

Analyzing the Effects of Debt Management on Business Growth: A Case Study of the Construction Sector in Lusaka

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Publication Date: 2026/04/10

Abstract: Effective debt management is an essential component for the growth, stability, and sustainability of businesses, particularly within capital-intensive sectors such as construction. In Lusaka, Zambia's growing urban landscape continues to create demand for infrastructure development, prompting many construction firms to rely on both short-term and long-term debt to finance projects. However, the inability to properly manage debt can expose these firms to significant financial risk, hinder project implementation, and threaten overall business viability. In this context, debt management involves the strategies, processes, and practices that firms use to plan, acquire, utilize, and repay borrowed funds while balancing profitability and risk. The primary objective of this study is to evaluate the effect of debt management on the performance and sustainability of construction firms operating in Lusaka. Specifically, the aim of the study was to assess the current debt management practices employed by these firms, examine the relationship between debt management and financial performance, evaluate the effect of debt management on project completion timelines and operational efficiency, and identify the limitations that construction firms face in managing debt effectively. The study adopted an exploratory case study design, incorporating both qualitative and quantitative research methods. Data was collected from selected construction firms in Lusaka using structured questionnaires. Quantitative data was analyzed using STATA. Chi-square test was used to determine associations between variables like debt levels and business performance indicators. Thematic analysis was applied to qualitative responses to identify common trends, challenges, and perspectives related to debt management practices. The study of debt management among construction firms in Lusaka reveals that commercial bank loans are the primary financing source, with supplier credit and equipment leasing serving as alternatives for smaller firms. Most firms favor short- to medium-term loans, typically repaying within 1–3 years, and assign debt management duties mainly to finance managers, though some rely on managing directors or external consultants. Collateral is often based on company assets or personal guarantees, and borrowing decisions are driven primarily by interest rates, with repayments prioritized according to cost and due dates. Digital tools are gradually adopted for debt monitoring, but policy updates are infrequent, and borrowing is largely motivated by cash flow needs rather than growth strategies. Debt management significantly influences financial performance, affecting profit margins, liquidity, and retained earnings, while high interest rates and repayment scheduling create operational pressures, including project delays, reduced material procurement, and lower labor productivity. Challenges to effective debt management include high lending rates, strict collateral requirements, weak financial records, limited credit history, economic instability, delayed client payments, and gaps in internal risk management and reporting practices, highlighting the need for stronger financial controls, transparent reporting, and flexible financing solutions tailored to the construction sector. Construction firms in Lusaka should strengthen cash flow forecasting, optimize the use of client advances, and maintain rigorous credit control to ensure timely debt repayment and operational efficiency. Adoption of digital debt management tools, adherence to lender covenants, and staggered debt maturity schedules can reduce financial risks and liquidity shortages. Additionally, staff training and formal debt management policies will enhance decision-making, cost control, and sustainable business growth.

Keywords: Debt Management, Business Growth.

How to Cite: Tresford Kaseka; Chibomba Kilvin (2026) Analyzing the Effects of Debt Management on Business Growth: A Case Study of the Construction Sector in Lusaka. *International Journal of Innovative Science and Research Technology*, 11(1), 3818-3831. <https://doi.org/10.38124/ijisrt/26jan941>

I. INTRODUCTION

➤ Background

Effective debt management plays a crucial role in the financial health and sustainability of businesses, particularly in capital-intensive sectors such as construction (Aggreh, 2022). Debt management refers to the strategies and practices employed by organizations to handle their financial obligations, including acquiring, servicing, and repaying debts in a way that minimizes financial risks and enhances liquidity (Jude, 2020). In the construction industry where projects often require substantial upfront investments and have long payback periods debt becomes a critical instrument for financing. However, if poorly managed, it can lead to insolvency, delayed project completion, stunted growth, and even collapse of construction firms (Deshingkar, 2023).

Globally, the construction sector is a major contributor to GDP and employment, particularly in developing and emerging economies. According to the Global Construction Perspectives and Oxford Economics report, the global construction market is projected to grow by \$8 trillion by 2030 (Jude, 2020). However, debt mismanagement has emerged as a global concern. In countries such as China poor debt management practices have led to bankruptcies, liquidity crises, and negative credit ratings for numerous construction firms (Acker, 2020).

In Sub-Saharan Africa, the construction industry has experienced significant growth due to rapid urbanization, population growth, and infrastructure development needs (Azolibe, 2020). However, many construction firms operate within weak financial ecosystems, where debt is often acquired under unfavorable terms or mismanaged due to limited financial literacy, poor governance, or delayed government payments (Omopariola, 2021). Countries like Kenya have reported high rates of project abandonment, contractor insolvency, and escalating public debt linked to large-scale construction projects (Chepkuto, 2024). Regional bodies such as the African Union and the African Development Bank (AfDB) have increasingly advocated for the implementation of sound debt management frameworks, aligning with initiatives such as the African Peer Review Mechanism (APRM) and the African Union's Agenda 2063 (Hamouda, 2022).

In Zambia, the construction industry is one of the fastest-growing sectors, contributing significantly to national development through employment creation, infrastructure provision, and private sector growth (Mabasa, 2023). The capital city, Lusaka, has been a focal point for infrastructure expansion, including roads, housing, commercial buildings, and public utilities. Many construction firms in Lusaka depend heavily on borrowed funds, including bank loans, supplier credit, and government contracts that are paid in arrears (Musonda, 2023). The government's delayed payments on public construction projects have led to a cascading debt burden for local contractors, causing liquidity constraints, stalling of projects, and in some cases, closures of construction firms (Chilwana, 2021).

➤ Statement of the Problem

Debt mismanagement in the construction industry in Lusaka remains a critical challenge that threatens the financial sustainability and operational efficiency of construction firms. Despite the sector's significant contribution to Zambia's Gross Domestic Product accounting for approximately 11.2% of GDP in 2023 many construction companies are currently grappling with delayed project execution, stalled developments, and bankruptcy due to mounting debt burdens and poor financial planning (Cheelo, 2020). The prevailing problem is compounded by the absence of strategic debt management frameworks among construction firms, limited financial literacy among contractors, and weak enforcement of procurement and financial management regulations (Mwanaumo, 2025). Although Zambia has implemented a Medium-Term Debt Strategy (MTDS) to improve public debt management, its practical influence on private sector borrowing behavior, particularly in the construction sector, remains minimal (Lombe, 2024). Therefore, this study is necessary to provide evidence-based insights into the effectiveness of debt management practices among construction firms in Lusaka.

• General Objectives

To evaluate the effect of debt management on the performance and sustainability of construction firms in Lusaka.

• Specific Objectives

- ✓ To assess the debt management practices employed by construction firms in Lusaka.
- ✓ To examine the relationship between debt management and financial performance of construction companies in Lusaka.
- ✓ To evaluate the effect of debt management on project completion timelines and operational efficiency of construction firms in Lusaka.
- ✓ To identify the limitation construction firms face in managing debt effectively within the Lusaka construction industry.

➤ Conceptual Framework

The conceptual framework for this study is structured around the relationship between debt management practices and the performance and sustainability of construction firms in Lusaka. The independent variable is debt management, which encompasses key practices such as debt acquisition methods (e.g., bank loans, supplier credit), debt servicing (timeliness and consistency of repayments), debt monitoring and control mechanisms, and the structuring of debt (short-term versus long-term). These practices are expected to have a direct influence on the dependent variable the performance and sustainability of construction firms. Performance is measured in terms of financial outcomes (such as profitability, liquidity, and solvency), operational efficiency (including resource utilization and cost control), timely completion of projects, and the ability of firms to sustain operations over time.

