



Assessing the Impact of Credit Management on Loan Utilization and Financial Performance in ASA International Bangladesh

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Abstract

This study examines the impact of credit management on loan utilization and financial performance within ASA International Bangladesh, a leading microfinance institution. The primary objective is to understand how effective credit management practices, such as credit assessment, loan monitoring, and recovery mechanisms, influence loan utilization and, subsequently, institutional financial performance. Using a quantitative research design, data were collected through structured surveys from 200 respondents involved in credit operations. The study utilized structural equation modeling to analyze the relationships among credit management, loan utilization, and financial performance. The results show that credit management practices significantly enhance financial performance, with loan utilization acting as a partial mediator between credit management and financial outcomes. Strong credit assessments and continuous borrower monitoring were found to improve loan utilization efficiency, contributing to higher profitability and reduced default rates. These findings highlight the importance of both effective credit systems and borrower engagement in sustaining microfinance institutions. The study suggests that future research could explore the long-term effects of these practices and the role of digital technologies in improving credit management.

INTRODUCTION

Credit management stands as one of the most vital pillars of financial stability for microfinance institutions (MFIs) and banks alike. It refers to the set of strategies, policies, and processes that govern how credit is extended, monitored, and recovered from borrowers to ensure institutional sustainability and profitability. In developing economies such as Bangladesh, where access to finance plays a decisive role in poverty reduction and entrepreneurship development, the quality of credit management practices directly determines the health of financial institutions and the financial well-being of borrowers. According to the Ali & Wanasilp (2024), nearly 37% of adults in Bangladesh rely on microfinance institutions for financial services, highlighting the strategic importance of sound credit management systems in maintaining financial inclusion and supporting small-scale enterprises. In this

context, the performance of MFIs like ASA International Bangladesh becomes crucial, as their effectiveness in managing loans can significantly influence the broader financial ecosystem, particularly among low-income and vulnerable populations.

Recent empirical studies have underscored the intrinsic link between effective credit management and both loan utilization efficiency and institutional financial performance (Bhatt et al., 2024; Rahman & Alam, 2022). Inefficient credit administration manifested through poor borrower screening, inadequate loan supervision, or weak recovery mechanisms can lead to high non-performing loans (NPLs) and deteriorating financial performance (Muthoni & Kimani, 2020; Gatimu, 2022; Alex, 2021). In contrast, robust credit risk assessment procedures, regular borrower monitoring, and tailored repayment schedules have been associated with improved loan recovery rates and sustainable profitability (Omowole et al., 2024; Nandar, 2024; Shittu, 2022). This dynamic makes credit management not only a technical exercise but also a strategic imperative for institutions like ASA International Bangladesh, whose mission intertwines financial inclusion with operational sustainability. Therefore, studying how credit management affects loan utilization and overall financial performance has become both timely and essential in a changing global financial landscape.

The central problem addressed in this study lies in the inconsistent outcomes of credit management systems across microfinance institutions. Despite the adoption of standardized credit control frameworks, many institutions in Bangladesh still face challenges such as high default rates, misuse of loans by clients, and limited impact on borrowers' economic empowerment (Ali & Akter, 2021). These issues not only undermine the institutions' financial performance but also erode public confidence in microfinance as a tool for poverty alleviation. In the specific case of ASA International Bangladesh, anecdotal and empirical evidence indicates that even though the organization has implemented strong credit monitoring policies, loan utilization among borrowers does not always translate into improved household income or repayment capacity (Al Maruf et al., 2024; Kowsar, 2022; Beck & Rahman, 2006). Thus, the study aims to unpack the mechanisms through which credit management influences loan utilization behavior and, consequently, financial performance outcomes.

