JOURNAL OF INTERDISCIPLINARY PERSPECTIVES

ISSN Print: 2984-8288, ISSN Online: 2984-8385
Vol. 3 No. 7, 876-891, July 2025

Challenges and Opportunities in Revenue Generation for Select Local Government Units

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Date received: May 7, 2025
Date revised: June 3, 2025
Date accepted: June 30, 2025

Originality: 95%
Grammarly Score: 99%
Similarity: 5%

Recommended citation:
Bayona, L., & Ballados, M.T. (2025). Challenges and opportunities in revenue generation for select local government units. *Journal of Interdisciplinary Perspectives*, *3*(7), 876-891. https://doi.org/10.69569/jip.2025.361

Abstract. This study examines the challenges and opportunities in income generation for the third and fourth class municipalities of Negros Occidental. The study employed a descriptive research design and utilized a researcher-designed questionnaire. A random sampling technique was used to determine the 65 participants in the treasurer's office. Data analysis employed statistical methods, including the mean, standard deviation, Mann-Whitney U, and Kruskal-Wallis tests, for group comparisons. The study's results revealed that the local government encountered significant challenges in revenue generation, particularly in aspects such as collection strategies, monitoring and control, and staff learning and development. Conversely, there are considerable opportunities for revenue generation. Zoning and land-use policies, as well as potential revenue streams from services and charges, are crucial. Additionally, enhancing human resource competencies emerges as a key opportunity. The analysis revealed that local government units face similar challenges in revenue generation, regardless of their profile characteristics such as location, population size, and municipal category. Furthermore, the findings indicate no significant difference in the opportunities available for revenue generation among local government units, irrespective of their profile variables. Generally, local government units can significantly enhance their revenue-generating potential by addressing prevailing challenges and harnessing available opportunities through coordinated policy efforts. Local government units may implement digital infrastructure for revenue collection and human resource development activities.

Keywords: Challenges in revenue generation; Fiscal management; Opportunities in revenue generation; Philippine local governance; Public revenue collection.

1.0 Introduction

Local government revenue generation varies widely globally, influenced by fiscal decentralization, tax policies, and economic structures. In many European nations, local taxes derived from economic activities account for up to 66% of municipal budgets, incentivizing local governments to foster business growth (Herrmann Benedikt, 2022; European Commission, 2021). In contrast, Local Government Units (LGUs) in the Philippines face considerable revenue generation challenges, particularly in the aftermath of the COVID-19 pandemic. The decline in local revenues is primarily due to decreased economic activity and business interactions during the pandemic, which has placed immense financial pressure on LGUs, limiting their capacity to fund essential public services and infrastructure projects (Asian Development Bank [ADB], 2021).

Local government revenue generation across the globe varies widely based on fiscal decentralization, with many European nations relying on local taxes from economic activities that account for up to 66% of municipal budgets, thereby encouraging local governments to promote business growth (Herrmann Benedikt, 2022). Local government units (LGUs), such as municipalities in the Philippines, have played a crucial role in conceptualizing tax autonomy to deliver essential services and foster economic development. However, they have faced significant obstacles to revenue generation when the collections mechanism became irrelevant, particularly during and in the aftermath of the COVID-19 pandemic. This was caused by the decline in local revenues, mainly due to a decrease in economic activity and interactions during this period. This has put tremendous pressure on LGUs, hampering their ability to fund vital public services and infrastructure projects (Asian Development Bank [ADB], 2021). Socioeconomic factors also significantly contributed to the low turnover of tax collection due to widespread poverty and a high prevalence of informal economic activities, which further diminished taxpayers' capacity and willingness to comply with tax regulations, thereby constraining LGU revenues (Pescador & Caelian, 2022; Distor & Odkhuu Khaltar, 2022).

Beyond the pandemic's economic impact, broader socioeconomic factors exacerbate the difficulties in revenue generation. Widespread poverty and the prevalence of informal economic activities reduce taxpayers' ability and willingness to comply with tax regulations (Pescador & Caelian, 2022; Distor & Odkhuu Khaltar, 2022). These constraints hinder LGUs from effectively leveraging their local revenue sources, creating a cycle of financial instability. One fundamental issue affecting LGU revenue collection is their heavy dependence on national transfers, particularly the Internal Revenue Allotment (IRA). Barrios (2023) argues that this reliance discourages LGUs from exploring more sustainable and autonomous revenue generation strategies. In addition, challenges in business tax collection remain prevalent, as some government agencies fail to enforce tax compliance among businesses actively (Dela Cruz, 2023).

Political influences impede the effective collection of locally sourced revenue (LSR), particularly in real property taxation. Although LGUs have the authority to set property valuation rates and tax schedules, outdated assessed schedules of market values (SMVs) persist due to political considerations. A 2013 World Bank study revealed discrepancies between SMVs and actual market values, with estimated values ranging from 200% to 7,474% below real property worth. These outdated valuations result in substantial revenue losses that LGUs struggle to recover. The Philippine government has proposed a valuation reform act as part of the Comprehensive Tax Reform Program to address these deficiencies. Given these challenges, there are promising avenues to enhance revenue generation for LGUs. Adopting electronic payment systems and improved tax collection strategies have been identified as effective measures for increasing local revenues (Pescador & Caelian, 2022). Moreover, reforming intergovernmental fiscal systems, particularly by enhancing local revenue autonomy and investment finance mechanisms, is critical (Garg, 2025).

Currently, LGUs primarily rely on real property and business taxes, supplemented by non-tax revenues from economic enterprises and user fees. However, only 16.39% have explored public-private partnerships, while 51.31% have established local public enterprises to diversify revenue sources (Philippine Institute for Independent Studies, 2020). Strengthening administrative capacity and integrating Information and Communication Technology (ICT) into tax collection systems could improve transparency, accountability, and efficiency (Hendriyetty, 2023). In the Province of Negros Occidental, revenue performance varies significantly across municipalities, particularly among those classified as 3rd and 4th class. According to the Bureau of the Treasury (2024), rankings show concerning declines. For example, LGU 7, ranked 174 overall in the municipality level, has demonstrated a slight improvement of 2% in revenue collection over the past two years, while LGU 6, ranked 204, faced a 29% decline. LGU 5 dropped by 40% to rank 213, and LGU 4 experienced the most severe decrease at 105%, ranking 273. This decline requires further clarification, as percentage reductions beyond 100% might indicate factors such as accumulated revenue deficits over multiple fiscal years. Other municipalities similarly struggle: LGU 3, ranked 233, reported a 62% downturn, LGU 2 fell by 72% to rank 243, and LGU 1, ranking last at 347, encountered a staggering 363% decline.

