Week 2 Discussion

[Name of the Writer]

[Name of the Institution]

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**Q1**

Financial intermediary act as a middle man between two parties during a financial transaction such as pension funds and life insurance companies (Allen & Santomero, 2001). Pension funds are the schemes for the people after retirement which are funded by the government or firm agencies for their workers. Some of the popular examples of pension funds are NSSF and NHIF. Pension funds help countries to achieve their growth and development. These funds also help the country to decrease the poverty rate, poor health care and high rates of unemployment. The life insurance policy is a contract between an individual and an insurance company which claims that insurance company will pay for an individual if an incident occurs in someone's life. People can take life insurance for themselves as well as the other people in their lives such as spouse, parents, children, business partners, etc. Life insurance policy effect positively on the economic growth of the country.

**Q2**

Money markets are disordered markets where banks, financial institutions, money dealers and brokers trade in a short period of time. A capital market is the type of financial market where financial products like stocks, bonds, debentures are traded for a long period of time (Rose et al., 2009). Money markets are informal as compare to the capital markets which are formal. The basic difference between capital market and money market is that capital markets are known as cash markets in which people can invest and make the profit out while money markers deal with the debt instrument which means you will give loan to Government and companies to meet their short term requirements for the money. Money market includes assets that deal with short borrowing. Capital markets offer high-risk investments while the money market offers safer assets (Rose et al., 2009).

**References**

Rose, P. S., Marquis, M. H., & Lu, J. (2009). *Money and capital markets*. China Machine Press.

Allen, F., & Santomero, A. M. (2001). What do financial intermediaries do?. *Journal of Banking & Finance*, *25*(2), 271-294.