

The role of *istishna*’ financing in enhancing the profitability of Bank Syariah Indonesia (2021–2024)

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Abstract

This study examines the role of *istishna*’ financing in enhancing the profitability of Bank Syariah Indonesia (BSI) during the 2021–2024 period, using Return on Assets (ROA) as the primary profitability indicator. The research employs a descriptive quantitative approach with secondary data obtained from BSI’s official annual reports. The data analyzed include *istishna*’ financing, third-party funds (DPK), net income, and total assets. The analysis involves calculating the ratio of *istishna*’ financing to DPK, identifying ROA trends, and applying correlation and simple linear regression tests to determine the relationship between *istishna*’ financing and profitability. The results show a sharp decline in *istishna*’ financing from Rp359 billion in 2021 to Rp11 billion in 2024, accompanied by a reduction in its ratio to DPK from 2.01% to 0.04%. In contrast, ROA increased from 1.61% to 2.49% during the same period. Statistical testing using SPSS revealed a strong negative correlation ($r = -0.963$) with a significance value of 0.037, and a coefficient of determination (R^2) of 0.927. These findings indicate that 92.7% of changes in profitability can be explained by variations in *istishna*’ financing. Although *istishna*’ financing contributes substantially to profitability, its negative relationship with ROA highlights the importance of efficient project management and risk mitigation to optimize returns.

Keywords: Bank Syariah Indonesia, *Istishna*’ financing, profitability, return on assets, Islamic banking

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1. Introduction

Islamic banking in Indonesia has experienced significant growth in recent years, driven by a financial system based on Sharia principles that uphold justice and prohibit transactions involving interest (*riba*), uncertainty (*gharar*), and gambling (*maisir*). This system provides an ethical and halal alternative that aligns with Islamic values, making it particularly attractive to Muslim communities seeking to conduct financial activities in accordance with their faith. Bank Syariah Indonesia (BSI), the largest Islamic financial institution in the country, recorded total assets of Rp400,883,300 million in the first quarter of 2025 (BSI, 2025). This figure reflects BSI’s commitment to expanding its Sharia-compliant financial services through diverse financing products such as *murabahah*, *musyarakah*, and *istishna*’. Despite this growth, the level of Islamic financial inclusion remains relatively low, with penetration reaching only 28.01% (BSI, 2024), indicating that the contribution of Sharia financing to the national economy still needs to be optimized.

In the operational activities of Islamic banks, financing distribution represents the core function, absorbing around 70–80% of total assets and serving as the primary source of income. Therefore, the effectiveness of financing management significantly determines the bank’s profitability level (Puteri, 2014).

Among various Sharia financing instruments, the *istishna* ' contract has undergone continuous development. *Istishna* ' refers to a sale and purchase agreement based on an order for goods to be manufactured according to specific criteria agreed upon by both parties. This contract is widely used in construction, manufacturing, and custom-order projects. From a banking perspective, *istishna* ' offers profit potential through the margin earned but also carries inherent risks that must be carefully mitigated, such as production delays and discrepancies in specifications.

The increasing use of *istishna* ' financing for infrastructure projects demonstrates that Islamic banks have begun to utilize this contract as a strategic business tool. According to Khairunnisa (2020), *istishna* ' financing has the potential to significantly increase profitability if managed optimally; however, poor management may lead to losses (Akib & Muhammad, 2023). Based on Fatwa DSN MUI No. 06/DSN-MUI/IV/2000, *istishna* ' is a form of sale and purchase contract based on an order for goods that will be produced according to agreed specifications. Fitriani (2024) emphasized that the price and specifications of the goods must be clearly agreed upon at the time of contract and cannot be changed afterward. Khan (2021) also asserted that *istishna* ' financing can contribute significantly to bank revenues if managed professionally in compliance with Sharia principles; otherwise, the risk of default may increase, disrupting cash flow.

