

Commercial Bank vs Investment Bank



The difference between both the banks is based on the work performed by the banks. Commercial banks are set only for the commercial transactions like to take a deposit and lend money to the clients. Investment banks are set up only for the investors.

Commercial Bank

- Commercial banks are involved in providing banking and financial services to the general public.
- Commercial banks help to mobilize the savings in the economy.
- Commercial banks accept deposits from depositors at a nominal rate of interest and lend this money to the borrowers at a higher rate of interest.
- The gap between the high rate of interest and low rate of interest is an income of the commercial bank.
- Commercial bank facilitates many other services like overdraft, cash credit facility, collection of bills and promissory notes, locker facility, card facility etc. to their clients and charge fees for it

Investment Bank

- The investment bank is set up especially for the investors, big corporation and government.
- It acts as a mediator between the buyers and sellers and helps to raise the business capital.

- Investment banks serve their customers a number of services like issuing securities, buying and selling stock, bonds etc., provide advisory services and much more.
- An investment bank earns an income from the fees they charge from their clients.
- Investment banks provide services like underwriting of securities, raise initial capital, asset management, wealth management, merger, and acquisitions etc.

Difference Between Investment Bank and Commercial Bank

Basis	Commercial bank	Investment bank
Meaning	Commercial bank is a bank that provides services like accepting deposits, lending money, payment on standing order and much more.	Investment bank refers to a financial institution, that offers services like underwriting of securities, brokerage services and so on.
Risk involved	There is a low level of risk involved.	The level of risk in the investment bank is higher.
Type of clients	Commercial bank deals with the individuals.	Investment bank deals with investors, big corporations and government.
Type of service	Commercial bank provides standard service to all their customers.	Investment bank provides customer-specific service according to his need.
Customer base	Commercial banks have a wide customer base.	Investment bank has a narrow customer base.
Income	Commercial banks earn income from the fees charged and the gap in the interest rate.	Fees from the services provided and commission by acting as a mediator.