These downward trends highlight the urgent need to reassess revenue generation strategies. Several cities and municipalities have initiated reforms to strengthen business tax collection, improve coordination among government agencies, and streamline compliance through one-stop-shop mechanisms (Pescador & Caelian, 2022). Enhancing administrative efficiency and embracing network information technology is pivotal to optimizing these efforts. While previous studies have examined revenue performance among Philippine LGUs, there remains a lack of localized assessments focusing on lower-class municipalities. Most existing research centers on metropolitan areas, leaving a gap in understanding the fiscal conditions of mid-sized and smaller LGUs in provinces such as Negros Occidental. This study aims to bridge that gap by profiling third- and fourth-class municipalities, identifying their revenue generation challenges, and exploring opportunities for financial improvement.

A theoretical approach was incorporated to frame the study within the existing literature. Theories on fiscal decentralization and local government financial autonomy may provide valuable insights into LGU revenue dynamics. By applying recognized frameworks in budgetary management, this study seeks to contribute to broader discussions on sustainable local governance. Additionally, the study addressed specific research questions, including the determination of the predominant challenges affecting revenue generation among LGUs in Negros Occidental; the identification of opportunities that exist to enhance their fiscal performance; and the exploration of why external factors, such as national policies and socioeconomic conditions, influence local revenue collection. By addressing these concerns, the research provided actionable insights to help LGUs develop targeted strategies for improving their revenue structures.

2.0 Methodology

2.1 Research Design

This study employed a descriptive research design to examine the revenue-generating challenges and opportunities of Local Government Units (LGUs) in third- and fourth-class municipalities within the Province of Negros Occidental. The descriptive approach was chosen as it allows for a systematic assessment of existing conditions, enabling the identification of patterns and trends in local revenue generation. The study aimed to profile these municipalities, highlight their fiscal difficulties, and explore avenues for financial improvement.

The raw data were processed using the Statistical Package for the Social Sciences (SPSS) software, which employed various statistical tools, including measures such as mean and standard deviation to summarize the data, alongside non-parametric tests like the Mann-Whitney U test and the Kruskal-Wallis test. The Mann-Whitney U test is used to compare the two (2) variables of municipal population (40,000 and below and 40,001 and above) and category (3rd and 4th class). The Kruskal-Wallis test is employed to compare the seven (7) municipal locations for a continuous variable with no particular data distribution. These methods allow for robust data analysis, ensuring reliable and valid findings. Overall, the study not only sheds light on the current state of localized revenue generation in these municipalities but also serves as a foundational piece for future research and policymaking aimed at strengthening the financial capacity of LGUs in Negros Occidental. By integrating quantitative analysis with practical implications, this research provides valuable insights into the ongoing dialogue on local governance and economic sustainability.

2.2 Research Locale

The research was conducted in seven municipalities of Negros Occidental that fall under the 3rd and 4th class classification, as defined by the Department of Finance (DOF) in the Philippines. The classification is based on average annual income, with 3rd class municipalities earning between ₱45 million and ₱55 million and 4th class municipalities earning between ₱25 million and ₱45 million (DOF, 2023). These municipalities exhibit distinct socioeconomic characteristics, including predominantly agricultural economies with limited industrial and commercial activities. High poverty rates lead to reduced tax compliance and revenue collection, posing challenges to infrastructure development that hinder business growth and investment opportunities.

Their selection was strategic, as these municipalities have reported significant revenue declines (Bureau of the Treasury, 2024). This study aimed to explore localized revenue-generation mechanisms to determine specific weaknesses and identify viable fiscal strategies that could strengthen LGU finances. By focusing on these specific municipalities, the study aims to shed light on the unique challenges they face while also exploring potential opportunities for revenue enhancement. This localized approach allows for a more nuanced understanding of the interplay between economic activity, governance, and revenue generation within the context of smaller municipalities. Ultimately, the findings may provide valuable insights that can inform local policymakers and stakeholders as they seek to revitalize and strengthen their revenue mechanisms.

2.3 Research Participants

The research focused on municipal treasurer's office employees, given their direct involvement in revenue collection and fiscal management. The target population included 80 employees across eight LGUs, but one LGU opted out of participation, reducing the final population to 74 employees.

The study focused on employees in the municipal treasurer's offices of Negros Occidental province, specifically targeting those classified within the third (3rd) and fourth (4th) class categories. This classification encompasses eight local government units (LGUs), which collectively represent a total population of 80 employees. However, one LGU chose not to participate in the survey, resulting in the exclusion of six employees. As a result, the effective population for the study was adjusted to 74. Yamane's formula was used to compute the sample size, yielding a calculated sample size of 65. Only regular municipal treasurer's office employees were eligible to participate in the survey. Regardless of their years of employment, any employee considered regular based on their plantilla position and who freely agreed to participate was included as a participant. There were no minimum requirements regarding education, length of service, age, or gender for employees to qualify. Excluded are contractual and temporary employees due to variations in employment stability and fiscal responsibility. A random sampling approach was employed using the draw lots method to select participants for the study. This technique minimized bias and promoted fairness in the selection process, giving every eligible employee an equal chance to be chosen. By implementing this method, the study aimed to gather a diverse and representative sample of opinions from the municipal treasurer's office, thereby enhancing the validity and reliability of the survey results.

2.4 Research Instrument

A researcher-designed questionnaire was developed to assess revenue-generation challenges and opportunities across LGUs. The instrument was structured as follows: Part 1 included a Municipal Profile, such as location, population, and classification. Part 2 covered Revenue Challenges with 13 line items on Collection strategies, monitoring and control, and staff training. Part 3 covered Revenue Opportunities with 20 line items, including zoning policies, economic initiatives, and human resource competencies. Part 1 of the instrument collected data to establish each municipality's profile, including the LGU's location, population, and category. Part 2 consisted of 13 items related to challenges in revenue generation, addressing three indicators: implementation of collection strategies, monitoring and control, and staff learning and development. Part 3 of the questionnaire comprises 20 items designed to assess opportunities for revenue generation, focusing on indicators such as zoning and land use policies, local economic development initiatives, and human resource competencies. Participants responded using a 4-point Likert scale.

The Lawshe Content Validation Ratio (CVR) was employed to evaluate the validity of the survey questionnaire. Eleven experts in public administration and research validated the instrument. The overall CVR for challenges was 0.73, while for opportunities, it was 0.71, both of which are interpreted as good, indicating that the questionnaire is valid. The reliability testing of the questionnaire was administered to 30 city and municipal treasure employees who were not part of the actual survey participants in Negros Occidental. The research instrument achieved a reliability result of 0.902 using Cronbach's Alpha, confirming that the instrument is reliable.

2.5 Data Gathering Procedure

The data collection process was carefully designed to ensure reliability and validity in the study's findings. Initially, a formal request letter was submitted to Municipal Treasurers, securing the necessary permissions to conduct research within designated localities. This step not only ensured compliance with regulatory requirements but also fostered collaboration and trust with local authorities, facilitating the smooth implementation of the study. The data-gathering procedures were meticulously planned to ensure both reliability and validity in the research outcomes. Initially, a formal request letter was drafted and submitted to the Municipal Treasurers, representing a critical step in securing the necessary permissions to conduct the study within designated localities. This approach not only ensured compliance with local regulations but also built trust and cooperation with municipal authorities, which is vital for the smooth execution of the research.