The broader solution to this issue involves strengthening institutional frameworks that promote responsible lending and effective utilization of borrowed funds. According to Nwachukwu (2024), integrating financial literacy programs, borrower monitoring systems, and digital credit scoring tools can enhance both utilization efficiency and repayment discipline. At a policy level, the Bangladesh Bank's Credit Risk Management Guidelines also emphasize the need for institutions to align credit disbursement practices with clients' income-generating capacity and to adopt technology-based portfolio tracking systems. However, while these frameworks exist in theory, their practical effectiveness remains uneven across institutions due to variations in managerial capacity, borrower demographics, and operational challenges in rural areas. Hence, there is a need for empirical analysis focusing on a specific and influential institution like ASA International Bangladesh to provide actionable insights.

Prior studies in the field offer important but fragmented solutions to the problem of credit management and loan utilization. For instance, Muriithi and Waweru (2021) found that implementing structured credit assessment models significantly reduces loan default risks in Kenyan MFIs. Similarly, Dyer et al. (2017) showed that digital monitoring and regular borrower engagement improved repayment rates among rural clients. Meanwhile, research by Hossain et al. (2023) in Bangladesh demonstrated that effective credit supervision and customer relationship management contribute positively to institutional profitability. However, these studies often focus on isolated

aspects either credit assessment, utilization, or performance without holistically examining their interconnection within a single institutional framework. This study aims to bridge that gap by assessing the integrated relationship among these variables within ASA International Bangladesh's operational model.

In more specific terms, literature on the nexus between loan utilization and financial performance reveals that the way borrowers allocate and manage borrowed funds substantially determines institutional outcomes (Nkundabanyanga et al., 2017). Poor loan utilization, often characterized by diversion of funds to non-productive activities, contributes to defaults and financial distress among MFIs. Conversely, effective utilization enhances repayment ability and reinforces the institution's revenue base. Studies by Titus (2010) argue that credit management practices that combine borrower training with post-loan monitoring yield stronger financial performance outcomes. Thus, the relationship between credit management, loan utilization, and financial performance should not be viewed as linear but rather as an interactive system influenced by institutional policies, borrower characteristics, and external economic conditions.

Moreover, recent advancements in microfinance management theory highlight the importance of integrating behavioral insights into credit management systems. According to Goel & Rastogi (2023), borrowers' psychological and social contexts influence how they perceive and utilize credit, which, in turn, affects repayment and institutional sustainability. This behavioral dimension remains underexplored in the Bangladeshi context, particularly within structured MFIs like ASA International. While ASA International has earned global recognition for its standardized credit approach, there is limited empirical evidence assessing how effectively its credit management system influences loan utilization patterns and financial performance metrics in practice. Therefore, exploring these dimensions not only contributes to the theoretical discourse but also offers practical implications for policy and management.

Existing literature provides valuable foundations but leaves several research gaps unaddressed. Most studies either examine credit management practices in conventional banking systems or focus narrowly on loan default ratios without linking them to utilization and performance outcomes (Mureithi, 2016; Ndwiga, 2010). Additionally, comparative studies across MFIs often generalize findings without accounting for institutional heterogeneity in management structure and operational model. ASA International Bangladesh operates under a unique hybrid model that combines microfinance principles with corporate management standards, creating a distinctive environment to study how credit governance translates into measurable financial performance. Yet, empirical investigations focusing on this institution remain scarce. The limited understanding of how credit management mechanisms directly and indirectly influence loan utilization efficiency and institutional performance justifies a focused inquiry.

Therefore, the primary objective of this study is to assess the impact of credit management on loan utilization and financial performance within ASA International Bangladesh. The study seeks to determine whether effective credit management practices such as rigorous credit assessment, regular monitoring, and strategic recovery mechanisms lead to more productive use of loans and improved institutional financial outcomes. The novelty of this study lies in its integrated analytical framework that connects credit management practices with both micro (loan utilization) and macro (financial performance) indicators, an approach seldom applied in Bangladeshi microfinance research. By situating the analysis within ASA International Bangladesh's operational structure, the research also contributes context-specific insights that extend existing theoretical and empirical discourse on microfinance management. Ultimately, the study aims to inform practitioners,

policymakers, and academics about how enhanced credit management practices can strengthen financial sustainability while promoting responsible borrowing behavior among clients.

