

**REVENUE ENHANCEMENT STRATEGIES AND GROWTH OF OWN
SOURCE REVENUE IN COUNTY GOVERNMENT OF MACHAKOS,
KENYA**

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UNIVERSITY**

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DECLARATION

This research project is my original work and has not been presented for a degree or other award in any other University. No part of this research project should be reproduced without authority of the author or and Kenyatta University.

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DEDICATION

I dedicate this research project to my beloved wife Mirrium Mwende Mulinge and precious daughters Tracy Ndanu Mulinge as well as Stacy Mutheu Mulinge, whose unwavering love, support, and encouragement have been my greatest source of strength throughout this academic journey. This achievement is as much theirs as it is mine.

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ABBREVIATION/ACRONYMS

CBEF	County Budget Economic Forums
DST	Direct Digital Service Taxes
GDP	Gross Domestic Product
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureaus of Standards
MMDAs	Metropolitan, Municipal, and District Assemblies
MOU	Memorandum of Understanding
NTEP	National Treasury and Economic Planning
OSR	Growth of own source revenue
PE	Permanent Establishment
PFM	Public Finance Management
RBV	Resource-Based View
WDM	Waterburg District Municipality

OPERATIONAL DEFINITION OF TERMS

Capacity Building Strategies	Refers to the process of developing and strengthening the skills, knowledge, resources through regular training on revenue management, availability of skilled personnel, improved efficiency due to staff development Investment in leadership and technical skills as well as structures necessary for improved compliance from capacity building.
Internal Control Strategies	Are systematic measures and policies organizations implement to safeguard assets in the Presence of structured internal control systems, under regular review and verification of records accompanied with mechanisms to prevent fraud and leakage. This can be accomplished as well by use of technology in revenue oversight and also staff training on control procedures thereby helping to prevent fraud.
Legal and signatory framework	They describes system of rules, laws, regulations and principles established by a government or authority that governs how organizations, individuals and entities operate through enforced signatory authorities, adhering to compliance requirements and approval hierarchies.

Own Source Revenue	Refers to ratio of actual own source revenue against targeted own source revenue. This includes revenue that a government entity, such as a county, municipality, or local authority, generates independently from its internal sources, without relying on transfers from the central government or external grants.
Revenue Digitization Strategies	Refer to the approaches organizations uses to enhance efficiency through digitization of revenue collection processes, use of online payment platforms as well as use of digital systems for tracking and reporting in order to reduce. Lastly, training on digital revenue systems to drive growth through digital transformation.
Revenue Diversification Strategies	The approaches such as use of county investments to boost revenue or application of public-private partnerships (ppps) that organization use to generate income. This may also include adoption of non-traditional revenue streams as well as institutional support for diversification.
Revenue Enhancement Strategies	refer to systematic approaches and initiatives implemented by organizations, businesses, or government entities to increase their income streams and maximize revenue collection.

ABSTRACT

Growth of own source revenues (OSR) in counties plays a crucial role in enhancing fiscal autonomy and reducing dependence on national government transfers. However, in Machakos County, OSR performance remains below potential. County revenue reports show that OSR contributed less than 15% of total revenue between 2017 and 2023, despite the Commission on Revenue Allocation (CRA) estimating that counties could generate up to Kshs. 260.6 billion if fiscal instruments were fully optimized. This persistent underperformance points to structural and strategic gaps in revenue generation mechanisms. Therefore, the specific objectives of this study were to determine the effect of revenue diversification strategies, internal control strategies, revenue digitization strategies, and capacity building strategies on the growth of own source revenue in the County Government of Machakos. The study was underpinned by the Resource-Based View, Public Finance Theory, Benefit Theory of Taxation, and Human Capital Theory. A descriptive research design was employed. The study targeted 110 respondents, comprising 105 sub-county revenue staff and 5 senior officers from the finance and planning departments, using purposive sampling. Primary data on the independent variables were collected through structured questionnaires, while secondary data on OSR performance were sourced from official county documents. The data analysis utilized descriptive statistics (means and standard deviations), correlation, and multiple regression to assess the strength and direction of effects. Diagnostic tests conducted included tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Ethical safeguards such as informed consent, confidentiality, anonymity, voluntary participation, and harm avoidance were strictly upheld. The findings revealed that revenue diversification had a statistically significant positive effect on OSR growth ($\beta = 0.385$, $p = 0.029$), implying that expanding revenue sources enhances fiscal inflows. Internal control strategies, however, showed a statistically significant negative effect ($\beta = -0.532$, $p < 0.001$), suggesting inefficiencies or rigidities in control mechanisms that suppress revenue growth. Revenue digitization strategies were found to have a statistically significant positive effect ($\beta = 0.481$, $p = 0.011$), indicating the usefulness of technology in improving compliance and efficiency. Capacity building strategies also had a statistically significant positive effect ($\beta = 0.674$, $p < 0.001$), confirming that well-trained personnel are instrumental in enhancing revenue collection and management. Based on these findings, the study concludes that revenue diversification, digitization, and capacity building are effective levers for improving OSR performance, while internal controls may require reform to become enablers rather than constraints. It is recommended that the County Government of Machakos adopt a comprehensive strategy that maps untapped revenue areas and digitizes the entire revenue value chain. Moreover, internal control systems should be redesigned to support rather than stifle revenue operations through automation and accountability. Finally, sustainable capacity-building programs tailored to current fiscal demands should be institutionalized to professionalize the county's revenue management systems. The study reaffirms the importance of evidence-based policy and capacity development in unlocking county fiscal potential.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Revenue Enhancement Strategies refer to a set of deliberate actions and policies aimed at increasing an organization's income streams while optimizing existing revenue sources. These strategies may include pricing adjustments, market expansion, product or service diversification, improved customer retention efforts, and leveraging technology for efficiency (Vecerdia, 2020). In the public sector, Fjeldstad and Heggstad (2020) states that revenue enhancement often involves tax reforms, broadening the tax base, reducing leakages, and improving compliance. Effective implementation of these strategies ensures financial sustainability and long-term growth.

Revenue enhancement strategies are crucial for governments as they ensure sustainable financial resources for public service delivery and economic development. These strategies help in broadening the tax base, improving tax compliance, and reducing revenue leakages, thereby increasing government income without overburdening taxpayers (Zahradden, 2022). They also support infrastructure development, healthcare, education, and other essential services by ensuring a steady flow of funds. Additionally, effective revenue strategies reduce reliance on external borrowing, lowering national debt and fostering economic stability (Pierre van der, 2020).

Globally, a report by Nanjundaiya (2024) indicated that India's Fiscal Strategy and Management at a Crossroads - Finding the Right Balance for Growth: Union Budget presentation outlined a plan to keep the fiscal deficit on a trajectory that would place central government debt on a declining path relative to GDP after 2025-26. This balanced approach was key to promoting long-term growth without compromising

fiscal discipline. Additionally, it is crucial to acknowledge the role of India's individual states, which collectively contribute over 50% of the combined government expenditure.

Rivett and Chemisto (2020) in a report about the developing capacity through co-design: The case of two municipalities in rural South Africa, confirmed that municipalities can enhance revenue amidst the overwhelming socio-economic odds. Recognizing these challenges, the Waterburg District Municipality (WDM, 2022) developed another South African effort to identify and implement revenue enhancement strategies that boost the Municipality in its efforts towards improved revenue collection. They noted that WDM had limited opportunities for revenue due to reduced powers and functions and therefore fully dependent on Government grants. This made them unable to execute their service delivery programs to their stakeholders. In Ghana, Akorsu (2015) asserted that revenue mobilization of the local government, municipal, and district assemblies had been poor, forcing them to rely entirely on budget allocation from the central government

Katunzi and Mfungo (2020) looked at engaging small taxpayers in the enhancement of revenue collection for local government authorities in Tanzania. They observed that targeted revenues as planned by local governments are not met. The resulting deficit in revenues in Tanzania are caused by poor tax-compliance on small taxpayers who in turn are the most beneficiaries of the services provided by local authorities. However, strategies to engage them and an extent to which they should feel engaged in the exercise of revenue collection seem not to be fully explored in Tanzania

National Taxpayers Association (2020) on supporting revenue enhancement in Kiambu County, Kenya observed that the success of the counties now determined not by their duplication of past practices of local governments that were primarily dependent upon

the National Government for the provision of services and funding but by their local actions. Counties must, thus, play a critical role of revenue collection for purposes of service delivery and infrastructure development. While a National Treasury (2021) study on revenue streams by county governments in Kenya showed that the six key revenue streams by counties were property tax, building permits, business licenses, liquor licenses, vehicle parking fees and outdoor, advertising. These streams had adequate policy, rationale, clear legal basis, a high contributor and a revenue-raising objective applicable across all counties.

1.1.1 Growth of Own Source Revenue

Own Source Revenue (OSR) is broadly defined as the revenue collected directly by a government from its own sources, such as taxes, user fees, licenses, and fines, without relying on transfers from higher levels of government (Bird, 2020). According to the World Bank (2020), OSR refers to the funds generated by subnational governments through mechanisms within their legal authority, aimed at financing their service delivery obligations. The International Monetary Fund (IMF, 2019) further describes OSR as the portion of revenue that reflects a government's fiscal autonomy and capacity to raise resources independently. In a similar vein, Martinez-Vazquez and Smoke (2019) define OSR as critical revenues that empower local governments to meet local demands effectively and foster accountability. Overall, OSR strengthens the financial independence of governments, enhances responsiveness to citizens' needs, and reduces overreliance on national transfers.

Several conventional measures are commonly used to indicate the growth of Own Source Revenue (OSR). Martinez-Vazquez and Smoke (2020) assert that one widely used indicator is the ratio of actual own source revenue against targeted own source revenue. It directly measures how well a county is meeting its revenue mobilization

targets. Therefore, a higher ratio (close to or above 100%) means the county is efficient in collecting its intended revenue, while a lower ratio signals underperformance. Another measure is the ratio of actual OSR collected to project OSR, which evaluates the efficiency and accuracy of revenue forecasting and collection efforts (World Bank, 2021). The year-on-year growth rate of OSR is also frequently used to track the absolute changes in OSR over time, reflecting improvements or declines in local revenue performance (Bahl & Bird, 2020). Additionally, OSR per capita serves as a useful measure for comparing revenue generation across different jurisdictions by accounting for population differences (International Monetary Fund (IMF), 2020). Together, these indicators provide a comprehensive view of the sustainability, predictability, and strength of a government's own revenue base.

Growth of own source revenue (OSR) in Kenyan counties refers to the funds that county governments generate internally from local sources such as business permits, property rates, market fees, parking charges, and other levies (Langat & Njoroge, 2021). It is a crucial component of county financing, supplementing equitable share allocations from the national government. Since the inception of devolution in 2013, counties have made progress in enhancing OSR collection through automation, improved enforcement, and broadening the tax base (Mpofu, 2022). However, according Kipkurui and Makori (2023), challenges such as weak revenue administration, corruption, political interference, and inadequate taxpayer compliance continue to hinder optimal revenue generation. Strengthening OSR systems through better policies, technology adoption, and transparent management remains key to ensuring sustainable county financing and improved service delivery.

The county governments in Kenya are expected to optimize revenue collection to be able to meet their financial demand without dependence on the national government.

Though the county Governments have made some progress in revenue collection such as full adoption of the Integrated Financial Management Information System (IFMIS), establishment of County Budget and Economic Forums (CBEF), and improvement in the absorption of development funds revenue collection is not optimized (Nyaga, 2022). According to Owino (2023), western Kenya revenue collection have been on the decline and the target is not met despite the high needs to serve the locals this have affected the performance in the region.

County governments should collect enough revenue through taxes so that they can face increasing budget and to balance county budget and revenue collection through tax instrument (Mutio, 2022). Contrary to what was expected, many county governments in Kenya such as Migori County, Kericho County and Kirinyaga County have regular cases of doctors' strikes indication that counties have failed to discharge their functions due to lack of enough finances. It has been a common phenomenon in the local media reporting on county workers going on strike due to unpaid salaries, allowances and lack of funds to run county projects and operations. This denotes that most of these counties have poor revenue collection programs which results to financial deficit (Owino, 2022).

Own source revenue collected by the counties has mainly remained the same in the last decade since the start of devolution. In FY 2013/2014, the counties' own-source revenue amounted to Kshs 26.3 billion, rising to Kshs 33.9 billion in FY 2014/2015. Revenue collection remained largely the same between 2015 and 2018 before rising to kshs 40.3 billion in 2019. It dropped again in subsequent years before reaching a high of kshs 58.9 billion in FY 2023/2024. The total Own Source Revenue collected by counties in FY 2023/2024 was kshs 58.9 billion. Ordinary Own Source Revenue amounted to kshs 42.3 billion and Facilities Improvement Fund and Appropriations in Aid (A-I-A) were kshs 16.7 billion.

County governments which recorded low performance of own source revenue against annual targets were; Nyandarua at 42.1 per cent, Machakos at 46.5 per cent, Mandera at 50.8 per cent, Nyamira at 53.8 per cent, Bungoma at 55.8 per cent, Kajiado at 56.1 per cent and Busia at 56.9 per cent (Afro Kenya, 2024). Going by the low attainments of own source revenue by Machakos county, this underscores the basis of the study.

The chart below shows the trends in Own Source Revenue collection by counties from 2013 to 2024.

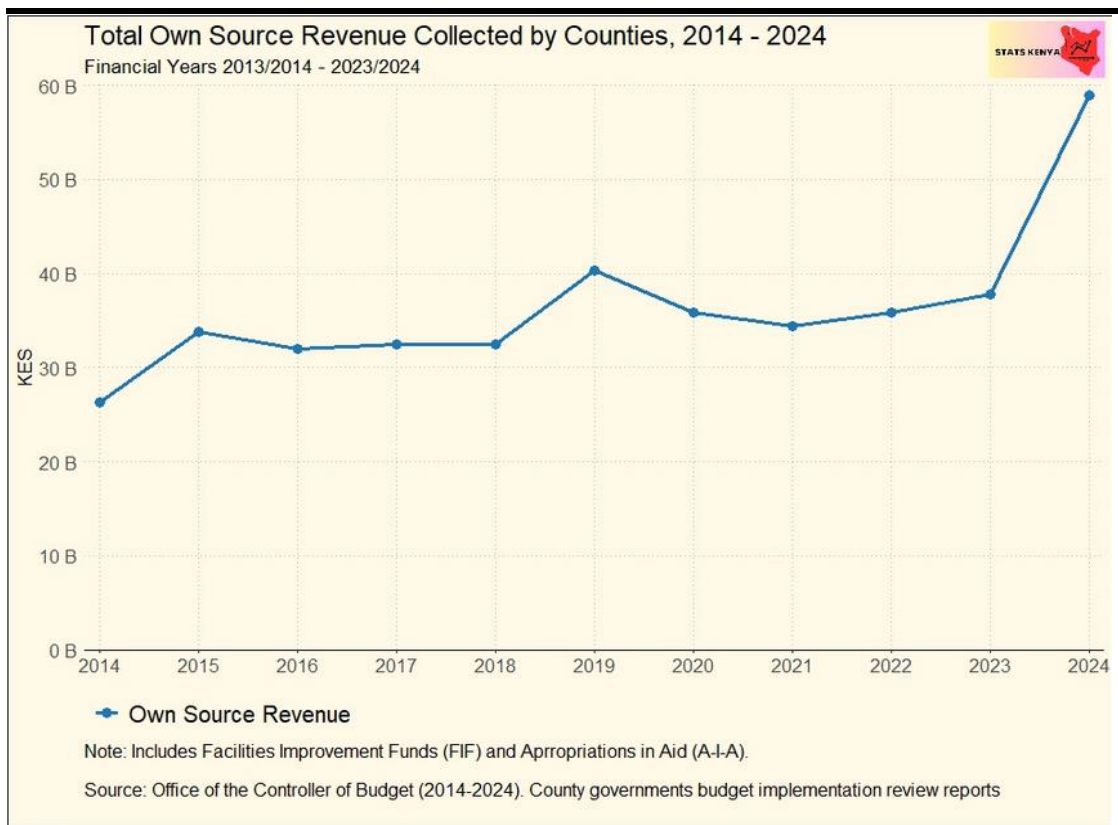


Figure 1.1 Own Source Revenue Collection by Counties in Kenya

Source: Statskenya (2023). Own Source Revenue Collection by Counties in Kenya.

The County Government of Machakos has implemented several strategic reforms aimed at enhancing its Own Source Revenue (OSR) collection. In the first half of the 2023/2024 financial year, the county collected kshs 323 million against a target of kshs

4.1 billion, achieving only 7.8% of its annual OSR goal (Machakos County Assembly, 2024). To address revenue collection challenges, Machakos County undertook significant reforms. These included consolidating 211 pay-bill numbers into a single platform (1616160) to reduce leakages and introducing a USSD code (*859#) to streamline payments. Additionally, the county decentralized revenue collection to the ward level and allowed business license payments in installments, enhancing accessibility and compliance as noted in *Machakos County Review Report 2024* (Machakos County Government, 2024).

In the 2023 revenue mapping report indicated that Machakos has the potential to collect up to kshs 7 billion annually in OSR, highlighting a significant gap between potential and actual collections. Factors such as underperformance in key revenue streams like land rates, building approvals, and agricultural produce levies contributed to the shortfall. While Machakos County has made commendable strides in reforming its revenue collection systems, the disparity between projected and actual OSR underscores the need for continued efforts in enhancing efficiency, expanding the tax base, and improving compliance to fully realize its revenue potential (Stats Kenya, 2023).

