COST ACCOUNTING PRACTICES IN AFRICAN TRADITIONAL HEALING: A CASE STUDY OF MAKHUDUTHAMAGA TRADITIONAL HEALERS IN SOUTH AFRICA

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ABSTRACT

The study examines the challenges and potentials of adopting cost accounting practices in African traditional healing. Although cost accounting is more prevalent in the private sector and the public sector, it is unpopular in African traditional healing. This study examines the necessity and benefits of adopting cost accounting practices to improve product and service pricing in African traditional healing. An exploratory case study that utilises focus group interviews of traditional healers at the Makhuduthamaga Local Municipality in South Africa was conducted. Findings revealed the need to improve decision-making in traditional healing through the integration of cost accounting principles for appropriate costing of products and services through the provision of accurate cost accounting information. The study recommends the development of a unique cost accounting model for use by traditional healers in South Africa.

Key words: Cost accounting practices; Traditional healing practices; South Africa; traditional healers; traditional medicines; product costing; Traditional Healers Organisation.
1. INTRODUCTION

Cost accounting is seen as one of the most effective management tools in strengthening organisation performance through effective decision making and systematic cost accounting formulation and implementation. Although cost accounting is more prevalent in the private sector and the public sector since the concept was first developed (Andon, Baxter & Chua, 2007; Effiong, 2012; Kludacz, 2012; Kuchta & Zabek, 2011; Livia & Györgyi, 2013; Bierer & Götze, 2012; Lotfi & Mansourabad, 2012; Speklé & Verbeeten, 2014; Boyd & Cox III, 2010); its use among African traditional healing practitioners, especially in South Africa, is still unpopular. Many reforms have been made to the traditional healing sector in South Africa since becoming a democratic nation in 1994, and this has resulted in increased awareness about the importance of the services provided by traditional healers (Moagi, 2009). Kayne (2009) mentions that there are almost 200 000 traditional healers in South Africa compared to about 25 000 medical doctors. In addition, Kale (1995) reports that about 80% of South Africa’s black population use the services of traditional healers before consulting medical doctors. In contrast, Mander, Ntuli, Diedrichs and Mavundla (2007:190) claim that “seventy-two percent of the Black African population in South Africa is estimated to use traditional medicine, accounting for some 26.6 million consumers.” However, there are claims and counter-claims regarding the statistics of the number of black South Africans patronising these traditional healers as their first point of consultation and medication. Notwithstanding these claims, it appears that traditional healing practices is quite popular among traditional Africans. As such, a health service sector as important as traditional healing in South Africa requires effective management control systems to improve its planning, control and decision making processes. While many studies were conducted on the costing of orthodox medicine (Gilmer et al., 2012; Bassett et al., 2014), there are a few studies that focus on the use of cost accounting systems to improve planning and management control systems in traditional healing practices especially in South Africa. It is in this context that the study examines the challenges and potentials of adopting cost accounting practices in African traditional healing. The following sections discuss understanding cost accounting and African traditional healing, regulations of traditional healing practices in South Africa, the economic importance of traditional healing practices, the methodological approach, results, conclusions and recommendation as well as limitation of the study.
2. UNDERSTANDING COST ACCOUNTING

According to Thakur (2011), cost accounting is the process of accounting for cost, income and expenditure relating to the production of goods and services rendered and is part of a management innovations design to reinvent both the public sector and the private sector. Cost accounting is an effective management tool to transform any bureaucratic system in both the public and private sectors to a more responsive and innovative administration (Wickramasinghe & Alawattage, 2012). Cost and management accounting systems provide information for planning, control and decision making within an organisation by focusing on determining the cost of projects, processes or products (McNabb & Schafer, 2004). Cost accounting was developed because of the limitations of financial accounting (Alex, 2012; Livia & Györgyi, 2013). Hence, traditional healers in South Africa are likely to benefit from the adoption of cost accounting systems so that they can improve their product and service pricing.

