

## ***BANK ADVANCE (OVERDRAFT)***

**The traditional form of lending by banks and is an amount due to the bank by the borrower through a trading account. The overdraft varies from day to day, is at call, and the rate is calculated on the daily balance and paid on the outstanding amount. The overdraft rate dominates the cost of short term capital. Bank advances are comparatively cheap and flexible but a commercial customer should consider a business loan as an alternative.**