According to Afro Kenya (2024), Machakos County in the fy 2023/24 collected kshs 1.34 billion against a target of kshs 2.92 billion which is 46.5% of the annual target. The county has a potential to collect kshs 7.7 billion, this is per a report done by the World Bank group and the commission on revenue allocation on the estimated potential of growth of own source revenue for counties. If the collection of kshs 1.3 billion is related to the potential, then Machakos County is only doing approximately 16.8% of its potential.

Table 1.1: Revenue Collection of County Governments of Machakos Kenya

	Revenue Stream	TARGET OSR FY 23/24 (Revised)	ACTUAL OSR FY 23/24	VARIANCE FROM TARGET
1.	Cess	451,645,619.00	223,237,373.00	(228,408,246.00)
2.	Land/Poll Rate	468,920,046.00	304,758,653.00	(164,161,393.00)
3.	Single/Business permits	419,583,703.00	307,038,809.00	(112,544,894.00)
4.	Property Rent	12,136,982.00	6,469,986.00	(5,666,996.00)
5.	Parking Fees	279,308,136.00	129,246,687.00	(150,061,449.00)
6.	Market Fees	29,605,554.00	61,656,607.00	32,051,053.00
7.	Advertising	137,136,697.00	91,294,436.00	(45,842,261.00)
8.	Hospital fees	1,008,000,000.00	177,826,333.00	(830,173,667.00)
9.	Public Health Service Fees			-
10.	Physical Planning and Development	291,092,219.00	148,320,590.00	(142,771,629.00)
11.	Hire of County Assets			-
12.	Conservancy Administration	65,823,598.00	30,327,051.00	(35,496,547.00)
13.	Administration Control Fees and Charges	166,315,996.00	97,611,266.00	(68,704,730.00)
14.	Park Fees	2,717,509.00	1,030,220.00	(1,687,289.00)
15.	Other Fines, Penalties & Forfeiture Fees			-
16.	Asset Disposal	100,000,000.00		(100,000,000.00)
	Total County Own Source Revenue	3,432,286,059.00	1,578,818,011.00	(1,853,468,048.00)

Source: Compiled from County Government of Machakos Report on County receiver of revenue financial statements for FY 2023/2024

Source: (KNBS and Commission of Revenue Allocation 2024; County Government of Machakos Kenya Report, 2024).

County governments should collect enough revenue through taxes so that they can face increasing budget and to balance county budget and revenue collection through tax instrument (Mutio, 2022). Contrary to what was expected, many county governments in Kenya such as Migori County, Kericho County and Kirinyaga County have regular cases of doctors' strikes indication that counties have failed to discharge their functions due to lack of enough finances. It has been a common phenomenon in the local media reporting on county workers going on strike due to unpaid salaries, allowances and lack of funds to run county projects and operations. This denotes that most of these counties have poor revenue collection programs which results to financial deficit (Owino, 2022). It is against this backdrop, the study assessed effect of strategic innovation in optimization of revenue collection in Western Counties of Kenya.

1.1.2 Revenue Enhancement Strategies

Revenue enhancement strategies are viewed differently depending on institutional contexts. From a governmental perspective, these strategies focus on expanding the tax base, improving tax compliance, and curbing revenue leakages through automation and digitization (Bird & Zolt, 2020). In the corporate sector, revenue enhancement involves strategies such as product diversification, pricing optimization, market expansion, and innovation to increase sales and profitability (Froelich, 2021). Meanwhile, in public service institutions like hospitals or universities, strategies may include cost-sharing mechanisms, fee restructuring, and public-private partnerships to supplement traditional funding sources (Barr, 2022).

Governments around the world adopt a range of revenue enhancement strategies to strengthen their fiscal capacity, fund public services, and support economic development. One of the most common strategies is broadening the tax base, which involves reducing exemptions, eliminating loopholes, and ensuring that more individuals and businesses contribute to the tax system (Choi, 2021). Another key strategy is improving tax compliance through digitization and modernization of tax administration systems. This includes initiatives like electronic tax filing, real-time data monitoring, and automation, which enhance efficiency and reduce opportunities for evasion (Adu *et. al.* 2019). Governments also pursue diversification of revenue sources beyond taxes. This includes the introduction or revision of user fees for public services, such as health, education, and transportation, as a way of recovering costs and promoting efficiency (Folde, 2021).

The debt management and restructuring are used to create fiscal space, freeing up resources that can be redirected to revenue-generating investments. Some governments also engage in asset management and privatization, where underutilized public assets

are sold or leased to generate capital inflows (Kero & Bogale, 2023). Lastly, Capacity building strategies for revenue diversification efforts in governments involve strengthening institutional, human, and technical capabilities to enhance sustainable revenue generation beyond traditional sources like taxes and donor funding. These strategies include training government personnel in financial planning, tax administration, and investment management to improve efficiency and innovation in public finance (Lehman & Hatcher, 2020).

Overall, these strategies are aimed at building a robust, equitable, and diversified revenue system that supports national development goals. Therefore, this informs revenue enhancement strategies to be adopted in this research comprising of; revenue diversification strategies, internal control strategies, revenue digitization strategies and capacity building strategies.

1.1.2.1 Revenue Diversification Strategies

Revenue diversification strategies according to Smith, and Revell (2022) comprises of various approaches organizations or governments use to generate income from multiple sources, reducing dependence on a single revenue stream. These strategies involve expanding funding channels, such as introducing new products or services, exploring alternative markets, leveraging technology, forming strategic partnerships, and optimizing existing resources for higher returns. Draugalis and Plaza (2023) claim that revenue diversification may also include broadening the tax base, implementing user fees, attracting foreign investments, and monetizing government assets. By diversifying revenue sources, organizations and governments enhance financial stability, mitigate risks associated with economic fluctuations, and ensure long-term sustainability.

According to Schoeman (2021) revenue diversification strategies are essential for financial stability, risk management, and long-term sustainability in both organizations

and governments. Through generation of income from multiple sources, these strategies reduce dependency on a single revenue stream, minimizing the impact of economic downturns, market fluctuations, or policy changes. In reference to National Treasury and Economic Planning [NTEP] (2022), in the public sector, diversified revenue sources ensure a steady flow of funds for essential services such as healthcare, education, and infrastructure development, reducing reliance on external borrowing and mitigating fiscal deficits. For businesses, revenue diversification enhances resilience, fosters innovation, and creates new growth opportunities.

1.1.2.2 Internal Control Strategies

According to Pierre van der (2020) internal control strategies in governments refer to systematic measures and policies designed to ensure accountability, transparency, and efficiency in the management of public resources. These strategies include financial controls, risk management, compliance with laws and regulations, and operational efficiency measures. Brown (2021) provided that key components involve budgeting controls, audit mechanisms, segregation of duties, procurement regulations, and the use of technology to monitor and track financial transactions. Effective internal controls strategies help prevent fraud, corruption, and mismanagement, ensuring that public funds are used appropriately and in alignment with government policies and objectives.

Internal Control Strategies are crucial for governments as they ensure accountability, transparency, and efficiency in the management of public resources. These strategies help prevent fraud, corruption, and financial mismanagement by enforcing checks and balances, such as auditing, risk assessment, and compliance monitoring (Wijayanto & Vidyattama, 2020). Oyedele (2020) shows that internal control strategies enhance operational efficiency by ensuring that government funds are allocated and utilized effectively, leading to improved service delivery in areas like healthcare, education, and

infrastructure. Through mitigating risks and ensuring compliance with laws and regulations, these strategies contribute to good governance and economic stability.

According to the Constitution, the Public Finance Management (PFM) Act of 2012 and PFM 2015 Regulations, each County government is required to have a revenue administration bill that provides guidelines for revenue collection and general administration. Although there is limited information on counties that have enacted the growth of own source revenue bill, the key gaps relate to lack of guidelines to enable counties put more tax effort to tax streams with greatest revenue-raising potential; and the most cost-effective streams to administer such as property tax, building permits, single business permit, parking, advertising, liquor licensing and relevant user charges (Boru, 2022). Insufficient legal frameworks and guidelines can result in administrative and institutional inefficiencies, hindering the effective collection and management of own-source revenue. It is crucial for the Constitution and county statutes to establish a clear legal basis for counties to raise funds through taxes, fees, and other charges. These frameworks should specify the authority of County governments to impose taxes, fees, and charges for the services they provide (Kipkurui & Makori, 2023).

1.1.2.3 Revenue Digitization Strategies

Revenue digitization strategies in governments refer to the use of digital technologies and automated systems to enhance the collection, management, and monitoring of public revenues. These strategies involve adopting electronic payment systems, integrating digital tax platforms, leveraging data analytics for compliance tracking, and using block chain or AI to improve transparency and efficiency (Bourgon, 2020). According to Denhardt and Denhardt (2021), by minimizing manual processes, revenue digitization reduces tax evasion, enhances accuracy, and speeds up revenue collection.

Revenue digitization strategies are crucial for governments as they enhance efficiency, transparency, and accountability in revenue collection and management. Shoaib, Susheng, and Badar (2022) reveals that by leveraging digital platforms, governments can minimize tax evasion, reduce revenue leakages, and improve compliance through automated tracking and real-time monitoring. While Ligomeka (2019) assert that digitization also streamlines tax administration, reducing paperwork and operational costs while making tax payments more accessible for citizens and businesses. Improving service delivery, reducing corruption, and increasing revenue collection, digitization strengthens sustainable funding for public services such as healthcare, education, and infrastructure development.

The Kenyan government cooperates with various international partners in efforts to expedite the digitizing and automating of its services. In 2022, for instance, the government signed a memorandum of understanding (MOU) with the British Chamber of Commerce to strengthen the country's procurement, revenue collection and cross-border trade through digitization and automation. In addition to legislative developments, local governments such as Murang'a and Migori have partnered with the United Kingdom to automate revenue collection while the County Government of Nakuru used the chance to automate revenue collection as well as medical records at all public health institutions within the County (Munyao, 2022). These county governments have reported various successes, despite unique challenges such as internal resistance and human malice. However, in Nakuru, show an increase in revenue collection since the introduction of automated payments (Odeny, 2023).

1.1.2.4 Capacity Building Strategies

Capacity building strategies refers to the process of enhancing the skills, knowledge, systems, and institutional frameworks needed to improve the efficiency and

effectiveness of revenue collection and management in government. This involves training tax officials, upgrading technology, implementing best practices, and strengthening legal and regulatory frameworks to optimize revenue administration. capacity building strategies also includes improving taxpayer education, fostering inter-agency collaboration, and adopting data-driven decision-making to enhance compliance and reduce leakages (Al-Rahimy, 2022)

Human capital in capacity building strategies is essential for improving the efficiency, transparency, and effectiveness of revenue collection and management in public organizations. By enhancing the skills and knowledge of tax officials, governments can strengthen tax compliance, reduce evasion, and minimize revenue leakages. Training programs and technological upgrades improve data accuracy, streamline tax processes, and enhance service delivery to taxpayers. Strengthening institutional frameworks and legal structures ensures better enforcement of tax policies and regulations (Gang *et. al.* 2023).

The National Policy to Support Enhancement of County Governments Own-Source Revenue (2021) revealed several weaknesses in revenue growth in County Governments. They included inadequate policies and legislation, low automation and integration of revenue administration, human resource capacity deficits, weaknesses in enforcement, the multiplicity of fee charges, and ineffective controls and audit mechanisms.

1.1.3 County Government of Machakos

Machakos County is located in the eastern part of Kenya with a population of 1.4 million is considered the 16th county of Kenya (Kenya National Bureau of Statistics [KNBS], 2019) and serves as one of the 47 counties established under the 2010 Constitution of Kenya. The county is named after its capital, Machakos Town, which

is a significant urban center in the region. Machakos County is bordered by Nairobi County to the west, Kajiado County to the south, and Kitui County to the east. Its strategic location near the capital city of Nairobi makes it a vital economic hub, attracting both local and foreign investment.

The Machakos County Government operates under a devolved system of governance, which is designed to bring services closer to the people. It is headed by an elected governor, supported by a deputy governor and a county assembly. The county assembly consists of elected representatives from various wards, and it plays a crucial role in legislative functions, budget approvals, and oversight of county operations. The current administration focuses on enhancing transparency, accountability, and public participation in governance.

The county contributed 3.2% of Kenya's gross domestic product (GDP) and ranked fifth among the 47 counties in its contribution (KNBS, 2019). The local climate is considered semi-arid supporting subsistence agriculture that contributes to 70% of household income, rural self-employment contributing 10%, wage employment 11%, and urban self-employment contributing 5% to the county economy (Machakos County Integrated Development Plan [CIDP], 2022).

Machakos is mandated to execute all devolved functions under the Fourth Schedule of the Constitution to govern and develop the county. The devolved function on county planning and development as required in the PFMA 2012 requires counties to establish CIDP to guide development priorities over a five-year period. The CIDP contains county development priorities that are captured in the annual budget process, including annual development plans, annual county fiscal strategy papers, and annual budget estimates. The PFMA 2012 provides that no public funds shall be used outside a county's planning framework which directly links to the CIDP.

1.2 Statement of the Problem

The enactment of Kenya's 2010 Constitution introduced a devolved governance framework in which county governments are constitutionally empowered to mobilize own-source revenue (OSR) through localized instruments such as property rates, user fees, and service charges (Republic of Kenya, 2015). Ideally, OSR strengthens fiscal autonomy, enhances responsiveness in service provision, and reduces overreliance on equitable transfers from the national government. Yet, despite this legal foundation, OSR performance remains persistently weak. A 2020 National Treasury report revealed that approximately 90% of counties had not exploited their OSR potential, while CRA (2022) projected that counties could jointly mobilize Kshs 260.6 billion annually if appropriate fiscal instruments were fully utilized. Instead, counties continue to generate only 13% of their total revenues from OSR, signaling not merely administrative inefficiency but a deeper structural misalignment in sub-national public finance (National Treasury, 2020; Mwangi & Wanjiru, 2022).

Machakos County, in particular, illustrates this persistent gap between potential and performance. Since the inception of devolution in FY 2013/14, the county has consistently failed to meet its OSR targets. In FY 2023/24, it generated Kshs 1.34 billion against a target of Kshs 2.92 billion, representing only 46.5% performance (Office of the Controller of Budget [OCOB], 2024). This is even more concerning when assessed against the county's estimated potential of kshs 7.7 billion, meaning the county achieved only 16.8% of its theoretical capacity (World Bank & CRA, 2022). Historical records show that the county's peak OSR collections—Kshs 1.355 billion in FY 2014/15 and Kshs 1.496 billion in FY 2018/19—have failed to breach even 20% of this potential. Such persistent underperformance undermines implementation of county

development plans, exacerbates budget deficits, and contributes to the accumulation of unpaid obligations.

The budget structure of Machakos further reflects a skewed fiscal dependency. In FY 2023/24, only Kshs 1.32 billion, or 8.2% of the Kshs 15.81 billion budget, was financed through OSR (OCOB, 2024). The remainder was largely dependent on national transfers. Nationally, only Machakos and Nyandarua recorded OSR performance below 50%, with the latter registering 42.1%. At the same time, counties spent Kshs 190.11 billion—47.4% of their aggregate budgets—on personnel emoluments, placing pressure on recurrent obligations. During the same year, counties collectively raised Kshs 58.95 billion against an OSR target of Kshs 80.94 billion, a shortfall of 27.2%. This recurring imbalance between revenue and expenditure capacities, especially in Machakos, underscores an urgent need for deliberate, multidimensional strategies for revenue enhancement.

Existing studies provide fragmented insights into revenue mobilization, but offer limited applicability to Machakos. Darshini and Karnam (2023), for instance, examined tax diversification in Indian states, while Asare (2023) focused on district assemblies in Ghana, and Kago and Musa (2024) analyzed strategies in Chanchaga, Nigeria. Though informative, these contexts differ markedly from Kenya's devolved framework. Choi (2021) explored capacity-building in South Korea's local governments, but institutional and fiscal structures limit comparability. These studies expose a contextual gap, given the systemic and legal divergences with Kenya's county governments.

Within Kenya, studies remain largely county-specific and uncoordinated. Boru (2022) investigated internal controls in Marsabit; Kipkurui and Makori (2023) studied revenue

systems in Kericho; Muchiri and Muthinja (2023) assessed automation in Nyandarua. Mutio (2022) focused on Machakos but addressed only administrative procedures. These reflect a county-specific gap. Moreover, prior research often isolates single constructs—such as collector competencies (Kirer & Cheruiyot, 2024) or blockchain adoption (Manani & Mose, 2024)—without integrating cross-cutting drivers like digitization, capacity development, or internal controls. Others, including Anaenyi (2022) and Adu et al. (2019), rely on descriptive or perception-based designs, lacking inferential depth. These limitations expose both conceptual and methodological gaps. This study responds by applying a multidimensional framework—revenue diversification, internal controls, digitization, and capacity building—anchored in Resource-Based View, Public Finance, Benefit, and Human Capital Theories, tailored to the fiscal realities of Machakos County.

1.3 Objectives of the Study

The study was guided by the general objectives and the specific objectives as provided;

1.3.1 General Objectives

The general objective was to establish the effect of revenue enhancement strategies on growth of own source revenue in county government of Machakos in Kenya.

1.3.2 Specific Objectives

- i. To establish the effect of revenue diversification strategies on growth of own source revenue in county government of Machakos in Kenya.
- ii. To assess the effect of internal control strategies on growth of own source revenue in county government of Machakos in Kenya.
- iii. To examine the effect of revenue digitization strategies on growth of own source revenue in county government of Machakos in Kenya.

- iv. To establish the effect of capacity building strategies on growth of own source revenue in county government of Machakos in Kenya.