Once the approvals were granted, the researcher took a proactive approach to engage with the target population. She administered questionnaires in hard copy format, a decision made to enhance accessibility for participants. By providing physical copies, participants could complete the questionnaires at their own pace in a comfortable environment, thereby increasing the likelihood of thoughtful and accurate responses. To systematically capture participant feedback, the researcher employed a 4-point Likert Scale for assessing various items. This scale was deliberately chosen to allow for nuanced responses, facilitating a deeper understanding of participants' perspectives. Following the collection of responses, the data were carefully organized and analyzed. The researcher systematically tallied and tabulated the findings using established statistical tools to ensure accuracy and reliability. A pivotal step in this phase was the transformation of raw data into numerical codes. This coding process was not only essential for consistent analysis but also played a critical role in ensuring the data could be easily interpreted and compared. Overall, the careful planning and execution of the data gathering procedures contributed significantly to the study's reliability, allowing for meaningful insights to emerge from the participants' feedback.

2.6 Ethical Considerations

The ethical standards were observed during the conduct of the study. Before beginning data collection, a formal letter of request was submitted to the Municipal Treasurers, which was a crucial step in obtaining the necessary permissions to conduct the study in designated areas. Approval from the agency head indicated that the data-gathering phase was ready to commence. To maintain ethical standards during the administration of the research instrument, the researcher provided a detailed Informed Consent Form to each potential participant. This process ensured that participation was entirely voluntary, with participants giving informed consent by signing the form. It was clearly stated that participants had the right to withdraw from the study at any time without any repercussions. This open communication fostered a trusting environment where participants felt comfortable seeking clarification and were well-informed before participating. The design of the questionnaire intentionally excluded identifying information to protect participant anonymity.

The research did not involve sensitive personal data, medical interventions, or vulnerable populations, which aligns with methodologies that pose minimal risk to participants. The research design involved utilizing non-invasive social science methodologies that do not require Institutional Review Board (IRB) oversight. The importance of Republic Act No. 10173, commonly known as the Data Privacy Act, was emphasized in this study. This Act outlines essential provisions for safeguarding individuals' privacy rights and personal information within the Philippines. The handling of all participant information adhered to the guidelines set forth by this law, adding an essential layer of protection for participant confidentiality and aligning with the established legal framework for data privacy in the Philippines. All completed questionnaires are placed in a secured cabinet for one (1) year, and proper disposal through shredding will be made.

3.0 Results and Discussion

3.1 Challenges in Revenue Generation as Encountered by LGUs

Level of Challenges in Revenue Generation as Encountered by LGUs in terms of Implementation of Collection Strategies

Table 1 presents the challenges in revenue generation faced by Local Government Units (LGUs), with a particular focus on their collection strategies. The analysis indicates that 3rd and 4th-class municipalities in the province experience *high* difficulty (M = 2.74; SD = 0.53) in implementing localized collection strategies. This finding highlights the significant challenges these LGUs face.

Table 1. *Level of Challenges in Revenue Generation in terms of Implementation of Collection Strategies*

No.	Implementation of Collection Strategies	Mean	SD	Interpretation
1	The LGU has a low to medium digitalization program for collection and licensing purposes.	2.81	0.76	High Level
2	Electronic Payment and Collection System is far from full implementation in this locality.	2.84	0.71	High Level
3	Some government agencies are non-cooperative in pitching tax payments to business clients operating with the territory of the LGU.	2.75	0.66	High Level
4	Taxpayers are not provided with ample consideration or lead time to settle their dues.	2.60	0.74	High Level
5	The municipality has no digital capabilities for business and personal tax assessments and e-payments.	2.72	0.71	High Level
	Overall	**2.74**	**0.53**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

The collected data revealed a consistent theme of high challenges across all items assessed. Notably, the barriers include a lack of full implementation of electronic payment and collection systems (M = 2.84, SD = 0.71), inadequate digitalization programs for collection and licensing purposes (M = 2.81, SD = 0.76), and non-cooperation from some government agencies in promoting tax payments to business clients (M = 2.75, SD = 0.66). Furthermore, the absence of digital capabilities for conducting business and personal tax assessments, as well as e-payments (M=2.72; SD=0.71), remains a critical issue. Additionally, the finding that taxpayers are not afforded sufficient lead time to settle their dues (*M* = 2.60; *SD* = 0.74) suggests that communication and engagement strategies need improvement, although responses here show some variability. These high-level challenges underscore a pressing need for modernization and operational efficiency within LGUs. The findings strongly suggest that addressing technological shortcomings is crucial for improving revenue generation. Improvements in digital infrastructure, fostering robust inter-agency collaboration, and improving taxpayer engagement are critical pathways forward.

The recurring theme of limited technological advancement and inadequate cooperation between agencies aligns with existing literature on the subject. For instance, Manasan (2020) highlights that low levels of computerization in LGUs in the Philippines can significantly impede revenue generation. They note that effective tax collection, accurate data for decision-making, and the timely processing of transactions are critical areas undermined by technological deficiencies. Supporting this notion, a study by the Philippine Institute for Development Studies (2020) illustrates how initiatives such as Geographic Information Systems (GIS) for real property tax mapping have markedly improved revenue collection in certain LGUs. The example of Nueva Vizcaya's real property tax computerization initiative serves as a testament to how technology can enhance efficiency and transparency in revenue collection practices. Further reinforcing these findings, Pescador and Caelian (2022) discuss the pervasive issues of limited digitalization and ineffective collection strategies within LGUs. Their research emphasizes the necessity for electronic payment systems to bolster revenue generation, reflecting a growing consensus in the literature regarding the importance of modernizing local government operations.

Level of Challenges in Revenue Generation as Encountered by LGUs in terms of Monitoring and Control

The data presented in Table 2 thoroughly examines the considerable challenges faced by Local Government Units (LGUs) in their revenue generation efforts, particularly in the realms of monitoring and control. The overall findings (*M* = 2.65, *SD* = 0.62) demonstrate a pronouncedly high level of challenges in these areas, suggesting that LGUs are confronting significant obstacles that hinder their revenue generation.

