

**ARMED POLICE FORCE, NEPAL IN REVENUE LEAKAGE
CONTROL OF RUPANDEHI DISTRICT**



A Thesis

**Submitted to APF Command and Staff College,
Faculty of Humanities and Social Sciences,
Tribhuvan University,
In Partial Fulfillment of the Requirements
for Master's Degree in
Security, Development and Peace Studies**

Submitted by

PANKAJ PAUDEL

Ninth Batch (2080-2082)

Roll No: 123740096

TU Registration No: 5-1-249-66-97

**APF Command and Staff College
Sanogaucharan, Kathmandu, Nepal**

April 2025

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DECLARATION

I, PANKAJ PAUDEL, declare that this thesis entitled **ARMED POLICE FORCE, NEPAL IN REVENUE LEAKAGE CONTROL OF RUPANDEHI DISTRICT** submitted to APF Command and Staff College is entirely my original work. I have prepared this thesis under the guidance of my supervisor and fairly acknowledged all sources of information including authors and institutions. I take full responsibility for the authenticity of my research work and assure that no part or content of this thesis has been previously presented or submitted anywhere else for the award of any degree or of any other purpose in any other form before.

.....

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APF Command and Staff College

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Date: April 2025



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LETTER OF RECOMMENDATION

This thesis entitled **ARMED POLICE FORCE, NEPAL IN REVENUE LEAKAGE CONTROL OF RUPANDEHI DISTRICT** has been prepared by Mr. PANKAJ PAUDEL under my guidance and supervision. I hereby recommend it in partial fulfillment of the requirements for the Degree of Master of Security, Development and Peace Studies final examination.

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Thesis Supervisor

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Date: April 2025



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LETTER OF APPROVAL

This thesis entitled **ARMED POLICE FORCE, NEPAL IN REVENUE LEAKAGE CONTROL OF RUPANDEHI DISTRICT** submitted by Mr. PANKAJ PAUDEL to APF Command and staff College, Faculty of Humanities and Social Sciences, Tribhuvan University in partial fulfillment of Master's Degree in Security, Development and Peace Studies has been approved by the undersigned members of the Evaluation Committee.

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ABSTRACT

Revenue leakage poses a significant challenge to the economic stability and growth of Nepal, particularly within the Rupandehi District, which is characterized by its strategic location and lively trade activities. The role of the Armed Police Force (APF) Nepal has expanded significantly over the years, particularly in revenue leakage control, a critical issue affecting Nepal's economic stability. This study focuses on the role and contributions of APF, Nepal in controlling and minimizing revenue leakage in Rupandehi District, a key trade and economic hub along the Nepal-India border. This study employs a qualitative research methods and uses observation, interviews, Key Informant (KI) and Focused Group Discussion (FGD) with the key stakeholders. The study conducts data analysis to assess APF, Nepal's operational strategies, challenges, and overall impact on revenue leakage control and the effectiveness of APF, Nepal's interventions against illicit trade and tax evasion. Data from the relevant government offices and the APF, Nepal indicate a marked improvement in revenue collection since the deployment of the APF, Nepal units, aimed at combating financial irregularities. This study explores the strategies employed by the APF, Nepal and collaboration with other enforcement agencies in controlling the revenue leakage of Rupandehi district. Findings reveal that while APF, Nepal has significantly reduced illegal trade and smuggling, issues such as insufficient resources, corruption, lack of public awareness and coordination gaps with other government agencies persist. The study's implications highlight the necessity for integrated strategies that include strengthening interagency coordination, modernizing surveillance systems, community engagement and capacity building for APF, Nepal to enhance revenue leakage control efforts. It is believed that this research will contribute to policymaking efforts aimed at strengthening the revenue collection mechanisms in Rupandehi district, ensuring economic sustainability and contributing to national development.

Keywords: Border, challenges, control, revenue leakage, Rupandehi

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LIST OF ACRONYMS AND ABBREVIATIONS

AD	Anno Domini
ADB	Asian Development Bank
AFCEA	Armed Forces Communications and Electronics Association
AI	Artificial Intelligence
AOR	Area of Responsibility
APA	American Psychological Association
APF	Armed Police Force
ASI	Assistant Sub-Inspector
ASYCUDA	Automated System for Customs Data
BADPs	Border Area Development Programs
Bn	Battalion
BOPs	Border Outposts
BS	Bikram Sambat
BSF	Border Security Force
CBP	Customs and Border Protection
CCTV	Closed Circuit Television
CDO	Chief District Officer
CIAA	Commission for the Investigation of Abuse of Authority
CIT	Corporate income tax
Co.	Company

