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Why Islamic Project Finance Needs More Than Automation

The Case for Intelligent Orchestration and 9 Questions Every Bank Must Ask Before Choosing an Ideal Platform



Automation is No Longer the Prize. Shariah Intelligence is.

Ten years ago, if an Islamic bank had any form of digital automation, a basic workflow, a document management system, an online origination portal, then that bank was considered advanced. Leaders spoke about automation as a competitive advantage. Consultants wrote reports about the digital imperative.

That era is over. Today, almost every Islamic bank across the Middle East, including Riyadh, Dubai, Doha, Kuwait City, Manama, and Muscat has some level of automation. Relationship managers use tablets; credit analysts use spreading tools; approvals happen online; disbursements are system-driven. Automation is now an entry ticket, not differentiator. This brings to a question what separates the leaders from the followers now? The answer lies in combining Shariah intelligence with intelligent orchestration across the financing lifecycle. It's not just the presence of automation, but the depth of it. It's indeed the ability of a platform to understand, truly understand, the rules, contracts, and complexities of Islamic finance without any kind of manual intervention.



Let’s Talk About the Missing Piece

Most automation in Islamic banks today was built for conventional, interest-based financing and then modified for Islamic finance. A Murabaha approval workflow looks suspiciously like an interest-based finance workflow. A Musharakah partnership is forced into a system designed for fixed repayment schedules. This works fine for simple, repeatable transactions. However, things fall apart when you move to project finance. Consider what happens when your bank finances a 500 MW solar plant in Al Dhafra or a hospital construction project in Riyadh:



- ***You have multiple contracts, Istisna for construction, Ijarah for the lease period, maybe a Murabaha for equipment***
- ***You have dozens of milestones, foundation complete, steel structure, roof completion, electrical work, commissioning***
- ***You have tranche-based disbursements, each tied to a certified engineer's report***
- ***You have profit recognition that changes during construction versus operations***
- ***You have asset ownership tracking, the bank owns the asset during Ijarah, but ownership transfers at the end***
- ***You have Shariah-board approvals that must be documented and auditable for years***

For many banks, handling these requirements still involves significant manual intervention and fragmented processes.. And that is not a failure of their teams. In many cases, the limitation lies not with the teams, but with platforms that were not originally designed for the complexities of Islamic project finance.



Core Priorities of Islamic Banking Leaders Today

1. Shariah Compliance Without Slowdown

Banks want every financing to be fully Shariah-compliant, but not at the cost of speed. This means embedding rules from the first step, automatically processing pre-approved structures in accordance with established

2. End-to-end Visibility Across the Project Lifecycle

need to know, in real time, which milestones are certified, which tranches are disbursed, and whether all conditions are met. A single dashboard, not fragmented emails and quarterly reports.

3. Stronger Risk Intelligence, Earlier Warning

Project risk changes monthly, including commodity prices, construction delays, sponsor health. Waiting for quarterly reviews is dangerous. Banks need real-time alerts and built-in stress testing, not static excel reports.

4. Audit-ready Documentation Without Last-minute Scrambles

Every Shariah approval, milestone verification, and profit calculation should be logged automatically with timestamps. Audit-ready by default. There should be no need to hunt through emails or shared drives when regulators call.

5. Operational Scale Without Headcount Multiplication

Volume will grow, but hiring unlimited staff is not sustainable. Skilled people should focus on judgment and relationships not data entry, chasing signatures, or hunting for documents. Automation must handle repetitive work.

6. Faster Application process

Customers expect financing decisions faster than ever. Banks need to reduce delays caused by manual document collection, verification, and approvals. The focus is on accelerating the journey from application to disbursement while maintaining Shariah compliance, risk controls, and a seamless customer experience

7. AI First Journeys

AI is moving from experimentation to execution. Banks want intelligence embedded across the financing lifecycle, from onboarding and document analysis to risk assessment and portfolio monitoring. The goal is to improve decision-making, reduce manual effort, and deliver faster, more personalized financing experiences



Selecting Your Islamic Commercial & Project Finance Platform: Nine Questions You Need to Ask

QUESTION 1

Does the platform truly understand project finance or is it a conventional banking system with workarounds?

