

INFO PAYS

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5 Cash Flow Mistakes Growing Businesses Make (and How to Avoid Them)



Growth is an exciting stage for any business. New customers, higher revenues, and expanding operations are all positive signs. But rapid growth often exposes weaknesses in one critical area: cash flow. Many profitable businesses run into financial stress simply because they don't manage liquidity effectively.

Here are five of the most common cash flow mistakes growing businesses make—and how to avoid them.

1. Overextending Credit

In the race to win new customers, many businesses offer generous payment terms. While this can make you more competitive, it also locks up your cash. Meanwhile, expenses still need to be paid on time.

How to Avoid It:

- Establish clear credit policies and perform checks on new clients.
- Use invoice financing to free up cash tied to receivables.

2. Poor Forecasting

It's easy to focus on day-to-day operations and lose sight of upcoming expenses. Without forecasting, many businesses get caught off guard when tax season hits, suppliers raise prices, or a seasonal sales slowdown occurs.

How to Avoid It:

- Build a rolling 3 to 6-month cash flow forecast.
- Factor in both fixed expenses and variable ones.

3. Confusing Profitability with Liquidity

Profitability and liquidity are both vital to a healthy business, but they mean different things. Profitability shows whether your business is making money after expenses. Liquidity shows whether you have enough cash on hand to cover day-to-day costs. A company can be profitable but still struggle if it doesn't have enough liquidity, and it can be liquid but fail to grow without profitability.

How to Avoid It:

- Track both your income statement (profitability) and cash flow statement (liquidity).

4. Overreliance on One Client

Many growing businesses depend on 1-2 large customers for the majority of their revenue. While it's great when they pay on time, a single late payment or a lost contract can create major cash flow problems.

How to Avoid It:

- Diversify your client base whenever possible.
- Monitor accounts receivable aging reports closely.

5. Ignoring Payment Cycles

If your clients take 60 days to pay, but your suppliers require payment in 30, you're left plugging the gap. This mismatch between receivables and payables is one of the most common causes of cash crunches.

How to Avoid It:

- Negotiate extended terms with suppliers to better match your receivable cycle.
- Use financing solutions to bridge the gap between outgoing and incoming payments.

The Bottom Line

Growing businesses often face cash challenges not because they're unprofitable, but because money isn't flowing in fast enough to match expenses. By putting the right tools in place, you can build a healthier, more resilient financial foundation.

The End of the Free Money Era: What It Means for Your Business

For more than a decade, businesses benefited from historically low interest rates and easy access to credit. This “free money era” allowed companies to borrow cheaply, expand aggressively, and rely on banks or credit lines as a safety net.

But times have changed. Rising interest rates, tighter lending conditions, and cautious banks have reshaped the financial landscape. For many businesses, this shift means:

- Higher borrowing costs – Loans and credit lines that were once inexpensive now carry significant interest.



- Stricter lending requirements – Banks are more selective, leaving some businesses unable to access traditional credit.
- Pressure on cash flow – With higher financing costs and delayed payments from customers, many companies face liquidity challenges.

In this new reality, managing cash flow has become just as important as managing sales or profit. Businesses that adapt quickly will not only survive but position themselves for long-term strength.

How IPS Can Help

At IPS, we provide an alternative to expensive debt. Instead of borrowing, we help you unlock the cash tied up in your receivables—giving you the liquidity you need without taking on new loans or interest-heavy lines of credit.

With invoice financing, you can:

- Access funds as soon as you issue an invoice
- Avoid rising interest rate pressure

- Maintain strong cash flow to cover payroll, suppliers, and growth opportunities
- Navigate the post- “free money” economy with confidence

In an era where credit is no longer cheap or guaranteed, your receivables are your most reliable source of capital.

If you’re ready to explore a financing option that works with your business instead of against it, our team is here to help.