II. LITERATURE REVIEW

➤ *Debt Management Practices Among Construction Firms:*

In the construction industry, access to sufficient financial resources is critical for the successful execution of projects, particularly because construction is highly capital-intensive and involves significant upfront investment (Mazur, 2023). Construction firms, especially those handling multiple or large-scale projects, often depend on a mix of short-term and long-term debt to supplement their working capital and finance operations (Babenko, 2020).

In addition to project-based financing, construction firms adopt a staggered debt maturity approach to manage repayment obligations efficiently (Wibowo, 2024). This involves spreading out the maturity dates of multiple loans so that all debts do not become due at the same time. Staggering repayments helps construction firms avoid liquidity crunches that may arise from lump-sum payment obligations (Thanh, 2023). Each of these debts will have different repayment timelines, enabling the firm to manage its cash flow in a way that aligns with the timing of project milestones and client payments (Mazur, 2023)..

Assessing client creditworthiness not only helps prevent revenue disruption but also strengthens the firm's position when negotiating with lenders. Financial institutions are more inclined to extend credit to firms that demonstrate due diligence in evaluating their clients and managing contractual risks (Gunardi, 2020). By showing that they work only with reliable clients, construction firms enhance their credibility and reduce the perceived risk for the lender. In the construction industry, maintaining an optimal debt-to-equity (D/E) ratio is a fundamental financial practice that ensures the sustainability and stability of a firm's operations (Kamwimbe, 2020).

➤ *Relationship Between Debt Management and Financial Performance of Construction Companies:*

Capital structure optimization is a cornerstone of sound financial management in construction firms, particularly given the capital-intensive nature of the industry. At its core, capital structure optimization refers to the strategic balance between debt and equity financing to maximize a company's value and ensure sustainable growth (Rajala, 2022). Construction firms often face significant upfront costs, ranging from equipment purchases to labor and materials, which necessitate external financing.

By incorporating debt into the capital structure, construction firms can access the funds needed to undertake larger projects, expand operations, or invest in new technologies (Ranha, 2023). This leveraging effect amplifies the company's ability to generate higher revenues and profits. When the cost of debt is lower than the returns generated from the financed assets, the excess returns flow to equity holders, thereby increasing the overall return on equity (ROE) (Thanh, 2023).

Staggering debt maturities reduces pressure on a firm's working capital by preventing the concentration of large repayments at any single point in time. Instead, repayments are spread over the life of multiple projects or phased according to project milestones, ensuring that funds are available when needed (Pillah, 2024). This confidence can facilitate access to future financing under better terms, reinforcing the firm's overall financial health (Shibabni, 2024).

Aggreh et al. (2022) investigated the influence of debt structure on the financial performance of publicly listed construction companies in Nigeria. Debt structure was assessed using three indicators: the total debt-to-asset ratio, total debt-to-equity ratio, and non-current debt-to-asset ratio. Financial performance was measured using Return on Assets (ROA). The results revealed that the total debt-to-asset ratio had a statistically significant negative impact on ROA ($\beta_1 = -1.205775$, $p = 0.0000$). Conversely, both the total debt-to-equity ratio ($\beta_2 = -0.001072$, $p = 0.0542$) and the non-current debt-to-asset ratio ($\beta_3 = -0.078793$, $p = 0.4439$) showed no statistically significant negative effect on ROA (Aggreh, 2022).

➤ *Effects of Debt Management on Project Completion Timelines and Operational Efficiency*

Effective debt management plays a crucial role in influencing project completion timelines and operational efficiency within construction firms (Alsulami, 2025). Construction projects are inherently capital-intensive and time-sensitive, often involving complex coordination of labor, materials, and equipment. The ability to secure and manage debt appropriately ensures that firms have the necessary financial resources available at the right time, which directly impacts their capacity to maintain smooth project operations and adhere to scheduled timelines (Azolibe, 2020).

When debt is managed efficiently, construction companies can avoid cash flow shortages that might otherwise cause delays in procurement of materials, payment of subcontractors, or mobilization of labor. This prevents work stoppages and accelerates project progress, which is critical in an industry where delays often lead to costly penalties, strained client relationships, and diminished reputation (Babenko, 2020).

On the other hand, poor debt management can significantly disrupt project timelines. Excessive or poorly timed borrowing may lead to liquidity crunches, where firms struggle to meet short-term obligations and must delay critical activities such as equipment rental or subcontractor payments. These delays often cascade into larger setbacks, increasing overall project duration and escalating costs.

➤ *Challenges Faced by Construction Firms in Managing Debt Effectively*

Construction firms often face significant challenges when managing debt effectively, which can impact their financial health and overall business performance. These challenges stem from the nature of the construction industry

itself, characterized by high capital demands, fluctuating cash flows, and complex project dynamics (Kazadi, 2020). One of the primary challenges is cash flow volatility. Construction projects frequently involve irregular payment schedules, delays in client payments, and retention practices where a portion of payment is withheld until project completion or satisfactory milestones are met (Lombe, 2024).

Regulatory and economic uncertainties further exacerbate debt management challenges. Changes in government policies, inflation, or disruptions in the supply chain can increase project costs unexpectedly, requiring additional borrowing or reducing available cash flow for debt repayment. In some markets, high competition and delayed contract awards may also constrain revenue generation, pressuring firms' financial positions (Ranha, 2023).

III. RESEARCH METHODOLOGY

➤ *Research Design*

The study adopted an exploratory case study, utilizing a mixed method approach.

➤ *Target Population*

The target population for this study consisted of engineers, project managers and accountants from construction companies in Lusaka.

➤ *Sample Size*

The study consisted of 100 engineers, project managers and accountants from construction companies in Lusaka.

➤ *Sampling*

Convenience sampling approach was used to select the study sample.

➤ *Data Collection Methods*

Interviews were primarily conducted face-to-face, with electronic questionnaires also being utilized to collect information on the research variables. The main data collection method for this study was a structured questionnaire containing closed-ended questions.

IV. RESULT PRESENTATION

➤ *Presentation of Results on Background Characteristics of the Respondents*

The sample comprised more females (58%) than males (42%). This suggests a slightly higher representation of women in the surveyed population.

Figure 1 Sex of Respondent

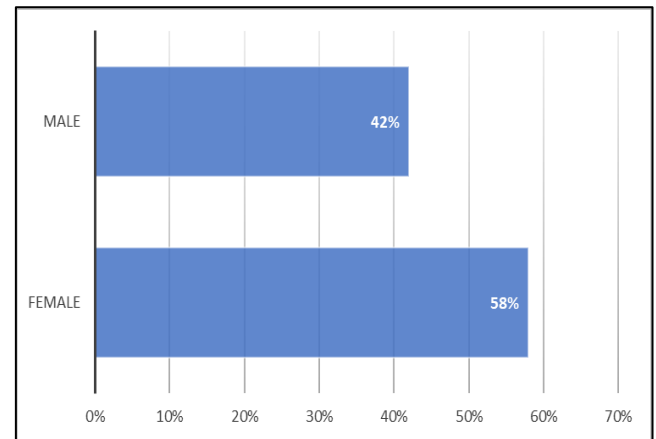


Fig 1 Marital Status

Respondents were highly educated, with most holding a master's degree (32%) or a PhD (18%). The remaining participants had a bachelor's degree (12%), higher education diploma/certificate (14%), secondary school certificate (8%), or primary/basic school certificate (16%).

