Ethical considerations in slowing payments to your suppliers

Student’s Name

Institution

Date

**Ethical considerations in slowing payments to your suppliers**

Most companies usually pay suppliers or vendors on time while some hold payment for some time to trade further with account payable. This can build or taint the reputation of a company, and therefore, it is essential for a company to pay its vendors or suppliers on time. However, the less money a firm pays out, the more cash flow a firm has. Immediately the debts are paid, the cash flow decreases, or the cash a company has reduced. If a company decides not to pay its obligations or liabilities because a company does not have enough money, it becomes an ethical issue. The same applies when a firm is not making payment when there is enough money. According to Eakins & McNally (2013), it is unethical, and it taints the reputation of the company and makes suppliers and vendors unwilling to work with the company in the future. It hurts the credibility of the business. The reputation of a company may be tainted, and this can hurt a company forever.

It is most appropriate to make payment of the debts on time. If the cash flow of a company is not enough to cater for all the bills, the company s likely to have a big issue with vendors or suppliers. By paying the credits or bills on time, some company may decide to offer discounts, which would eventually help the company increase its profitability in a big way. The company can also save a lot of money by way. The company can save a lot of money by smoothing and streamlining out the accounts payable so that there would be only one person to manage it (Eakins & McNally, 2013). It will help in payroll cost and other expenses, which usually are stressing the management of the company. It is, therefore, unethical to keep holding money for suppliers while the company has enough cash flow to pay the bills.

# References

Eakins, S., & McNally, W. (2013). *Corporate Finance Online: VitalBook file.* New York: Pearson Learning Solutions.