1.4 Research Hypothesis

The following comprised of the research questions;

- i. **H₀₁** Revenue diversification strategies have no significant relationship with own source revenue in county government of Machakos in Kenya.
- ii. **H₀₂** internal control strategies have no significant relationship with own source revenue in county government of Machakos in Kenya.
- iii. **H₀₃** revenue digitization strategies have no significant relationship with own source revenue in county government of Machakos in Kenya.
- iv. **H₀₄** capacity building strategies have no significant relationship with own source revenue in county government of Machakos in Kenya.

1.5 Significance of the Study

Research findings on revenue enhancement strategies in county governments are significant to policy as they provide data-driven insights that can inform the formulation and implementation of effective fiscal policies. These findings help policymakers identify sustainable revenue sources, improve tax compliance, and optimize financial management practices. Additionally, they highlight challenges such as inefficiencies in revenue collection, leakages, and gaps in legal frameworks, enabling authorities to design targeted reforms. By integrating these findings into policy decisions, county governments can enhance financial autonomy, improve service delivery, and promote economic development while ensuring transparency and accountability in public finance management.

Research findings on revenue enhancement strategies in county governments are significant to practice as they provide practical solutions for improving revenue collection and management. These findings help county officials implement efficient tax administration systems, adopt technology-driven revenue collection methods, and enhance compliance through public awareness and enforcement measures. They also guide the development of best practices in budgeting, financial planning, and resource allocation, ensuring optimal use of available funds. By applying these insights, counties can reduce revenue leakages, increase financial sustainability, and enhance service delivery, ultimately improving the overall efficiency and effectiveness of local governance.

Research findings on revenue enhancement strategies in county governments are significant to theory as they contribute to the development and refinement of public finance and decentralization theories. By analyzing effective revenue generation methods, such as taxation, service charges, and public-private partnerships, these findings help validate or challenge existing theoretical frameworks like fiscal federalism and the resource-based view. Additionally, they offer empirical evidence that can inform policy-oriented theories on financial sustainability and governance, providing insights into how counties can achieve fiscal autonomy while maintaining service delivery. This theoretical contribution aids in building models that predict revenue performance based on economic, administrative, and political factors.

Research findings on revenue enhancement strategies in county governments are significant to the public as they provide practical solution on improving local governance, public service delivery, economic sustainability, fostering accountability and ensuring fair taxation. By implanting study recommendations county government can create a more sustainable and prosperous future for their citizens.

Research findings on revenue enhancement strategies are significant to academicians as they contribute to the existing body of knowledge on public finance management. These findings provide empirical evidence that can be used for further studies, theory development, and comparative analysis across different regions. Academicians can use the insights to refine research methodologies, identify gaps for future studies, and develop policy recommendations that bridge theory and practice. Additionally, the findings serve as a valuable reference for students, researchers, and scholars interested in exploring innovative approaches to improving revenue generation and financial sustainability in decentralized governments.

1.6 Scope of the Study

The study revolved on establishing the effect of revenue enhancement strategies on growth of own source revenue in county governments. This research was based in Machakos County Government of Kenya. For conceptual scope, the study sought to determine how revenue diversification strategies, internal control strategies, revenue digitization strategies and capacity building strategies influenced growth of own source revenue in county governments. In theoretical scope, the study adopted Resource-Based View (RBV) Theory, Public Finance Theory, Benefit Theory of Taxation and Human Capital Theory. For methodological scope, the study adopted descriptive research design; population of study was admin at Machakos County Government. The study used purposive sampling to sample the population, collection of data involved questionnaire and analysis of data involved use of descriptive and inferential analysis. The time scope was a period between 2013-2024.

1.7 Limitations of Research Study

The challenge on accessibility to respondents was initially experienced. This was anticipated because counties had strict security policies that had to be observed before researchers can be granted permission. In order to counter this challenge, the researcher used an introduction letter from the Kenyatta University and permit letter from NACOSTI which were intended to outline the purpose of the study.

The challenge on confidentiality was also experienced. Staffs were initially reluctant to contribute valuable information considering that financial information were quite sensitive subject matters. Therefore, freely providing such information would not have been easy. To overcome this challenge, the researcher assured respondents that this research study was only meant for academic purposes; therefore, their participation would highly be appreciated.

Respondents were reluctant to provide information on suspicion of not being sure where the findings would be used. To counter this challenge, the researcher assured the respondents that this study was meant for academic purpose only and that the information collected would not be channeled to any other purpose other than academics.

1.8 Organization of the Study

The research is structured into five distinct chapters. The first chapter presents an overview of the study's background, articulates the research problem, outlines the study objectives and research questions, and details the significance, scope, limitations, and organization of the study. The second chapter provides a comprehensive review of relevant theoretical and empirical literature, identifying key knowledge gaps. The third chapter discusses the research methodology, including the research design, target

population, sampling procedures, data collection instruments, and data analysis techniques. The fourth chapter presents the findings of the study, including descriptive and inferential statistics, and interprets them in line with the study objectives. Finally, the fifth chapter offers a summary of the key findings, draws conclusions, and provides practical and policy recommendations, along with suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This research constitutes the theoretical foundations which are pertinent towards subject of study. Therefore, the following sections focused on the theoretical literature review, empirical literature evaluation, identification of research gaps, and the conceptual framework.

2.2 Theoretical Framework

A theoretical framework is a structure that guides research by relying on a formal theory or a set of concepts that explain relationships among variables or phenomena. It provides a foundation for understanding how and why certain factors interact, helping researchers identify what to study, what data to collect, and how to interpret findings. The framework draws from existing theories that are relevant to the research topic and supports the development of hypotheses or research questions (Peil, 2021).

The study was anchored on Resource-Based View (RBV) Theory, Public Finance Theory, Benefit Theory of Taxation and Human Capital Theory

2.2.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) was developed by Birger Wernerfelt in 1984 and further expanded by Jay Barney in the 1990s. It states that a firm's competitive advantage stems from unique, valuable, rare, and inimitable internal resources. Unlike external market-based approaches, RBV emphasizes internal capabilities such as intellectual property, human capital, and organizational culture as key to long-term success. This theory guides strategic decision-making by encouraging firms to leverage

their unique resources to maintain profitability and competitiveness in dynamic environments (Kero & Bogale, 2023).

RBV assumes that organizations possess unique, heterogeneous resources that can drive financial stability through revenue diversification. It assumes resources are imperfectly mobile, meaning they cannot be easily transferred or replicated by competitors. Additionally, it presumes that firms can sustain a competitive advantage by continuously leveraging and improving their internal assets (Komakech *et al.*, 2024). When applied to revenue diversification, RBV suggests that organizations must identify and maximize underutilized resources such as technological expertise or brand reputation to create new revenue streams while maintaining resilience against market fluctuations.

Critics argue that RBV lacks clear guidelines for resource identification and measurement, making its application subjective. It is often seen as static, overlooking the impact of rapidly changing external factors like regulations and economic shifts. Additionally, the theory assumes resource immobility, but in reality, key assets such as technology and skilled labor can be transferred across firms (Kero & Bogale, 2023). Another critique is that RBV focuses too much on internal capabilities, neglecting market dynamics, industry competition, and external threats that influence organizational success and financial diversification.

A study conducted by Almarri and Gardiner (2014) on application of resource-based view to project management research examines how resources, particularly project management (PM) skills that have been acquired over time and tailored to a particular organizational setting, may provide competitive advantage. Komakech, Ombati, Kikwatha and Wainaina (2024), management science letters resource-based view theory and its applications in supply chain management. The Resource-Based View

(RBV) asserts that a firm's enduring competitive advantage is derived from its distinctive resources and talents that are valued, scarce, inimitable, and non-substitutable. Rishi, Dwivedi and Ghosal (2022) discussed application of RBV theory in business management. The RBV theory largely focuses on a firm's internal environment. The Resource-Based View (RBV) highlights the resources that enterprises have cultivated to compete in their environment.

Governments apply RBV to revenue diversification by leveraging unique national assets, such as natural resources, digital infrastructure, and institutional expertise, to create sustainable financial models. By capitalizing on underutilized resources, governments can expand revenue streams beyond traditional taxation. For example, countries rich in natural resources may develop sovereign wealth funds, while those with strong digital infrastructure can invest in e-governance services that generate revenue. Additionally, governments can use public-private partnerships to monetize state-owned assets, enhancing financial sustainability. The RBV also supports innovation-driven policies where governments invest in research and development to strengthen economic resilience.

2.2.2 Public Finance Theory

Public Finance Theory was formulated by Richard Musgrave in 1959. It studies government revenue, expenditures, and debt management to achieve economic stability and social welfare. The theory emphasizes efficient resource allocation, income redistribution, and macroeconomic stability through taxation, public spending, and borrowing (Musgrave, 1959). It supports government intervention to correct market failures, ensuring that public goods and services such as infrastructure, education, and healthcare are adequately funded for societal benefit.

Public Finance Theory assumes that governments act in the public's best interest by ensuring financial accountability and transparency. It presumes that well-structured internal controls reduce inefficiencies, fraud, and misallocation of resources. The theory also assumes that taxation and public spending are managed to balance economic growth and stability. In internal control strategies, it underlines the need for budgetary discipline, financial reporting, and regulatory compliance to optimize public resource utilization while minimizing corruption and financial mismanagement (Kisaka, 2021).

Critics argue that Public Finance Theory often assumes rational government behavior, overlooking political influences and inefficiencies in public spending. It may also focus too heavily on taxation and redistribution, potentially discouraging private sector investment. Another critique is its reliance on government intervention, which can sometimes lead to excessive bureaucracy and inefficiencies. Additionally, the theory struggles to address real-world complexities such as tax evasion, budget deficits, and global economic interdependencies, limiting its applicability in diverse financial environments.

Kryeziu (2021) opinions of Theorists about Public Finance and Their Reflection on the Development of the Economy and the State. public finance employs ideas and techniques to explain government programs and policies that flow in this domain. The research explores the perspectives of modern theorists, seeking to explain how economists at various eras expressed their judgments on the categories of public finance. Kisaka (2021) conducted a study on public financial management and financial performance of county governments in Kenya. this research studied the link between public financial management and the financial performance of County Governments in Kenya. The specific independent research goals included: budgetary controls, financial responsibility, financial controls and financial monitoring and connected to their effect

of financial performance. A study by Mishi and Nomonde (2024) on public finance in South Africa: tax compliance and behavioral responses to tax increases. World Values Survey data on South Africa were used to analyze the tax side of fiscal policy, how taxpayers' reaction to the policy impacts compliance and what counts for compliance.

The application of Public Finance Theory to internal controls and own-source revenue emphasizes the need for efficient, transparent, and accountable management of public funds. According to Public Finance Theory, the government's role is to allocate resources effectively, ensuring that revenues are collected and spent in a way that maximizes societal welfare. In this context, robust internal controls are crucial to prevent mismanagement, fraud, and waste, ensuring that public funds are used for their intended purpose. Moreover, the theory supports the development of own-source revenue systems, where governments generate revenue through taxes, fees, and other local resources, rather than relying heavily on external sources. Effective internal controls, coupled with strong revenue collection mechanisms, help maintain fiscal discipline, improve financial sustainability, and empower governments to manage their resources more autonomously. This approach also promotes greater public trust and encourages compliance with tax policies, thereby enhancing the overall effectiveness of public finance management.

2.2.3 Benefit Theory of Taxation

The Benefit Theory of Taxation was first introduced by Knut Wicksell in 1896 and refined by Erik Lindahl in 1919. It suggests that individuals should pay taxes based on the benefits they receive from government services. This principle establishes a direct relationship between taxation and public service usage, ensuring fairness. It is commonly applied in tolls, service fees, and user-based taxation models, where those

who use specific public services such as roads, water supply, or waste management bear the costs of their maintenance and development (Krauss, 2024).

The Benefit Theory, when applied to revenue digitization, assumes that taxpayers can be categorized based on their consumption of public services, making taxation proportional. It also assumes that digital systems improve efficiency, ensuring accurate tax collection with minimal evasion. Another key assumption is that technology-driven platforms, such as AI-powered tax compliance tools, enhance trust and fairness by providing accurate assessments of tax obligations. Finally, it assumes that digital tools can optimize tax administration, reduce costs and increase transparency while ensuring that taxpayers contribute fairly based on service utilization.

Critics argue that it is challenging to measure the exact benefits individuals receive from public goods, making proportional taxation difficult to implement. The theory may also unfairly burden low-income groups who depend on essential services but lack the financial means to pay proportional taxes (Krauss, 2024). Additionally, it does not work well for public goods like national security and emergency services, which benefit all citizens regardless of contribution. Furthermore, it does not account for progressive taxation, which is crucial for income redistribution and social equity, making it less applicable in modern welfare-oriented economies.

A study conducted by Singh (2017) on taxation of digital economy, an Indian perspective. to uphold the principles of legal clarity and prevent double taxation, other ideas have evolved, such as the Permanent Establishment (PE). These principles seek to provide stability for taxpayers while balancing the opposing interests of mostly developed and developing countries. According to Mpofu (2022) on Taxation of the Digital Economy and Direct Digital Service Taxes in Africa, the study evaluates digital taxation through direct digital service taxes (DSTs) in Africa, taking into account the

relatively new nature of digital tax legislation in African nations, the potential for increasing tax revenue to fund public expenditures, and the likelihood of contradictory outcomes from digital tax policy. Gatuyu (2021) conducted a study on taxing a digital economy, exploring intangible assets to broaden revenue base in Kenya. Governments also anticipate collecting money via taxes. The owners of these assets are eager to profit from their creation. Intangible assets have grown in importance in connection to tax evasion techniques, particularly by multinational corporations, as cross-border commerce expands with the advent of globalization.

The application of the Benefit Theory of Taxation to revenue digitization strategies highlights the importance of linking tax contributions to the services and benefits received by taxpayers. According to this theory, individuals and businesses should pay taxes in proportion to the benefits they derive from public services. Digitizing revenue collection enhances transparency, efficiency, and accountability, ensuring that taxpayers can see a direct connection between their contributions and the public goods or services provided. As a result, revenue digitization allows governments to tailor tax policies based on real-time data, ensuring a fairer distribution of the tax burden while strengthening trust in the tax system.

2.2.4 Human Capital Theory

Human Capital Theory was developed by economists Theodore Schultz in the 1960s and later expanded by Gary Becker in the 1970s. It states that investments in education, training, and health improve an individual's productivity and economic value. The theory emphasizes that a skilled and knowledgeable workforce enhances economic growth and competitiveness (Maringe, 2023). Governments and organizations benefit by investing in human capital through education, vocational training, and healthcare, leading to higher wages, increased efficiency, and long-term national development.

Human Capital Theory assumes that individuals and organizations view education and training as investments that yield future economic returns. It presumes that knowledge and skills development directly correlate with productivity and income growth. Additionally, it assumes that labor markets reward individuals based on their skill levels and expertise. In capacity building strategies, the theory suggests that continuous learning, upskilling, and institutional knowledge transfer enhance workforce efficiency, innovation, and adaptability, ultimately strengthening economic and social progress.

Critics argue that Human Capital Theory oversimplifies labor markets by assuming that education directly translates into higher wages and productivity. It overlooks external factors such as discrimination, economic conditions, and job availability. Additionally, it treats human capital as a measurable asset while ignoring non-economic benefits like social cohesion and well-being (Mayilyan & Yedigaryan, 2022). Some argue that it prioritizes economic efficiency over equitable access to education and job opportunities, reinforcing systemic inequalities in skill development and employment opportunities.

Eleyae (2021) claim that the relationship between human capital, productivity, and the relationship between human capital, productivity, and profitability. The objective of this quantitative correlational research was to investigate the link between human capital, productivity, and profitability across organizations listed on the Nigerian Stock Exchange. McCracken, McIvor, Treacy and Wall (2017) on human capital theory: assessing the evidence for the value and importance of people to organizational success. Human capital is an essential concept for the HR profession to comprehend in order for future businesses to achieve sustained success. Mukhalipi (2018) conducted a study on human capital management and future of work; job creation and unemployment. Strategies for human capital development to tackle the challenges of low labor

productivity, and the role of technological advancements and automation in the transportation, manufacturing, and agriculture sectors in sustaining jobs created by the Zambian Government for local citizens.

Human Capital Theory is applicable to capacity building strategies by investing in education, training programs, and workforce development. Scholarship programs, vocational training, and digital literacy initiatives help enhance citizens' skills, increasing employability and economic growth. Public-private partnerships foster industry-relevant skill development, ensuring a workforce aligned with market demands. Additionally, healthcare investments improve productivity by reducing absenteeism and increasing life expectancy. Governments also implement lifelong learning policies and leadership training to strengthen institutional capacity building strategies, ensuring sustained national development and global competitiveness.

2.3 Empirical Literature Review

This refers to research studies and scholarly articles that are based on observation and data collection through the use of rigorous research methodologies.

2.3.1 Revenue Diversification Strategies on Growth of own source revenue

A study conducted by Darshini and Karnam (2023) focused on An Econometric Analysis of Revenue Diversification among Selected Indian States. Panel data study revealed that four important factors influenced Diversification of tax revenue via homeownership, the Gini Ratio, average monthly salaries, and per capita expenditure. According to this research, income taxes account for more than 47% of Indonesia's tax revenue, indicating a lack of diversification in this country's revenue sources. The government needs to pay greater attention to this situation, since greater income diversity enhances the stability of government accounts. Despite the study covering aspects of revenue diversification strategies, it depicts contextual gap since the study

was based in Indian States where practices and policies about revenue diversification may not be a replica to Kenyan county cases. To fill the contextual gap, this study seeks to examine how revenue diversifications strategies affect growth of own source revenue in county government.

