**Distinction between** **Primary market and Secondary market .**

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| **No.** | **Points** | **Primary Market** | **Secondary Market** |
| 1. | Meaning | The market is utilized for raising fresh capital in the form of shares and debentures(IPO). | It is a market where existing securities are resold or traded. |
| 2. | Function | The function is to raise long term funds through fresh issue of securities | The function is to provide continuous and ready market for existing long term securities |
| 3. | Participants | The participants are financial institutions, mutual fund, under writer, individual investor | The participants of primary market as well as the stock brokers and the members of the stock exchange are the participants. |
| 4. | Listing requirements | Listing is not required in the case of primary market | Only listed securities can be dealt in the secondary market |
| 5. | Determinants of prices | The prices are determined by the management of the corporate houses with due compliances with the SEBI requirements for new issue of securities | In case of secondary market the prices are determined by forces of demand and supply in the market and they keep on fluctuating |

Capital Market plays a crucial role in the development of the economy because it provides channels for mobilization of funds. On the other hand, money market possesses a range of operational features. The article presented to you explains the difference between money market and capital market in tabular form.

| **BASIS FOR COMPARISON** | **MONEY MARKET** | **CAPITAL MARKET** |
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| Meaning | A segment of the financial market where lending and borrowing of short term securities are done. | A section of financial market where long term securities are issued and traded. |
| Nature of Market | Informal | Formal |
| Financial instruments | Treasury Bills, Commercial Papers, Certificate of Deposit, Trade Credit etc. | Shares, Debentures, Bonds, Retained Earnings, Asset Securitization, Euro Issues etc. |
| Institutions | Central bank, Commercial bank, non-financial institutions, bill brokers, acceptance houses, and so on. | Commercial banks, Stock exchange, non-banking institutions like insurance companies etc. |
| Risk Factor | Low | Comparatively High |
| Liquidity | High | Low |
| Purpose | To fulfill short term credit needs of the business. | To fulfill long term credit needs of the business. |
| Time Horizon | Within a year | More than a year |
| Merit | Increases liquidity of funds in the economy. | Mobilization of Savings in the economy. |
| Return on Investment | Less | Comparatively High |