Coy	Company
COVID	Coronavirus Disease
CPI	Corruption Perceptions Index
DAO	District Administration Office
DHS	Department of Homeland Security
DIG	Deputy Inspector General
DOC	Department of Customs
DRI	Department of Revenue Investigation
EFDs	Electronic Fiscal Devices
FEMA	Federal Emergency Management Agency
FGD	Focused Group Discussion
FIU	Financial Intelligence Unit
Frontex	European Border and Coast Guard Agency
FY	Fiscal Year
GAO	Government Accountability Office
GDP	Gross Domestic Product
GoN	Government of Nepal
HQs	Headquarters
Hrs	Hours
ILP	Intelligence Led Policing
IMF	International Monetary Fund

INR	Indian Rupee
IRD	Inland Revenue Department
IRO	Inland Revenue Office
ITBP	Indo-Tibetan Border Police
JIATF	Joint Interagency Task Force
JSTOR	Journal Storage
KG	Kilogram
KI	Key Informant
KM	Kilometer
LTD	Limited
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MOU	Memorandum of Understanding
n.d.	No Date
NID	National Investigation Department
NPC	National Planning Commission
NPR	Nepali Rupee
NRB	Nepal Rastra Bank
OAG	Office of the Attorney General
OECD	Organization for Economic Cooperation and Development
PCC	Plain Cement Concrete

PIT	Personal Income Tax
PVT	Private
PwC	PricewaterhouseCoopers
Re/Rs	Rupee/Rupees
RIO	Revenue Investigation Office
RPU	Revenue Police Unit
SAFTA	South Asian Free Trade Area
SEM	Structural Equation Modeling
SEZ	Special Economic Zone
SiCCI	Siddhartha Chamber of Commerce and Industry
SSB	Shasastra Seema Bal
STRs	Suspicious Transaction Reports
TVCI	Targeting Violent Crime Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNOCD	United Nations Office on Drugs and Crime
U.S.	United States
USA	United States of America
VAT	Value Added Tax
VCTS	Vehicle Consignment Tracking System
WB	World Bank
WCO	World Customs Organization

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Rupandehi District, located in the Terai plains of Lumbini Province of Nepal, is a pivotal area for trade and commerce that shares an extensive border with India. The district is vulnerable and a hotspot for revenue leakage (Office of the Attorney General [OAG], 2015) which is defined as the loss of government income due to tax evasion, tax avoidance, smuggling, corruption, and mismanagement of government funds. It is universally understood as lost revenue that was expected but not realized (Patabendige & Hopkins, 2025).

The Armed Police Force, (APF) Nepal, established in 2001, is mandated with different tasks such as maintaining law and order, border security, disaster management, revenue support, and many more. In recent years, the APF, Nepal has played an increasingly crucial role in revenue leakage control, especially in border areas like Rupandehi. However, the effectiveness of the APF Nepal's efforts remains underexplored.

Despite the government's efforts to enhance revenue collection through various measures, persistent challenges hinder the progress. As such, this study seeks to explore major forms of revenue leakage, the impact of APF, Nepal's operations in mitigating revenue leakage and understand the dynamics within the enforcement landscape. This study also examines the APF, Nepal's strategies, achievements, and challenges in revenue leakage control, contributing to broader discussions on improving Nepal's economic development.

1.1.1 Revenue

Revenue refers to the income collected by the government through various sources such as taxes, duties, and fees to fund public expenditures (Bird & Zolt, 2008). Revenue generation is essential for economic stability and development, particularly in low-income countries. Revenue generation is fundamental to a nation's economic progress, serving as the backbone for funding various public services, critical infrastructure, education, healthcare and governance.

One major limitation on rule is revenue, the income of the government. The greater the revenue of the state, the more possible it is to extend rule. Revenue enhances the ability of the rulers to elaborate the institutions of the state, to bring more people within the domain of those institutions, and to increase the number and variety of the collective goods provided through the state (Levi, 1988).

A stable and growing revenue base is essential for economic development and social progress. Effective revenue generation enables governments to finance public services, invest in infrastructure, and promote economic stability. Moreover, good governance enhances the state's capacity to mobilize resources and deliver public goods, thereby contributing to a stable economy (International Monetary Fund [IMF], 2023).

In emerging nations, where there is a greater demand for funding for development, government revenue is more important. Developing nations would need to rely heavily on local revenue mobilization because an excessive reliance on foreign funding could eventually result in debt sustainability issues and a never-ending debt trap cycle (Gupta, 2007).