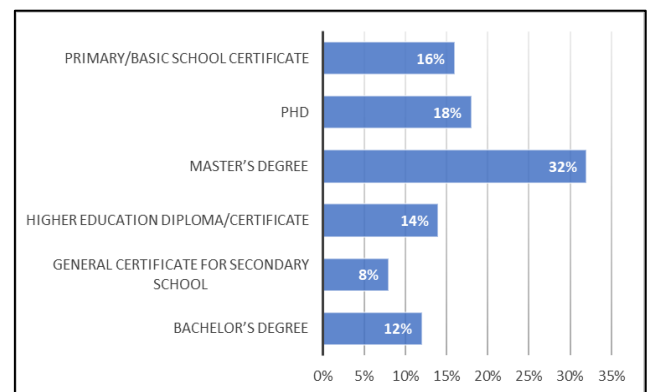


Fig 2 Highest Level of Education

➤ *Objective I: Current Debt Management Practices among Construction Firms in Lusaka*

Findings show that 50% of construction firms in Lusaka rely primarily on commercial bank loans for financing, suggesting that formal banking institutions remain the dominant source of debt capital. Supplier credit and equipment leasing are secondary sources, reflecting that smaller firms or those without strong banking relationships turn to alternative financing.

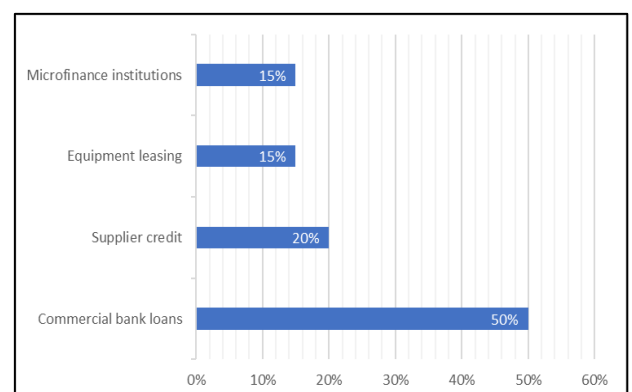


Fig 3 Source of Financing

Most firms (45%) repay their debts within 1–3 years, while 30% use 4–5-year terms. This shows that the sector favors short- to medium-term loans, likely because construction projects often have fixed durations. However, the limited number of long-term debt arrangements (15%) may indicate lenders’ unwillingness to offer extended repayment periods to construction firms.

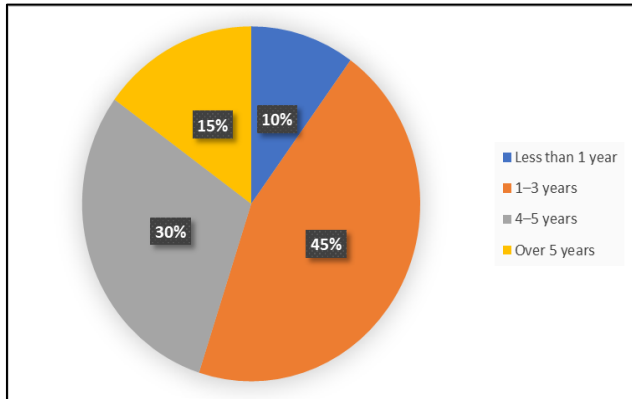


Fig 4 Repayment Period

Study findings showed that 40% of respondents review their debt portfolios quarterly, demonstrating that most firms practice periodic financial assessment. However, nearly one in five only review debts when required by lenders, revealing that not all firms apply continuous debt monitoring. This gap suggests a need for stronger internal financial oversight systems.

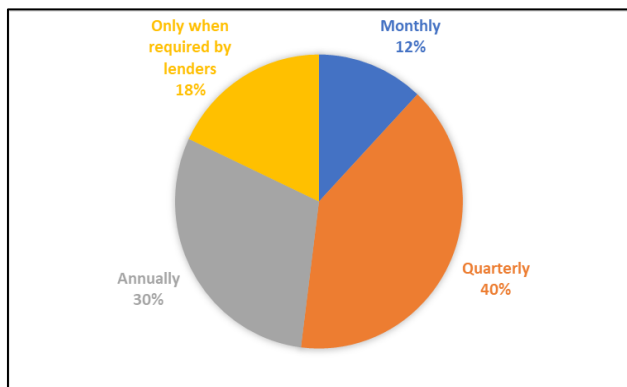


Fig 5 Debt Portfolio Review

The majority (55%) assign debt management duties to finance managers, showing that firms are formalizing financial control structures. Nonetheless, 20% rely on managing directors, and 10% on external consultants, indicating that smaller or less structured firms may lack dedicated financial management staff.

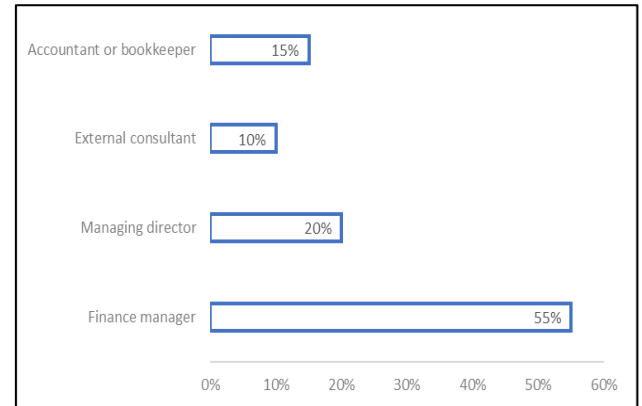


Fig 6 Responsibility for Debt Management

Company assets (40%) and personal property (25%) are the main forms of collateral used to secure loans. This pattern shows that many firms still depend on owners’ personal guarantees or business assets to obtain credit. The use of project equipment and unsecured loans is less common, suggesting lenders’ preference for tangible collateral.

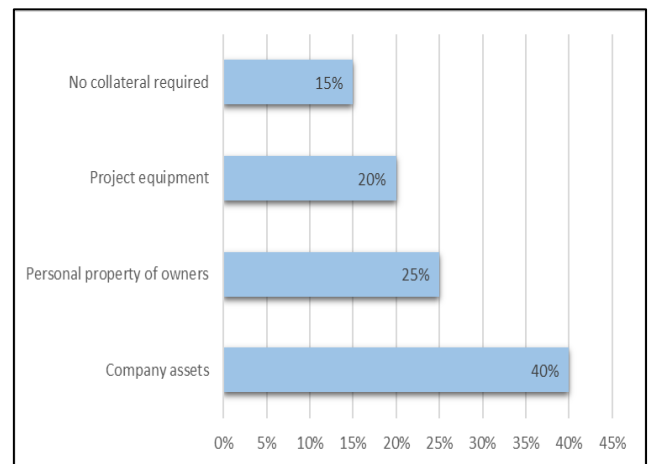


Fig 7 Collateral Type

Interest rates influence 45% of firms’ lending choices, making borrowing costs the main consideration. Repayment terms (25%) and loan flexibility (20%) follow. This finding indicates that financial decision-making is largely cost-driven rather than based on relationship or institutional reputation.

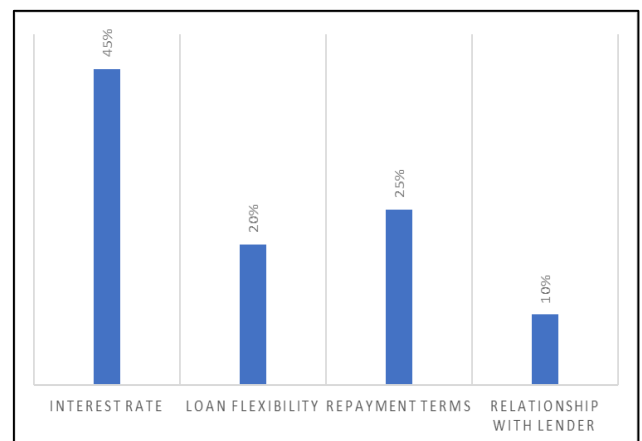


Fig 8 Lender Selection Factor

Repayments are prioritized based on interest rate (35%) and due dates (30%), showing firms focus on avoiding penalties and managing costs efficiently. Firms prioritizing based on creditor relationship (15%) or project cash flow (20%) suggest that repayment scheduling also depends on business liquidity cycles.