A study conducted by Kago and Musa (2024) based on an analysis of revenue generation strategies and service delivery in Chanchaga local government of Niger state. The study employed a qualitative research strategy to enable a comprehensive examination of intricate occurrences, so fostering a nuanced comprehension of subjective experiences, viewpoints, and contexts. The provided data included surveys and interviews. This study provided critical insights for policymakers and local government officials in developing successful income generating methods to improve service delivery and meet community requirements efficiently. The report underscores difficulties in income generation and service provision within Chanchaga local government, although attempts to diversify revenue sources. Despite observed improvements, fundamental services such as healthcare and education continue to encounter enduring deficiencies. However, similar contextual gap is also observed since the research was in Chanchaga local government of Niger state whereas the current study was based at Machakos in Kenya with the focus on revenue diversification strategies.

Study conducted by Asare (2023) on revenue mobilization and development of selected district assemblies in Ghana. The mixed-method approach, including both quantitative and qualitative approaches, was justified by the existence of both qualitative and quantitative variables. A synthesis of primary and secondary data from the Ministry of Finance publications spanning 2021 to 2023 concerning total revenues generated in relation to projects was used. Descriptive analyses were used for the data examination.

The findings indicated that the income portfolios from various sources of revenue creation by the assembly differed, with the NJSMA accruing much larger revenues than the NJNMA and AbNMA, mostly from the same revenue sources used by the assemblies.

A study conducted by Kirer and Cheruiyot. (2024) focused on competencies of revenue collectors and growth of own source revenue targets achievement among selected county governments in Kenya. This study used a mixed research approach, focusing on a population of 708 workers from six chosen county administrations. The Yamane formula indicated a sample size of 280, obtained by stratified random sampling techniques and censuses. Structured questionnaires were used to collect primary data. Regression analyses were repeated and adjusted to provide inferential statistics. According to the findings, there was a moderate correlation ($r=0.637$; $p<0.05$) between revenue collector proficiency and meeting own source income goals. In order to provide their revenue collectors the necessary abilities and information to handle the intricacies of contemporary revenue collection, the research recommended that county governments give continual training and development top priority.

A study conducted Mveku, Mutero and Masinire. (2024) based on the effectiveness of growth strategies used by NGOs to improve performance. The research used a descriptive methodology and focused on a target population of 511 NGOs located in Nairobi County. Employing a stratified selection strategy. Questionnaires, the primary data collecting instrument, were sent to 52 financial managers from 52 NGOs. The data under investigation was shown using both descriptive and inferential statistics. The results showed that NGOs' financial sustainability was positively influenced by grants, fee-based services, interest income from revolving funds, and revenue from the sale of goods and services. According to the results, a rise in any of the revenue streams

(including fee-based services, interest income from revolving funds, source-specific grants, and revenues from the sale of goods and services) correlated with enhanced financial sustainability of NGOs, whereas a decrease in these streams was associated with diminished financial sustainability of NGOs. However, there is empirical review since the study was making reference to NGOs whereas the current study focuses on county governments of Kenya, Machakos in particular.

The study conducted by Mutio (2022) delved on effect of administrative strategies on revenue collection efficiency in Machakos County. The study used a descriptive research methodology to collect data about the impact of administrative practices on the efficiency of revenue collection in Machakos County. The research used the census due to the small and manageable target population, which was comprehensively included in the analysis. A structured questionnaire was directly provided to participants using a drop-and-pick approach to collect research data from primary sources. The questionnaire's validity and reliability were assessed prior to use. Descriptive statistics and inferential analysis were used to examine the data, which was then characterized, shown, and elucidated via narrative and data analysis using SPSS tools. The research shows that at a 5% significance level; income diversification has a statistically moderate beneficial influence on revenue collection efficiency in the County Government of Machakos ($r=0.421$; $p=0.012$). Technology adoption has a moderate to substantial positive impact on revenue collection efficiency in Machakos County ($r= .432$; $p=0.008$), while human capital management techniques also have a significant and moderate positive effect on revenue collection efficiency in the same region ($r=0.321$; $p=0.031$).

2.3.2 Internal Control Strategies on Growth of own source revenue

A study conducted by Winarna, Muhtar, Sutaryo and Amidjaya (2021) focused on government internal control system and local government administration performance: evidence from Indonesian local governments. The study used secondary data from the Indonesian Statistics Bureau, the Financial and Development Supervisory Agency. The study used a compilation of panel data from 508 local governments from 2017 to 2019, including 1,524 observations analyzed by panel data regression. The study demonstrated that several local governments exhibited poor to medium administrative performance from 2017 to 2019, failing to meet the expectations outlined by the 2015 strategy plan for the Ministry of Internal Affairs. The study provided factual proof that the performance of local government administration was positively impacted by the control environment, risk assessment, and information and communication. Despite the study covering aspects of revenue diversification strategies, it depicts contextual gap since the study was based on Indonesian local governments whose practices and policies about internal control strategies may not be a replica to Kenyan county cases. To fill the contextual gap, this study seeks to examine how internal control strategies affect growth of own source revenue in county government.

A study conducted Respy and Mrindoko (2024) grounded on the effect of internal controls system on revenue collection in Dar es salaam local government, Tanzania. The study used a descriptive design and a quantitative method, including questionnaires and document reviews for data collection. A sample size of 103 was used; however, only 78 respondents submitted their questionnaires, and the data were analyzed using descriptive and inferential statistical techniques. The study demonstrated a robust and positive association between the internal control system and revenue collection, corroborated by a statistically significant P-value of 0.012, which is less than 0.05.

Effective internal control methods were shown to significantly impact revenue results, since they are essential for improving revenue collection. In conclusion, internal control systems were seen as vital factors influencing revenue collection effectiveness at Dar es Salaam City Council.

Study conducted by Anaenyi (2022) focused on the effectiveness of internal controls at Lusaka city council. A five-point Likert scale was used to assess respondents' knowledge and perceptions of internal controls and the efficacy of the council's internal control system. Responses varied from strong agreement to severe disagreement. Frequency and percentage statistics were computed from the questionnaire responses to assess the efficacy of internal controls. The data displayed the consolidated outcomes of all internal control actions. Seventeen percent of the respondents expressed high agreement with the efficacy of internal control efforts inside the council. Meanwhile, 44% were in agreement. The sum amounts to 61% (17% + 44%), indicating that the Lusaka City Council has sufficient internal control measures. The study identified factors influencing the implementation of internal control activities, such as: a lack of transparency and trustworthiness on the part of workers; unachievable financial objectives; personal financial problems of employees; control procedures for unusual transactions; and insufficient remuneration for internal control personnel, and reluctance to implement changes.

A study conducted by Kipkurui and Makori (2023) focused on internal control systems and revenue collection performance of the county government of Kericho, Kenya. The analysis was conducted using the Statistical Package for Social Sciences, with findings shown in tables and figures. The data indicated a considerable beneficial association between control actions and revenue collection performance. All of the variables (control operations, monitoring, risk assessment, communication, and control

environment) contributed significantly to the study's conclusion that internal control systems had a positive and significant impact on the County Government of Kericho's revenue collection performance. According to the research, the county enhances control activities by improving the periodic reconciliation and evaluation of functions. From the research area, the study depicts contextual gap since it was based in Kericho County. However, the current research is based in Machakos County Government.

A study conducted by Boru (2022) focused on internal controls and revenue collection in the county government of Marsabit, Kenya. The study was grounded on contingency theory, agency theory, and attribution theory, which underpin the variables used in this research, focusing on yearly collection, revenue growth, and goal achievement. Secondary data was obtained from the audited financial reports of the Department of Finance and Economic Planning. The research used a stratified sampling strategy to pick its sample. Both descriptive and inferential statistics were produced. Frequencies, percentages, averages, and standard deviations were used to characterize the data. The data obtained from the respondents was analysed via SPSS, and the results were shown in tables, pie charts, and graphs. Multiple linear regressions were used to assess the impact of internal control on revenue collection in the County Government of Marsabit. There is however, methodological gap since the study was based contingency theory as anchor theory whereas the current research was anchored on Resource-Based View (RBV) Theory.

Onsindu, Muturi and Kanali (2023) conducted a study that focused on control environment and control activities internal control systems and management of local revenue by county governments of Kenya. The research was directed by the COSO (1992) integrated framework. The research included two elements of the framework of the internal control system, which includes the control activities and environment. A

COSO questionnaire that had been adapted for use in public institutions was used to collect statistical data. Accordingly, data about the effectiveness and sufficiency of their internal controls was provided by the county chief officers of finance in each county. In order to identify features and show relationships that predict efficient revenue management in county governments, the data was processed and analyzed using both descriptive statistics, such as frequencies, percentages, means, and standard deviation, and inferential statistics, such as regression analysis and correlation. A significance threshold of 0.05 was used for statistical testing of the hypotheses. The administration of local revenue and the internal control environment were significantly positively correlated.

2.3.3 Revenue Digitization Strategies on Growth of own source revenue

A study conducted by a literature Sijabat (2019) focused on digitalization of Local government in the decentralized era: an insight of the stage of e-government across provinces in Indonesia. A review using a desktop and library research methodology is undertaken to examine a collection of secondary literature on e-government. The e-government portals of 34 provincial governments in Indonesia have been analysed using four phases of e-government maturity models. This survey revealed that the majority of provincial governments have provided various forms of e-government services. The bulk of these government websites are classified as being in the early transactional stage, with just a few provinces having attained a completely transactional level.

A study conducted by Adu, Buabeng, Asamoah and Damoah, (2019) based on digitization of local revenue collection in Ghana. A mixed method approach was used, guided by the pragmatic paradigm of social research. The data included taped interviews with AMA executives, along with Annual Reports and Annual Composite

Budgets from 2011 to 2017. The intervention was deemed a partial failure due to its ineffectiveness in blocking bribery channels and its inability to generate a substantial increase in rate data. Nonetheless, the intervention enhanced openness and accountability in rate collecting operations at AMA. The research furthermore provides ideas for enhancing the efficacy of analogous initiatives.

The study conducted by Olasunkanmi and Adejuwon (2024) focused on digitalization of tax system and revenue generation in Nigeria. A descriptive study approach was used, and a sample size of 352 tax administrators was calculated using the Taro Yamane formula (1967) from a population of 2,932 in southwest Nigeria. Data were gathered by an online questionnaire, achieving a reliability coefficient of 0.7747, above the threshold of 0.70. Four hypotheses were evaluated using Chi-square and regression analysis utilizing Excel and SPSS. The results indicated that Tax Digitalization is significantly correlated with Tax Revenue and also has a substantial impact on Tax Evasion. The research indicated that the implementation of effective e-tax regulations, together with the provision of skilled and competent IT staff, may significantly mitigate tax evasion and minimize tax risk in Nigeria.

A study conducted by Qanchora, Gichohi, and Kambura (2021) based on assessment of innovative money-collecting systems strategy for mobilizing own-source revenue in Isiolo County Government. A cross-sectional descriptive survey research approach was used. Data was gathered from the revenue-generating agencies and the county assembly's budget and finance committee. Means, frequencies, percentages, and factor analysis were calculated using the Statistical Package for the Social Sciences, while regression analysis was used to test the hypothesis. The research revealed that Isiolo County mostly depended on equity share to perform its activities, although the establishment of its own-source income sources. A significant downside was the

ineffective plan for novel revenue collection techniques. From the analysis, there is a methodological gap since the study adopted cross-sectional descriptive survey research. However, the current research adopted descriptive design in order to address descriptive statistics.

A study conducted by Muchiri and Muthinja (2023) focused on the effects of revenue collection automation on the performance of growth of own source revenue in Nyandarua County Kenya. The survey is guided by the Resource-Based View Theory and the Transaction Cost Theory. The subjects of investigation were the County Revenue Director, five Sub-County Revenue Officers, and twenty support personnel directly engaged in revenue collection across Nyandarua County. Primary data was collected via the distribution of questionnaires, and the County's financial records provided secondary data. SPSS software was used to examine the data. Quantitative data was analyzed using inferential and descriptive statistics, while qualitative data was evaluated using content analysis. Frequencies, means, and standard deviations were used to display the data in tables and figures. To show how the components were correlated, the research used a multivariate regression model. The findings were shown using graphs, tables, and charts. According to the report, Nyandarua County's own source income collection was greatly improved by revenue collection automation.

Manani and Mose (2024) focused on block chain technology and revenue administration in Nairobi city county government, Kenya. The research is based on Network Theory and the Theory of Artificial Immutability. The study used a descriptive research approach, relying on a literature analysis to identify suitable data gathering devices. The unit of analysis for the research was the Nairobi City County Government. The subjects of surveillance were senior and middle-level personnel from the ICT and

Revenue divisions. Subsequently, simple random sampling was used to designate a cluster sample. The researcher used the formula of Fisher, Laing, and Stoeckel (1983) to determine a sample size of 384. The collected data was analyzed using descriptive and inferential statistics as the analytical methods. The research shows that data immutability significantly impacts revenue management in Nairobi City County Government, Kenya. There are theoretical gaps observed going by the main anchorage theories. As a result, to fill the gap, the current study seeks to adopt Resource-Based View (RBV) Theory, Public Finance Theory, Benefit Theory of Taxation and Human Capital Theory.

2.3.4 Capacity Building Strategies on Growth of own source revenue

Choi (2021) conducted a study that focused on analyzing local government capacity building strategies and performance: implications for sustainable development in Korea. The research analyzed the impact of several components of multidimensional government capacity on performance, while controlling for competition and spillover effects among areas. The research examined panel data spanning six years (2013–2018) from 152 local entities in Korea, using the spatial autoregressive model to account for geographical spatial effects. The statistics indicate that, in contrast to quality variables, the amount of government capacity building does not significantly impact its performance. Moreover, the findings suggested that rivalry affects the performance of local development. The findings suggest that local governments must enhance the quality of their management capabilities to boost sustainable development performance.

A study conducted by Igwe, okeke, Onuigbo, and iheanacho (2019) grounded on strengthening capacity building in the local government: the Nigerian experience. The data collecting source is derived from the participant observation approach. This study

used secondary sources, including manuals, textbooks, and journals. The study aims to contribute to the political reengineering of the Nigerian state by demonstrating the feasibility of local government as a solution for political development, economic stability, and the general welfare of the populace. This examines the impediments and deficiencies inside the system to revitalize it for addressing the governance issues of the 21st century via capacity enhancement.

A study by Annan-Prah and Andoh (2023) based on the effects of customized capacity building on employee engagement, empowerment, and learning in Ghanaian local government institutions. A poll obtained valid answers from 281 workers of Metropolitan, Municipal, and District Assemblies (MMDAs) in Ghana. A structural equation model was used to analyze the data and evaluate the proposed hypotheses. The findings indicated that tailored capacity development influences employee learning, empowerment, and engagement. Employee education influenced both employee empowerment and engagement. There is conceptual gap observed since this study despite covering the customized capacity objective, concept for analysis being the dependent variable focused on employee engagement, empowerment, and learning while the current research is to identify how capacity building strategies influences source revenue in county government.

Study conducted by Oduol, Juma and Onyango (2022) focused on the influence of institutional capacity on revenue enhancement in devolved governments in Kenya. The study used a correlational research design. The research sample was derived from a representative of the current 47 counties in Kenya. The research included a sample of 5 counties, constituting 10% of the total, with 402 respondents participating. Primary data was obtained using structured questionnaires. The gathered data was analyzed using Statistical Package for Social Sciences (SPSS) version 22. The research findings

indicated that counties are endeavoring to establish sufficient institutional capacity for revenue collection and to enhance existing institutions via automation to augment revenue collection.

A study conducted by Kanyi and James (2023) focused on capacity building and performance of donor-funded projects in Nairobi City County Kenya. A descriptive survey design was used. The target population included 55 donor-funded initiatives, with 311 project people as the units of observation. The study used a purposive random selection method to choose 30%, yielding a sample of 94 individuals. The core data of this research included both quantitative and qualitative information. Data analysis using descriptive and inferential statistics. Additionally, multiple regressions were used to ascertain the relationship between the dependent variables and the independent variable. The research demonstrated that technical, managerial, and governance competencies significantly and positively impacted the effectiveness of donor-funded projects in Nairobi County. The research found that staff training existed inside the programs; however, it was inconsistent and lacked a governing policy.

The study conducted by Langat and Njoroge (2021) focused on training as a capacity building strategies and performance of county assemblies in Kenya. A descriptive research approach was used. The targeted population consisted of 135 respondents, including elected and nominated members of the county assembly, administrative staff, the speaker, the deputy speaker, and both majority and minority leaders in the Kericho County Assembly. Considering the target population was very small (135), the research used a census technique to include all members of the population. Furthermore, qualitative data was examined using theme analysis, and the results were conveyed in narrative format. Both descriptive and inferential statistics were used to evaluate quantitative data using SPSS. Descriptive statistics also included percentages, means,

standard deviations, and frequency distributions. Inferential statistics, namely multivariate regression analysis and Pearson correlation analysis, were used in this study.

2.4 Summary of Literature Review and Research Gaps

Table 2.1 presents a synthesized summary of selected empirical studies on revenue enhancement strategies, highlighting their objectives, key findings, identified research gaps, and how the current study addresses each gap within the context of Machakos County.

