



**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.

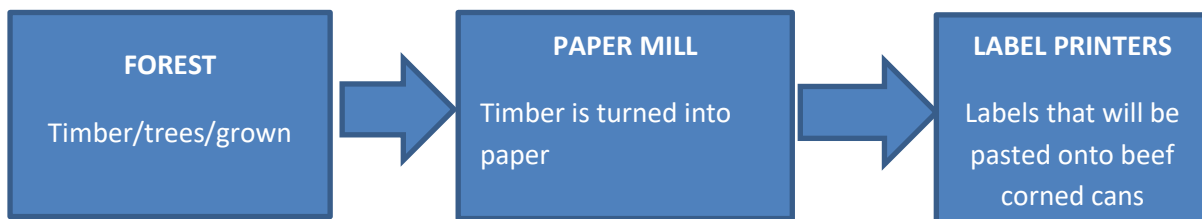
#### Examples of the tertiary sector

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