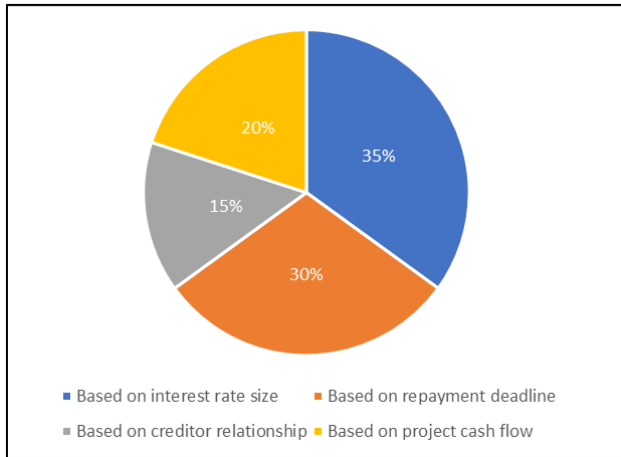


Fig 9 Debt Repayment Priority

About 45% of firms use accounting software for monitoring, while 30% rely on spreadsheets. This indicates gradual digital adoption, though some firms (15%) still depend on manual records, showing inconsistent modernization in financial management.

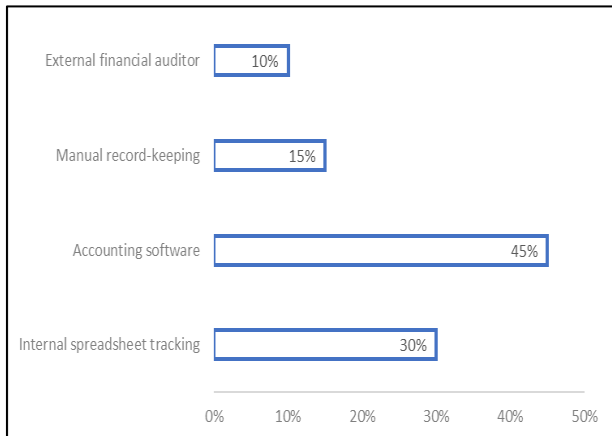


Fig 10 Debt Monitoring System

Only 35% of firms update debt management policies yearly, while 45% rarely or never update them. This pattern

reveals weak policy enforcement and a need for regular review frameworks to improve debt governance.

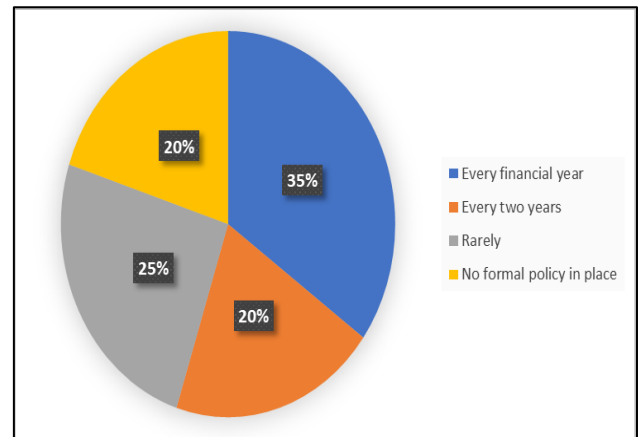


Fig 11 Policy Update Frequency

Cash flow shortages drive most new borrowing (40%), followed by expansion needs (30%). This finding implies that many construction firms use debt as a short-term liquidity solution rather than a long-term growth strategy, highlighting potential financial instability.

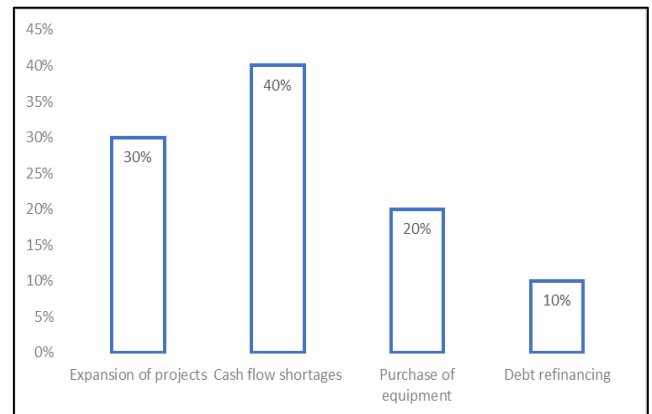


Fig 12 Reason for New Debt

The Chi-square test results indicate a statistically significant association between the frequency of project-based financing and the alignment of debt repayments with project cash flows ($\chi^2 = 96.667$, $df = 6$, $p < 0.000$). This suggests that firms that rely more heavily on project-based financing are more likely to schedule their debt repayments to match project cash flows. The strong significance level implies that repayment scheduling practices are closely linked to financing strategies in construction projects.

Table 1 Association Between Project-Based Financing and Debt Repayment Scheduling in Construction Firms

| Chi-Square Tests | | | |
|------------------------------|---------------------|----|-----------------------|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 96.667 ^a | 6 | .000 |
| Likelihood Ratio | 112.288 | 6 | .000 |
| Linear-by-Linear Association | 1.820 | 1 | .000 |
| N of Valid Cases | 100 | | |

➤ *Objective II: Relationship Between Debt Management and Financial Performance of Construction Companies*

Most construction firms (40%) finance between 25–50% of their total capital through debt. Such a balance allows them to utilize external funding for growth while limiting the risk associated with excessive borrowing. The small proportion of firms with over 75% debt indicates risk aversion and cautious financial management practices.

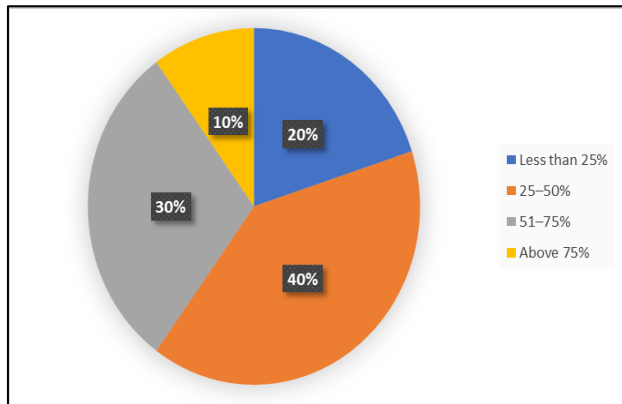


Fig 13 Proportion of Total Capital Financed Through Debt

Profit margin (35%) and liquidity ratio (30%) emerged as the financial indicators most influenced by debt levels. High debt servicing requirements reduce net earnings and cash available for daily operations.

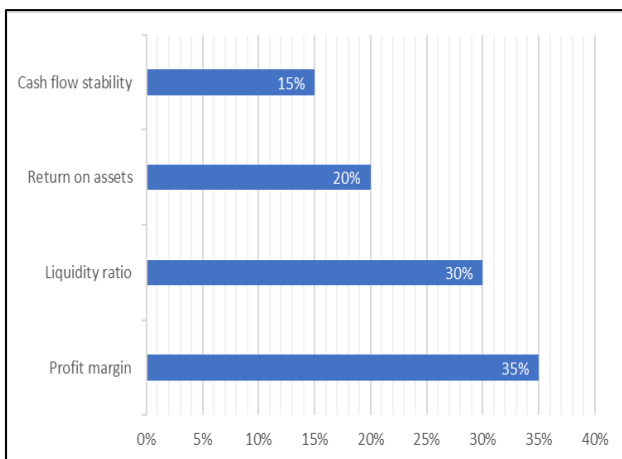


Fig 14 Financial Indicator Most Affected by Debt Level

About 35% of firms indicated that debt management maintains stable profits, while 30% reported that it reduces profit margins. This reflects that well-structured debt management practices help firms stabilize earnings through careful planning and timely repayments. The results point to a need for construction firms to strengthen their debt monitoring systems and ensure that borrowing supports productive activities that generate adequate returns.

