A kernel module is a bit of compiled code that can be inserted into the kernel at run-time, such as with insmod or modprobe.

A driver is a bit of code that runs in the kernel to talk to some hardware device. It "drives" the hardware. Most every bit of hardware in your computer has an associated driver. A large part of a running kernel is driver; the rest of the kernel module provides generic services like [memory management](https://secure.wikimedia.org/wikipedia/en/wiki/Memory_management), [IPC](https://secure.wikimedia.org/wikipedia/en/wiki/Inter-process_communication), [scheduling](https://secure.wikimedia.org/wikipedia/en/wiki/Scheduling_%28computing%29), etc.

Not all kernel modules are drivers. For example, a relatively recent feature in the Linux kernel is that you can [load a different process scheduler](http://www.ibm.com/developerworks/linux/library/l-cfs/).