What does it mean?
Many platforms were built for standard commercial financing, working capital, and trade finance. Project finance is different.

Why should you consider this?
Be cautious of any platform that offers to customize a conventional system for project finance. Customization usually means workarounds; workarounds usually mean manual processes. Manual processes usually mean errors and delays.

Project finance requires:

- Milestone-based disbursements and not simple fund releases
- Multi-year construction phase tracking
- Asset ownership transfers, bank owns the asset in Ijarah
- Complex profit recognition, different during construction vs operations



What to look for in a demo:

- A demonstration of a pure project finance use case from end-to-end and not a modified commercial finance
- Milestone definition, third-party certification, tranche-based disbursement shown naturally
- The system treating milestones, tranches, and assets as native objects

Essential Attributes: Native Project Finance Support | Milestone Tracking| Asset Ownership Management

QUESTION 2

How does the system enforce milestone-based disbursement?

What does it mean?
As a best practice, the next tranche should only be released after certified milestone verification. The system must enforce this, not suggest it.

Why should you consider this?
Milestone-based disbursement is the single most important control in Islamic project finance. Without it, the asset-backed principle is weakened. If you disburse funds without verifying asset delivery or construction progress, the transaction starts to show gaps.

The system should not allow a disbursement to proceed until required documentation is uploaded and verified, engineer's certificate, delivery note, progress photographs, third-party inspection report.



What you must look for?

- A disbursement workflow that is locked until milestone documents are uploaded
- Validation rules (e.g., certificate must be signed by an approved engineer)
- A clear audit trail of any overrides, including who approved and why

Essential Attributes: Milestone-based Disbursement |Tranche Control| Third-party verification, Disbursement Hold

QUESTION 3

Does profit calculation and recognition happen automatically, correctly, and per contract type?

What does it mean?
Each Islamic contract has different profit recognition rules. Murabaha profit is deferred. Ijarah profit is periodic rent. Musharakah profit is variable. Istisna profit is recognized only after asset delivery.

Why should you consider this?
Manual profit calculation is a major source of errors and audit findings. If profit is recognized incorrectly, it is not just an accounting error, it can break Shariah compliance.

The system must handle each type correctly:

- **Murabaha**: Deferred profit schedules, early settlement handling
- **Ijarah**: Monthly rental accruals, asset depreciation
- **Musharakah**: Variable profit based on actual project revenue
- **Istisna**: Profit deferred until asset delivery



What you must look for?

- Profit calculations demonstrated for each contract type with realistic numbers
- Handling of early settlements and late payments
- Automatic posting to general ledger (not manual intervention)

Essential Attributes: Automated profit accrual, contract-specific recognition rules, deferred profit scheduling, variable profit waterfall

QUESTION 4

Can the platform run real-time risk analysis and stress testing?

What does it mean?
Risk management in project finance is not a quarterly exercise. Conditions change constantly, commodity prices, construction schedules, sponsor financial health.

Why should you consider this?
A project that looked healthy at origination can become distressed within months. The bank needs to detect changes early and take corrective actions.

The system must handle each type correctly:

- Automated financial spreading (OCR + machine learning from PDF statements)
- Ratio analysis (DSCR, finance-to-value, debt-to-equity)
- Stress testing (what if completion is delayed by 6 months?)
- Exposure management (alerts when internal limits are approached)



What You Must Look For?

- Automated financial spreading from a sample PDF financial statement
- A stress test run in real time, change a variable and see the impact instantly
- Exposure tracking and alerts

Essential Attributes: Stress Testing| Sensitivity Analysis| Early Warning System| Covenant Tracking| DSCR Calculation

QUESTION 5

Does the platform maintain a complete, auditable trail from origination to closure?

What does it mean?
Audit-readiness is not a nice-to-have. It is a regulatory and Shariah requirement. Every decision, approval, document, and calculation should be logged with a timestamp and user identity.

Why should you consider this?
When an auditor or regulator asks a question, you need to answer it quickly and accurately. You should never be in a position where you cannot reconstruct what happened, when, and by whom.