2.1. UNDERSTANDING AFRICAN TRADITIONAL HEALING

Traditional healing in South Africa is intertwined with cultural and religious beliefs (Truter, 2007). Moagi (2009) describes a traditional healer as someone that possesses the gift of receiving spiritual guidance from the ancestral world by focusing not only on physical conditions, but also on the psychological, spiritual and social aspects of individuals, families and communities. Moreover, in South Africa, traditional healers are seen as major providers of primary health care services and are known to provide social and cultural stability. Ndhlalambi (2009) explains that in South Africa, the traditional health system can be described as a holistic approach that focuses on the whole person’s health rather than particular organs or disorders; the body, spirit and environment are all considered important to one’s health. Again, Moagi (2009) reflects that traditional healing practices in South Africa undergo different stages, from the identification of the cause or discovery of ailments through supernatural divination to the removal of the hostile sources of sicknesses. Kale (1995) assumes that since a large proportion of the South African population consults through traditional healers confirms that traditional healing is a much valued component of the peoples’ lives. Basically, traditional healing in South Africa consists of two main categories: traditional healers and traditional medicines. Gqaleni et al. (2007) estimated that there are about 150,000 to 200,000 traditional healers in South Africa belonging to about 100 separate associations. This confirms their importance within the society. Hence, the use of cost accounting practices may well help to improve their services.
2.2. REGULATION OF AFRICAN TRADITIONAL HEALING IN SOUTH AFRICA

Despite certain areas of progress in South Africa since 1994, there still exist some disparities in health provision (Benatar, 2013). Richter (2003) lists legislations like the Witchcraft Suppression Act of 1957 and the Witchcraft Suppression Amendment Act of 1970 which prohibited traditional healers from practicing their trade as early as 1891. Notwithstanding that these laws were abolished with the advent of democracy in the country in 1994, traditional health practitioners and traditional medicines practices were still governed by the Witchcraft Suppression Amendment Act of 1970, hence the practice was still regarded as witchcraft under the Act. However, a new Traditional Health Practitioners Act was passed in 2004 and amended in 2007 to transform and regulate traditional healing practices in South Africa. The Act established a body to regulate the practices of some 200,000 or more traditional healers in South Africa (Moagi, 2009).

Incidentally, the regulation of South African traditional healers has not gone unchallenged because non-governmental organisations like the Doctors for Life International was totally opposed to the Act and the creation of the Institute of Traditional Heath Practice Council saddled with the issuance of licenses to practitioners. Despite all of these efforts, Moagi (2009) notes that traditional healers are yet to succeed in having their practices recognised as a legitimate health care provider like the conventional health practitioners. Traditional healing was still regarded as a secret cult which had to be tolerated as one of the peculiarities of the African community (Rautenbach, 2011).

In contrast, the Traditional Health Practitioners Act of 2007 promotes the traditional healing philosophy as the use of indigenous African techniques, principles, theories, ideologies, beliefs, opinions, customs and the uses of traditional medicines communicated from ancestors to descendants or from generations to generations, with or without written documentation. In addition, Gqaleni et al. (2007) indicate that the Act classifies traditional healers as diviners, herbalists, prophets or faith healers, traditional surgeons and birth attendants. The Traditional Healing Council is responsible for the registration of practitioners, the establishment of educational standards for registration and the general regulation of the health care professions (Gqaleni et al., 2007). Unfortunately, Tshehla (2015) recognises that the Council does not have the capacity to deliver satisfactorily on its mandate because of the difficulty in selecting genuine or credible practitioners from the bogus ones for registration purposes.
2.3. ECONOMIC IMPORTANCE OF TRADITIONAL MEDICINE AROUND THE WORLD