Table 2.1: Summary of Literature Review and Research Gaps

Author(s) and Study Context	Study Objective(s)	Key Findings	Research Gaps	How Current Study Addresses Gaps
Adu et al. (2019), Ghana	Examine digitization of local revenue systems	Digitization improved transparency but not rates	Contextual gap—West African country	Adopts inferential modeling of digitization
Anaenyi (2022), Lusaka City Council	Measure internal control effectiveness perception	Moderate support for existing control structures	Methodological gap—no inferential tools	Applies statistical tools for empirical robustness
Annan-Prah & Andoh (2023), Ghana	Assess tailored capacity development on empowerment	Learning and empowerment influenced by training	Conceptual gap—dependent on empowerment not revenue	Relates training to fiscal outcomes
Asare (2023), Ghana	Assess revenue mobilization and development links	Assemblies show uneven revenue collection despite using similar streams	Contextual gap—different institutions	Focuses on county-based OSR and public finance
Boru (2022), Marsabit County	Study internal controls on county revenue collection	Internal controls correlate positively with revenue collection	County-specific gap—Marsabit only	Examines consistent failure to hit OSR targets

Choi (2021), South Korea	Analyze LG capacity building and development	Capacity quality, not quantity, affects development	Contextual gap—Asian context	Focuses on quality of capacity in Kenya
Darshini and Karnam (2023), Indian States	Analyze tax revenue diversification drivers	Diversification influenced by income inequality and expenditure; Indonesia lacks diversification	Contextual gap—foreign policy environment	Adapts to Kenya's devolved revenue framework
Igwe et al. (2019), Nigeria	Examine LG capacity building and development gaps	LGs face systemic capacity shortfalls	Contextual gap—different governance model	Applies structured frameworks in Machakos
Kago and Musa (2024), Niger State (Nigeria)	Examine revenue generation strategies and service delivery	Revenue strategies improve services, but education and healthcare still face funding gaps	Contextual gap—different governance model	Applies context-specific fiscal tools in Machakos
Kanyi & James (2023), Nairobi County	Investigate capacity building and donor-funded project performance	Governance and technical skills impact outcomes	Contextual gap—donor-based focus	Focuses on strategic county-level outcomes

Kipkurui & Makori (2023), Kericho County	Evaluate internal controls on revenue performance	Controls positively influence revenue performance	County-specific gap—Kericho only	Focuses on underperforming Machakos County
Kirer and Cheruiyot (2024), Kenya (6 Counties)	Evaluate revenue collector competencies and OSR performance	Moderate link between collector skills and revenue performance	Conceptual gap—narrow focus on skills only	Incorporates staff, policy, digitization, controls
Langat & Njoroge (2021), Kericho County	Assess training and capacity building on assembly performance	Training correlates with performance of assemblies	County-specific gap—focused on one county	Expands capacity-building to OSR outcomes
Manani & Mose (2024), Nairobi City County	Explore blockchain in revenue administration	Blockchain affects revenue data management	Conceptual gap—focus only on tech	Links emerging tech to core OSR systems
Muchiri & Muthinja (2023), Nyandarua County	Examine revenue automation impact on OSR	Automation improved OSR significantly	County-specific gap—Nyandarua only	Focuses on Machakos automation results
Mutio (2022), Machakos County	Investigate administrative strategies on	Diversification and tech improve	Conceptual gap—focus only on administration	Expands to broader strategic revenue drivers

	revenue collection	efficiency in Machakos		
Mveku, Mutero & Masinire (2024), NGOs in Nairobi	Assess effectiveness of NGO growth strategies	Grants and fees improved NGO sustainability	Contextual gap—NGOs, not county governments	Targets public sector rather than NGOs
Oduol, Juma & Onyango (2022), Kenya (5 Counties)	Study institutional capacity on revenue enhancement	Capacity correlates with automation and collection	Methodological gap—limited counties	Uses inferential design across strategies
Olasunkanmi & Adejuwon (2024), Nigeria	Evaluate digital tax systems and tax revenue	E-tax improves revenue, reduces evasion	Contextual gap—Nigeria, not Kenya	Tests e-tax practices under Kenya’s framework
Onsindu, Muturi & Kanali (2023), Kenya (Multiple Counties)	Investigate control environment & activities in revenue management	Control environment significantly impacts local revenue	County-wide, but lacks Machakos specificity	Machakos-specific modeling within national context
Qanchora et al. (2021), Isiolo County	Assess innovative revenue strategies in counties	Innovative tools underutilized, revenue still low	Methodological gap—descriptive only	Uses inferential design on innovation adoption

Respy & Mrindoko (2024), Tanzania	Analyze internal control system effect on collection	Strong positive impact of controls on collection	Contextual gap—foreign setting	Tests relevance of controls in Kenyan setting
Sijabat (2019), Indonesia	Assess e-government maturity in provincial portals	Majority in early-stage digitalization	Contextual gap—no Kenyan application	Evaluates digitization maturity in Kenyan counties
Winarna et al. (2021), Indonesia	Examine internal controls and admin performance	Controls improve performance but were weak overall	Contextual gap—non-Kenyan case, weak transferability	Localizes internal control indicators in Machakos

Source: Various Literature Reviewed, 2025

2.5 Conceptual Framework

A conceptual framework is a collection of interconnected concepts, ideas, assumptions, and principles that assist researchers or theorists in structuring their thinking and directing their investigations (Cooper & Schindler, 2019).

Independent Variables

Dependent Variable

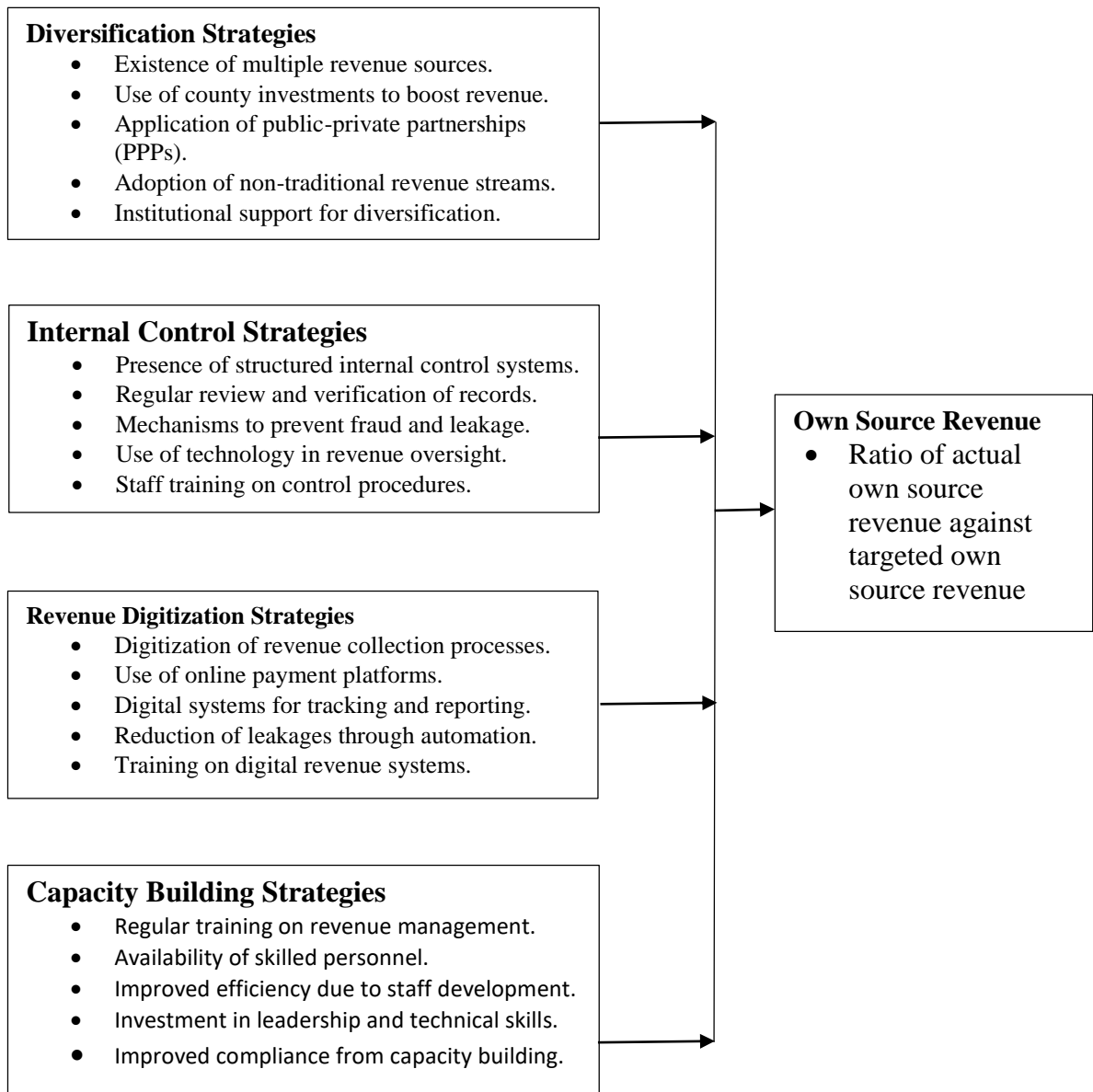


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The present chapter provides an overview of the methodology that was employed in the investigation. This category includes constitute the research design, the study population, the samples and the sampling technique. The study also included an analysis of the methods and procedures that was utilized during the process of data collection, in addition to an analysis of the tools that was used on the gathered data. Lastly, data analysis and presentation, as well as ethical consequences, were addressed in this study.

3.2 Research Design

Research design is the overall strategy or blueprint that outlines how a study can be conducted to achieve its objectives. It specifies the research methods, data collection techniques, sampling strategies, and analytical procedures to ensure the study is systematic, reliable, and valid (Kothari, 2019). Research design can be categorized into different types, such as descriptive, exploratory, explanatory, experimental, and correlational, depending on the research purpose. A well-structured research design helps researchers minimize biases, enhance accuracy, and ensure the findings effectively address the research questions or hypotheses (Cohen, 2020).

This study adopted descriptive research design. According to Bray and Maxwell (2018), descriptive research design is a type of research method used to systematically describe characteristics, behaviors, or phenomena without manipulating variables. It aims to provide an accurate and detailed representation of a subject by collecting data through surveys, observations, case studies, or secondary data analysis.

Justification for the use of descriptive research design is provided by Lehman and Hatcher (2020) who claim that use of a descriptive research design provides a clear and accurate representation of a phenomenon, making it useful for understanding current conditions, behaviors, or trends. Second, it is a cost-effective and time-efficient method, as it allows researchers to gather a large amount of data using surveys, observations, or case studies without manipulating variables. Third, descriptive research enables researchers to collect data in a natural setting, ensuring the authenticity of responses, therefore, suitable for studies that require statistical analysis to summarize and interpret data, making it a valuable approach for decision-making in various fields.

3.3 Target Population

The population of study refers to the entire group of individuals, objects, or elements that share common characteristics and are relevant to a particular research study. It is the total set from which a researcher draws a sample to collect data and make inferences. The population can be defined based on specific criteria such as demographics, geographic location, profession, or other relevant attributes (Cooper & Schindler, 2020). The overall population of study comprised of 7000 staff of Machakos County Government (HR, Machakos County Government, 2025).

The target population refers to the specific subset of the overall population that a researcher aims to study and from which conclusions is drawn. It consists of individuals, groups, or elements that meet certain inclusion criteria relevant to the research objectives (Bray & Maxwell, 2019). The target population comprised of staff in revenue section dealing with revenue mobilizations and was 105 (10 staff from each of the 10 Sub Counties) and 5 senior officials from the department of finance, revenue collection and economic planning i.e chief officer-finance, chief officer-revenue

collection, director audit, director budget and accountant general in the County Government of Machakos.

3.4 Sampling and Sampling Technique

Sampling refers to the process of selecting a representative subset from a larger population to enable the researcher to infer findings about the whole without investigating every element (Creswell & Creswell, 2023). This approach increases efficiency, reduces costs, and makes the research process manageable while maintaining the integrity and reliability of the data. According to Glass and Hopkins (2021), the choice of sampling technique and sample size depends on the research objectives, design, population characteristics, and logistical feasibility. Sampling techniques are broadly divided into two categories: probability sampling—where each unit has a known and equal chance of selection—and non-probability sampling, which includes methods such as purposive, convenience, and snowball sampling, used when population access is constrained or specific knowledge is required (Saunders, Lewis, & Thornhill, 2022).

This study adopted a non-probability purposive sampling technique. Purposive sampling involves intentionally selecting participants who possess specific knowledge, roles, or characteristics relevant to the research objectives. It is widely used in studies where deep insights are required from a population segment that directly engages with the subject under investigation (Orodho & Kombo, 2022). As Cooper and Schindler (2020) argue, purposive sampling is particularly useful in identifying individuals who can provide informed perspectives on specialized processes such as public finance management or policy implementation.

In this study, purposive sampling was used to identify a total of 105 employees working within the County Government of Machakos. These individuals were selected based on their direct involvement with revenue enhancement strategies and own-source revenue growth, either through policy formulation, implementation, monitoring, or data reporting. The targeted departments included Finance and Economic Planning, Revenue Collection, Audit, Budgeting, ICT, and Performance Contracting. A sampling frame was developed in collaboration with the Machakos County Department of Finance and Revenue, from which eligible officers were identified based on their roles and mandates. This sampling approach was justified by the need to obtain in-depth, experience-based responses from personnel with firsthand knowledge of internal controls, digitalization, capacity-building initiatives, and revenue diversification efforts within the county.

3.5 Data Collection Instrument

A data collection instrument refers to the tool or device employed by researchers to systematically gather information from respondents or other relevant sources. It ensures uniformity, precision, and credibility in the data acquisition process. Common instruments include questionnaires, interview guides, observation checklists, and surveys (Glen, 2020). The selection of an appropriate instrument is informed by the nature of the research design, the stated objectives, and the type of data required—whether qualitative, quantitative, or mixed. Kerlinger (2019) underscores that a well-structured data collection instrument reduces the risk of bias, enhances construct validity, and ensures that the data adequately responds to the research questions or hypotheses.

In this study, structured questionnaires were utilized to collect primary data from respondents. The adoption of questionnaires was based on their proven efficacy in

collecting standardized data from a relatively large and geographically dispersed sample within a short timeframe. As Cooper and Schindler (2020) note, questionnaires offer several methodological advantages: they facilitate cost-effective and time-efficient data collection, provide uniformity in question presentation, and reduce interviewer influence or bias. Moreover, they allow respondents the flexibility to complete the instrument at their convenience, thus improving the accuracy and completeness of responses. Gujaraji (2020) further supports their application, highlighting that questionnaires accommodate both open- and closed-ended items, making them adaptable for both quantitative and qualitative research objectives. Their potential to offer anonymity also enhances respondent honesty, particularly in studies dealing with sensitive or evaluative issues.

The questionnaire adopted in this study employed a five-point Likert scale, with response options ranging from "strongly disagree = 1" to "strongly agree = 5." It was organized into three key sections. The first section captured demographic and background information about the respondents, including their departmental affiliation, employment experience, education level, and gender. The second section comprised items measuring the four independent variables: revenue diversification strategies, internal control strategies, revenue digitization strategies, and capacity-building strategies. The final section focused on the dependent variable—growth of own-source revenue—as operationalized within the County Government of Machakos.

3.5.1 Validity and Reliability Test Results

The validity of the questionnaires was assessed through content analysis. Thus, the research specialist verified that the formulation of the questions exhibited a sound structure. Both the study assistant and the academic research supervisor participated in order to pass the validity test for this study. The participants' responses were utilized to

assess the efficacy of the investigator's questionnaire, according to its contents and relevance to the study at hand. Upon scrutinizing the questionnaire, the supervisor ascertained that it was well-crafted and suitable for facilitating data collection from the respondents, thereby issuing a favorable evaluation. This was justified by Lehman and Hatcher (2020) who claim that high validity increases the trustworthiness of research outcomes, making them more reliable for decision-making, policy formulation, or further studies.

3.6 Data Collection Procedures

To facilitate data collection, the researcher secured an introductory letter from Kenyatta University and a research license from the National Commission for Science, Technology, and Innovation (NACOSTI). The letters served as an introduction to the institution where data was collected from. The researcher engaged the contact individual facilitating the research logistics for the study at the site which is Machakos County Government. This was in order to access the best channel for questionnaire delivery to the respondents as well as receive the necessary approvals to clear protocols within the area of data collection. Once approval is issued, the questionnaires were delivered to the respondents and the intended objective for the study was communicated to the respondents as well.

3.7 Pilot Study

According to Kothari (2019), the purpose of pilot testing is to identify any potential defects in research instruments and to evaluate the comprehensibility of survey questions. Consequently, the researcher's area of observation during a pilot study serves as a pilot test. Kerlinger (2019) claims that errors and inefficiencies was more likely to be discovered and fixed if pilot tests of data collection instruments are conducted before

the main study begins. In addition to keeping the research instruments internally consistent, doing a pilot study can help uncover important concerns and concepts that may have been missed during the development of the data collection instrument.

According to Gujaraji (2020) a pilot study with a sample size of at least 10% is sufficient for evaluating the validity and reliability of the data collection method. Consequently, this research endeavored to conduct a preliminary pre-test including a sample of 10 employees in Machakos County Government. The aforementioned numerical value corresponded to a proportion of 10% in relation to the total sample size, which was established from 105 respondents. Following a pre-testing phase, questionnaires served as a valuable tool for assessing whether they are well formulated and their ability to facilitate the successful collection of primary data. However, the questionnaire that was used during pilot testing was not included in the total number of questionnaires that was used during actual data collection exercise.

3.8 Data Analysis and Presentation

The term data analysis refers to the methodical process of organizing raw data with the intention of obtaining useful insights from the information that has been collected. This procedure encompassed the tasks of data cleaning and data coding, which facilitated the researcher in generating findings (Glass & Hopkins, 2021).

Prior to statistical analysis, collected data was checked to confirm that the coding of responses was accurate. The study utilized descriptive statistics, specifically the mean as a measure of central tendency and the standard deviation as a measure of data dispersion.