Collecting taxes is the main way for countries to generate public revenues that make it possible to finance investments in human capital, infrastructure, and the provision of services for their people and businesses. The need to increase revenue collection is particularly acute in countries that currently collect less than 15 percent of Gross Domestic Product (GDP) in taxes. This level of taxation is an important tipping point to make a state viable and put it on a path to growth. But 83% of low-income countries and 48% of lower middle-income countries are below this threshold. In countries affected by fragility, conflict, and violence, the average tax-to-GDP ratio was as low as 12.6 percent in 2023 (World Bank [WB], 2024).

Revenue collection involves the government's process of gathering taxes and other forms of revenue from taxpayers. This process typically involves identifying potential taxpayers, assessing their tax liabilities, issuing tax notices, and collecting payments. Efficient tax collection plays a crucial role in minimizing revenue leakages, ensuring the equitable distribution of the tax burden, and enhancing public trust. Modernizing tax systems through technological advancements and improving taxpayer services are essential strategies to achieve these objectives (Ohene-Larbi, n.d.).

In Article 2 (Ka) of Revenue Leakage (Investigation and Control) Act 2052 it is stated that, as unless the context or subject implies otherwise, revenue in this Act shall mean the following taxes and non-tax payments:

- a) Customs duty, excise duty, income tax, value-added tax (VAT), or any other tax payable or to be submitted to the Government of Nepal as per prevailing laws.
- b) Taxes payable or to be submitted to Provincial Government as per prevailing law.
- c) Taxes payable or to be submitted to the Local Government as per prevailing laws.
- d) Non-tax payments payable or to be submitted to the Government of Nepal (GoN), Provincial Government, or Local Government as per prevailing laws (DRI, 2025).

Thus, revenues earned by the government are received from sources such as taxes levied on the incomes and wealth accumulation of individuals and corporations and on the goods and services produced, exports and imports, non-taxable sources such as government-owned corporations' incomes, central bank revenue and capital receipts in the form of external loans and debts from international financial institutions (Acharya, 2017)

Table 1.1

Revenue Collection of Government of Nepal (in Crores)

Title	Amount			Change (%)		Composition	
	078/79	079/80	080/81	079/80	080/81	079/80	080/81
VAT	31427.9	28663.2	31045	-8.8	8.3	28.4	28.7
Custom	24203	18211.6	20102.4	-24.8	10.4	18	18.6
Income Tax	25999	25180.9	28346.5	-3.1	12.6	24.9	26.2
Excise	16679	14306.8	14635.2	-14.2	2.3	14.2	13.5
Education service	124.1	200.3	326.4	61.4	62.9	0.2	0.3
Non tax revenue	8101	9172	11434.2	13.2	24.7	9.1	10.6
Total revenue	106534	95734.9	105889.6	-10.1	10.6	94.7	97.8
Others	4850	5330.3	2385.3	9.9	-55.2	5.3	2.2
Total revenue	111384	101065.1	108274.9	-9.3	7.1	100	100

Source: Nepal Rastra Bank, 2081

Table 1.1 presents a comparative analysis of government revenue over three fiscal years. It shows that although there was a significant drop in total revenue by 10.1% in 2079/80, it rebounded with a 10.6% increase in 2080/81, reaching NPR 105889.6 crores. VAT remained the largest contributor, accounting for 28.7% of total revenue in 2080/81, with a notable recovery of 8.3% growth after a decline of 8.8% in the previous year. Income Tax also showed strong growth at 12.6%, reflecting increased tax compliance or economic activity. Custom duties, which had sharply fallen by 24.8% in 2079/80, rose by 10.4% in 2080/81. Overall, the data reflects a positive turnaround in Nepal's revenue collection efforts in 2080/81, despite a challenging previous year.

Edogbanya & Ja'afaru (2013) have identified that there is a direct correlation between public revenue and government development efforts. Revenue includes all sources of income for the government, including taxes, fees, fines, duties, penalties, rents, dues, profits, and other types of government receipts for which the legislature has the authority to appropriate funds.

The GoN generates revenue from tax and non-tax sources. The Constitution of Nepal has mandated to collect Value Added Tax (VAT), corporate income tax (CIT), personal income tax (PIT), customs and excise duties, land duty and registration tax, among others. Several tax instruments including property tax, land related taxes and service fees are devolved to the provincial and local governments. The overall revenue structure is mainly based on the share of tax revenue (National Natural Resources and Fiscal Commission, 2018).

1.1.2 Revenue Leakage and Control

Revenue leakage refers to the loss of potential government revenue due to factors like tax evasion, tax avoidance, corruption, smuggling, and underreporting of income. According to Keen & Baunsgaard (2005), revenue leakage refers to the loss of potential revenue that a government or organization should have collected but did not, due to various factors. It represents the gap between the revenue that should have been received under full compliance and the revenue that was actually collected.