While traditional healing practices have been institutionalised and commercialised in South Africa and globally, there is no recorded information that identified the total expenditure and revenue from traditional health practices. Kayne (2009) reports that the traditional medicine trade in South Africa is a large and growing industry. However, Muela, Mushi and Ribera (2000) found disparities in fees charged by orthodox and traditional healing practices. For example, Muela et al. (2000) found that in Tanzania, the cost of treating malaria in an orthodox hospital is around $1.70, consisting of consultation of $0.50, lab services of $0.85 and drugs for $0.35, while Ngoma (fees for traditional healers' basic therapy) cost about $10.70 consisting of about $1 for divination and between $5 and $15 for treatment. Depending on the wealth or financial situation of the client, such treatment goes up to $50 or more. On the other hand, Pesek, Helton and Nair (2006) report that the world market for traditional medicine based on traditional healing knowledge has been estimated at $60 billion in 2009 (Robinson & Zhang, 2011; WHO, 2013). For example, Endashaw (2007) states that the traditional medicines' industry in Ethiopia has remained an informal industry while the global value of herbal plants is estimated to be US$500 billion with the USA, Germany, China, India, Chile and Egypt playing the major role. Furthermore, Kayne (2009) estimates that there are about 27 million consumers of traditional medicines in South Africa and that the African healing trade contributes an estimated $193 million to the national economy with 771 plant species used for traditional medicine with a cost of about $320 per kilogram. The practical problem, however, is that the pricing of traditional healing in South Africa is unsubstantiated as the recently established Institute of Traditional Healing Council is yet to regulate the pricing of the products and services of the African traditional healing. Hence, the adoption of cost accounting systems into traditional healing practices will be significant to improve their product and pricing decisions.

3. METHODOLOGY

This study used an exploratory study method given that cost accounting practices is a relatively new phenomenon in African traditional especially in South Africa. In order to understand the experiences of the traditional healers about issues relating to product costing in African traditional healing, in-depth interviews were used. The research strategy was developed so that the traditional healers could share their story to help resolve the research questions. The researchers used the focus group interviews, direct observations, docu-
Fieldwork was carried out in the Makhuduthamaga Local Municipality in South Africa during June 2015 in a focus group of seven traditional healers. De Vaus (2001) and Fox (2006) regard an interview as a conversation with a purpose. According to Bless and Higson-Smith (2006), an interview involves direct personal contact with the participant who is asked to answer questions relating to the research problem.

Data were collected through semi-structured questions since the study area is both sensitive and under-researched. Rajasekar et al. (2006) regard the qualitative research approach as a non-numerical, descriptive, applying reasoning and using words and to get the meaning, feeling and to describe the research situation. De Vaus (2001) claims that the objective of a qualitative research design is to ensure that evidence obtained answers the research questions as unambiguously as possible. According to Folkestad (2008), the research design serves as a guide to the systematic collection of data. The unit analysed for this study was the Traditional Healers Organisation in the Makhuduthamaga Local Municipality under the National Department of Health of South Africa. The Traditional Healers Organisation is a non-statutory, professional organisation for traditional health practitioners who subscribe to the Traditional Healers Practitioners Act 2007. This organisation is responsible for organising, training, certifying traditional health practitioners and fighting for members’ rights to practice in tradition healing. They also assure the values, quality of treatment, efficacy, safety and ethical standards of member practitioners and have knowledge about traditional healing of different kinds of ailments and share this knowledge through their training programmes. The purpose of using the Traditional Healers Organisation in Makhuduthamaga Local Municipality as the unit for analysis was because they granted access to the researchers who understand and speak their local language (Sepedi) which made it easier to gather the necessary information and data. Special attention was given to providing clarification and finding of possible reasons for explaining cost accounting in traditional healing. The researcher categorised the responses to check for similarities.

The data analysis entails organising and arranging the information obtained in a logical order whereby data are categorised and arranged into meaningful groupings to scrutinise common themes and patterns. Respondents are registered members of the Makhuduthamaga Local Municipality Traditional Healers Organisation. They were informed of the purpose of the interview and the place, date and time of the interview were agreed upon. The locations of the interviews varied depending on interviewees’ convenience. In order to conduct the interview, appointments with the interviewees were set with
their consent. The interview was not only based on the pre-set questions by the researcher but also included questions that the researcher thought would be necessary to achieve the purpose of the study. The method of recording responses from interviews was done with a video-recorder. A focus group allows the researcher to collect information from a small group, while observing non-verbal behaviour and guiding and probing the participants so that all the information required can be uncovered.

3.1. DOCUMENTATION

As content analysis is part of getting evidence for this study, relevant supporting documentation was analysed. The material were the official documents such as, Traditional Healers Organisation (THO) profile, THO Code of Conduct and Grievance Procedures policy, THO Code of Ethics and Behaviour Policy, Identification of target groups of traditional health practitioners for training, Guidelines for formulating policies on training of healers, South African Charter of Religious Rights and Freedom, THO Code of Ethics, Heritage Transformation Charter, Declaration on traditional medicine and Traditional Health Practitioners Act 2007. Since the records are maintained not for research purposes, but for regulations and administration, the information required may not be recorded at all or only partly recorded.