Table 2. *Level of Challenges in Revenue Generation as Encountered by LGUs in terms of Monitoring and Control*

No.	Monitoring and Control	Mean	SD	Interpretation
1	There is a lack of competent staff to handle online monitoring and control of delinquent business tax payors.	2.69	0.82	High Level
2	The LGU is not fully competent to collect ad valorem taxes on real properties, machineries and improvements pursuant to RA 7160.	2.61	0.74	High Level
3	The imposition of fines for non-payment or massive tax payment delays is not fairly implemented for all.	2.64	0.76	High Level
4	There is little effort in monitoring erroneous tax assessments and collection.	2.66	0.77	High Level
5	The leverage of Information Technology in the optimization and efficiency of tax collection often neglected.	2.64	0.79	High Level
	Overall	**2.65**	**0.62**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

A detailed analysis of specific components further reveals the high level of these challenges. For instance, the mean score for staff competence (M = 2.69, SD = 0.82) highlights a critical issue: the inadequacy of training and the lack of necessary resources for effective online monitoring. The data regarding the collection of Ad Valorem taxes (M = 2.61, SD = 0.74) highlight a troubling shortfall in the capacity of LGUs to fulfill their tax collection responsibilities as mandated by Republic Act 7160. Moreover, the mean score for the fair implementation of fines (*M* = 2.64, *SD* = 0.76) indicates significant difficulties in the equitable enforcement of penalties for non-payment or delays. The challenges of monitoring erroneous assessments also emerged as a notable concern, as reflected in a mean score of 2.66 (SD = 0.77). Lastly, the score for IT neglect in tax collection (M = 2.64, SD = 0.79) highlights a concerning underutilization of technology that could substantially improve the efficiency of tax collection processes.

While there is a consensus on the difficulties faced, the variability highlighted by the SDs points to differing experiences and opinions among respondents. This highlights the importance of context-specific strategies and tailored capacity-building initiatives to address the unique challenges identified in each area. The deficiency in training and resources for monitoring may affect the staff's ability to perform their duties and limit the overall efficiency of revenue collection. The shortfall in local government units' (LGUs) collection responsibilities represents a missed opportunity for generating revenue and challenges fiscal stability. Additionally, the challenges associated with implementing fines fairly can create a perception of inconsistency, which may erode public trust and compliance with tax regulations. This situation highlights inadequacies in monitoring practices, leading to significant revenue losses and inaccurate liabilities. Buenaflor (2024) highlights that monitoring and evaluation (M&E) systems in Philippine LGUs are often underdeveloped, affecting governance and revenue collection efficiency. The study emphasizes the need for competent personnel and digital integration in tax monitoring. Additionally, the Department of Finance (DOF, 2021 March 15) reports that only 5% of LGUs have adopted electronic payment systems, limiting their ability to track and collect taxes efficiently. Pescador & Caelian (2022) discuss the challenges in revenue generation, noting that digitalization and inter-agency collaboration are crucial for improving tax collection.

Level of Challenges in Revenue Generation as Encountered by LGUs in terms of Staff Learning and Development

Table 3 presents the challenges related to staff learning and development. The data suggests that staff learning and development face significant challenges in revenue generation within local government units (LGUs). The overall mean score of 2.71 (SD = 0.71) indicates a high level of difficulty in implementing effective learning and development programs.

Table 3. *Level of Challenges in Staff Learning and Development*

No.	Variables	Mean	SD	Interpretation
1	Staff training to improve communication, bargaining and persuasive skills is not done regularly, say on a yearly basis.	2.81	0.76	High Level
2	Absence of revenue-generating workshops to improve employee skills.	2.73	0.83	High Level
3	Lacking of Revenue-generating and training across all levels in the Municipal's treasurers' office.	2.60	0.72	High Level
	Overall	**2.71**	**0.71**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

The highest mean score *(M = 2.81, SD = 0.76)* points to Irregular Training on Communication and Persuasion Skills. Meanwhile, the lowest mean scores indicate the absence of Revenue-Generating Workshops (M = 2.73, SD = 0.83 and M = 2.60, SD = 0.72), which are interpreted as high, meaning that these challenges significantly affect revenue generation. The results highlight that staff in LGUs face substantial barriers that hinder their ability to develop skills crucial for revenue enhancement. Moreover, the findings indicate that staff experience challenges in receiving consistent and structured training in these critical areas, which are essential for effectively engaging with stakeholders and promoting the revenue-generating initiatives of the LGUs. The irregularity of training suggests that such programs may be sporadic or lack continuity, ultimately affecting the staff's ability to utilize these skills effectively in their roles.

Additionally, the absence of revenue-generating workshops suggests that staff may lack the necessary competencies and strategies to effectively drive revenue-generating initiatives without dedicated training sessions specifically designed for this purpose. A study by Boongaling et al. (2020) on HR training programs in CALABARZON found that structured training enhances workforce capability and productivity. However, many LGUs struggle with budget constraints and inconsistent training schedules, leading to gaps in employee competency. Moreover, Saldaen (2021) highlights that LGUs face difficulties in workforce development, particularly in learning and development programs that enhance financial and negotiation skills. The research suggests that structured learning interventions can improve governance efficiency and revenue collection.

Summary of Level of Challenges in Revenue Generation

Table 4 shows the levels of challenges in revenue generation. This table suggests a consistently high level of challenges across the three variables related to revenue generation in LGUs (Local Government Units).

Table 4. *Level of Challenges in Revenue Generation*

Variables	Mean	SD	Interpretation
Implementation of Collection Strategies	2.74	0.53	High Level
Monitoring and Control	2.65	0.62	High Level
Staff Learning and Development	2.71	0.71	High Level

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

Regarding the Implementation of Collection Strategies (*M = 2.74, SD = .53*), the data indicate notable obstacles in applying practical methods to collect revenue. Regarding Monitoring and Control *(M = 2.65, SD = .62*), the data indicate significant difficulties in overseeing and managing the collection process. Finally, regarding Staff Learning and Development (*M = 2.71, SD = .71*), the results highlight challenges in equipping personnel with the skills needed to optimize revenue systems. Across the various areas of challenges, the LGUs faced significant challenges that affected revenue generation. The findings suggest that there may be systemic issues or inefficiencies in the current procedures, possibly related to outdated practices or a lack of innovative approaches. The low standard deviation implies that the challenges are uniformly experienced across various LGUs, highlighting a widespread need for better collection strategies.

The monitoring and control aspect reflects notable difficulties in managing the collection processes effectively. This could indicate a lack of robust monitoring systems or insufficient oversight mechanisms, making it challenging for LGUs to track revenue collection accurately. The consistency in the responses suggests that various LGUS experienced issues in monitoring and control, which significantly affect revenue generation. The learning and development findings denote considerable challenges in equipping staff with the necessary skills to optimize the revenue systems. The consistency in the responses may indicate similar experiences among LGUs and the struggle to provide adequate training or resources. Relative to the above results, a study on measuring the productivity of local revenue generation was conducted by the Development Academy of the Philippines (DAP); this study analyzed the productivity of LGUs in revenue generation from 2013 to 2022. It highlighted trends in revenue and expenditure, productivity indices, and factors influencing productivity. The study confirms the findings presented in Table 5.

Additionally, a baseline study on local source revenues and revenue variation was conducted by Barrios (2023) to explore the dependence of LGUs on internal revenue allotments (IRA) and examine variations in local source revenues across LGUs. It also provided policy recommendations to strengthen fiscal management. The result is aligned with the findings presented in Table 5. According to Manasan's (2020) study, the results run counter to these findings, as they showcased successful strategies in revenue generation, such as improving tax administration and leveraging technology for better fiscal management. Moreover, collection strategies were generally effective in Philippine cities for fiscal years 2019–2020. Adopting electronic payment systems was highlighted as a best practice (Pescador & Caelian, 2022). Moreover, Bartle et al. (2025) found that local governments are experiencing a steady decline in property tax revenues while relying more on national grants, donations, and user charges. Recent economic volatility and falling property values have created further revenue challenges. As local governments adjust their revenue strategies in response to economic, technological, and demographic shifts, user charges appear to be the most promising source for sustainable income.