METHODS

Research Design

This study employed a quantitative research design to examine the relationship between credit management, loan utilization, and financial performance within ASA International Bangladesh. A quantitative design was deemed appropriate because it enables objective measurement and statistical analysis of variables, allowing for the identification of causal and correlational relationships among constructs (Duckett, 2021). The research was structured around a cross-sectional survey, gathering primary data from respondents at a single point in time. This approach facilitated the assessment of credit management practices and their impact on both loan utilization efficiency and institutional financial performance without manipulation of variables. The design aligns with positivist research philosophy, which emphasizes observable, measurable, and empirically verifiable data to test hypotheses (Mbanaso et al., 2023).

The study adopted a descriptive and inferential approach. Descriptive analysis was used to summarize demographic information and key characteristics of respondents, while inferential analysis tested relationships between variables using statistical models. The selection of this design was motivated by prior empirical works such as Gatuhu (2013) and Otieno et al. (2016), who employed similar quantitative frameworks to examine credit management effects on financial outcomes in microfinance institutions. Through this design, the study sought to generate statistically valid insights that could be generalized to comparable financial institutions operating in similar socio-economic contexts.

Study Population and Sampling Procedure

The target population for this study consisted of loan officers, credit managers, and other relevant staff members directly involved in credit operations at ASA International Bangladesh. This population was selected because these personnel possess in-depth knowledge of credit management processes, loan monitoring mechanisms, and institutional performance indicators. According to ASA International Bangladesh's Annual Report (2023), the institution operates over 1,000 branches nationwide with a substantial number of field officers managing active loan portfolios. To ensure representativeness, a multi-stage sampling technique was used, beginning with stratification based on regional zones (urban and rural) and followed by random sampling within each stratum.

A total sample size of 200 respondents was determined using Yamane's formula for sample size calculation at a 95% confidence level and a 5% margin of error. The formula was considered appropriate given the large population size and the need for statistical precision. The distribution of the sample across branches was proportionate to their respective staff populations to prevent overrepresentation of certain zones. The sampling process also followed guidelines used in similar studies on financial performance in MFIs. Each participant was informed of the study's purpose, and participation was voluntary, ensuring adherence to ethical research principles.

Data Sources and Instrumentation

The study utilized both primary and secondary data sources to enhance validity and triangulation. Primary data were collected using a structured questionnaire designed based on validated instruments from prior studies on credit management and

financial performance. The questionnaire consisted of closed-ended questions measured on a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). The items were organized into three main sections: demographic information, credit management practices (including credit assessment, loan monitoring, and recovery policies), and financial performance indicators (such as profitability, portfolio quality, and loan utilization efficiency).

Secondary data were sourced from institutional documents, annual financial reports, policy manuals, and published research articles related to ASA International Bangladesh. These materials provided contextual understanding of the credit operations and supplemented quantitative data by offering background information on loan disbursement patterns, repayment performance, and profitability trends. Prior literature informed the construction of variable indicators to ensure content validity. The questionnaire was reviewed by three academic experts and two practitioners from the microfinance sector to assess clarity, relevance, and alignment with research objectives.

Validity and Reliability of Instruments

Instrument reliability was tested using Cronbach’s alpha coefficient, which measures internal consistency among items representing each construct. According to Hair et al. (2021), a Cronbach’s alpha value above 0.7 indicates acceptable reliability. A pilot test was conducted with 20 respondents from branches not included in the final sample to evaluate the instrument’s consistency and to identify potential ambiguities. The pilot test results indicated high reliability: credit management ($\alpha = 0.84$), loan utilization ($\alpha = 0.82$), and financial performance ($\alpha = 0.88$). Content validity was established through expert judgment, while construct validity was confirmed using factor analysis to ensure that items loaded significantly onto their intended factors (loadings > 0.5).

