengthening Competitive Position in the Global Market

Transaction management in accordance with PSAK provides a competitive advantage for sharia banking in maintaining its position in an increasingly competitive market (Inayah et al., 2025). With clear and standardized accounting guidelines, sharia banking financial reports become more transparent, accountable and in accordance with sharia principles. This can contribute to the company's long-term success through establishing a strong reputation (Inayah et al., 2025). Thus, Islamic banking has greater opportunities to attract a wider market share, expand cooperation networks, and compete effectively in the global market.

CONCLUSIONS AND RECOMMENDATIONS

The implementation of PSAK 404 in the sharia banking sector has generally gone well in accordance with the established standards. However, for its implementation to be more optimal, there are still several challenges that need to be addressed. Some of the challenges faced include difficulties in applying the percentage of completion method, difficulties in recording complex istishna accounting, and a lack of understanding of PSAK 404. These challenges show that Islamic banking requires stricter supervision, the use of appropriate technology, and increased understanding for the parties involved so that the implementation of PSAK 404 is more efficient.

In addition, the implementation of PSAK 404 has had a positive impact on sharia banking, such as increasing transparency and accountability of financial reports, increasing operational efficiency, and strengthening the competitive position of sharia banking in the global market. Therefore, the implementation of PSAK 404 can support the development of sharia banking in Indonesia even though there are still challenges.

Future researchers are advised to carry out a more in-depth and comprehensive analysis of the implementation of PSAK 404. Considering that this research is still limited to secondary data with a qualitative approach, further researchers can use primary data and quantitative approaches to get a factual picture and measure the impact of implementing PSAK 404 on Islamic banking performance empirically.

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