3.2 Level of Opportunities in Revenue Generation

Level of Opportunities in Revenue Generation in terms of Zoning and Land Use Policies

Table 5 highlights the high level of opportunities for revenue generation related to zoning and land-use policies. The overall findings showed high opportunities (M = 3.06, SD = 0.43). This suggests that LGUs recognize substantial revenue opportunities through zoning and land-use regulations. The relatively low standard deviation suggests consistent perceptions among respondents. The Comprehensive Land Use Plan opportunities are high (M = 3.09, SD = 0.72).

Table 5. *Level of Opportunities in Revenue Generation in terms of Zoning and Land Use Policies*

No.	Zoning and Land Use	Mean	SD	Interpretation
1	There is a comprehensive land use plan for the municipality.	3.09	0.72	High Level
2	The municipality re-classify lands within its jurisdiction subject to pertinent land use laws of the land.	3.04	0.59	High Level
3	There are integrated zoning ordinances in consonance with the approved comprehensive land use plan, subject to existing laws, rules, and regulations; establish fire limits or zones, particularly in populous centers; and regulate the construction, repair, or modification of buildings within said zonal limits.	3.18	0.52	High Level
4	Subject to national laws, the municipality approves and process subdivision plans, commercial or industrial areas including other development plans.	3.00	0.63	High Level
5	Enact integrated zoning ordinances in consonance with the approved comprehensive land use plan, subject to existing laws, rules and regulations; established fire limits or zones, particularly in populous centers.	3.01	0.67	High Level
	Overall	**3.06**	**0.46**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

An extensive land use plan facilitates better urban planning, enabling systematic tax assessments and revenue generation. Moderate variability suggests some differences in implementation across municipalities. There are also high levels of Land Reclassification opportunities (M = 3.04, SD = 0.59). Reclassifying lands enables LGUs to increase property tax bases and optimize land utilization. The rating implies a strong recognition of this opportunity. Likewise, Integrated Zoning Ordinances where the level of opportunities is high *(M = 3.18, SD = 0.52)*. The highest mean score highlights the significance of well-regulated zoning ordinances in urban centers, ensuring compliance with land-use policies while fostering economic activity. Approval and Processing of Development Plans is also at a high level *(M = 3.00, SD = 0.63)*. This means that LGUs are crucial in approving subdivision, commercial, and industrial development plans, thereby enabling business growth and property tax revenue expansion. Regarding the Enactment of Zoning Ordinances, the results also showed a high level *(M = 3.01, SD = 0.67)*. Strengthening zoning laws supports structured land development and boosts regulatory fees, enhancing LGU revenue streams.

Local governments acknowledge a strong potential for revenue generation from zoning and land use policies, particularly through land classification, ordinances, and development planning. Variability in responses (e.g., Items 1 and 5) suggests that some local governments may not be fully maximizing these policies, implying the need for greater consistency and policy reinforcement. The highest-rated factor highlights the critical role of zoning ordinances in enabling systematic urban planning and tax enforcement. This study is supported by the results of the research conducted by the Philippine Institute for Development Studies (2020), which indicated that using technology in zoning administration is a far cry from the reliance on paper that most planning offices have historically employed. Additionally, land use monitoring is becoming more accurate and its implementation more efficient, thanks to the use of Geographic Information Systems (GIS) and digital platforms. Permits are being processed faster, and the public has better access to zoning-related information. Studies have shown that municipalities with such technologies processed permits 40% faster and with better compliance rates (Santiago, III, 2024).

Level of Opportunities in Revenue Generation in terms of Local Economic Development Initiatives

Table 6 highlights high-level opportunities in revenue generation linked to local economic development initiatives. The overall findings (M = 3.14, SD = 0.50) indicated that LGUs recognize strong revenue opportunities through economic development initiatives. All items measuring the opportunities for revenue generation in terms of local economic development initiatives yielded *high-level* results. The highest mean score was found in Successful businesses registering in the LGU, which leads to more tax revenue and a larger budget to implement ambitious initiatives (M = 3.21, SD = 0.64). In contrast, the lowest mean score was noted in the item, the municipality encourages job creation to help residents cope with rising costs and maintain a competitive edge over other municipalities (M = 3.07, SD = 0.66).

Table 6. *Level of Opportunities in Revenue Generation in terms of Local Economic Development Initiatives*

No.	Local Economic Development Initiatives	Mean	SD	Interpretation
1	The municipality promotes registration of new businesses, advancement of digital and physical infrastructure to accommodate growing population.	3.20	0.66	High Level
2	Successful businesses registering in the LGU leads to more tax revenue and a bigger budget to implement ambitious initiatives.	3.21	0.64	High Level
3	The municipality encourages job creation to help residents cope with rising costs and maintain a competitive edge over other municipalities.	3.07	0.66	High Level
4	Better services for the people indicate effective local development initiatives and attract potential new residents moving in.	3.15	0.64	High Level
5	The LGU is actively campaigning for new business registration to provide more jobs and raise income level of the municipality.	3.09	0.60	High Level
	Overall	**3.14**	**0.50**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

The findings showed that LGUs see strong potential in business expansion and infrastructure development as revenue drivers. Business registration and tax revenue growth (M = 3.21, SD 0.64) emerge as the most recognized opportunity. Job creation (M = 3.07, SD = 0.66) and better public services (M = 3.15, SD = 0.64) reinforce economic sustainability efforts. The findings indicate a strong consensus on the positive effect of business registrations on local revenue. A high level of prioritization by municipalities, viewing business registration and infrastructure as crucial drivers for economic growth. The moderate variability, as illustrated by the standard deviation, suggests that while most LGUs prioritize these areas, there are differences in how effectively they implement these initiatives. However, the lower mean score suggests that there may be room for improvement in how municipalities approach job creation strategies.

Moreover, the potential for business registration and tax revenue growth is high; optimizing these opportunities is necessary. First, Business incentives can be strengthened by offering tax breaks or simplified registration to attract investments. Second, enhance Digital Infrastructure by adopting e-governance tools for streamlined business processing. Third, expand Workforce Development Programs by collaborating with industries to equip local workers with the necessary skills. Lastly, improve Public Services by aligning infrastructure projects with business needs to sustain economic momentum.

This study's findings are supported by the study of del Castillo and Gayao (2010), which indicates that economic enterprises in the municipality have contributed positively to the total municipal income. Pescador and Caelian's (2020) study reveals that when LGUs promoted business registration, infrastructure improved, and electronic payment systems were adopted. These efforts led to increased local revenues and greater self-reliance for cities, supporting the high ratings in Table 6 for business registration and infrastructure advancement. The study of Barrios (2023) also highlighted the importance of encouraging new business registrations, job creation, and improved service delivery to strengthen local economies and reduce dependence on national tax allocations.