The system should make it easy to answer:

- Who approved the second tranche disbursement?
- On what date was the milestone certificate uploaded?
- What was the Shariah board's fatwa reference?
- Was there any override? Who approved of it and why?



What You Must Look For?

- An audit trail for a sample transaction, every action, approval, and document upload
- Tamper-proof evidence (cryptographic hashing or immutable logs)
- Easy export for auditors (CSV, PDF, structured JSON)

Essential Attributes: Audit Trail | Tamper-proof Logging | Shariah Approval History | Regulator-ready Reporting

QUESTION 6

Does the platform support regional languages, document types, and government integrations?

What does it mean?
Platform must work in the languages, with the documents, and within the regulatory frameworks of the countries where you operate.

Why should you consider this?
Global platforms often ignore regional requirements. There's an assumption English would be sufficient. They cannot integrate with local government systems.

The system should make it easy to answer:

- **Bilingual interface:** Full Arabic and English support, seamless switching
- **Right-to-left formatting:** All screens, forms, reports render correctly in RTL
- **Local ID recognition:** Saudi Iqama, UAE Emirates ID, Kuwait Civil ID, Qatari ID, etc.
- **Government integrations:** Absher (Saudi), ICP (UAE), Civil ID (Kuwait), National Authentication System (Qatar)



What You Must Look For?

- The platform demonstrated in Arabic with RTL formatting
- Recognition and validation of a sample local ID document
- A list of which government integrations are already built and in production

Essential Attributes: Bilingual Interface| RTL Support| Arabic OCR| Local ID Recognition| Regional Government Integrations

QUESTION 7

Can the system map every contract into its underlying assets?

What does it mean?
Asset linkage and ownership traceability are fundamental principles across many Islamic financing structures. This makes traceability, from contract to asset to ownership proof, a compliance necessity, not just a best practice. The platform should maintain a centralized asset register where each contract is linked to specific assets.

Why should you consider this?
hen an auditor or regulator asks for asset documentation on a project from two years ago, you cannot afford to pause. You need instant answers. Which asset? Whose name? What insurance? Without traceability, Shariah compliance is just a claim.

An ideal system must provide:

- Centralized database of all assets linked to financings
- Each contract linked to one or more assets
- Clear changes to asset status, damage, sale, or transfer
- Underinsured assets, expired ownership documentation

What you must look for?

- The asset register demonstrated, showing assets linked to contracts
- Tracking of ownership documents and insurance certificates with expiration dates
- Alerts for underinsured or uninsured assets



Essential Attributes: Asset Register| Contract-to-asset mapping| Ownership Traceability | Collateral Tracking

QUESTION 8

Does the platform actively monitor portfolio health and send early warnings?

What does it mean?
A passive platform that simply stores data is not enough. You need active monitoring, covenants, milestones, profit payment history, sponsor financial metrics, with automatic alerts.

Why should you consider this?
Most project defaults do not happen overnight. They show early signs: a milestone missed by 15 days, a profit payment delayed by 30 days, a covenant trending downward. If you catch these early on, you can restructure. If you miss them, you take losses.

A robust system must provide:

- **Covenant tracking**; automatic monitoring and alerts when breached
- **Milestone tracking;** alerts when delayed beyond threshold
- **Profit payment tracking;** alerts when late, escalation based on days late
- **Sponsor monitoring**: Integration with external data sources for financial health
- **Pattern detection**: Flagging a sponsor with multiple delayed projects



What you must look for?

- The early warning system demonstrated, how alerts are configured
- Escalation based on severity (email to RM for 15-day delay, SMS to risk head for 60-day delay)
- Pattern detection, flagging a sponsor who has missed milestones on multiple projects

Essential Attributes: Portfolio Monitoring | Early Warning System | Covenant Tracking | Stress Detection | Automated Alerts

QUESTION 9

Can the platform scale across different project types and jurisdictions without custom coding every time?

What does it mean?