3.2. DIRECT OBSERVATION

Direct observation was carried out during the site visits and field work. The selection of traditional healers visited was based on the recommendation of the chairperson of the traditional healers’ organisation in the Makhuduthamaga Local Municipality. The visit involved meeting with traditional healers at the discretion and approval of the chairperson within the Makhuduthamaga Local Municipality. Direct observation was used to observe the practice of cost accounting in African traditional healing.

3.3. DATA ANALYSIS

Qualitative data generated from the interview were analysed using the thematic analysis technique. The common themes were developed and supported through verbatim quotes. Using the research questions as tools for analysis, the researcher highlighted the relevant texts which are critical for this study. According to Lancaster (2005), data analysis refers to the process of turning data into information in developing concepts, theories, explanations and understanding. A content analysis was carried out to retrieve any useful information that addresses the research questions from the association’s records. For this study, the researcher read the documents, interview transcripts
and notes repeatedly as documentary materials proved useful in addressing the research questions.

3.4. ANALYSIS OF INTERVIEW DATA

Analysing qualitative data is basically a process of organising, categorising and meaningfully interpreting a large volume of words obtained from interviews, field notes or documentary surveys. Creswell (2009) and Folkestad (2008) argue that, regardless of the different ways of analysing the data, any analysis technique has to be anchored to the conceptual framework and tied up to the research objectives of the study. As qualitative data involve a huge amount of written and spoken data, a researcher should look for a sound way to begin the analyses or else a researcher will simply drown in the stream of data. While there are no hard and fast rules as to how to commence the data analyses, suggestions by Creswell (2009) proposed a three phase qualitative data analysis such as data reduction, data display and conclusion drawing as useful to the researcher.

4. FINDINGS

The focus group questions are divided into related themes. The role of cost accounting in traditional healing in the revitalisation of the current health care system is critical. The introductory focus group showed that cost accounting can be implemented in African traditional healing in a practical, simple and tailor-made way for the business. It is also observed that cost accounting is not necessary practiced in traditional healing within the group but they have an arbitrary approach to deciding service charges.

Necessity of cost accounting in African traditional healing

Most of the traditional healers in the focus group agree that adopting a modified cost accounting system will improve traditional healing practices. The first impression of the investigation suggests possible reasons for the traditional healers using cost accounting and the necessity of cost accounting in African traditional healing. It soon appeared that these traditional healers, though, have benchmark charges to determine the unit price of the products and services; the majority of them charge their clients in an unregulated manner. Findings indicate that following from the benchmark charges, most of the traditional healers charge their clients based on their affluence. This means that clients are charged based on their economic status.

Responding to a consideration of adopting cost accounting as a useful tool to turnaround their business practices, the traditional healers believe that since the use of cost accounting had been successful in other types of busi-
nesses, they believe it will also be useful to determine their charges as well as improve their decision-making processes. It cannot be said that the traditional healers partially use cost accounting in their traditional healing processes because there is no formal record keeping of cost determination.

Findings highlight the fact that many traditional healers believe that if they were aware of cost accounting practices, pricing of their products and services would have been more realistic and would have enabled them to decide whether to increase charges or not. Most of the traditional healers were not aware of cost accounting practices, as a result they have never thought about pricing their products and services differently and appropriately as it has been very difficult to price and measure the production costs.

Cost accounting information will enable traditional healers to determine monthly budgets, annual costs and revenue of the products and services as they continue to provide the services diligently if implemented. They hope to explore cost accounting potentials to address health care and economic needs of the country by adequately determining service costs and charges. Hence, there is a need to facilitate decisions in traditional healing through cost accounting principles regarding the appropriate costing of products and services through the provision of accurate cost accounting information. The next section will explain the conclusion of the findings for the reason of the partial usage of cost accounting in African traditional healing.

