

Fintech can help SA's construction industry navigate growth challenges

South Africa's construction industry, which contributes nearly 3% to the nation's GDP and is largely driven by SMEs, is set for significant growth in 2024. However, experts predict several challenges that business owners will need to address with robust plans and strategies to avoid the fate of the 90 companies that closed in 2022.



Source: Kelly/Pexels

“Success in the construction business hinges on planning, stakeholder communications, and robust leadership in managing people, projects and finances,” says Tom Stuart, chief marketing officer at Lula.

One of the major challenges faced by the industry this year, and likely to continue into the next, is load shedding and lack of electrification. Power outages disrupt construction sites on many levels. While some companies have invested in contingencies like solar systems or diesel generators, load shedding still leads to supply-side disruptions and delays in equipment and supply deliveries.

Adding to these challenges are the rising costs of materials, driven by both inflation and supply chain disruptions. These factors combined present a complex landscape for the construction industry in the coming year.



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“Over the years, we’ve seen a marked shift away from rail freight, and towards road-based transport. This puts enormous pressure on our transport infrastructure. Undoubtedly, this is an issue for government to prioritise, and can’t be solved by the construction industry alone. If SA gets this right, it’ll facilitate easier and faster movement of teams and building supplies, and on-time project completions,” Stuart suggests.

“To further mitigate these risks, construction firms often stockpile resources and supplies whenever possible. Collaborations and group purchasing, as well as diversifying your supply sources, are also good strategies to consider.”

Funding issues can cut into profit margins

Funding issues can affect project management and cut into profit margins. Banks are cutting back on lending, while alternative funders have emerged to fill the gap, and offer cash flow solutions to the financial obstacles weighing construction companies down.



Tom Stuart, chief marketing officer at B2B funding partner Lula

“In the face of these challenges, B2B business capital offers the flexibility and support you need to handle these risks. Access to capital when needed helps to manage cash flow effectively, especially in today’s unpredictable business environment,” Stuart says.

He suggests that “long-term we need to invest in our local suppliers so that they can in turn bolster the resilience of our local supply chains, and reduce the dependency on international ones, which will likely become even more volatile as the global import-export exchange economy ramps up.”

Addressing the skill gap in our local construction workforce is another pressing issue. A 2021 [research paper from the Creative Construction Conference](#) concluded that bridging the South African construction workers’ skills gap is one of the best ways to achieve our growth goals.

Embracing technology

“Don’t underestimate the climate crisis, and the effect of changing weather patterns on your construction operation. Southern Africa will be particularly hard hit, resulting in unpredictable weather, and greater risks of natural disasters like flooding and drought,” he cautions.

Construction companies are also embracing technology to stay ahead in the game. Innovations like the use of drones, and 3D printing are enhancing cost efficiencies, and assisting with planning and project management. Building Information Modelling (BIM) has been identified as the single most crucial technological innovation shaping the world of construction.

“As SA’s construction companies gear up for another big year in 2024, robust strategic planning, adoption of new technologies, and access to small business finance solutions will prove indispensable to overcome the challenges and seize the opportunities.”

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