Level of Opportunities in Revenue Generation in terms of Service fees

Table 7 highlights the high-level opportunities for revenue generation through municipal service fees. The overall mean *(M = 2.91, SD = 0.57)* is at a high level. This implies that LGUs recognize substantial potential for revenue collection through service fees and other charges. The moderate standard deviation indicates varied implementation among municipalities.

Table 7. *Level of Opportunities in Revenue Generation in terms of Service fees*

No.	Service Fees and Charges	Mean	SD	Interpretation
1	To improve collection of service fees and other municipal charges, the LGU has implemented a comprehensive on-line payment plan.	2.73	0.90	High Level
2	Charging fees for applications and document requests as well as collecting tax revenue and utilities charges is straightforward with online fee and fine processing.	2.81	0.91	High Level
3	The LGU enforces local ordinances on violations like illegal parking, among others, to generate revenue from un-abiding citizens and discourage inappropriate behavior that has a negative impact on the local community.	3.03	0.70	High Level
4	Within the legal bounds and authority of the LGU, all incoming government requests, for example requests for public records or legal stamps are assigned with reasonable taxes to help generate funds for the municipality.	3.03	0.55	High Level
5	The municipality actively encourages owners to revitalize or reopen their old business and inactive properties and land spaces to have a guaranteed continuing income for the municipality.	2.93	0.65	High Level
	Overall	**2.91**	**0.57**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

There is a high level of opportunity for Online Payment Plan *(M = 2.73, SD = 0.90)*. Digital payment solutions offer efficiency, but variability suggests inconsistent adoption across LGUs. Straightforward Online Fee Processing was also at a high level *(M = 2.81, SD = 0.91)*. This means that online processing of applications and tax payments streamlines transactions, though some municipalities may face challenges in full integration. Regarding Ordinance Enforcement, it is also at a high level *(M = 3.03, SD = 0.70)*. Implementing penalties for violations (e.g., illegal parking) creates revenue streams while reinforcing compliance. Regarding government requests and taxes, this is also at a high level *(M = 3.03, SD = 0.55)*. Assigning fees to government services (e.g., legal stamps, public records) helps generate revenue. Lastly, Business Revitalization Efforts also came out on a high level *(M = 2.93, SD = 0.65)*. Encouraging inactive businesses to resume operations ensures sustainable municipal income.

The highest-rated items *(M = 3.03)* emphasize ordinance enforcement and service charges for government requests as strong revenue-generating strategies. Online payment methods *(M = 2.73, 2.81)* are recognized as beneficial but exhibit greater variability, suggesting varying levels of adoption. Revitalizing inactive businesses *(M = 2.93)* suggests potential for increasing commercial activity and financial sustainability. In the study by Khando et al. (2022), the benefits of using digital payment technologies go beyond convenience. Digital payments expand the potential customer base for merchants, reduce cash-handling costs, and bring many informal, previously shadowy economies to the forefront, thereby increasing tax revenues for governments. All these factors, along with other advantages of using digital payment technologies, can help reduce economic friction. As a result, overall spending and consumption increased, leading to greater production, a higher number of jobs, higher wages, and economic growth. This result is supported by Ching's (2017) research study on the adoption of currently available electronic payment systems, examining general, privacy, security, and trust aspects. Through this research study, it is affirmed that government initiatives are improving the adoption of cashless payments. Additionally, it will help businesses target the preferences of their customers while increasing their profits.

Level of Opportunities in Revenue Generation in terms of Human Resource Competencies

The data in Table 8 suggests that local government units (LGUs) have strong opportunities in human resource competencies, with an overall mean score of *3.25 (SD = 0.61)*, indicating a high level of potential for workforce development.

Table 8. *Level of Opportunities in Human Resources Competencies*

No.	Variables	Mean	SD	Interpretation
1	Personnel are knowledgeable of their work and office procedure and deliver output at par with required standard.	3.26	0.62	High Level
2	The team is composed of skilled and well-trained personnel who can lead with exemplary management skills, technical expertise and good communication skills.	3.27	0.62	High Level
3	Employees display critical thinking skills, react wisely and controlled during difficult situations, work well under pressure with less supervision and show ability to resolve difficult situations.	3.21	0.55	High Level
	Overall	**3.25**	**0.61**	**High Level**

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

As indicated by the results, the key opportunities involve personnel with knowledge of their work and office procedures, as well as the prompt delivery of output at par with required standards (M = 3.26, SD = 0.62). At the same time, the second item indicates strong leadership and technical expertise (M = 3.27, SD = 0.62). This suggests that LGUs benefit from skilled personnel with management, technical, and communication skills, which can be leveraged for more efficient governance and fiscal strategies. The lowest mean, which is still at a high level, shows resilience and critical thinking among employees (M = 3.21, SD = 0.55). All items were considered high opportunities, meaning substantial and favorable opportunities for revenue generation.

The overall result indicates a generally high level of potential among these LGUs to enhance their human resource capabilities. A closer examination of the result revealed the crucial role of personnel who possess a solid understanding of their roles and office procedures. This indicates that employees are aware of their responsibilities and demonstrate the ability to deliver outputs that meet required standards. The promptness and quality of their work are essential for maintaining operational efficiency within LGUs and may contribute to improvements in revenue generation. The findings further indicate the need to enhance attributes such as resilience and critical thinking among employees. These capabilities are vital for navigating complex challenges and adapting to changes in the governing landscape. Although they scored lower than the other competencies, the fact that they still fall within the high opportunity range suggests that there is room for growth in these areas, which could further strengthen the overall effectiveness of LGUs.

Research on competency frameworks for LGUs suggests that structured learning and development and digital integration can improve efficiency and revenue generation (Thuy et al., 2019). Additionally, a study on workforce development in local governments emphasizes the importance of continuous training and leadership programs in enhancing employee competencies and improving service delivery (DILG, 2021). Finally, the Philippine government has emphasized workforce development as a key strategy for economic recovery, advocating for skills enhancement and leadership training in LGUs (Da-ang Jinee et al., 2024). According to Tengilimoglu, D., et al. (2023), education has been considered a key determinant of economic growth, with the central role of technology providing the impetus for a focus on education. There is a strong correlation between an educated population and technological innovation. The link is made explicit in what is termed 'investment in humans': workers need education in order to utilize new technologies, thereby increasing total productivity and inducing economic growth. Accumulating human capital through education and on-the-job training fosters economic growth by improving labor productivity and promoting technological innovation and adaptation.