Revenue leakage can significantly impact government finances, hindering public services and exacerbating economic inequalities. Addressing leakage requires a multi-pronged approach, including strengthening tax laws, improving tax administration, and combating corruption. (Akitoby, 2018). Nepal loses billions of Rupees annually in revenue due to various forms of leakage (Ministry of Finance, 2023). The issue not only has financial implications but it also

affects the socio-economic fabric of society, fostering inequalities and undermining public trust in governance.

Revenue leakage is a pervasive global issue that undermines economic stability and development in both public and private sectors. In the public sector, governments worldwide lose nearly 20% of their potential revenues annually, amounting to about \$5 trillion, due to tax evasion, fraud, inefficiencies, and uncollected payments (McKinsey & Company, 2018).

Revenue leakage is a widespread issue in developing countries, undermining economic growth and governance. According to Bird and Zolt (2008), tax evasion and smuggling are major contributors to revenue loss in low-income countries. They argue that weak institutions and outdated revenue systems exacerbate leakage, particularly in developing countries.

IMF (2011) has defined revenue leakage as the loss of government revenue due to illicit activities, including tax evasion, smuggling, and corruption. It poses a significant challenge for developing countries, where the formal economy is overshadowed by informal and illegal sectors. According to a report by the World Bank (2017), such leakages can amount to over 30 percent of potential tax revenues in developing economies, exacerbating fiscal constraints and hindering public service delivery.

Also according to Sandmo (2005), tax evasion refers to the violation of laws by a taxpayer through escaping his taxable income obligations to the relevant authority. Crocker and Slemrod (2005) have stated that tax evasion is a significant issue in modern economies and involves deliberate and illegal attempts by individuals or corporations to reduce their tax liabilities through misrepresentation by tax authorities. This practice includes under-declaring income, exaggerating deductions, and even bribing officials in high-corruption areas. It contributes to the "tax gap", is prevalent in the informal economy and poses a major challenge to fiscal systems worldwide.

One of the major forms of revenue leakage is tax evasion which is probably as old as taxation itself. It is a pervasive disease not only in the economy of Nepal, but also in the entire economy of the world. Policymakers have been keeping their efforts perpetual to eradicate the disease of tax evasion. However, their efforts to keep it in check have been relatively unsuccessful so far. In this regard, Hasseldine and Bebbington (1991) opined that there are no cures for many serious medical diseases likewise there are no solutions for the social disease of tax evasion.

According to Bethencourt and Kunze (2018), an increase in the tax rate increases aggregate evasion as well as the number of evaders in the economy when taxpayers' decisions are interdependent. Tax evasion involves illegal activities undertaken by taxpayers to avoid paying taxes, such as underreporting income, inflating deductions, or concealing assets (Slemrod, 2007). Another aspect of revenue leakage is tax avoidance which refers to legal strategies employed by taxpayers to minimize their tax liabilities, often by exploiting loopholes in tax laws or engaging in complex financial transactions (Dharmapala & Hines Jr, 2009).

According to Slemrod & Gillitzer (2013), tax avoidance refers to the legal practice of minimizing tax liabilities through strategic financial planning while staying within the framework of the law. It involves the use of deductions, credits, exemptions, and loopholes in tax legislation to reduce the amount of tax owed. While tax avoidance is lawful, excessive reliance on it can lead to reputational risks for businesses and increased regulatory scrutiny.

Sharma and Dang (2011) opined that the difference between tax evasion and tax avoidance is as thick as a prison wall. However, tax avoidance is legal in some countries; for example, it is legal in India, but illegal in most of the other countries in the world. Some leading scholars believe that the tax avoidance is also a crime. Xuereb (2015) defined tax avoidance as reduction of tax liability by planning the affairs to bring the least tax possible all while acting within the provisions of the Acts. It is illegal as it minimizes the tax to be paid by utilizing the existing loopholes of the provisions of the Acts.

Smuggling is rooted back to the historical contexts of Nepal. At the end of 1968, India's Excise and Customs Office in the Bihar State capital of Patna released statistics that disclosed the rising rate of smuggling and the increased efforts to prevent it. It reported that during 1966, in Bihar's five districts bordering Nepal, 100,000 Indian rupees, in 1967, around 400,000 rupees, in the first eleven months of 1968, around 1,736,000 rupees that included synthetic yarn valued at 500,000 rupees, East European sugar valued at 225,000 rupees, and large quantities of watches, fountain pens, and cigarette lighters were seized. The seizures also included 62,000 rupees' worth of Indian jute bound for Nepal (Hindustan Times, 1968).