Nevertheless, the *istishna* ' contract entails several risks that Islamic banks must anticipate systematically. Riani et al. (2024) categorized the main risks into financing risk and producer failure risk. Financing risk arises when customers fail to meet payment obligations due to financial constraints or poor management, potentially increasing Non-Performing Financing (NPF). Producer failure, on the other hand, occurs when the manufacturer (*shani* ') cannot deliver goods on time or according to specifications, which may harm the bank financially. Hayati et al. (2023) found that *istishna* ' financing risk negatively affects Return on Assets (ROA), though not significantly, suggesting that effective risk management can minimize its impact. Despite these risks, *istishna* ' offers advantages such as flexible payment terms, support for the real sector through productive economic activities, and profit margin potential (Abdurrahman et al., 2024).

Return on Assets (ROA) is a key financial indicator used to measure a bank's efficiency in generating profit from its total assets. A higher ROA reflects more effective asset management and overall financial performance (Sutrisno, 2016). Damayanti and Dewi (2021) demonstrated that the growth of Sharia financing, including *istishna* ', significantly influences the ROA of Islamic banks. However, other studies indicate that this relationship may not always be linear, as it depends on factors such as financing quality, operational efficiency, and macroeconomic conditions.

The relationship between *istishna* ' financing and profitability, particularly ROA, has become an important topic in Sharia banking research. *Istishna* ' contributes to bank performance by enhancing the utilization of assets through project-based financing. Indra and Mila (2021) found that increasing the volume of *istishna* ' financing positively affects ROA, provided that the financing adheres to prudent principles and default risks are minimized. Similarly, Putri and Herlina (2023) reported a positive but statistically insignificant impact of *istishna* ' financing on ROA due to its relatively small proportion compared to other dominant contracts such as *murabahah*. This implies that maximizing the profitability impact of *istishna* ' requires more effective project evaluation, progress monitoring, and risk control mechanisms.

Based on these findings, this study aims to evaluate the contribution of *istishna* ' financing to the profitability of Bank Syariah Indonesia from 2021 to 2024 using Return on Assets (ROA) as the main performance indicator. The research seeks to provide empirical evidence on whether *istishna* ' financing plays a significant role in improving bank profitability and to offer insights that can guide strategic decisions in optimizing Sharia-based financing portfolios.

2. Research Design and Method

This study employed a descriptive quantitative research design using a case study approach, with

Bank Syariah Indonesia (BSI) as the primary object of analysis. The main objective was to examine the role of *istishna*' financing in enhancing the bank's profitability, as measured by the Return on Assets (ROA), over the 2021–2024 period. The quantitative approach was chosen to objectively measure and analyze numerical data related to financing performance and profitability, allowing for a clear understanding of the relationship between *istishna*' financing and the bank's financial outcomes.

Data collection

The study utilized secondary data obtained from the officially published annual reports of Bank Syariah Indonesia, accessible via https://ir.bankbsi.co.id/annual_reports.html.

The collected data included figures on total *istishna*' financing, third-party funds, net profit, and total assets for each year from 2021 to 2024. These data were selected because they reflect the financial structure and profitability indicators that are relevant to assessing the contribution of *istishna*' financing to the bank's performance.

Data analysis

The data were analyzed using descriptive quantitative analysis to identify trends and patterns between *istishna*' financing and the bank's ROA over the four-year period. The ROA values were calculated annually using the formula:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

After calculating annual ROA values, the results were compared with the total *istishna*' financing in corresponding years to observe potential correlations or patterns that might indicate the financing's contribution to profitability. Graphical and tabular representations were employed to illustrate the trends and facilitate interpretation. The analysis focused on identifying whether increases in *istishna*' financing were associated with improvements in ROA, thus demonstrating its role in supporting the bank's overall financial performance.

3. Results and Discussion

Statistical Result

This study analyzed the relationship between *istishna*' financing and the profitability of Bank Syariah Indonesia (BSI) during the 2021–2024 period. The data used include total *istishna*' financing, third-party funds (DPK), and Return on Assets (ROA) as a measure of profitability.