Summary of Level of Opportunities in Revenue Generation
The data in Table 9 reflects a high level of opportunities in revenue generation across all variables in terms of **z**oning and land use policies (M=3.06; SD = 0.43), local economic development initiatives (M = 3.14**,** SD = 0.50), **s**ervice charges (M = 2.91**,** SD = 0.57), and human resources competencies (M = 3.25**,** SD = 0.61) which means that are substantial and favorable opportunities for revenue generation.

Table 9. *Summary of* Level of Opportunities in Revenue Generation

Variables	Mean	SD	Interpretation
Zoning and Land Use Policies	3.06	0.43	High Level
Local Economic Development Initiatives	3.14	0.50	High Level
Service Fees and Charges	2.91	0.57	High Level
Human Resources Competencies	3.25	0.61	High Level

Note: 3.50-4.0 (Very High); 2.50-3.49 (High); 1.50-2.49 (Low); 1.00-1.49 Very Low.

The high-level opportunities suggest better zoning regulations and land. Using policies could generate significant revenue. These policies enable optimized land allocation and incentivize development. Additionally, the results indicate that LGUs recognize the robust potential in stimulating local economies through business expansion, infrastructure development, and employment generation. Moreover, the results suggest that while the opportunity in service fees remains high, it may involve revising or expanding service fees to sustain revenue while ensuring fairness for citizens. Human resources competencies stand out among the various aspects, emphasizing the importance of investing in workforce training and professional development to support revenue-related initiatives.

The findings further imply that the uniformly high levels across these variables indicate that LGUs see significant potential in leveraging these areas for fiscal growth. This result is supported by the study of Barrios (2023) on the dynamics of local source revenues (LSRs), which revealed a need to enhance the development of regional revenues in the Philippines. This measure would afford LGUs greater control over their finances and increase their accountability to their constituents. It would also make the Philippine government more resilient to economic shocks. According to the Department of the Interior and Local Government, adaptation to digitalization increases revenue collection among LGUs (Philippine News Agency, January 24, 2024).

3.3 Difference in the level of challenges in Revenue Generation According to Location

The Kruskal-Wallis test results presented in Table 10 examine whether there is a statistically significant difference in the level of challenges in revenue generation among LGUs based on their location. The analysis yielded a chi-square value of 8.494 with 6 degrees of freedom (df) and a *p*-value of 0.204.

Table 10. *Difference in the Level of Challenges in Revenue Generation when grouped according to LGU Location*

Variables	Chi-square	df	P-value
Level of Challenges in Revenue Generation for LGUs LGU Location	8.494	6	0.204

Since the *p*-value (0.204) exceeds the conventional significance threshold of 0.05, the results suggest that there is no statistically significant difference in the revenue generation challenges faced by LGUs based on their geographical location. This suggests that revenue-related difficulties persist regardless of LGU positioning, implying that other factors, such as institutional policies, financial management practices, or economic conditions, may play a more significant role in shaping LGU fiscal performance. The result implies that the challenges in revenue generation are relatively uniform across LGUs regardless of geographic location. While some variation exists, it is not strong enough to indicate meaningful differences solely due to location. Other factors, such as policy implementation, technological adoption, and LGU governance capacity, may play a greater role in shaping revenue generation success. According to Waśniowska (2020), the assertion that revenue generation challenges are broadly similar across LGUs, regardless of location, with external factors like policy frameworks and administrative effectiveness playing a more significant role, is supported by literature in the field of local government finance. While geographic variations may exist, they are often overshadowed by the impact of national policies, fiscal transfers, and the capacity of local governments to administer and collect revenue effectively.

3.4 Difference in the level of challenges in Revenue Generation According to Population

The Mann-Whitney U test results presented in Table 11 assess whether there is a statistically significant difference in revenue generation challenges between LGUs with populations of 40,000 and below versus 41,000 and above. The test produced a U-value of 483.000, which represents the rank-sum comparison between the two population groups. The Z-score of -0.123 indicates a standardized test statistic that is very close to zero, suggesting minimal variation between the groups. Furthermore, the p-value of 0.902, which exceeds the conventional threshold of 0.05, confirms that there is no statistically significant difference in revenue generation challenges between smaller and larger LGUs. These results suggest that LGU population size does not significantly influence revenue generation challenges, implying that other variables, such as institutional policies, financial strategies, and external economic conditions, may have a greater impact on fiscal performance.

Table 11. *Difference in the Level of Challenges in Revenue Generation for LGUs when grouped according to Population*

Variables	Mann-Whitney U test	Z	P-value
Level of Challenges in Revenue Generation for LGUs 40, 000 and below 41, 000 and above	483.000	-0.123	0.902

The result implies that revenue generation challenges appear relatively similar across LGUs regardless of population, which further indicates that smaller LGUs may not face unique revenue generation challenges that differ from those of their larger counterparts. Although variations exist, they are not significant enough to conclude that population alone determines these challenges. Other influential factors, such as local governance efficiency, digitalization efforts, and fiscal management practices, may play a more critical role. Policy improvements should focus on systemic issues rather than merely adjusting revenue strategies based on population. The study of Calleja (2020) outlined a range of challenges faced by LGUs, including poverty, social issues, environmental change, and bureaucratic constraints. It also mentions limitations in financial and human resources. While these challenges are diverse, they are not necessarily directly proportional to population. Effective governance practices and resource management can mitigate these issues regardless of population.

3.5 Difference in the Level of Challenges in Revenue Generation According to Municipal Category

The Mann-Whitney U test results presented in Table 12 examine whether there is a statistically significant difference in revenue generation challenges between 3rd-class and 4th-class municipalities. The test produced a U-value of 405.500, representing the rank-based comparison between municipal categories. The Z-score of -0.257, which is close to zero, indicates minimal difference between the two groups. Additionally, the *p*-value of 0.797, which exceeds the conventional significance threshold of 0.05, suggests no statistically significant difference in revenue generation challenges between third- and fourth-class municipalities. These findings indicate that municipal classification alone does not significantly impact revenue generation challenges, reinforcing the notion that external factors, such as governance efficiency, financial resource allocation, and administrative policies, may have a more substantial influence on LGU fiscal performance.

Table 12. *Difference in the Level of Challenges in Revenue Generation for LGUs when grouped according to Municipal Category*

Variables	Mann-Whitney U test	Z	P-value
Level of Challenges in Revenue Generation for LGUs Municipal Category	405.500	-0.257	0.797

This implies that the revenue generation challenges are similar across municipal categories, suggesting that size classification alone does not strongly influence revenue performance. While minor variations exist, they are not statistically significant, suggesting that external factors, such as governance efficiency, digital adoption, tax policies, and economic activity, may have a greater impact on revenue challenges than municipal classification alone. Policy interventions should focus on system-wide improvements rather than targeting municipalities solely based on their category. The study by Saldaen (2020) is one of many that focus on local government revenue generation. It often highlights that while municipal size or classification can play a role, factors such as government efficiency, economic activity, and tax policies have a more significant impact on revenue performance than size alone. This suggests that broad policy interventions aimed at improving system-wide capabilities are more effective than targeting specific municipal categories.