Your bank finances many types of projects, such as solar plants, hospitals, schools, industrial facilities, and affordable housing. Shariah board guidelines evolve. Rules differ across countries.

Why should you consider this?

If every new project type requires a software development project, your time-to-market will be months. Your IT backlog will grow. Therefore, it is very important for the system to offer:

- Low-code configuration, business users configure new products without having to write code
- Product factory, template-based approach, clone and modify existing products
- Different Shariah rule sets for different countries
- Version control; update rules for new transactions without affecting existing ones



A robust system must provide:

- The configuration interface demonstrated; a business user creating a new product type
- Time measured, ideally minutes or hours, not weeks
- Multiple jurisdiction handling, different rule sets for Saudi, UAE, Egypt on the same platform

Essential Attributes: Low-code configuration, product factory, multi-jurisdiction support, agile Shariah updates

Orchestrating Islamic Project Finance with Newgen



The questions in this guidebook are not theoretical. They come from real challenges that Islamic banks across the Middle East face every day, challenges that Newgen has been solving for over three decades.

Newgen unifies content, process, communication, and AI, with governance and control built in at every layer.

Newgen has developed dedicated Islamic finance capabilities designed to address the unique requirements of Sharia-compliant banking, which means:

When you structure an Istisna, the system knows to hold disbursements until milestone certificates are uploaded. When you book a Musharakah, it calculates profit based on actual project revenue, not a fixed return. When you lease an asset through Ijarah, it tracks ownership, depreciation, and rental accrual automatically.

And, when a regulator asks for documentation, the complete audit trail, every approval, every override, every Shariah sign-off, is available in minutes, not days.

Newgen helps you transform all aspects of your business with intelligent enterprise orchestration. Leverage the platform to enable end-to-end customer journey automation. Connect the front, middle, and back-office operations for seamless information flow across the organization.

For Islamic banks in the Middle East, we offer:

Pre-built Islamic Finance Accelerator

Supports a comprehensive range of Sharia-compliant financing contracts, including Murabaha, Ijarah, Tawarruq, Musharakah, Mudarabah, and Istisna, enabling faster deployment and product rollout.

Configurable Sharia-compliant Journeys

Enables banks to design and tailor financing journeys based on their individual Sharia board guidelines, product structures, and regulatory requirements.

Sharia-compliant Accounting Framework

Ensures accurate sequencing of accounting entries in accordance with Sharia principles, covering commodity purchases and sales, fund transfers, asset movements, and profit recognition.

Localized Multilingual Experience

Delivers region-specific support across documents, contracts, templates, and languages while incorporating institutional branding and local market requirements.

Purpose-driven Financing Framework

Automatically aligns financing structures with the intended purpose of financing while preventing transactions associated with activities prohibited under Islamic law.

Integrated Sharia-compliant Ecosystem

Seamlessly integrates with 80+ banking systems, government platforms, and financial services providers, including Bayan, Thiqah, and Wathiq, enabling connected Islamic banking operations.

BETTER configurability

Enhanced operational efficiency

UNIFIED ORCHESTRATION

GOVERNED DECISIONS

AI embedded into orchestrated execution flows

IMPROVED straight-through PROCESS

FASTER TIME-TO-MARKET

About Newgen

Newgen Software Orchestrates Intelligent Enterprises at scale. The NewgenONE Platform unifies content, processes, and communications into an orchestration layer where intelligence is embedded into how enterprises operate, with trust, governance, and control built in. Enterprises move beyond fragmented initiatives to continuously adaptive, production-ready operations. Decisions, workflows, and experiences evolve in real time, shaped by context, data, and embedded AI. Trusted by leading organizations worldwide, Newgen defines how modern enterprises operate, intelligently and at scale.

For more details, visit www.newgensoft.com

For Sales Query

AMERICAS: +1 (202) 800 77 83
CANADA: +1 (202) 800 77 83
AUSTRALIA: +61 290 537174
INDIA: +91 11 407 73769
APAC: +65 3157 6189
MEA: +973 1 619 8002, +971 445 41365
EUROPE: +44 (0) 2036 514805

info@newgensoft.com
www.newgensoft.com

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