Table 1. Calculation Results of Istishna' Financing (in million Rp)

Year	Istishna' Financing	Third Party Funds	Istishna' Ratio
2021	359,000,000	178,388,671	2.0125
2022	132,000,000	198,566,037	0.6648
2023	30,000,000	227,662,092	0.1318
2024	11,000,000	257,923,889	0.0426

Table 2. Calculation Results of Profitability (ROA) (in million Rp)

Year	Net Profit	Total Assets	ROA
2021	3,028,205	265,289,081	1.61%
2022	4,260,182	305,727,438	1.98%
2023	5,737,932	353,624,124	2.35%
2024	7,005,888	408,613,432	2.49%

Source: SPSS Calculation Results (2024)

Table 3. Data for Correlation and Simple Regression Analysis

Year	Istishna' Ratio (X)	ROA (Y)
2021	2.0125	0.0161
2022	0.6648	0.0198
2023	0.1318	0.0235
2024	0.0426	0.0249

Table 4. Results of Correlation and Simple Regression Analysis

Analysis	Value	Sig.
Pearson Correlation	-0.963	0.037
Linear Regression (R ²)	0.927	0.037

Source: SPSS Calculation Results (2024)

Based on the calculation of the *istishna'* ratio and ROA, the data were analyzed using SPSS to determine the relationship between *istishna'* financing and bank profitability.

The SPSS results indicate that the Pearson correlation value is -0.963 with a significance level of 0.037, which shows a very strong negative correlation between *istishna'* financing and ROA. Because the significance value is below 0.05, this negative relationship is statistically significant, meaning it did not occur by chance.

The simple linear regression analysis produced an R² value of 0.927, meaning that 92.7% of the changes in profitability (ROA) can be explained by *istishna'* financing, while the remaining 7.3% is influenced by other variables not included in this study. The significance value ($0.037 < 0.05$) also confirms that the regression model is statistically valid.

Discussion

The findings show that *istishna'* financing significantly influences the profitability of Bank Syariah Indonesia, explaining up to 92.7% of variations in ROA. This demonstrates the crucial role of *istishna'* financing in the bank's performance. However, the negative correlation coefficient (-0.963) suggests that as *istishna'* financing increases, the bank's profitability tends to decrease.

This outcome could be associated with the characteristics of *istishna'* contracts, which typically involve long-term project financing, delayed realization of profit margins, and potential project execution risks that may affect short-term profitability. Additionally, the large scale of *istishna'* financing projects may expose the bank to greater risk of delays or inefficiencies, thus reducing the return on assets.

Despite this, the high R² value (0.927) indicates that *istishna'* financing remains a key contributor to profitability. The structured profit margin and clear project specifications in *istishna'* contracts help ensure predictable revenue flows and risk management in Islamic banking operations.

The results of this study are consistent with Khairunnisa (2020), who found that *istishna'* financing can positively contribute to bank profitability when managed effectively. Moreover, the consistent increase in ROA aligns with Kasmir's (2016) theory of Return on Assets, which posits that improved asset efficiency enhances a bank's ability to generate profits.

In summary, *istishna'* financing has a strong and statistically significant effect on profitability, though the direction of the relationship indicates that increased *istishna'* financing must be accompanied by efficient project management, risk control, and optimization of returns to sustain profitability growth in Bank Syariah Indonesia.

4. Conclusions

The results of this study indicate that *istishna'* financing has a significant influence on the profitability of Bank Syariah Indonesia, although the correlation analysis reveals a negative relationship. This finding

suggests that the increase in *istishna*' financing has not yet fully contributed to the growth of the bank's profitability. Therefore, while *istishna*' financing holds strong potential as a key instrument in the financing portfolio, Bank Syariah Indonesia must strengthen its risk management practices and improve the efficiency of project implementation. Enhancing these aspects will ensure that *istishna*' financing contributes more effectively and sustainably to the bank's profitability in the long term.

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