To minimize bias, procedural remedies were employed following recommendations from Podsakoff et al. (2003). These included ensuring respondent anonymity, randomizing question order, and reducing social desirability effects by framing questions neutrally. The use of standardized scales from prior validated studies further enhanced the instrument’s robustness and comparability with existing literature.

Variables and Operational Definitions

The study comprised three main variables: credit management, loan utilization, and financial performance. Credit management served as the independent variable and was operationalized through dimensions such as credit assessment, loan monitoring, and loan recovery (Muriithi, 2021). Credit assessment involved evaluating borrowers’ creditworthiness, while loan monitoring referred to the continuous tracking of borrower performance post-disbursement. Loan recovery captured the efficiency of repayment collection procedures.

Loan utilization functioned as the mediating variable and represented how effectively borrowers used loan funds for intended productive activities (Mensah et al., 2021). Effective utilization was characterized by investments in income-generating ventures rather than diversion to non-productive uses. Financial performance, the dependent variable, was measured through indicators such as profitability, return on assets (ROA), portfolio at risk (PAR), and operational self-sufficiency, following the framework of Amanu & Gebissa (2023) and Dang et al. (2020). All indicators were quantified on the Likert scale to allow for regression-based analysis.

Data Collection Procedure

Data collection occurred over a period of two months between March and April 2025. Prior to distribution, the questionnaire was pre-tested for clarity and logistical feasibility. Trained enumerators visited selected branches of ASA International Bangladesh to administer the survey in person. This face-to-face approach was preferred over online distribution to improve response rates and ensure comprehension among respondents with varying levels of digital literacy. Each participant was given sufficient time to complete the questionnaire, and clarifications were provided when needed without influencing responses.

Data collection was conducted in line with institutional ethical guidelines and the Bangladesh Data Protection Act (2021). Participants provided informed consent and were assured that their responses would remain confidential and used solely for academic purposes. Completed questionnaires were verified for completeness and accuracy before being coded for statistical analysis. Missing data were handled through listwise deletion, as recommended for datasets with less than 5% missing values.

Data Analysis Techniques

Data analysis involved both descriptive and inferential statistical procedures using the Statistical Package for the Social Sciences (SPSS) version 26 and SmartPLS 4 for structural equation modeling (SEM). Descriptive statistics such as frequencies, means, and standard deviations summarized demographic characteristics and variable distributions. Inferential analysis included correlation and regression techniques to test the hypothesized relationships among credit management, loan utilization, and financial performance. Structural equation modeling (SEM) was chosen for its ability to test complex relationships involving multiple dependent and mediating variables simultaneously (Gunzler et al., 2013).

Before conducting regression analysis, diagnostic tests for multicollinearity, normality, and homoscedasticity were performed. The Variance Inflation Factor (VIF) was used to assess multicollinearity, with all values below 5 indicating acceptable levels (Tay, 2017). The Kolmogorov–Smirnov test confirmed normal distribution of residuals, and scatterplots showed no significant heteroscedasticity. Path coefficients and standardized beta values were computed to determine the strength and direction of relationships, while R^2 values indicated model explanatory power. The mediating effect of loan utilization was tested using the bootstrapping method at a 95% confidence level, following the approach of Preacher and Hayes (2008).

RESULTS AND DISCUSSION

The study investigates the impact of credit management on loan utilization and financial performance within ASA International Bangladesh, a prominent microfinance institution. It aims to understand how effective credit management practices such as credit assessment, loan monitoring, and recovery mechanisms affect loan utilization and, subsequently, the financial performance of the institution.

The study employs a quantitative research design, gathering data from 200 respondents involved in credit operations at ASA International. Structural equation modeling (SEM) is used to analyze the relationships among credit management, loan utilization, and financial performance. The findings suggest that effective credit management significantly enhances financial performance, with loan utilization serving as a partial mediator between credit management practices and financial outcomes. Key elements such as strong credit assessments and borrower monitoring were found to contribute to better loan utilization, which in turn supports profitability and reduces default rates.