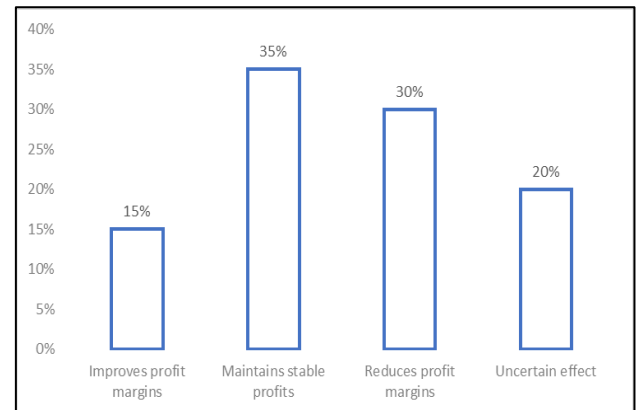


Fig 15 Impact of Debt Management Strategy on Profitability

High interest costs (40%) were cited as the main challenge in servicing debt. This means that the cost of borrowing remains a major concern for construction companies. High interest rates increase total repayment amounts, reduce available cash for reinvestment, and strain project finances.

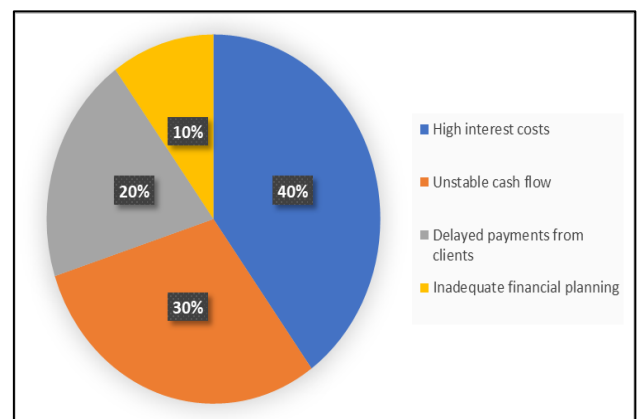


Fig 16 Common Challenge in Servicing Debt

Growth in retained earnings (30%) was identified as the primary outcome of effective debt management. This means that firms that manage debt efficiently are able to save more from their profits, strengthening their internal capital base. Reduced loan dependency and improved creditworthiness were also important indicators.

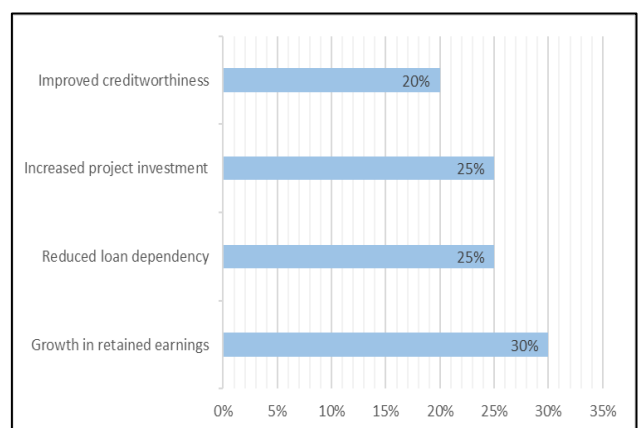


Fig 17 Financial Outcome Reflecting Effective Debt Management

During periods of low revenue, 35% of firms opt for loan restructuring, while 30% seek additional financing. This finding implies that firms respond to financial strain by renegotiating terms or acquiring short-term credit to maintain liquidity. While these strategies provide temporary relief, they also increase long-term obligations.

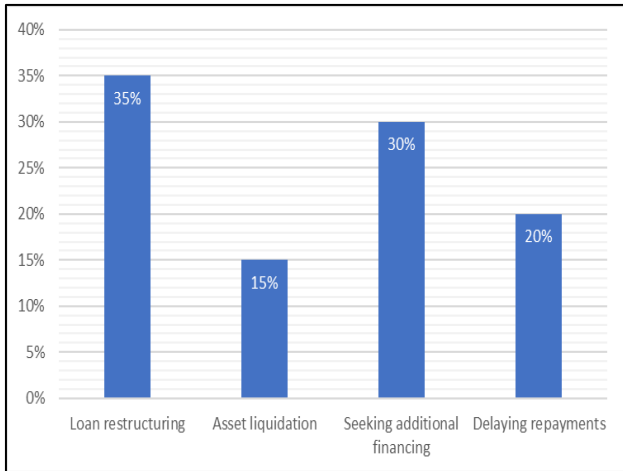


Fig 18 Managing Excess Debt Obligations During Low Revenue

Firms reported that they mainly use financial performance results to revise loan policies (30%) and plan future borrowing (30%). This shows that firms are using financial analysis to guide borrowing decisions and assess the effectiveness of current debt strategies.

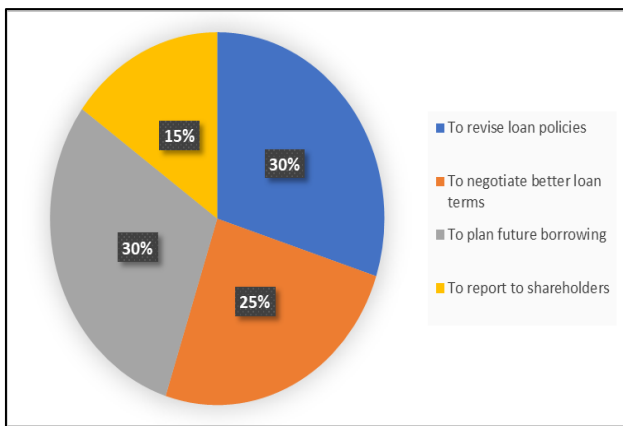


Fig 19 Use of Financial Performance in Evaluating Debt Strategies

Interest rate (45%) was cited as the most influential aspect of debt structure affecting financial stability. This finding highlights the sensitivity of construction firms to borrowing costs. High or fluctuating interest rates can increase repayment burdens, reduce profitability, and threaten long-term viability.

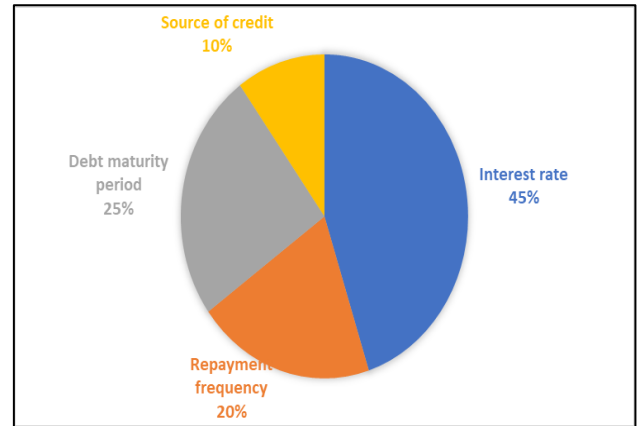


Fig 20 Aspect of Debt Structure Influencing Financial Stability

➤ *Effect of Debt Management on Project Completion Timelines and Operational Efficiency*

Debt availability enables timely project initiation for 45% of firms, while 35% reported delays due to limited funding. This shows that access to credit is a key determinant of project start times in the construction industry.

