



BUSINESS STUDIES
GRADE 10
TERM ONE
CHAPTER 5
NOTES ON BUSINESS SECTORS
2020

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This chapter consists of 7 pages

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

- Define/Explain the meaning of the primary, secondary and tertiary sectors.
- Give example of each sector.
- Explain/ Discuss/describe the relationship between the sectors.
- Make a collage showing the relationship between the primary, secondary and tertiary sectors.
- Define/Explain the meaning of the formal and informal sectors. Give practical examples of each.
- Conduct a research on the importance of the formal and informal sector.
- Explain/ Tabulate/Distinguish/ Differentiate between the formal and informal sectors.
- Define/Explain the meaning of the public and private sector.
- Explain the main purpose of the public and private
- Explain/Differentiate/Tabulate/Distinguish between the public and private sectors.

1. Meaning of the primary, secondary and tertiary sectors.

1.1 Meaning of the primary sector

- The primary sector is the first stage in the production process.
- This sector deals with the extraction of raw materials from nature.
- The primary sector is involved in collecting resources direct from nature.
- These raw materials are then supplied to other businesses for further processing.

Examples of the primary sector:

- Farming, which produces agricultural products such as cattle and wheat.
- Forestry, which supplies wood for building/ furniture
- Fishing from the sea/lakes and rivers
- Mining, which extracts minerals such as coal and gold from the earth
- Packaging of the above raw materials.

1.2 Meaning of the secondary sector

- The secondary sector is responsible for converting/processing/ manufacturing of raw materials into final products.
- It is the link between the primary sector where raw materials are extracted from nature.
- Deals with distribution/transportation/ retailing/services√ to other businesses or consumers.
- It includes the manufacturing factories, construction and energy generation

Examples of the secondary sector

- Motor industry
- Furniture industry
- Textile industry

1.3 The tertiary sector

- This sector distributes goods processed in the secondary sector to consumers.
- The tertiary sector aims to bring products and services within reach of the consumer.
- Tertiary activities include all activities that distribute products from the secondary sector.
- This industries that offer services to consumers and other businesses.

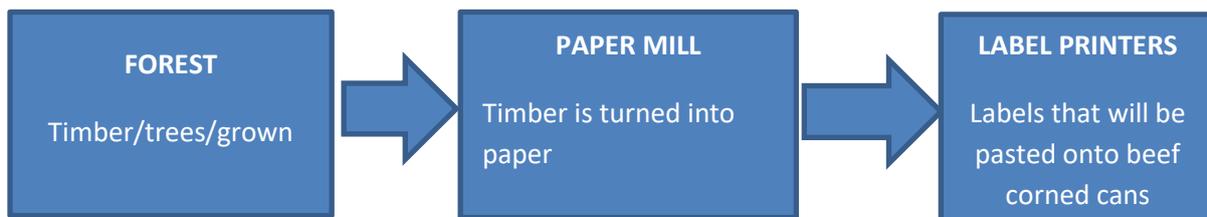
Examples of the tertiary sector

- Food industry
- Clothing industry
- Banking, insurance
- Tourism, transportation
- Entertainment, retail and legal services.
- Examples shops, transport companies, electricians, doctors, consultants, hotels and schools.

1.4 The relationship between the primary, secondary and tertiary sectors

- The primary sector depends on the secondary sector for manufactured goods such as machinery/equipment/fertilisers e.g. a farmer may require seeds from another farm
- The primary sector is dependent on the tertiary sector for its customer needs.
- The secondary sector processes the raw materials obtained from the primary sector into more useful products.
- The secondary sector depends on the primary sector for raw materials and products.
- The secondary sector depends on other secondary industries e.g. BMW needs tyre from DUNLOP another secondary sector player
- Secondary sector needs the tertiary sector to sell their processed or manufactured goods and also for services such as banks, insurance, transport and communication
- The tertiary sector depends on the primary sector for raw materials that do not need processing by the secondary sector.
- The tertiary sector depends on the secondary sector for manufactured goods such as office machines/office furniture/stationery etc.

Example of the relationship/link between primary, secondary and tertiary sector



NOTE: You must make a collage showing the relationship between the primary, secondary and tertiary sectors

2 Formal and informal sectors

2.1 Meaning of the formal sector

- Formal sector refers to businesses that are registered and pays tax.
- The formal sector within the mainstream of the economy
- This sector includes small, medium and large businesses.
- Employees are protected in many ways such as Unemployment funds, disability and injured on duty of industry
- They are controlled by laws and regulations of the government
- Keep accounting records and audit their books.
- It is capital intensive as it involves using machinery/equipment etc.
- They operate under an acknowledged form of ownership such as partnerships, close corporation, companies and sole proprietors

The importance of the formal sector

- They supply legal products
- Products supplied by the formal sector are guaranteed, which means that faulty goods can be returned.
- They employ many people with different skills and qualifications.

