Differences between money market and capital market

Money market

- Money market deals with short term marketable securities
- The securities in the money market have lower risk
- Money markets are informal in nature.
- The liquidity of financial instruments is higher in the money market
- Commercial Papers, Treasury Certificate of Deposit, Bills, Trade Credit, etc are instruments in money market.
- The central bank, scheduled commercial banks, non-banking Financial Institutions etc mainly deal with the financial instruments of the money market.
- Purpose to achieve short term credit requirements of the trade
- The returns in the securities of the money market are lower compared to the financial instruments of the Capital market.

capital market

- capital market deals with medium term and long-term securities.
- capital market securities comparatively have higher risks.
- Capital markets are formal in nature.
- The liquidity of financial instruments is comparatively less in the capital market.
- Bonds, Debentures, Shares, Asset Secularisation, Retained Earnings, Euro Issues, etc are instruments in capital market.
- Whereas stock exchange, commercial bank, non-banking institutions etc are mainly operate in the capital market.
- Purpose to achieve long term credit requirements of the trade
- The returns in the securities of the capital market are higher compared to the financial instruments of the money market.