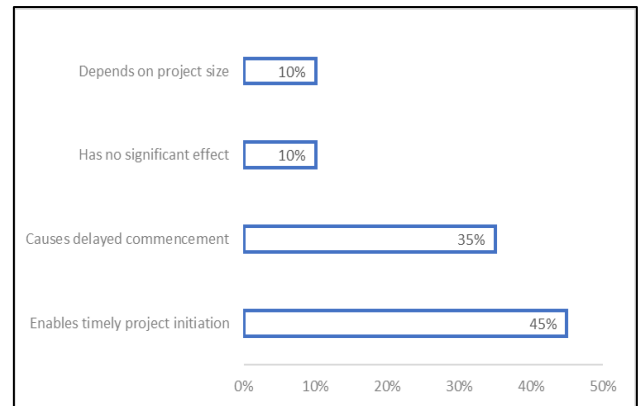


Fig 21 Effect of Debt Availability on Project Initiation

Half of the firms (50%) experience financial strain due to repayment scheduling. This suggests that loan repayment timelines often conflict with project cash flow patterns, where payments from clients may not align with loan due dates. As a result, firms face liquidity shortages that disrupt ongoing projects.

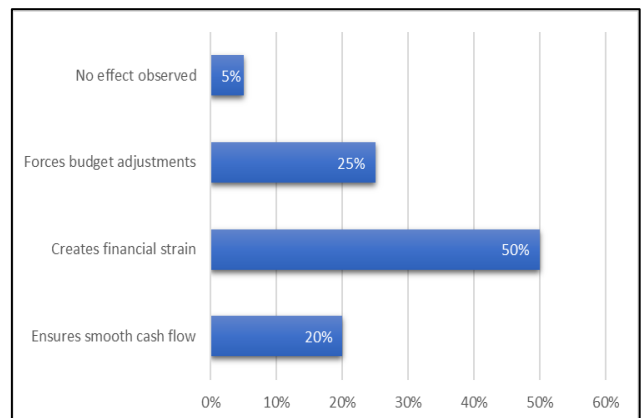


Fig 22 Loan Repayment Scheduling and Project Cash Flow

Late disbursement of borrowed funds (40%) was identified as the main cause of project delays. This finding implies that even after loans are approved, delays in receiving funds affect procurement, labor engagement, and material delivery. The dependence on borrowed funds for working capital makes project schedules highly sensitive to loan disbursement efficiency.

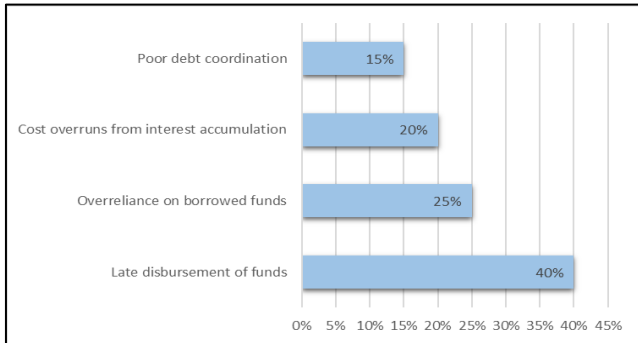


Fig 23 Main Cause of Project Delay Related to Debt Issues

Debt burden causes delayed procurement (45%) and reduces quantities ordered (25%). This shows that debt repayment commitments often consume funds intended for materials. Consequently, firms may purchase fewer materials or delay procurement, leading to slower project progress.

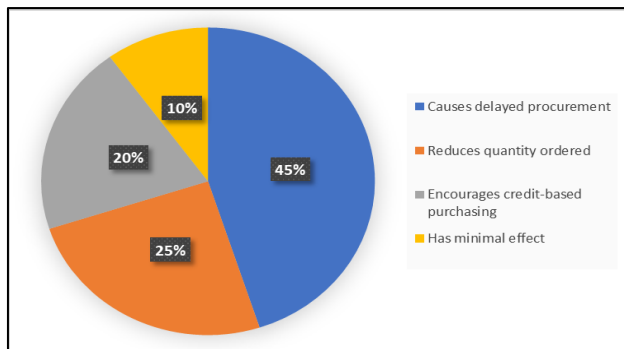


Fig 24 Effect of Debt Burden on Material Procurement

The finance department (50%) experiences the highest operational pressure from debt repayment. This reflects its responsibility for loan management, cash allocation, and financial reporting. When repayment demands intensify, finance teams face increased workload and stress.

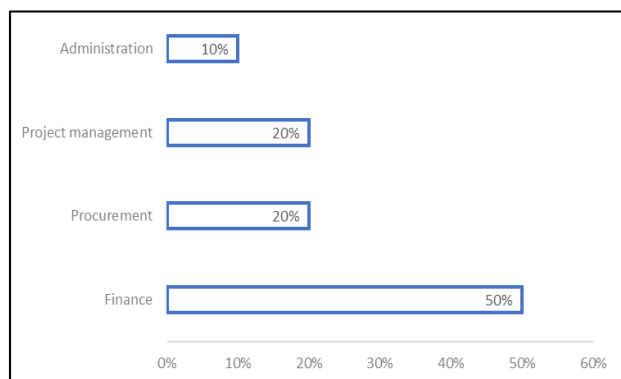


Fig 25 Department Under Most Pressure from Debt Repayment

Most firms (40%) reported moderate project delays caused by debt management issues. This means that debt obligations occasionally disrupt project schedules due to cash shortages or reallocation of funds to repay loans. Firms with well-coordinated financial management tend to maintain planned timelines, while those with weak debt control face frequent delays.

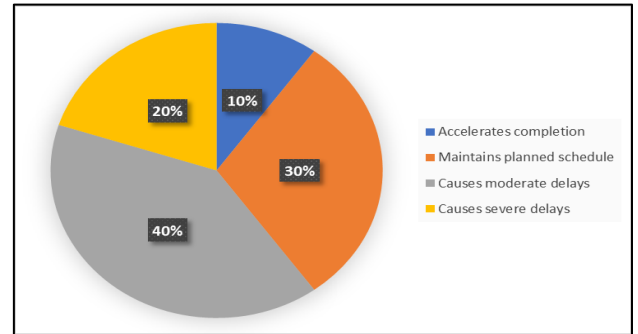


Fig 26 Influence of Debt Management on Project Completion Timelines

Firms mostly negotiate flexible repayment terms (30%) or seek advance payments from clients (30%) to minimize delays. These strategies provide immediate cash flow relief and help firms maintain progress despite loan repayment obligations. However, they require strong relationships with lenders and clients to implement effectively.

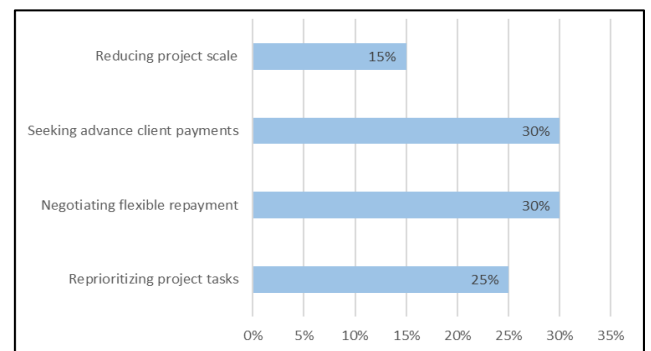


Fig 27 Strategy Used to Minimize Debt-Related Delays

Half of the firms (50%) reported reduced labor productivity caused by delayed wages linked to debt pressures. This indicates that when firms allocate more cash to repay loans, they may struggle to meet payroll on time, leading to demotivation and absenteeism among workers.

