Difference Between Interest and Dividend

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Interest

- Interest is the amount paid by the borrower it may be an entity, a company or an individual for the borrowed funds from the lender.
- Interest is a return on investment to the lender who charges it from a customer on the money lent.
- Interest paid by the company or an entity is an expense reduces the income of the company.
- Interest is payable at the regular time interval like annually, semi-annually or a quarterly to the moneylender at a specific time.
- Interest is calculated on the principal amount and the rate at which interest is calculated is known as an interest rate.
- Interest can be charged on the loan amount, bonds, debentures, securities etc.

Types of interest

- Simple interest
- Compound interest

Dividend

- The dividend is generally paid by the company whether it is a private company, public company or a cooperative to the company's shareholders who are also owners of the company but has a small part of ownership.

- A dividend is an amount paid from the profit which left after paying all expenses and keeping all reserves and then distributed among the shareholders.
- A dividend is unanimously decided by the Board of Directors in the Board meeting.
- Shareholders will get a dividend in proportion to the money invested in the share of the company only if profit occurs.
- A share can be purchased from the initial public offer or from an open market.
- A dividend is generally paid annually but if board members want they will give semi-annually and quarterly also.
- A dividend is not always in cash form if the Board member wants they will give a share to the shareholders instead of a cash dividend