*Usage of cost accounting in African traditional healing.*

The lack of available literature to determine the extent of cost accounting practices to improve product and service pricing in African traditional healing, especially in South Africa, suggests a gap regarding its application. Findings reveal potential challenges to the application of cost accounting in African traditional healing to include lack of costing skills among traditional healers. This lack of costing skills is due mainly to the fact that only a few of the practitioners have education beyond the high school level. But traditional healers will be able to utilise cost accounting functions to capture the entire process flow of the products and services. The traditional healers believe that if they are able to adopt and use cost accounting like their modern medical practitioners counterpart, it will raise their level of acceptance by the society and improve their patronage. Due to their non-exposure to cost accounting, the traditional healers were never requested by the Traditional Healers Organisation to generate cost-related information about their practices for unified price regulation in treating their clients.

The traditional healers are confident that cost accounting will be able to assist them to prepare a cost accounting data-base for their products and services and maximise inventory valuation. The data gained from the focus group
Interview showed the lack of exposure to cost accounting practices neither have any of them contracted a professional to help generate cost information regarding their business. The traditional healers in this focus group have therefore requested the researcher to assist in training them on how to adopt cost accounting into their practices.

They hoped that cost accounting will assist them in drawing up annual budgets and cost statements which will include a medication inventory since some of their medications are stored up for months with no appropriate expiry date. Most of their product inventory are difficult to value because they lack proper storage while they find it difficult to determine the value of products used for specific clients. Hence, there is a need to facilitate decisions in traditional healing by introducing cost accounting practices to provide accurate cost accounting information to improve their decision-making processes in general.

5. CONCLUSIONS

The importance of cost accounting practices in both private and public organisations has been explained. Cost accounting has the potential to benefit the traditional healers as well, although it cannot be stated as a precondition for success. The lack of cost accounting skills among the majority of uneducated traditional healing practitioners is a major challenge as found by this study. The use of an arbitrary pricing regime is a major reason for inconsistency in regulating traditional healing practices. There is a clear need for cost accounting skills training for traditional healers just like for every business person. This will enable them to prepare annual financial reports that will enable their services to be subjected to tax by the authorities. One benefit of cost accounting will be to provide traditional healers with a comprehensive data-base for their products and services. This will serve as a future reference point for all cost-related issues. As with any qualitative study, there are limitations as to the generalisability and reliability of the findings. As such, some of the findings may not be generalizable. However, this study provides a starting point for future study into the area of cost accounting in traditional healing.

5.1. RECOMMENDATIONS FOR FUTURE RESEARCH

Cost accounting systems can be implemented in African traditional healing as more practical, simple and tailor-made. The policy makers will find the adoption of cost accounting systems in African traditional healing a useful step at integrating the practice into a main stream health care system and to develop strategies to protect clients from unscrupulous practitioners who are in the busi-
ness to exploit the vulnerable. There is potential for further study to develop a tailor-made cost accounting system for traditional healing practices especially in local languages that will meet the yearning of uneducated practitioners.

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RAČUNOVODSTVO TROŠKOVA U AFRIČKOM TRADICIONALNOM LIJEČENJU: STUDIJA SLUČAJA TRADICIONALNIH ISCJELITELJA MAKHUDUTHAMAGA U JUŽNOJ AFRICI

SAŽETAK RADA:
Studija istražuje izazove i potencijale usvajanja računovodstva troškova u afričkoj tradicionalnoj iscjeliteljskoj praksi. Iako računovodstvo troškova prevladava u privatnom i javnom sektoru nije usvojeno u afričkom tradicionalnom liječenju. Ova studija istražuje nužnost i prednosti usvajanja prakse troškovnog računovodstva kako bi se poboljšali proizvodi i usluga u afričkom tradicionalnom liječenju. Istraživačka studija provodila se na fokus grupama tradicionalnih iscjelitelja Makhuduthamaga općine u Južnoj Africi provođenjem grupnih intervjua. Nalazi istraživanja pokazuju potrebu za poboljšanjem procesa donošenja poslovnih odluka kroz integraciju principa troškovnog računovodstva i pružanjem ispravnih računovodstvenih informacija. Studija preporuča razvoj jedinstvenog modela računovodstva troškova koji bi koristili tradicionalni iscjelitelji u Južnoj Africi.

Ključne riječi: računovodstva troškova; tradicionalne iscjeliteljske prakse; Južna Afrika; tradicionalni iscjelitelji; tradicionalna medicina; trošak proizvoda; Udruženje tradicionalnih iscjelitelja.