2.2 Meaning of informal sector

- Informal sector refers to businesses that are not registered and does not pay tax.
- This sector includes activities by people who are unable to find jobs.
- Fall outside the mainstream economy
- It is labour intensive as it does not require a huge capital outlay for establishment.
- Employees are not protected and they can be exploited.
- Not monitored by government
- Not added into the Gross Domestic Product (GDP) figures.
- Examples of informal businesses include street vendors, spaza shops, hairdressers, flea markets, day care for children, general handyman services.

The importance of the informal sector

- Provides jobs/ income to communities thereby alleviate poverty.
- People working in the informal sector gain work experience to be used for the formal sector.
- Encourages entrepreneurship as self-employment.
- Provides opportunity for marginalised /disadvantaged by encouraging street trade.
- Serves as buffer between employment and unemployment.

2.3 Differences between formal and informal sectors

FORMAL SECTOR	INFORMAL SECTOR
• Industries in this sector are legally registered.	• This sector is not legally registered
• Fall between the mainstream of the economy	• Fall outside the mainstream economy (also known as the second or marginalised economy)
• It is registered and pays tax.	• It is not registered and does not pay tax.
• Made up of small, medium and large businesses	• Small scale operations
• Employees are protected as they receive unemployment funds, disability funds, injured on duty funds	• Employees are not protected and can be exploited
• They are controlled by the laws and regulations of the government.	• They are not tracked by any form of government.
• Higher capital is required in this sector.	• Low capital needed for operation.
• Output can be measured into the country's GDP	• Estimates should be made to measure contribution into the country's GDP.
• Usually more labour intensive	• Usually more skill intensive.
• Usually include manufacturing, banking, insurance and large retail companies.	• Usually include street vendors, spaza shops, hairdressers and other home based activities.
• Employees have a steady income	• Employees' income is inconsistent
• Not easy to enter this sector as businesses had to be legally registered	• Easy to enter the sector as there are no legal formalities needed.
• Higher capital is required in this sector	• Low capital needed for operation

3 The public and private sector

3.1 Meaning of the public sector

- Public sector is state owned/state run or parastatals
- Aimed at meeting the needs of society
- Non-profit organisations are categorized under the public sector
- Businesses in this sector are partly or wholly funded by tax money
- The motive is not to make profit but offer a service.

Purpose of the public sector

- The public sector includes those industries that are controlled by the government.
- Offers affordable services that the private sector.
- Aims to meet the needs of society.
- Public sector businesses do not aim to make profit.
- Provides people with job opportunities.
- Improves the general standard of living of all people.
- Controls pollution and protects/conserves natural resources such as water, wildlife and precious stones.
- Ensures that wealth of the country is spread equally among the rich and the poor.
- Offers valuable services such as public roads/ public hospitals/public schools etc.

3.2 Meaning of a private sector

- Privately owned by entrepreneurs
- Aimed at meeting both the need and wants of the society
- Profit-driven businesses
- Owners provide own funds or loans to run their businesses.
- Examples include businesses owned privately as sole traders, partnerships or companies with a profit motive.
- The businesses are focused to meet the demand of consumers.
- Businesses in this sector that do not operate to make profit are NGOs (non-government organisations) and NPOs (non-profit organisations).
- Some services from the public sector are repeated in this sector, such as education, healthcare and housing, and could be of better quality than the government service.

Purpose of the private sector

- Creates job opportunities for different types of skills.
- Provides businesses with the opportunity to create wealth.
- Offers more competitive salaries than the public sector.
- Offers variety of goods and services than the public sector.
- Offers opportunities for employees to be part of more innovative projects with cutting-edge infrastructure.

3.3 The differences between the public and private sectors

PUBLIC SECTOR	PRIVATE SECTOR
<ul style="list-style-type: none"> • Aim is to meet the needs of the society 	<ul style="list-style-type: none"> • Aim is to meet both the need and wants of the society.
<ul style="list-style-type: none"> • State owned/state run or parastatals which are operated by private company. 	<ul style="list-style-type: none"> • Privately owned by entrepreneurs
<ul style="list-style-type: none"> • Partly or wholly funded by tax money 	<ul style="list-style-type: none"> • Owners raise capital to fund their businesses
<ul style="list-style-type: none"> • Motive is to provide a service 	<ul style="list-style-type: none"> • Motive is to make a profit
<ul style="list-style-type: none"> • State ownership 	<ul style="list-style-type: none"> • Owned by different forms of ownership.
<ul style="list-style-type: none"> • State owned businesses report to government 	<ul style="list-style-type: none"> • Businesses in this sector do not report to government but owners.
<ul style="list-style-type: none"> • Government monitors and oversees their performance 	<ul style="list-style-type: none"> • Owners oversees their performance