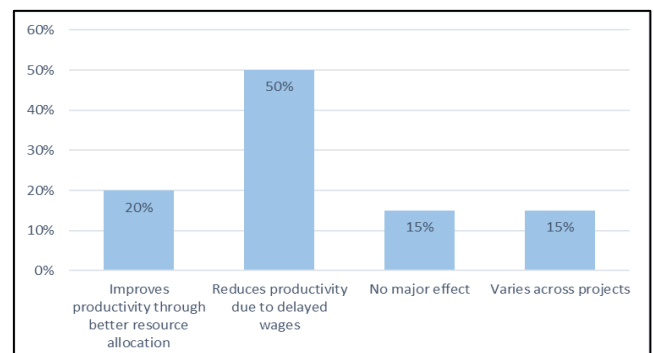


Fig 28 Effect of Debt Financing on Labor Productivity

High interest rates (40%) and delayed fund releases (30%) were identified as major challenges affecting operational efficiency. These factors limit access to affordable and timely financing, which affects budgeting and cash flow stability. Firms that manage these challenges through careful negotiation and monitoring are more likely to sustain efficient operations.

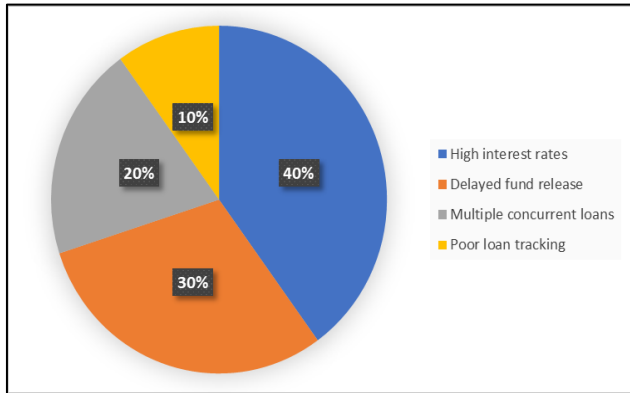


Fig 29 Debt Challenge Affecting Operational Efficiency

Firms indicated that effective debt controls improve budget management (30%) and ensure timely fund availability (35%). This means that well-defined debt policies, monitoring tools, and repayment schedules enhance project coordination, reduce idle time, and support efficient resource use across departments.

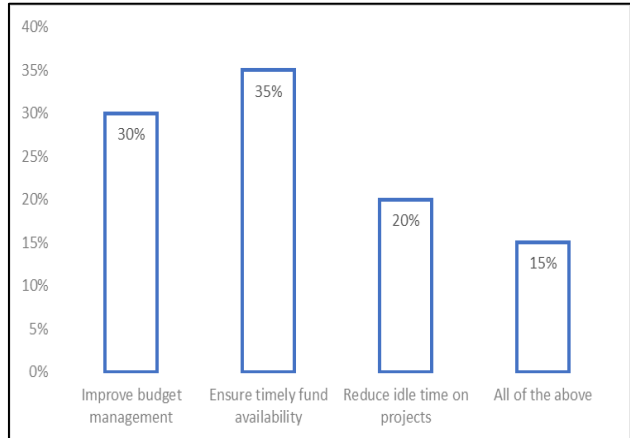


Fig 30 Contribution of Effective Debt Controls to Project Efficiency

➤ *Challenges in Managing Debt Effectively*

High lending rates (45%) were cited as the main external limitation to affordable credit. This means that the high cost of borrowing discourages firms from accessing loans or increases repayment burdens. Strict collateral requirements (30%) also limit smaller firms’ ability to secure funding. These barriers restrict capital access and reduce investment capacity.

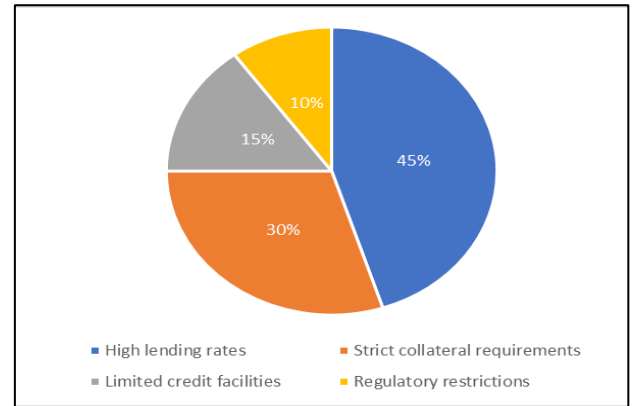


Fig 31 External Factor Limiting Access to Affordable Credit

Weak financial records (35%) and poor cash flow management (30%) were identified as major internal constraints. This suggests that inadequate record-keeping and lack of financial discipline make it difficult for firms to track obligations and meet repayment deadlines. Improving internal financial systems and staff training can strengthen debt management capacity.

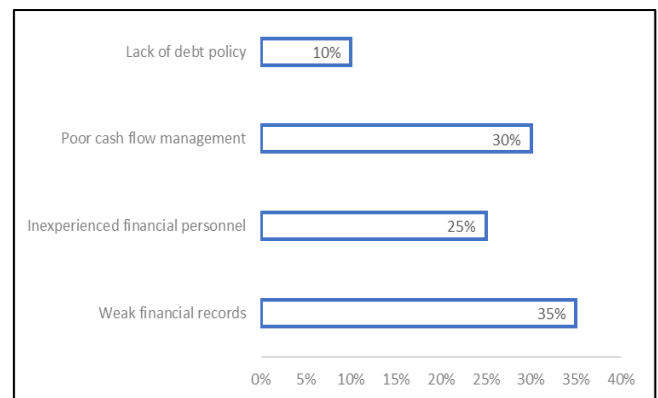


Fig 32 Internal Factor Limiting Debt Management Capacity

A quarter of firms (25%) reported that economic instability causes multiple challenges, including increased borrowing costs and repayment uncertainty. This finding reflects the impact of fluctuating inflation, exchange rates, and interest rates on loan servicing. Economic volatility reduces predictability, forcing firms to adjust repayment plans frequently.

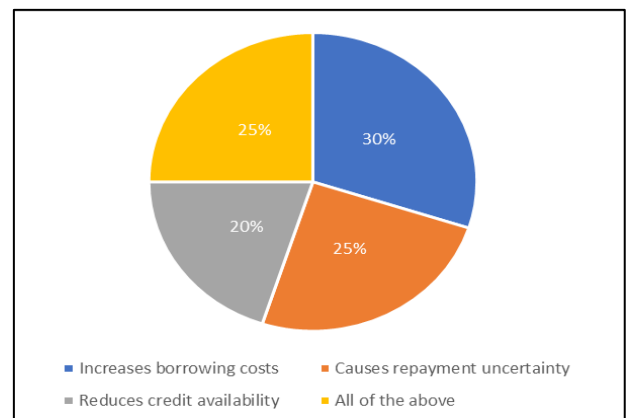


Fig 33 Effect of Economic Instability on Debt Management

Limited financial information (30%) and poor credit history (30%) were reported as the main barriers during loan negotiations. These weaknesses lower firms' bargaining power and restrict access to favorable terms. Enhancing transparency through accurate financial reporting can improve credibility and strengthen negotiation outcomes.