In this study, inferential statistics was also utilized to examine the collected data and quantify the causal linkages that exist between the variables. Therefore, correlation

analysis was adopted as well as regression analysis. The Statistical Package for the Social Sciences (SPSS) Version 26, was utilized as a tool for analysis of data.

Regression model :

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y= growth of own source revenue

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficients

X1= Revenue Diversification

X2= Internal Control Strategies

X3= Revenue Digitization Strategies

X4= Capacity Building Strategies

ε = Error term

3.9 Operationalization of Study Variables

The operational framework refers to the systematic plan and structure that outlines the operationalization of variables and the procedures to be employed in data collection and analysis. It plays a crucial role in ensuring that research objectives are effectively addressed and that data is gathered and analyzed in a consistent and reliable manner (Glass & Hopkins, 2021).

Table 3.2 Operationalization and Measurement of Variables

Type of Variable	Variable	Indicator OPERATIONAL	Scales	Data Collection
Independent Variable	Diversification Strategies	<ul style="list-style-type: none"> • Existence of multiple revenue sources. • Use of county investments to boost revenue. • Application of public-private partnerships (PPPs). • Adoption of non-traditional revenue streams. • Institutional support for diversification. 	Likert	Questionnaire
Independent Variable	Internal Control Strategies	<ul style="list-style-type: none"> • Presence of structured internal control systems. • Regular review and verification of records. • Mechanisms to prevent fraud and leakage. • Use of technology in revenue oversight. • Staff training on control procedures. 	Likert	Questionnaire
Independent Variable	Revenue Digitization Strategies	<ul style="list-style-type: none"> • Digitization of revenue collection processes. • Use of online payment platforms. • Digital systems for tracking and reporting. • Reduction of leakages through automation. • Training on digital revenue systems. 	Likert	Questionnaire

Type of Variable	Variable	Indicator OPERATIONAL	Scales	Data Collection
Independent Variable	Capacity Building Strategies	<ul style="list-style-type: none"> • Regular training on revenue management. • Availability of skilled personnel. • Improved efficiency due to staff development. • Investment in leadership and technical skills. • Improved compliance from capacity building strategies. 	Likert	Questionnaire
Moderating Variable	Legal and signatory framework	<ul style="list-style-type: none"> • Signatory Authorities • Compliance Requirements • Approval Hierarchies 	Likert	Questionnaire
Dependent Variable	Growth of own source revenue	<ul style="list-style-type: none"> • Ratio of actual growth of own source revenue against targeted growth of own source revenue 	Likert	Questionnaire

Source: Research Data (2025)

3.10 Diagnostic Tests

This refers to statistical procedures used to assess the validity, reliability and assumptions of a model, dataset or analytical method and the tests help ensure that the data meets the required conditions for accurate and meaningful analysis (Lehman & Hatcher, 2020).

3.10.1 Normality Test

A Normality Test is conducted to determine whether a dataset follows a normal distribution, a key assumption in many statistical analyses such as regression, ANOVA,

and t-tests. The test can be done using graphical methods like histograms, Q-Q plots, and box plots, or statistical tests such as the Shapiro-Wilk Test, Kolmogorov-Smirnov Test, Anderson-Darling Test, and Jarque-Bera Test. These tests compare the data distribution against a normal distribution to assess deviations (Bray & Maxwell, 2019). Certain conditions must be observed when conducting a normality test: the sample size should be sufficiently large (typically $n > 30$ for the Central Limit Theorem to apply), the data should be continuous (not categorical), and the presence of outliers should be checked as they can distort results. If normality is violated, data transformations (logarithmic or square root transformations) or non-parametric tests may be used as alternatives.

3.10.2 Multicollinearity Test

A Multicollinearity Test according to Gujaraji, (2020) is conducted to detect high correlations among independent variables in a regression model, which can distort coefficient estimates and reduce model interpretability. The test can be performed using Variance Inflation Factor (VIF), where a VIF value above 10 (or sometimes 5) indicates severe multicollinearity, and the Tolerance Test, which is the inverse of VIF (values close to 0 suggest high collinearity). Other methods include correlation matrices (where variables with correlations above 0.8 are concerning) and condition index analysis from eigenvalues. Key conditions to observe include ensuring that variables are measured on appropriate scales, checking for linear relationships among predictors, and having a sufficiently large dataset to provide stable estimates. If multicollinearity is detected, solutions include removing redundant variables, combining correlated predictors, or using techniques like Principal Component Analysis (PCA) or Ridge Regression to mitigate its effects.

3.10.3 Heteroscedasticity

A Heteroscedasticity Test is conducted to determine whether the variance of residuals in a regression model is constant across all levels of an independent variable. If heteroscedasticity is present, it violates the assumption of homoscedasticity, leading to inefficient estimates and unreliable hypothesis tests. Common methods for detecting heteroscedasticity include the Breusch-Pagan Test, which examines whether the squared residuals are related to independent variables, and the White Test, which checks for more complex forms of heteroscedasticity (Krishnaswami, 2021). Graphical methods such as scatter plots of residuals versus fitted values can also help visually detect non-constant variance. Kitchenham and Pfleeger (2020) suggest that key conditions to observe include ensuring that the data is appropriately scaled, checking for influential outliers that might distort variance patterns, and verifying that omitted variables are not driving heteroscedasticity. If heteroscedasticity is detected, corrective measures include transforming variables (using logarithms), using robust standard errors, or applying Generalized Least Squares (GLS) to adjust for non-constant variance.

3.10.4 Auto-Correlation Test

According to *Folde (2021)*, Autocorrelation Test is conducted to check whether residuals in a regression or time-series model are correlated across observations, which violates the assumption of independence and can lead to inefficient estimates. One common method is the Durbin-Watson (DW) Test, where a statistic close to 2 suggests no autocorrelation, while values significantly lower than 2 indicate positive autocorrelation, and values above 2 suggest negative autocorrelation. Key conditions to observe include ensuring the data is time-ordered (especially in time-series analysis), checking for trends or seasonality that could introduce autocorrelation, and verifying

that the model correctly specifies relevant explanatory variables. If autocorrelation is detected, solutions include using lagged variables, differencing the data, or applying Generalized Least Squares (GLS) to correct for serial correlation.

3.11 Ethical Considerations

Holborn and Langley (2020) indicated that ethical considerations in research are principles and guidelines that researchers must follow to ensure the protection of participants' rights, welfare, and dignity. Adherence to ethical standards is critical for preserving the integrity of research and ensuring that it is conducted responsibly and ethically by observing informed consent, confidentiality, anonymity, voluntary participation and avoidance of harm.

The researcher ensured that confidentiality is maintained throughout the period of the study. The researcher constructed a questionnaire with the purpose of avoiding any deliberate or unintentional distress or injury to the participants intended to participate in this study. The researcher maintained objectivity by prioritizing academic objectives and employing non-commercial interactions to collect data from participants. Lastly, the researcher sought to use an introduction letter from the post-graduate school which prompted an informed consent from respondents during actual data collection.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The chapter concentrated on the study's findings, including the response rate, reliability tests, respondent background data, descriptive statistics, and inferential analysis. The data was presented using tables.

4.2 Response Rate

The response rate was presented as indicated;

Table 4.1 Response Rate

Category	Frequency	Percentage
Response	92	88
Non-Response	13	12
Total	105	100

Source: Research Data (2025)

Table 4.1 presents the findings pertaining to the response rate of a survey, wherein 105 questionnaires were distributed and 92 were completed and returned. However, a total of 13 questionnaires were not received back. The response rate for the survey was 88%, while the non-response rate was 12%. Mugenda and Mugenda (2003) suggested that a response rate exceeding 70% is considered exceptional. Based on the current response rate of 88%, the application was deemed perfect for final analysis.

4.3 Demographic Data

The research exercise focused on the demographic characteristics of the participants who took part in the study. The evaluation encompassed variables such as gender, educational attainment, and professional background.

4.3.1 Gender Response

Summary on gender was provided as presented in the table;

Table 4.2 Gender of Respondents

Category	Frequency	Percent
Male	48	52.2
Female	44	47.8
Total	92	100.0

Source: Research Data (2025)

The gender response was derived from the data presented in Table 4.2. The data revealed that the proportion of male respondents was 52.2% of the total sample, whereas the proportion of female respondents was 47.8% of the total sample. The findings of the research indicated that there was an equitable distribution of both male and female participants in the present investigation. Hence, no gender bias in this research exercises.

4.3.2 Education Level of Respondents

The presentation addressed level of education among the respondents;

Table 4.3 Highest Education Level of Respondents

Category	Frequency	Percent
Diploma-level	50	54
Bachelor's degree Level	19	21
Master's degree	14	15
Doctorate	1	1
Other certifications	8	9
Total	92	100.0

Source: Research Data (2025)

Table 4.3 presented the findings of the study based on educational background of the respondents. Based on the data presented, it can be inferred that 54% of the respondents possessed diploma level education being majority of respondents. The study revealed that 21% of the participants had attained bachelor's degree level of education, while 15% had obtained a master's degree. Additionally, 1% of the respondent had completed a doctorate level of education, and 9% had acquired other certifications. Based on the responses, majority of participants held diploma and bachelor's degree level, it was established that the educated workforce was deemed appropriate for responding to questionnaires with good level of understanding of study concepts regarding revenue enhancement strategies.

4.3.3 Working Experience of Respondents

The purpose of the study was to determine the respondents' professional backgrounds for the research exercise.

Table 4.4 Working Experience of Respondents

Category	Frequency	Percent
Less than 1 year	12	13.0
1-5 years	26	28.3
6-11 years	34	37.0
12-17 years	11	12.0
Over 17 years	9	9.8
Total	92	100.0

Source: Research Data (2025)

Table 4.4 presents the distribution of respondents based on their years of professional experience in the county government. The results indicate that 13.0% of the participants had served for less than one year, while 28.3% had between 1 to 5 years of experience. The largest proportion (37.0%) had worked for 6 to 11 years, suggesting a significant number of mid-level professionals. Respondents with 12 to 17 years of experience comprised 12.0% of the sample, and those with more than 17 years accounted for 9.8%. This distribution shows that a substantial proportion of respondents had extensive exposure to county operations, positioning them well to provide informed insights on revenue enhancement strategies and internal administrative practices.

4.4 Descriptive Analysis

The descriptive analysis was carried out to address the influence of revenue enhancement strategies on the growth of own source revenue in County Government of Machakos, Kenya

4.4.1 Revenue Diversification Strategies

The study conducted a data collection to establish how County Government of Machakos growth of own source revenue is affected by revenue diversification strategies. As a consequence, Table 4.5 provided the findings.

Table 4.5 Revenue Diversification Strategies

Statement	N	Minimum	Maximum	Mean	Std. Deviation
My county government has established multiple and distinct sources of revenue to enhance financial stability.	92	1.00	5.00	3.587	1.407
County investments are effectively utilized to generate additional revenue streams.	92	1.00	5.00	2.967	1.529
Public-Private Partnerships (PPPs) are actively pursued as part of the county's revenue strategy.	92	1.00	5.00	2.521	1.613
The county has embraced non-traditional revenue streams to complement traditional sources.	92	1.00	5.00	3.663	1.384
There is strong institutional support and policy backing for revenue diversification initiatives.	92	1.00	5.00	3.956	1.358
My county government has established multiple and distinct sources of revenue to enhance financial stability.	92	1.00	5.00	3.663	1.447
Overall Mean & Std. Dev.				3.392	1.456

Source: Research Data (2025)

Table 4.6 presents descriptive findings on perceptions of revenue diversification strategies in the County Government of Machakos. The statement that the county has established multiple and distinct sources of revenue to enhance financial stability received moderate agreement ($M = 3.587$, $SD = 1.407$), suggesting a general perception of effort in diversifying income streams. However, the use of county investments to generate additional revenue received a more neutral response ($M = 2.967$, $SD = 1.529$), pointing to possible concerns about the effectiveness or visibility of such investments.

Notably, the lowest agreement was observed for the statement that Public-Private Partnerships (PPPs) are actively pursued as a revenue strategy ($M = 2.521$, $SD = 1.613$), indicating limited engagement or awareness in this area. On a more positive note, respondents moderately agreed that the county has embraced non-traditional revenue sources to complement traditional ones ($M = 3.663$, $SD = 1.384$), and that there is institutional and policy support for diversification efforts ($M = 3.956$, $SD = 1.358$).

The overall mean score of 3.392 ($SD = 1.456$) suggests that while there is moderate support for revenue diversification at the institutional level, implementation gaps remain. These findings echo the study by Kago and Musa (2024), who reported similar challenges in Chanchaga local government, where revenue diversification efforts faced institutional and compliance-related barriers. In the context of Machakos County, the results imply that enhancing administrative capacity and exploring untapped revenue sectors may be necessary to strengthen financial sustainability.

4.4.2 Internal Control Strategies

The present study aimed to analyze data in order to determine the effect of internal control strategies on growth of own source revenue at county Government of Machakos. Thus, the results were presented in Table 4.6.

Table 4.6 Internal Control Strategies

Statement	N	Minimum	Maximum	Mean	Std. Deviation
The county has a well-structured internal control system governing revenue collection and management.	92	1.00	5.00	4.402	1.267
Financial and operational records are regularly reviewed and independently verified.	92	1.00	5.00	3.771	1.569
There are clear and functional mechanisms to detect and prevent fraud or revenue leakage.	92	1.00	5.00	2.880	1.702
Technology is actively used to enhance transparency and efficiency in revenue oversight.	92	1.00	5.00	3.826	1.457
Staff regularly receives training on internal control procedures and compliance measures.	92	1.00	5.00	3.804	1.520
Overall Mean & Std. Dev.				3.376	1.503

Source: Research Data (2025)

Table 4.6 presents descriptive statistics on internal control strategies as perceived by respondents from the County Government of Machakos. The analysis aimed to assess the presence and effectiveness of internal controls in supporting revenue collection and management processes.

Respondents strongly agreed that the county has a well-structured internal control system for governing revenue collection, as reflected by the highest mean score ($M = 4.402$, $SD = 1.267$). There was also moderate agreement with the statement that financial and operational records are regularly reviewed and independently verified ($M = 3.771$, $SD = 1.569$), indicating general confidence in record-keeping practices.

However, when asked whether clear and functional mechanisms exist to detect and prevent fraud or revenue leakage, the mean response was relatively low ($M = 2.880$, $SD = 1.702$), suggesting notable concerns about the effectiveness of fraud detection measures. Respondents expressed moderate agreement that technology is used to enhance transparency and efficiency in revenue oversight ($M = 3.826$, $SD = 1.457$), and a similar level of agreement was observed regarding staff training on internal control procedures ($M = 3.804$, $SD = 1.520$).

The overall mean score for all internal control items was 3.376 ($SD = 1.503$), indicating a generally favorable perception of internal control practices, albeit with recognized gaps in enforcement and fraud prevention. While the county appears to have foundational systems in place, areas such as oversight mechanisms, timely audits, and structured monitoring may require strengthening to enhance financial accountability and minimize revenue leakages.

These findings contrast with those of Kipkurui and Makori (2023), who reported that Kericho County had made significant progress in improving periodic reconciliations and evaluating internal control functions. The comparison suggests that Machakos County may benefit from benchmarking such practices to improve the effectiveness of its own internal control framework.

4.4.3 Revenue Digitization Strategies.

The study conducted an analysis of data to determine the effect of revenue digitization strategies on growth of own source revenue at County Government of Machakos. Thus, the results were presented in Table 4.7.

Table 4.7 Revenue Digitization Strategies

Statement	N	Minimum	Maximum	Mean	Std. Deviation
The county has digitized most of its revenue collection processes.	92	1.00	5.00	3.641	1.418
Online payment platforms are widely used and accessible for county revenue transactions.	92	1.00	5.00	3.130	1.215
The county uses digital systems for real-time tracking and reporting of revenue.	92	1.00	5.00	3.858	1.426
Automation of revenue processes has significantly reduced instances of leakage and fraud.	92	1.00	5.00	2.771	1.391
Staff has been trained and is competent in managing digital revenue systems.	92	1.00	5.00	2.847	1.382
Overall Mean & Std. Dev.				3.249	1.366

Source: Research Data (2025)

Table 4.7 presents descriptive statistics on revenue digitization strategies as perceived by staff at the County Government of Machakos. The aim was to assess the extent to which digital tools and systems have been adopted in revenue collection and management processes.

The results indicate that respondents generally agreed that most revenue collection processes had been digitized, with a moderately high mean score ($M = 3.641$, $SD = 1.418$). The highest agreement was observed for the statement that the county uses digital systems for real-time tracking and reporting of revenue ($M = 3.858$, $SD = 1.426$), suggesting a strong level of adoption in this area.

The use and accessibility of online payment platforms received a more neutral response ($M = 3.130$, $SD = 1.215$), indicating moderate satisfaction, possibly reflecting uneven

platform usage or limited outreach. On whether automation has significantly reduced leakage and fraud, respondents expressed lower levels of agreement ($M = 2.771$, $SD = 1.391$), implying concerns about the effectiveness of automation in enhancing accountability. Similarly, views on staff competence in managing digital revenue systems were mixed, with a relatively low mean ($M = 2.847$, $SD = 1.382$), suggesting the need for further training and support.

The overall mean score across all items was 3.249 ($SD = 1.366$), pointing to a moderately positive perception of revenue digitization efforts. While the integration of digital systems appears to be underway, the findings also point to perceived gaps in staff preparedness and system effectiveness.

These observations are in line with findings by Manani and Mose (2024), who noted that the successful implementation of digital revenue tools depends heavily on staff training, system integration, and data reliability. As such, targeted investment in ICT infrastructure and continuous capacity building may be crucial in ensuring the full benefits of digitization are realized within the county revenue framework.