3.6 Difference in the Level of Opportunities in Revenue Generation According to LGU Location

The Kruskal-Wallis test results presented in Table 13 assess whether there is a statistically significant difference in revenue generation opportunities among LGUs based on location. The test yielded a chi-square value of 7.247 with 6 degrees of freedom (df = 6) and a *p*-value of 0.299.

Since the *p*-value (0.299) exceeds the conventional significance threshold of 0.05, the results indicate that there is no statistically significant difference in revenue generation opportunities across LGU locations. This suggests that factors other than location, such as institutional strategies, financial policies, and resource allocation, may play a more influential role in shaping revenue enhancement measures. The findings imply that LGUs, regardless of geographic positioning, encounter similar conditions and constraints in revenue-generation efforts.

Table 13. *Difference in the Level of Opportunities in Revenue Generation for LGUs when grouped according to LGU Location*

Variables	Chi-square	Z	P-value
Level of Opportunities in Revenue Generation for LGUs LGU Location	7.247	6	0.299

This implies that the revenue generation opportunities are relatively consistent across LGU locations, indicating that geographic factors alone may not heavily influence revenue potential. While minor variations exist, they are not statistically strong enough to conclude that location plays a decisive role in determining revenue generation opportunities. Other factors, such as governance practices, economic policies, and digitalization efforts, likely play a more significant role in shaping revenue opportunities for LGUs. According to Dominguez, the former Finance Secretary assured the public that digitalization in revenue collection activities provides a window towards a more effective collection process in the years to come (Department of Finance, 2021).

3.7 Difference in the Level of Opportunities in Revenue Generation According to LGU Population

The Mann-Whitney U test presented in Table 14 examines whether there is a statistically significant difference in revenue generation opportunities between LGUs with populations of 40,000 and below versus 41,000 and above. The test yielded a U-value of 380.000, representing the rank-sum comparison between the two population groups. The Z-score of -1.527 reflects the standardized test statistic, indicating a moderate difference between the groups. Furthermore, the p-value of 0.127, which is greater than the standard significance threshold of 0.05, suggests that there is no statistically significant difference in revenue generation opportunities based on LGU population size. These findings imply that factors beyond population size—such as local economic policies, governance efficiency, and available infrastructure—may have a greater influence on revenue generation opportunities across LGUs.

Table 14. *Difference in the Level of Opportunities in Revenue Generation when grouped according to Population*

Variables	Mann-Whitney U test	Z	P-value
Level of Challenges in Revenue Generation for LGUs 40, 000 and below 41, 000 and above	380.000	-1.527	0.127

The results in Table 14 imply that LGUs of different populations have comparable revenue generation opportunities, indicating that population alone is not a major determining factor. While some variation exists, it does not hold statistical significance, suggesting that governance practices, taxation policies, economic initiatives, and digital transformation may be more substantial contributors to revenue potential. Municipalities should prioritize strategic improvements across revenue systems, rather than assuming that population size directly affects opportunities. The study by Barrios (2023) examined local revenue sources and their correlation with governance efficiency, rather than population size. This means that governance, economic policies, and technological adoption play a more significant role in shaping revenue opportunities than population alone.

3.8 Difference in the Level of Opportunities in Revenue Generation According to Municipal Category

The Mann-Whitney U test results presented in Table 15 evaluate whether there is a statistically significant difference in revenue generation opportunities across different municipal categories. The test yielded a U-value of 330.000, representing the rank-sum comparison between categories. The Z-score of -1.367 reflects the standardized test statistic, indicating only minor differences between groups. Additionally, the p-value of 0.172, which exceeds the standard significance threshold of 0.05, suggests that there is no statistically significant difference in revenue generation opportunities based on municipal classification. These findings indicate that classification alone does not significantly impact revenue opportunities, reinforcing the idea that governance efficiency, infrastructure development, and economic policies play a more decisive role than municipal classification.

Table 15. *Difference in the Level of Opportunities in Revenue Generation when grouped according to Municipal Category*

Variables	Mann-Whitney U test	Z	P-value
Level of Challenges in Revenue Generation for LGUs Municipal Category	330.000	-1.367	0.172

Rayel (2021) examined the impact of economic dynamism and government efficiency on local revenue generation, suggesting that classification alone does not determine fiscal success. Through structural equation modeling and confirmatory factor analysis, it was determined which of the several hypothetical factor structure models provided the best-fitting conceptualization of competitiveness. The final model was subjected to multiple group analysis to test its invariance across income groups. Finally, IRA dependency and household poverty were integrated into the final model to examine their association with competitiveness. In improving competitiveness, the study recommends that policymakers and local government executives target their policies, efforts, and resources on particular indicators based on the type of LGU, even as some indicators need to be addressed, established, or enhanced across LGU types.

4.0 Conclusion

The study highlights significant challenges faced by Local Government Units (LGUs) in the third and fourth districts of Negros Occidental, particularly in the area of revenue generation. Key difficulties include ineffective collection strategies, inadequate monitoring and control mechanisms, and insufficient staff development. Despite these hurdles, there are notable opportunities for revenue enhancement, primarily through optimizing zoning and land use policies and implementing service fees. The consistent nature of these challenges and opportunities across different LGU profiles suggests underlying systemic issues that are not limited to specific geographical or demographic contexts.

To effectively tackle these challenges, LGUs should prioritize capacity-building programs to improve their staff's financial management competencies. This training would empower personnel to implement more effective financial strategies and improve overall operational efficiency. Modernizing collection strategies by integrating advanced technologies can also significantly enhance revenue administration. Specific technologies that can be implemented include Automated Tax Collection Systems, which streamline the tax collection process and reduce errors; Geospatial Mapping Tools that assist in the formulation of zoning policies and land use planning; Blockchain Technology to enhance financial transparency and prevent fraud through secure, immutable records of transactions; and AI-Powered Revenue Forecasting, which can provide accurate predictions of revenue trends and enable proactive adjustments to LGU strategies.

For future research, longitudinal studies could offer insights into the long-term effects of these strategies once implemented. In contrast, comparative studies across different regions may reveal broader patterns related to the challenges and opportunities faced by LGUs. Additionally, exploring qualitative approaches such as interviews or focus groups could shed light on the underlying issues experienced by local governments. Investigating the role of technology in enhancing revenue practices could further uncover innovative solutions to the contemporary challenges that LGUs encounter.

5.0 Contribution of Authors

The first author conceptualized the research topic. Both authors collaborated on the design and analysis of the data, while the second author reviewed the manuscript.

6.0 Funding

This research received no funding from any agency.

7.0 Conflict of Interest

The authors declare that they have no conflict of interest.

8.0 Acknowledgment

The authors acknowledge the voluntary participation of employees from select local government units, whose responses were crucial to this study. Also, they would like to acknowledge Dr. Marissa Quezon, Dr. Ruvy Tuble, Dr. Conrad Albela III, and Atty. Anabelle Palic, PhD, and Dr. Mary Ann Quingking for their critiques of the research paper.

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