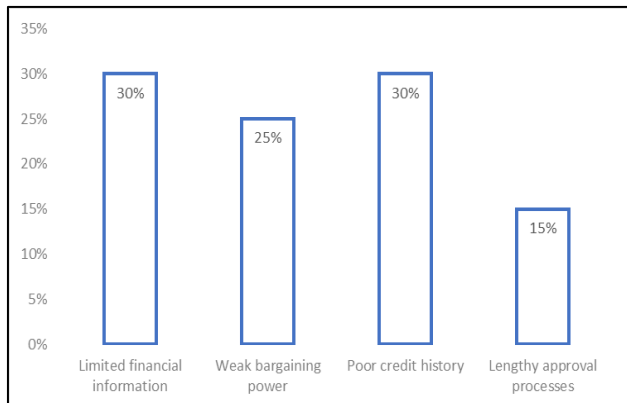


Fig 34 Challenge Affecting Loan Term Negotiations

Commercial banks (50%) were found to be the most difficult institutions from which to acquire loans. Their strict requirements, long approval processes, and high interest rates create barriers for construction firms. This finding highlights the need for more flexible financing institutions or government-supported credit schemes tailored to the sector's needs.

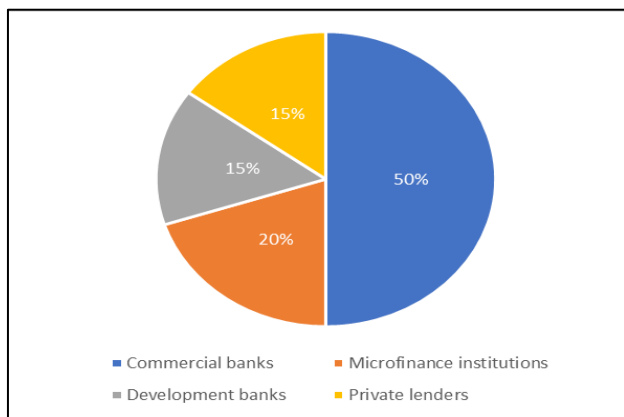


Fig 35 Financial Institution Creating the Greatest Loan Acquisition Difficulty

Inadequate risk management (30%) and weak financial reporting standards (25%) were cited as the main policy gaps. This means many firms lack internal frameworks to monitor debt exposure and assess repayment risks. Establishing clear policies on borrowing limits, risk assessment, and periodic reviews could improve control.

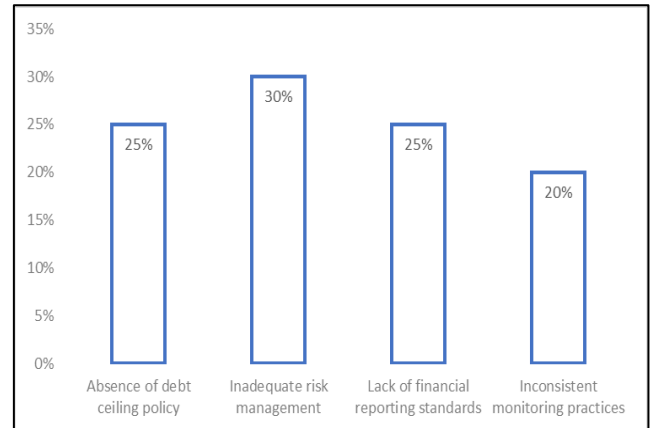


Fig 36 Policy Gap Hindering Effective Debt Management

Delayed project payments (40%) were the main cause of debt default. This indicates that firms' ability to service loans depends largely on clients' payment timelines. When client payments are delayed, firms struggle to meet debt obligations, leading to defaults. Strengthening payment enforcement and contract management could help mitigate this issue.

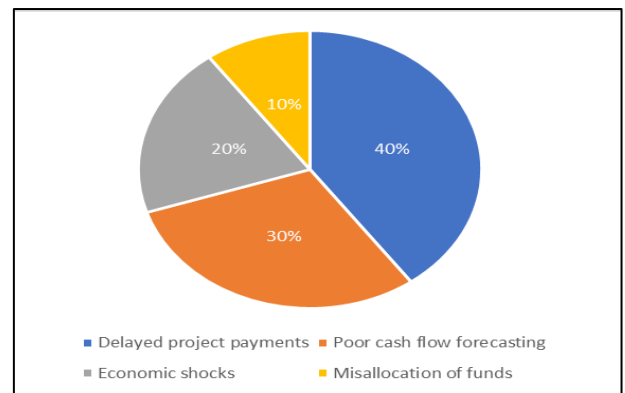


Fig 37 Primary Reason for Debt Default

Incomplete documentation (35%) and delayed financial statements (30%) limit transparency in debt management. These weaknesses reduce accountability and hinder accurate financial decision-making. Strengthening audit practices and standardizing reporting procedures can enhance financial integrity and support effective debt monitoring.

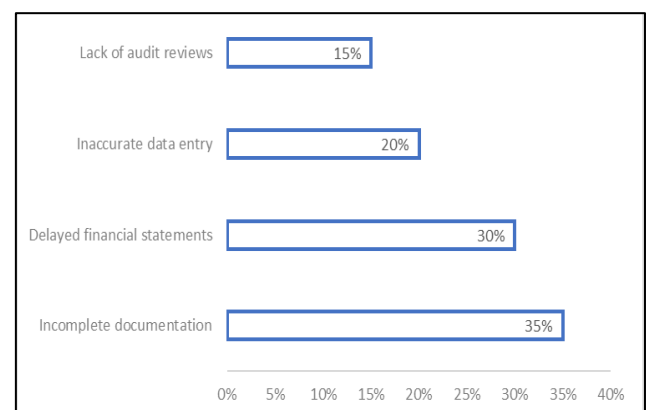


Fig 38 Aspect of Financial Reporting Limiting Transparency

V. DISCUSSION

The study found that construction firms in Lusaka mainly rely on commercial bank loans (50%) as their primary financing source, with supplier credit and equipment leasing as alternatives. Most firms use short- to medium-term loans and review debt quarterly, but lack consistent monitoring and formalized policies. Debt management decisions are driven by interest costs rather than strategic alignment, affecting profitability and liquidity. Moderate leverage (25–50% debt financing) supports performance, but high interest rates and repayment misalignments cause operational strain and project delays. External barriers such as high lending rates, strict collateral demands, and unstable economic conditions, combined with internal weaknesses in financial management and record-keeping, limit effective debt management. Strengthening financial systems, adopting digital monitoring, and improving policy enforcement would enhance debt control, financial stability, and project delivery among Lusaka construction firms.

VI. CONCLUSION

The study concludes that construction firms in Lusaka rely heavily on commercial bank loans, favoring short- to medium-term financing and using company or personal assets as collateral. Debt management practices vary, with finance managers handling most responsibilities, but monitoring and policy updates are often irregular. Effective debt management positively influences financial performance, particularly profitability, liquidity, and retained earnings, while high interest rates, repayment scheduling conflicts, and delayed fund disbursements create operational and project-level challenges. Firms that align debt repayments with project cash flows and adopt digital monitoring tools are better able to maintain project timelines and operational efficiency. However, external factors such as high lending rates, strict collateral requirements, and economic instability, along with internal weaknesses like poor financial records and inadequate risk management, hinder effective debt control. Overall, the findings highlight the critical need for structured debt management policies, timely monitoring, and strategic borrowing to enhance financial stability and project execution in the construction sector.

ACKNOWLEDGEMENT

I am profoundly thankful to the Divine Creator, the ultimate source of life, knowledge, and insight, for guiding and blessing me throughout this research journey. I extend my heartfelt gratitude to Dr. Chibomba Kelvin, my research supervisor, for his unwavering support, guidance, and patience. It has been an honor to work under his mentorship, and I am deeply appreciative of the valuable insights and wisdom he has shared with me. His expertise and dedication have greatly influenced the outcomes of this project.

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