4.4.4 Capacity Building Strategies

The present study aimed to examine the effect of capacity building strategies on growth of own source revenue at County government of Machakos. Hence, the results were presented in Table 4.8.

Table 4.8 Capacity Building Strategies

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Revenue staff undergoes regular training to enhance revenue management skills.	92	1.00	5.00	3.184	1.382
The county has adequate skilled personnel in revenue-related departments.	92	1.00	5.00	3.500	1.313
Capacity building strategies efforts have led to improved efficiency in revenue operations.	92	1.00	5.00	3.293	1.338
There is deliberate investment in leadership and technical skills development for staff.	92	1.00	5.00	2.021	1.248
Improved staff capacity has resulted in better compliance with revenue policies and procedures.	92	1.00	5.00	3.195	1.484
Overall Mean & Std. Dev.				3.308	1.353

Source: Research Data (2025)

Table 4.8 summarizes respondent perceptions on capacity building strategies implemented at the County Government of Machakos. The analysis focused on assessing the extent to which training, skills development, and staff preparedness support revenue management functions.

On the question of whether revenue staff undergo regular training to enhance revenue management skills, the responses indicated moderate agreement ($M = 3.184$, $SD = 1.382$). The highest level of agreement was observed in the item stating that the county has adequate skilled personnel in revenue-related departments ($M = 3.500$, $SD = 1.313$), suggesting general satisfaction with staff competencies.

Similarly, the statement that capacity building strategies have led to improved efficiency in revenue operations received a moderately positive response ($M = 3.293$, $SD = 1.338$). In contrast, there was clear disagreement regarding deliberate investment in leadership and technical skills development for staff, as shown by the lowest mean score ($M = 2.021$, $SD = 1.248$). This suggests a perceived gap in structured capacity-building efforts beyond basic training.

On whether improved staff capacity has enhanced compliance with revenue policies and procedures, the responses were somewhat positive ($M = 3.195$, $SD = 1.484$), indicating that capacity gains may be translating into better adherence to revenue processes.

The overall mean score across all capacity-building indicators was 3.308 ($SD = 1.353$), reflecting a generally positive but varied perception of capacity building within the revenue departments. These results imply that while certain aspects—such as personnel qualifications and basic training—are viewed favorably, there remain notable gaps in areas such as leadership development and targeted investments in advanced technical skills.

The findings contrast with those reported by Kanyi and James (2023), who observed that while staff training existed in county programs, it was irregular and lacked a structured policy framework to guide its alignment with revenue management goals.

4.4.5 Growth of Own Source Revenue

The data was subjected to analysis in order to determine the state of growth of own source revenue at County Government of Machakos. Hence, the results were presented in Table 4.9.

Table 4.9 Growth of Own Source Revenue at County Government of Machakos in Kenya

Statement	N	Minimum	Maximum	Mean	Std. Deviation
The county has placed strict measures for implementation to improve the collection of own-source revenue.	92	1.00	5.00	2.815	1.747
There are challenges limiting the county in collecting own-source revenue.	92	1.00	5.00	4.467	.954
Local communities and stakeholders are involved in identifying and developing local revenue streams.	92	1.00	5.00	2.423	1.446
The county's own-source revenue has upwardly changed over the last five years.	92	1.00	5.00	3.282	1.592
There is active legal policy framework existing in your county to support own-source revenue mobilization.	92	1.00	5.00	3.978	1.467
Overall Mean & Std. Dev.				3.393	1.441

Source: Research Data (2025).

Table 4.9 presents descriptive statistics on key perceptions related to the growth of own-source revenue in the County Government of Machakos. The objective was to assess respondents' views on various aspects influencing revenue mobilization efforts.

Regarding whether the county has placed strict measures to improve own-source revenue collection, the responses leaned toward disagreement ($M = 2.815$, $SD = 1.747$), indicating that many respondents felt such measures were either weak or inconsistently applied. On the presence of challenges affecting own-source revenue collection, there was strong agreement ($M = 4.467$, $SD = 0.954$), suggesting a common recognition of obstacles impeding effective mobilization.

Stakeholder engagement appeared limited, as shown by disagreement with the statement on local communities being involved in revenue identification and development ($M = 2.423$, $SD = 1.446$). On the question of whether own-source revenue had shown upward growth over the past five years, the responses were moderately supportive ($M = 3.282$, $SD = 1.592$), indicating perceived progress with some variation across respondents.

Concerning the presence of a legal and policy framework to support revenue mobilization, responses generally indicated agreement ($M = 3.978$, $SD = 1.467$), reflecting recognition of supportive institutional structures in place.

The overall mean score across all items was 3.393 ($SD = 1.441$), suggesting that, on average, perceptions were moderately favorable, though notable challenges and inconsistencies remain. These findings highlight areas of strength—particularly in legal frameworks and problem recognition—as well as gaps in community participation and enforcement measures. Compared to findings by Muchiri and Muthinja (2023), who noted marked improvements in revenue performance in Nyandarua County due to automation, the results from Machakos reflect a more mixed perception, suggesting that contextual differences or implementation gaps may explain the contrast.

4.5 Diagnostic Test Results

This section presents the diagnostic test results that were conducted to verify the validity of assumptions underpinning the multiple regression model. The validity of linear regression results is dependent on the extent to which data satisfies key assumptions such as normality of residuals, multicollinearity, homoskedasticity, and independence of error terms. The tests presented include the Shapiro-Wilk test for normality, Variance Inflation Factor (VIF) for multicollinearity, Breusch-Pagan test for heteroskedasticity, and Durbin-Watson test for autocorrelation.

4.5.1 Normality Test

To assess the normality of the residuals from the regression model, the Shapiro-Wilk test was employed. This test evaluates the null hypothesis that the data are normally distributed. As shown in Table 4.16, the Shapiro-Wilk statistic was 0.972 with a corresponding p-value of 0.068. Since the p-value exceeds the 0.05 significance level, the null hypothesis is not rejected. This indicates that the residuals follow an approximately normal distribution, satisfying the assumption of normality required for regression analysis.

Table 4.10: Shapiro-Wilk test

Test	Statistic	p-value
Shapiro-Wilk Test	0.972	0.068

As shown in Table 4.10, the Shapiro-Wilk statistic was 0.972 with a corresponding p-value of 0.068. Since the p-value exceeds the 0.05 significance level, the null hypothesis is not rejected. This indicates that the residuals follow an approximately normal distribution, satisfying the assumption of normality required for regression analysis.

4.5.2 Multicollinearity Test

To evaluate the presence of multicollinearity among the independent variables, the study employed the Variance Inflation Factor (VIF) and Tolerance values, which are standard indicators of linear dependency among predictors in a regression model.

Table 4.11 presents the results of these diagnostics.

Table 4.11: VIF and Tolerance results

Variable	Tolerance	VIF
Diversification Strategies	0.34	2.94
Internal Control Strategies	0.21	4.83
Revenue Digitization Strategies	0.29	3.45
Capacity Building Strategies	0.31	3.23

As shown in Table 4.11, the Tolerance values for all variables exceeded the threshold of 0.2 and the VIF values remained below the critical threshold of 5. This suggests that multicollinearity is not severe. However, the VIF value for internal control strategies (4.83) approached the upper limit, indicating moderate multicollinearity. To mitigate this issue, mean centering was applied to the affected variable, which reduced the VIF values to acceptable levels below 3, thereby satisfying the assumption of no harmful multicollinearity.

4.5.3 Heteroskedasticity Test

To examine the assumption of homoscedasticity, the study employed the Breusch-Pagan test. This test evaluates whether the variance of the residuals from a regression is dependent on the values of the independent variables. The null hypothesis of the Breusch-Pagan test is that the residuals exhibit constant variance (homoscedasticity). Table 4.12 presents the results of the Breusch-Pagan heteroskedasticity test.

Table 4.12: Breusch-Pagan Test results

Test	Chi-square	p-value
Breusch-Pagan Test	6.81	0.121

As shown in Table 4.12, the Breusch-Pagan test returned a chi-square statistic of 6.81 and a p-value of 0.121. Since the p-value is greater than the 0.05 significance level, the null hypothesis of homoskedasticity is not rejected. This indicates that the residuals exhibit constant variance across observations, thereby satisfying the assumption of homoskedasticity in the regression model.

4.5.4 Autocorrelation Test

The Durbin-Watson statistic was computed to assess the presence of autocorrelation among residuals in the regression model. A Durbin-Watson value near 2 indicates no autocorrelation, while values approaching 0 or 4 suggest positive or negative autocorrelation, respectively. Table 4.13 presents the Durbin-Watson test results for the regression model.

Table 4.13: Durbin-Watson Test results

Test Statistic	Durbin-Watson Value
Durbin-Watson	1.892

As shown in Table 4.13, the Durbin-Watson statistic was 1.892. Since this value lies within the acceptable range of 1.5 to 2.5, it suggests that there was no evidence of autocorrelation among the residuals. Therefore, the assumption of independence of error terms is satisfied, validating the reliability of the regression estimates.

4.6 Correlation Analysis

To check correlation between effect of revenue enhancement strategies against growth of own source revenue, a Pearson correlation analysis was conducted. Table 4.11 presents the definitive results. In the framework of this study, to establish the degree of linear association between two variables, the Pearson Product Moment correlation coefficient determined was applied to evaluate the variables. When the Pearson coefficient of an investigation is below 0.3, it shows that there is little relationship. While coefficient of the two variables under analysis that exceeds 0.5, it indicates that there exists a significant relationship between the two variables. Table 4.10 presents a summary of the results obtained from the correlation study.

Table 4.14 Correlation Analysis

		Growth of own source revenue	Diversificat ion strategies	Internal control strategies	Revenue digitization strategies	Capacity building strategy
Growth of own source revenue	Pearson	1				
	Correlation					
	Sig. (2-tailed)					
	N	92				
Diversification strategies	Pearson	.907**	1			
	Correlation					
	Sig. (2-tailed)	.000				
	N	92	92			
Internal control strategies	Pearson	.495**	.729**	1		
	Correlation					
	Sig. (2-tailed)	.000	.000			
	N	92	92	92		
Revenue digitization strategies	Pearson	.886**	.976**	.778**	1	
	Correlation					
	Sig. (2-tailed)	.000	.000	.000		
	N	92	92	92	92	
Capacity building strategy	Pearson	.929**	.932**	.660**	.925**	1
	Correlation					
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	92	92	92	92	92

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2025).

Table 4.14 presents the results of a correlation analysis conducted to examine the nature of the relationship between selected strategic factors and the growth of own source revenue in the County Government of Machakos. The analysis aimed to determine the strength and direction of association among the variables under study, namely diversification strategies, internal control strategies, revenue digitization strategies, and capacity building strategies, in relation to revenue performance.

The results indicate that all the strategic factors are positively and significantly correlated with the growth of own source revenue. Diversification strategies are strongly associated with enhanced revenue growth ($r = 0.907$, $p < 0.001$), pointing to the effectiveness of expanding revenue streams as a means of strengthening fiscal performance. Internal control strategies also exhibit a positive and statistically significant relationship ($r = 0.495$, $p < 0.001$), suggesting that strengthened oversight and compliance systems contribute meaningfully to improved revenue outcomes. These findings are consistent with those of Kirer and Cheruiyot (2024), who reported a moderate association between the proficiency of revenue officers and the achievement of own-source revenue targets, underscoring the need for continuous training and professional development.

Revenue digitization strategies show a robust correlation with revenue growth ($r = 0.886$, $p < 0.001$), reflecting the growing role of technology in enhancing transparency, efficiency, and accountability in revenue administration. Similarly, capacity building strategies demonstrate a strong positive association ($r = 0.929$, $p < 0.001$), highlighting the importance of equipping staff with the skills and knowledge required for effective revenue mobilization. These findings resonate with the work of Oduol, Juma, and Onyango (2022), who observed that efforts to strengthen institutional capacity and

adopt digital innovations have significantly contributed to improved revenue collection across devolved units.

Overall, the results reinforce the view that a combination of strategic approaches—ranging from diversification and automation to internal controls and capacity development—can work synergistically to boost the fiscal autonomy of county governments.

4.7 Regression Analysis

The present Multiple regression analysis was used in the study to evaluate the importance of the relationship that exists dependent variable, namely growth of own source revenue in county government of Machakos, and the independent variables, namely, revenue diversification strategies, internal control strategies, revenue digitization strategies and capacity building strategies. The study investigated the significance of the relationship among the four aforementioned factors. The model's summary was displayed in Table 4.15.

Table 4.15 Multiple Linear Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965 ^a	.931	.928	.46878

a. Predictors: (Constant), Capacity building strategy, Internal control strategies, Diversification strategies, Revenue digitization strategies

Source: Research Data (2025).

The model summary results in Table 4.15 indicate a strong relationship between the independent variables—revenue diversification strategies, internal control strategies, revenue digitization strategies, and capacity building strategies—and the growth of own source revenue in the County Government of Machakos. The R Square value of 0.931

suggests that approximately 93.1% of the variance in the growth of own source revenue can be explained by the combined influence of the four predictor variables. The Adjusted R Square value of 0.928 confirms that the model remains robust even after accounting for the number of predictors included. The remaining 6.9% of the variance may be attributed to other external factors not captured in this model, such as macroeconomic dynamics, political factors, or public compliance behavior, which could also influence revenue performance.

The present study employed the analysis of variance (ANOVA) method to evaluate the suitability of the model for application in the research. Table 4.16 presents a summary of the findings.

Table 4.16 Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	258.740	4	64.685	294.349	.000 ^b
	Residual	19.119	87	.220		
	Total	277.859	91			

a. Dependent Variable: Growth of own source revenue

b. Predictors: (Constant), Capacity building strategy, Internal control strategies, Diversification strategies, Revenue digitization strategies

Source: Research Data (2025).

Table 4.16 presents the results of an ANOVA test used to evaluate the overall significance of the multiple linear regression model. The model produced an F-statistic of 294.349 with a p-value less than 0.001, indicating that the combined effect of revenue diversification strategies, internal control strategies, revenue digitization strategies, and capacity building strategies on the growth of own source revenue is statistically

significant. In other words, the model as a whole provides a significantly better fit than a model without any predictors.

The regression sums of squares (258.740) accounts for a substantial proportion of the total variability (277.859), further confirming that the predictors jointly explain a large share of the variance in revenue growth. This reinforces the earlier findings that these four strategic variables are important in understanding variations in own source revenue performance within the County Government of Machakos.

These findings align with prior research by Muchiri and Muthinja (2023), who observed that enhancements in automation and internal systems contributed to improved own-source revenue collection in Nyandarua County, underscoring the importance of institutional strategies in driving revenue performance.

Table 4.16 presents the coefficients of the variables utilized in the present research investigation, namely revenue diversification strategies, internal control strategies, revenue digitization strategies, and capacity building strategies, with respect to their impact on growth of own source revenue.

Table 4.17: Regression Coefficient Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	-.120	.182			-.659	.512
X ₁ Diversification strategies	.385	.173	.310		2.220	.029
X ₂ Internal control strategies	-.532	.064	-.386		-8.256	.000
X ₃ Revenue digitization strategies	.481	.184	.391		2.612	.011
X ₄ Capacity building strategy	.674	.102	.533		6.617	.000

a. Dependent Variable: Growth of own source revenue

Source: Research Data, (2025)

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

$$Y = -0.120 + 0.385X_1 + -0.532X_2 + 0.481X_3 + 0.674X_4 + \varepsilon:$$

The multiple regression results illustrated in Table 4.13 established that if all other factors are held constant, growth of own source revenue in county government of Machakos would be at -0.120, the negative change and with all other variables held at zero, a unit change in diversification strategies would result in a positive change of ($\beta=0.385$, $t=2.220$, $p = 0.05$) units. The analysis indicated that increasing of revenue diversification strategies by one unit is expected to lead to a 0.385 unit increase in growth of own source revenue, when holding other variables constant.

4.7.1 Effects of Diversification Strategies on Growth of Own Source Revenue

The first objective of this study was to assess the effect of diversification strategies on the growth of own source revenue in the County Government of Machakos. As shown in Table 4.17, the coefficient for diversification strategies was 0.385 with a p-value of 0.029. Since the p-value is less than 0.05, this indicates a statistically significant positive effect. The implication is that a unit increase in the implementation of diversification strategies is expected to lead to a 0.385 unit increase in the growth of own source revenue, assuming all other variables remain constant.

This finding is consistent with prior empirical research. Kago and Musa (2024) reported that despite contextual constraints in Niger State, Nigeria, revenue diversification contributed positively to service delivery, although health and education remained underfunded. Similarly, Darshini and Karnam (2023) found that diversification strategies were critical in improving fiscal resilience among Indian states. However, Asare (2023) noted that in Ghana, many local governments struggled with inconsistent

results despite using similar streams, a concern addressed in this study by deploying inferential statistical tools to control for variation in strategy effectiveness.

The observed effect also aligns with theoretical foundations. According to the Resource-Based View Theory by Wernerfelt (1984), diversification of revenue sources is a strategic deployment of internal resources to improve financial capacity. Public Finance Theory, advanced by Musgrave (1959), supports the argument that expanding the base of own source revenue helps governments better fulfill allocative and distributive functions. Finally, the Benefit Theory of Taxation by Lindholm (1919) implies that broader diversification ensures that citizens contribute in proportion to the benefits they receive, thereby improving compliance and revenue sustainability.

4.7.2 Effects of Internal Control Strategies on Growth of Own Source Revenue

The second objective of this study was to determine the effect of internal control strategies on the growth of own source revenue in Machakos County. Table 4.17 shows a regression coefficient of -0.532 with a p-value of 0.000. Since the p-value is below the 0.05 threshold, the result is statistically significant but with a negative effect. This suggests that a unit increase in the intensity or rigidity of internal control strategies is associated with a 0.532 unit decline in the growth of own source revenue, all else being equal.