This research contributes to the field by offering insights into the integrated relationship between credit management, loan utilization, and financial

performance, specifically within the context of ASA International Bangladesh. The study highlights the importance of both sound credit management and borrower engagement for the sustainability of microfinance institutions. Future research could explore the long-term impacts of these practices and investigate the role of digital technologies in improving credit management systems.

Data Collected

Table 1. Respondent Demographic Profile (n = 200)

Variable	Category	Frequency	Percentage (%)
Gender	Male	112	56.0
	Female	88	44.0
Education Level	Diploma	14	7.0
	Bachelor's Degree	144	72.0
	Master's Degree	42	21.0
Work Experience	< 3 years	28	14.0
	3–5 years	36	18.0
	> 5 years	136	68.0
Branch Location	Urban	108	54.0
	Rural	92	46.0

A total of 200 valid responses were collected from employees of ASA International Bangladesh, representing loan officers, credit managers, and branch supervisors from both urban and rural regions. The overall response rate was 92%, which was considered highly satisfactory and sufficient for statistical inference. Data cleaning and screening revealed minimal missing values (<2%), which were handled through listwise deletion. The demographic analysis indicated that 56% of respondents were male and 44% were female, reflecting the institution's effort toward gender inclusivity in its operational workforce. In terms of educational attainment, 72% held a bachelor's degree, 21% a master's degree, and 7% a diploma-level qualification. The majority (68%) had more than five years of experience in credit operations, suggesting that respondents were adequately knowledgeable about the organization's credit management practices.

These descriptive results confirm that the respondents possessed relevant experience and awareness of ASA International Bangladesh's credit systems, thereby strengthening the validity of the collected data. The study then proceeded with detailed analysis to evaluate the relationship between credit management, loan utilization, and financial performance using descriptive statistics, correlation, and inferential modeling through Structural Equation Modeling (SEM).

Descriptive Analysis of Study Variables

Descriptive statistics were computed to summarize the respondents' perceptions of credit management, loan utilization, and financial performance. Each construct was measured on a five-point Likert scale, where higher mean values indicated stronger agreement with the measured dimension.

Table 2. Descriptive Statistics of Study Variables

Variable	No. of Items	Mean	Std. Deviation	Minimum	Maximum
Credit Management	10	4.12	0.57	2.8	5.0
Loan Utilization	8	3.98	0.60	2.6	5.0
Financial Performance	9	4.05	0.63	2.7	5.0

The mean value for credit management was 4.12 (SD = 0.57), suggesting that respondents generally perceived the credit management framework at ASA International Bangladesh as effective. Among the sub-dimensions, *credit assessment* (M = 4.20, SD = 0.61) scored the highest, followed by *loan monitoring* (M = 4.10, SD = 0.55) and *loan recovery* (M = 4.07, SD = 0.52). This indicates that employees rated the institution's pre-loan evaluation and post-disbursement supervision processes as strong and consistent, aligning with findings by Hossain et al. (2023) who emphasized the effectiveness of structured credit evaluations in reducing loan defaults among Bangladeshi MFIs. For loan utilization, the mean value was 3.98 (SD = 0.60). Respondents generally agreed that borrowers effectively used loan funds for productive purposes such as business expansion and income-generating activities. However, a small proportion (12%) indicated occasional diversion of funds for non-productive uses, a concern also raised in prior studies.

Regarding financial performance, the mean score was 4.05 (SD = 0.63), reflecting a positive overall perception of ASA International Bangladesh's financial health. The highest-rated indicators were *profitability* (M = 4.22, SD = 0.58) and *portfolio quality* (M = 4.10, SD = 0.56), while *operational self-sufficiency* (M = 3.92, SD = 0.66) received comparatively lower ratings. These findings suggest that while the institution maintains sustainable profitability, there remains room for improvement in operational efficiency, particularly in balancing administrative costs and credit portfolio management. The combination of these mean scores indicates that ASA International Bangladesh demonstrates strong performance in credit operations, yet the institution's effectiveness depends on the consistency between credit management practices and borrower utilization behaviors.

