

# [The importance of good credit essay sample](https://assignbuster.com/the-importance-of-good-credit-essay-sample/)

[Finance](https://assignbuster.com/essay-subjects/finance/), [Investment](https://assignbuster.com/essay-subjects/finance/investment/)

Credit Refers to ability to obtain good and services before making payments these is normally based on trust that the payments will be made in future , credit is an everyday tool in business all over the world due to the different nature of business, size and complexity it means not every day will a business have enough cash to meet daily running costs an also suppliers cost these will necessitate business to have goods and services on credit terms to be paid later these will give businesses enough time to look for funds to meet their obligations . these brings the big question into context which business do qualify for credit and to what extent do they qualify for credit the answer for these question lies on an individual or a particular business credit ratings.
Good credit in regards to an individual and business refers to that state where a business or an individual have been borrowing and repaying their loans satisfactorily and meeting their obligations when due these means that previous loans were paid as per the terms and conditions set without any default given these information it will mean that it will now be easy for an individual or business to obtain loans from other financial institutions based on their good credit history . the importance of good credit ratings for an individual or business will include; the fact that a business based on the good credit record will be an easier position to obtain additional credit for running their these translates to expansion, growth and development of that particular business it also leads to improved business relationship between the lender and the borrower these will lead to reduction in interest rates charged by the lender since the perceived risk is reduced by the good credit history.
Employment of an individual is nowadays subject to screening of a once credit history, a good credit history will make the employer feel comfortable to hire a particular person as opposed to a person with a bad credit record, it’s also of interest to note that landlords do check at once record before leasing his house as it gives him the comfort that the occupant will be proficient to pay rent on monthly basis. For startup business it’s normally very hard to obtain a loan from any financial institution since its considered high risk venture, good credit history will in this case increase the chance of obtaining funding not forgetting the fact when an individual is being supplied with utilities such as electricity and water good credit history is paramount.
In summary good credit facilitates business transactions across the globe in both business and individual transactions since at no one particular time will all business and individuals have the needed funding as and when needed that’s why credit is necessary and for these to happen a good credit history is important.

## Work cited

Pritchard, Justin. The Everything Improve Your Credit Book: Boost Your Score, Lower Your Interest Rates, and Save Money. Avon: Adams Media, 2008. Internet resource.