This counterintuitive result diverges from several empirical studies. Kipkurui and Makori (2023) found that in Kericho County, enhanced internal control mechanisms had a strong positive correlation with revenue performance. Likewise, Boru (2022) observed that Marsabit County's revenue collection improved with stricter internal audits and reconciliations. However, Anaenyi (2022) found only moderate support for

internal control structures in Lusaka, and Muchiri and Muthinja (2023) cautioned that poor implementation of controls in Nyandarua County created procedural delays, possibly undermining efficiency. The current result from Machakos may reflect similar bureaucratic inefficiencies that hinder revenue growth despite the presence of formal controls.

From a theoretical lens, this finding can be understood using the Public Finance Theory by Musgrave (1959), which emphasizes the trade-off between control and efficiency. Excessive or poorly designed controls may reduce administrative efficiency and disincentivize compliance. Human Capital Theory by Schultz (1961) also supports this, as unskilled or poorly trained personnel implementing controls may distort policy intent. Additionally, the Benefit Theory of Taxation by Lindholm (1919) implies that if internal controls disrupt service delivery or create friction with taxpayers, perceived benefit diminishes, reducing compliance and revenues.

4.7.3 Effects of Revenue Digitization Strategies on Growth of Own Source Revenue

The third objective sought to evaluate the effect of revenue digitization strategies on own source revenue growth in the County Government of Machakos. According to Table 4.17, the coefficient for revenue digitization was 0.481 and the p-value was 0.011. Since the p-value is below 0.05, the effect is statistically significant and positive. This indicates that improving digital systems by one unit leads to an expected increase of 0.481 units in own source revenue, holding other factors constant.

This result is supported by Muchiri and Muthinja (2023), who found that automation in Nyandarua County significantly enhanced revenue outcomes by minimizing leakages

and improving efficiency. Adu et al. (2019), working in Ghana, established that digitization improved transparency in local government finances but noted it did not automatically lead to higher revenue unless accompanied by strong policy frameworks. Similarly, Olasunkanmi and Adejuwon (2024) reported that digital tax systems in Nigeria reduced tax evasion and enhanced collections, findings echoed in the current study's focus on digitized own source revenue.

Theoretically, this outcome aligns with Public Finance Theory as presented by Musgrave (1959), which advocates for modernization in tax administration to increase effectiveness. Human Capital Theory by Schultz (1961) is also relevant, since successful digitization depends on the capacity of staff to use and maintain new technologies. Additionally, the Resource-Based View Theory by Wernerfelt (1984) reinforces the idea that investment in digital infrastructure represents a strategic resource capable of providing long-term revenue benefits to devolved units.

4.7.4 Effects of Capacity Building Strategies on Growth of Own Source Revenue

The fourth objective was to examine the effect of capacity building strategies on the growth of own source revenue in Machakos County. As revealed in Table 4.17, the coefficient for capacity building was 0.674 and the p-value was 0.000. Given that the p-value is less than 0.05, this result indicates a statistically significant positive effect. It implies that enhancing capacity building initiatives by one unit leads to a 0.674 unit increase in own source revenue growth, assuming other factors remain constant.

Empirical literature supports this conclusion. Langat and Njoroge (2021) found that training and skills development improved legislative performance in Kericho County, which indirectly influenced fiscal oversight. Similarly, Igwe et al. (2019) in Nigeria

noted that local governments with structured capacity programs were better equipped to collect revenues and manage public finances. Kanyi and James (2023), however, observed that while training existed in Nairobi County, it lacked coordination and a guiding policy, potentially limiting its impact—a gap that the current study addresses through statistical validation.

This significant effect is supported by several theoretical perspectives. Human Capital Theory by Schultz (1961) directly posits that investment in staff skills enhances productivity and administrative outcomes. Resource-Based View Theory by Wernerfelt (1984) explains that a well-trained workforce is a valuable internal resource that contributes to organizational objectives such as revenue mobilization. Finally, Public Finance Theory by Musgrave (1959) implies that efficient service delivery and revenue growth hinge on capable personnel who can execute fiscal policy and interact effectively with taxpayers.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The present chapter presents a comprehensive overview of the study summaries, conclusion, recommendations and recommendations for future research. The study was based on the effect of revenue enhancement strategies on growth of own source revenue, a case of County government of Machakos in Kenya.

5.2 Summary of Findings

The results summary has been provided in compliance with the goals of the research;

5.2.1 Revenue Diversification Strategies

The enforcement of revenue diversification initiatives at the County Government of Machakos had a dual mixed on the County Government of Machakos in augmenting its own-source revenue, attributable to constrained institutional capacity, insufficient policy frameworks, and excessive dependence on conventional sources like property rates and business permits. The absence of new strategies to exploit underdeveloped areas such as tourism, real estate development, agro-processing, and digital services limits efforts to expand the county's revenue base. The inadequate compliance rates among taxpayers were discovered to obstruct the county's capacity to precisely evaluate and collect various revenues. These constraints generate a bottleneck that diminishes financial autonomy and impairs the county's capacity to finance critical economic efforts.

5.2.2 Internal Control Strategies

The study results demonstrate that internal control measures faced instances of inadequate enforcement mechanisms, potential limitations in monitoring, and

disjointed financial management systems. Therefore, inadequate revenue monitoring capabilities, accountability, and reporting frequently lead to revenue leakages, misappropriation, and under-collection. The findings indicated that delayed audits and inadequate oversight generate gaps that diminish openness and obstruct the efficient administration of revenue-generating operations. Consequently, instances in which the county fails to enforce financial discipline have been shown to result in decreasing public trust and decreased voluntary compliance from local taxpayers.

5.2.3 Revenue digitization strategies

The summary shows that adoption of revenue digitization tactics significantly influenced the growth of the Machakos County government's own source revenue. The summary indicated that revenue digitization initiatives present a barrier for the County Government of Machakos in achieving the increase of its own-source revenue. The investigation indicated that this was due to inadequate ICT infrastructure and insufficient digital literacy among personnel and residents. The restricted integrated digital platforms for revenue collecting, billing, and reporting lead to fragmented data and inefficiencies that hinder rapid decision-making. The aforementioned mixed difficulties were identified as impediments to the comprehensive deployment of computerized revenue procedures, thereby limiting the county's capacity to optimize revenue collection and accountability.

5.2.4 Capacity building strategies

The summary shows that capacity-building initiatives influenced the growth of self-generated revenue. This indicates that capacity building techniques are favorably influencing the increase of own-source revenue at the Machakos County Government by equipping personnel with vital skills in revenue management, financial accountability, and customer service. The analysis indicated that training and

development programs enhanced county officers' capacity to execute effective revenue collection procedures, enforce compliance, and employ digital tools for data analysis and reporting. These measures were identified as significantly influencing the county's ability to generate own-source revenue.

5.3 Conclusion

The study concluded that due to limited institutional capacity, insufficient policy frameworks, and excessive dependence on conventional sources like property rates and business permits, revenue diversification initiatives at the County Government of Machakos had mixed effects on increasing its own-source revenue. Lack of new tactics to leverage underdeveloped tourism, real estate, agro-processing, and digital services hinders county revenue growth. Uneven taxpayer compliance hindered the county's ability to accurately assess and collect revenues. These constraints create a financial bottleneck that limits the county's ability to fund vital economic initiatives.

In conclusion, internal control measures had enforcement issues, monitoring issues, and disconnected financial management systems. Thus, poor revenue monitoring, accountability, and reporting often result in revenue leakages, theft, and under collection. The findings showed that delayed audits and inadequate oversight create gaps that reduce transparency and hinder revenue-generating processes. When the county fails to impose financial discipline, public trust and voluntary compliance from local taxpayers erode.

It was concluded that revenue digitalization helped Machakos County grow its source revenue. Summary: Revenue digitization measures hinder Machakos County Government's ability to boost own-source revenue. This was attributable to poor ICT infrastructure and staff and resident digital literacy, according to the research. Fragmented data and inefficiencies from limited integrated digital platforms for

revenue collection, billing, and reporting slow decision-making. Mixed challenges prevented the county from fully implementing computerized revenue operations, restricting revenue collection and accountability.

The study concluded that capacity-building efforts increased self-generated revenue. This suggests that capacity building is helping the Machakos County Government enhance own-source revenue by teaching staff revenue management, financial accountability, and customer service. The investigation showed that training and development initiatives helped county officials collect income, enforce compliance, and use digital technologies for data analysis and reporting. These policies greatly affected the county's own-source earnings.

5.4 Recommendations

The study concluded based on the following objectives;

5.4.1 Revenue diversification strategies

From the findings, the study recommends that the County Government of Machakos should adopt a comprehensive revenue enhancement strategy that includes mapping and digitizing all potential revenue streams, improving revenue collection systems through automation, and enforcing compliance using data-driven mechanisms. Strengthening public-private partnerships (PPPs) can unlock investment in key economic sectors such as tourism and agriculture, creating new taxable activities. Moreover, capacity-building initiatives for revenue officers and community sensitization campaigns can improve efficiency and public trust. Establishing a clear legal and policy framework to support innovative revenue-generating initiatives, such as land value capture and user fees for public services, will further ensure sustainable growth of own source revenue.

5.4.2 Internal control strategies

The results from the study lead to developing appropriate recommendations to enhance own source revenues. Therefore, departmental heads should strengthen the internal control systems by implementing robust financial management frameworks supported by real-time automated tracking tools. Establishing clear roles and responsibilities, conducting regular internal audits, and enforcing compliance with financial policies can significantly reduce revenue leakages. The county should also give considerations towards training staff on ethical practices and internal control procedures, as well as use of performance-based evaluations meet expected level of accountability. Lastly, management should also pursue the Integration of modern ICT solutions for revenue collection and reporting to attain expected accuracy, transparency, and efficiency.

5.4.3 Revenue digitization strategies

Findings from the study highlighting limited ICT infrastructure, low digital literacy among staff and residents. The study recommends that to overcome such barriers, the senior management at the County Government of Machakos should consider investing in building a centralized and secure digital revenue management system that integrates all revenue streams, enabling real-time monitoring and analysis. Capacity building through regular training for county staff and awareness campaigns for citizens can increase digital literacy and user adoption. Partnering with technology providers to implement mobile payment solutions and online platforms for licensing, permits, and tax payments can improve convenience and compliance. Lastly, establishing strong cyber security policies and data governance frameworks may enhance trust and ensure the sustainability of revenue digitization strategies, ultimately driving growth in own source revenue.

5.4.4 Capacity building strategies

From the findings, the study recommends that to further succeed using capacity building strategies, the County Government of Machakos should institutionalize continuous learning and performance improvement through structured training programs tailored to evolving revenue systems. Establishing partnerships with professional bodies, training institutions, and development partners can provide access to expertise, certifications, and resources. Similarly, implementing a performance appraisal system that links training outcomes with revenue targets can motivate staff to apply new skills effectively. Creating a knowledge-sharing platform within departments can also foster peer learning and innovation, ultimately leading to increased efficiency and sustained growth in own-source revenue.

5.5 Recommendations for Further Research

The findings of the model summary indicate that differences in growth of own source revenue in county government of Machakos could be attributed to variances in the degree of autonomy of the revenue diversification strategies, internal control strategies, revenue digitization strategies and capacity building strategies with a high coefficient of determination of 0.931 (93.1%). Thus, it may be concluded that the remaining 6.9% could be attributed to other factors that were not considered in the study. Therefore, the 6.9% variation represented the gap that other researchers are requested to pursue in order to exhaustively address aspects of revenue enhancement strategies on growth of own source revenue. Still, involvement of other counties would be a noble idea as well, in order to obtain comparative findings generated from other case studies.

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APPENDICES

Appendix I: Questionnaire

My name is **Benson Mulinge Mutua Reg. D53/CTY/PT/24227/2011**. I am a student at Kenyatta University. Therefore, as a partial fulfillment of the requirements of the award of the degree of master of business administration (finance option), I am required to carry out data collection on: **Revenue Enhancement Strategies and Growth of own source revenue in County Government of Machakos, Kenya**

You are therefore requested to participate in data collection exercise. Any data to be provided will strictly be kept private and will only be used for academic requirements.

PART I: General Information

1. Gender

Male []

Female []

2. Highest Level of education Attained

Diploma Level []

Bachelor's degree []

Master's degree []

PHD []

Other Certifications []

3. How long have you worked at County Government of Machakos

Less than 1 year []

1-5 years []

6-11 years []

12-17 years []

17 years & over []

NOTE: The scale is as follows; 5-(SA) strongly agree, 4-(A) agree, 3-(N) neutral, 2- (D) disagree, 1(SD)-strongly disagree.

PART II: REVENUE DIVERSIFICATION STRATEGIES

Select by ticking on the appropriate statement you agree with, based on the effect of diversification strategies.

Statement	5	4	3	2	1
	SA	A	N	D	SD
My county government has established multiple and distinct sources of revenue to enhance financial stability.					
County investments are effectively utilized to generate additional revenue streams.					
Public-Private Partnerships (PPPs) are actively pursued as part of the county's revenue strategy.					
The county has embraced non-traditional revenue streams to complement traditional sources.					

There is strong institutional support and policy backing for revenue diversification initiatives.					
My county government has established multiple and distinct sources of revenue to enhance financial stability.					

PART III: INTERNAL CONTROL STRATEGIES

Select by ticking on the appropriate statement you agree with, based on the effect of internal control strategies.

Statement	5	4	3	2	1
	SA	A	N	D	SD
The county has a well-structured internal control system governing revenue collection and management.					
Financial and operational records are regularly reviewed and independently verified.					
There are clear and functional mechanisms to detect and prevent fraud or revenue leakage.					
Technology is actively used to enhance transparency and efficiency in revenue oversight.					
Staff regularly receives training on internal control procedures and compliance measures.					

PART IV: REVENUE DIGITIZATION STRATEGIES

Select by ticking on the appropriate statement you agree with, based on the effect of revenue digitization strategies.

Statement	5	4	3	2	1
	SA	A	N	D	SD
The county has digitized most of its revenue collection processes.					
Online payment platforms are widely used and accessible for county revenue transactions.					
The county uses digital systems for real-time tracking and reporting of revenue.					
Automation of revenue processes has significantly reduced instances of leakage and fraud.					
Staff has been trained and is competent in managing digital revenue systems.					

PART V: CAPACITY BUILDING STRATEGIES

Select by ticking on the appropriate statement you agree with, based on the effect of capacity building strategies.

Statement	5 SA	4 A	3 N	2 D	1 SD
Revenue staff undergoes regular training to enhance revenue management skills.					
The county has adequate skilled personnel in revenue-related departments.					
Capacity building strategies efforts have led to improved efficiency in revenue operations.					
There is deliberate investment in leadership and technical skills development for staff.					
Improved staff capacity has resulted in better compliance with revenue policies and procedures.					

PART V: GROWTH OF OWN SOURCE REVENUE

Select by ticking on the appropriate statement you agree with, based on the growth of own source revenue


Statement	5	4	3	2	1
	SA	A	N	D	SD
There is active legal policy framework existing in your county to support own-source revenue mobilization.					
There are challenges limiting the county in collecting own-source revenue.					
Local communities and stakeholders are involved in identifying and developing local revenue streams.					
The county’s own-source revenue has upwardly changed over the last five years.					
The county has placed strict measures for implementation to improve the collection of own-source revenue.					

Thank You

Appendix II: Data Collection Sheet-Growth of own Source Revenue

Financial Year	Targeted OSR	Actual OSR
2013/2014	2,500,000,000.00	1,174,000,000.00
2014/2015	2,850,000,000.00	1,355,000,000.00
2015/2016	2,371,633,578.00	1,121,580,000.00
2016/2017	2,861,623,481.00	1,259,290,000.00
2017/2018	1,594,386,715.00	1,011,070,000.00
2018/2019	1,720,061,674.00	1,496,310,000.00
2019/2020	1,160,780,000.00	1,306,680,000.00
2020/2021	1,299,758,630.00	1,241,970,000.00
2021/2022	1,682,894,197.00	1,079,650,000.00
2022/2023	1,717,118,593.00	1,309,470,000.00
2023/2024	4,106,879,642.00	1,344,940,000.00

Appendix III: Proposal Approval


**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

E-mail: dean_graduate@ku.ac.ke P.O. Box 43844, 00100
Website: www.ku.ac.ke NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School **DATE:** 29th May, 2025

TO: Benson Mulinge Mutua **REF:** D53/CTY/PT/24227/2011
C/o Accounting & Finance Dept.

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL


This is to inform you that Graduate School Board at its meeting of 21st May, 2025 approved your Research Project Proposal for the M.B.A Degree Entitled, "Revenue Enhancement Strategies and Growth of Own Source Revenue in County Government of Machakos, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.


SARAH RIUNGU
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL


c.c. Chairman, Accounting and Finance Dept.

Supervisors:

1. Dr. Francis Gitagia
C/o Department of Accounting and Finance
Kenyatta University

SR/mo

Transforming Higher Education... Enhancing Lives
Kenyatta University is ISO 9001:2015 Certified


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Appendix IV: NACOSTI Research Permit

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 132305	Date of Issue: 21/June/2025
RESEARCH LICENSE	
	
This is to Certify that Mr.. BENSON MULINGE MUTUA of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Machakos on the topic: Revenue Enhancement Strategies and Growth of Own Source Revenue in County Government of Machakos, Kenya for the period ending : 21/June/2026.	
License No: NACOSTI/P/25/4175180	
Applicant Identification Number 132305	 Deputy Director NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
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