Reliability and Validity Analysis

Table 3. Sub-Dimension Scores of Credit Management

Sub-Dimension	Mean	Std. Deviation	Interpretation
Credit Assessment	4.20	0.61	Very Good
Loan Monitoring	4.10	0.55	Good
Loan Recovery	4.07	0.52	Good

Before conducting inferential tests, the reliability and validity of the constructs were reassessed using Confirmatory Factor Analysis (CFA). Cronbach's alpha values for all constructs exceeded the recommended threshold of 0.7 (Hair et al., 2021): credit management ($\alpha = 0.84$), loan utilization ($\alpha = 0.82$), and financial performance ($\alpha = 0.88$). Composite reliability (CR) values were also high 0.87, 0.85, and 0.90 respectively indicating strong internal consistency.

Convergent validity was confirmed through Average Variance Extracted (AVE) scores above 0.5 for each construct: credit management (AVE = 0.56), loan utilization (AVE = 0.54), and financial performance (AVE = 0.59). Discriminant validity was established as the square root of AVE for each construct exceeded its inter-construct correlations. This implies that the constructs measured distinct but related aspects of institutional performance. These psychometric results confirmed that the data were suitable for further multivariate analysis.

Correlation Analysis

Table 4. Reliability and Validity Analysis

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	Status
Credit Management	0.84	0.87	0.56	Reliable & Valid

Loan Utilization	0.82	0.85	0.54	Reliable & Valid
Financial Performance	0.88	0.90	0.59	Reliable & Valid

Pearson's correlation analysis was performed to examine the bivariate relationships among the study variables. The results indicated significant positive correlations between all major constructs. Credit management correlated positively with loan utilization ($r = 0.642$, $p < 0.01$) and with financial performance ($r = 0.693$, $p < 0.01$). Likewise, loan utilization was positively correlated with financial performance ($r = 0.671$, $p < 0.01$).

These correlations suggest that effective credit management practices are strongly associated with improved loan utilization and enhanced financial performance. This aligns with findings from Mungai et al. (2014), who argued that efficient credit governance improves borrower repayment capacity and institutional sustainability. The relatively strong correlation between credit management and financial performance implies that management practices exert both direct and indirect influences on institutional outcomes.

Regression Analysis

To test the study hypotheses, multiple regression analysis was conducted. Credit management was entered as the independent variable, financial performance as the dependent variable, and loan utilization as a mediating variable. The regression results are summarized below:

Table 5. Correlation Matrix

Variable	1	2	3
Credit Management	1.00	—	—
Loan Utilization	0.642**	1.00	—
Financial Performance	0.693**	0.671**	1.00

Note: Correlation is significant at $p < 0.01$

Model 1 tested the direct effect of credit management on financial performance and revealed a significant positive relationship ($\beta = 0.68$, $t = 9.21$, $p < 0.001$). This indicates that improvements in credit management contribute to higher institutional financial performance. The model explained 47% of the variance in financial performance ($R^2 = 0.47$).

Model 2 introduced loan utilization as an additional predictor. Both credit management ($\beta = 0.45$, $t = 6.80$, $p < 0.001$) and loan utilization ($\beta = 0.39$, $t = 5.72$, $p < 0.001$) had significant positive effects on financial performance. The inclusion of the mediating variable increased the explained variance to 58% ($R^2 = 0.58$). This demonstrates that loan utilization enhances the explanatory power of the model and partially mediates the relationship between credit management and financial performance. These findings substantiate the theoretical proposition that the benefits of effective credit management are realized through borrowers' efficient utilization of loan funds. This outcome is consistent with Mesfin (2024), who observed that borrower training and post-loan monitoring enhance the financial outcomes of microfinance institutions through improved fund usage.

Mediation Analysis Using Structural Equation Modeling (SEM)

Table 6. Regression Results

Model	Predictor	β (Standardized)	t-value	Sig. (p)	R ²
Model 1	Credit Management → Financial Performance	0.68	9.21	0.000	0.47
Model 2	Credit Management → Financial Performance	0.45	6.80	0.000	0.58
	Loan Utilization → Financial Performance	0.39	5.72	0.000	

To further validate the mediating role of loan utilization, Structural Equation Modeling (SEM) was conducted using SmartPLS 4. The model fit indices indicated excellent fit (SRMR = 0.042, NFI = 0.93, and $\chi^2/df = 1.87$), confirming the adequacy of the structural model. Path coefficients, significance levels, and effect sizes were analyzed to determine the nature of relationships among variables.

The SEM results revealed that credit management had a significant direct effect on financial performance ($\beta = 0.47$, $p < 0.001$) and a significant indirect effect through loan utilization ($\beta = 0.26$, $p < 0.01$). The total effect ($\beta = 0.73$) suggests that the mediation was partial rather than full, indicating that credit management affects financial performance both directly and indirectly through improved loan utilization practices. The mediating effect was statistically validated through bootstrapping with 5,000 samples, following the Hazra (2017) procedure, where the 95% confidence interval did not include zero. These findings confirm the central theoretical framework of this study: credit management strengthens financial performance not only by ensuring credit discipline but also by promoting effective loan utilization among clients. This multi-path influence mirrors observations in previous works by Trampusch (2014), emphasizing the systemic interdependence of credit governance, behavioral borrower factors, and institutional success.

Discussion

The findings of this study are consistent with and extend the existing literature on credit management in microfinance. Comparable studies in Kenya Ghana (Štrukelj et al., 2022) found that stringent credit management systems improved loan recovery rates and reduced default risks, ultimately boosting financial performance. In the context of Bangladesh, Nkundabanyanga et al. (2017) reported similar associations, but this study uniquely integrates the mediating effect of loan utilization, demonstrating that financial outcomes are not only a function of credit discipline but also of the productive deployment of loans by clients.

The findings also support Oladuji et al. (2021), who emphasized that credit monitoring combined with digital tracking systems enhances transparency and repayment performance. However, the current results contribute a novel insight: while digital oversight mechanisms can aid credit management, the human dimension particularly the loan officers' engagement with borrowers remains indispensable. This hybrid model aligns with ASA International Bangladesh's operational philosophy that combines technological efficiency with community-based microfinance principles. Furthermore, while prior studies often treated loan utilization as a dependent variable, this research positions it as a mediator, providing a more comprehensive understanding of how institutional policies translate into financial outcomes. The results thus fill an empirical gap noted by Saeed et al. (2018), who argued that the interaction between credit management, utilization behavior, and performance remains underexplored in South Asian MFIs.

CONCLUSION

This study has highlighted the significant impact of credit management practices on loan utilization and financial performance within ASA International Bangladesh,

demonstrating that effective credit assessment, loan monitoring, and recovery mechanisms directly enhance financial outcomes. Furthermore, loan utilization emerged as a partial mediator, suggesting that the benefits of robust credit management are realized more fully when borrowers use the funds productively. The findings emphasize the importance of a hybrid approach that combines formal credit systems with borrower education and relational management, particularly in rural settings. This research contributes to the existing body of knowledge by integrating credit management, loan utilization, and financial performance in a unified framework, thus addressing gaps in previous studies. The study also opens avenues for future research, particularly in exploring the long-term impacts of credit management practices on institutional sustainability and the role of digital tools in microfinance operations. As the microfinance sector continues to evolve, these insights provide a foundation for both theoretical development and practical improvements in credit management strategies.

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