Corruption, a prevalent issue in many developing nations, facilitates tax evasion and smuggling activities. Corruption can manifest in various forms, such as bribery of tax officials, collusion between taxpayers and officials, and embezzlement of public funds.

Corruption undermines tax collection efforts and leads to significant revenue losses (Tanzi, 1998). Transparency International (2022) highlights that corruption within law enforcement can undermine efforts to combat revenue leakage, creating a cycle of non-compliance among taxpayers. Furthermore, lack of awareness among citizens regarding the importance of tax compliance is a critical factor that perpetuates revenue leakages.

According to Article 4 of Revenue Leakage (Investigation and Control) Act 2052, a person shall be deemed to have committed an offense of revenue leakage if they engage in any of the following activities:

- (a) If they fail to pay or submit the required revenue, or pay/submit less than the required amount, by presenting or not presenting false or fraudulent accounts, statements, or documents with the intention of paying less revenue or avoiding payment under prevailing laws.
- (b) If they evade or attempt to evade revenue by not paying or submitting the required revenue as per prevailing laws when exporting or importing any goods through the concerned customs office.
- (c) If they operate any industry, trade, or business in another person's name or act as an agent of a foreign company or institution without disclosure, and thereby evade or fail to pay the required revenue as per prevailing laws (DRI, 2025).

Corruption, tax evasion, avoidance, and tax-hidden indicators are all notably connected with inadequate revenue. The more the population of a nation lacks tax awareness or education, the higher the desire and chance of tax evasion, avoidance, and disobedience of applicable tax legislation (Adegbie & Fakile, 2011).

Unluckily, in Nepal, tax contributions have been unsatisfactory, hindering people's hopes for development activities. Nepal is highly dependent on imports and exports through its southern borders. Customs revenue is grappling with a severe decline and not meeting the targets for consecutive years. Despite ambitious targets, customs offices across the country have consistently fallen short, with the fiscal year 2080/81 witnessing a revenue deficit of NPR 180 billion against a target of NPR 600 billion. This shortfall, accounting for a 30 to 35 percent gap, reflects deep-rooted inefficiencies and systemic corruption in the revenue collection process (Ghimire, 2024).

Revenue leakage control refers to the measures taken by the government such as enhanced border surveillance, anti-smuggling operations, improved tax administration, and fostering inter-agency coordination for controlling revenue leakage (IMF, 2021). Implementing technology, such as electronic monitoring and automated tax systems, has been shown to significantly reduce opportunities for revenue leakage. The adoption of Electronic Fiscal Devices (EFDs) aims to improve voluntary compliance, reduce tax gaps, increase revenue collection, and enhance administrative effectiveness.

Effective strategies include strengthening tax laws, improving tax administration, enhancing transparency, and combating corruption. For instance, a study by the IMF highlights that countries like Georgia achieved significant improvements in tax revenue collection by implementing comprehensive tax reforms, simplifying tax systems, and adopting zero-tolerance policies toward corruption (Akitoby, 2018).

1.1.3 Rupandehi District and Revenue Leakage

Rupandehi district lies in south-western part of Lumbini Province of Nepal, bordering India in the South and Palpa, Nawalparasi and Kapilvastu in the North, East and West respectively. It lies within the coordinates 27°20' N to 27°45' N and 83°10'E to 83°40'E. The combination of Terai plain and Chure hills region gives the district diverse geography within an area of 1360 sq. km. According to the 2021 Nepal census, Rupandehi District has a population of 1,118,975, comprising 547,545 males and 571,430 females with an annual growth rate of 2.43% since the 2011 census (Central Bureau of Statistics, 2021).

Rupandehi district plays a crucial role in Nepal's economy with diverse sectors like agriculture, industry, and tourism. The district hosts major trade routes, customs checkpoints, and industrial zones, including the Bhairahawa Dry Port and the Special Economic Zone (SEZ). Revenue collection primarily comes from land revenue, property tax, and taxes on businesses (Ministry of Finance, 2023).

Its proximity to the Nepal-India border increases its susceptibility to illegal activities such as smuggling and underreporting of goods, which are major contributors to revenue leakage. Addressing revenue leakage in Rupandehi is, therefore, critical to safeguarding national revenue.

Table 1.2*Revenue Collection of Rupandehi District (in thousands)*

Title	2077/78	2078/79	2079/80	2080/81
Income tax	2854190	3314779	3247188	3182858
Rent tax	82088	78802	85481	68245
Interest	202297	182200	199618	232914
Customs	112545123	115878724	76890598	80841748
Vat	3123263	3023859	3108401	3150385
Excise	14703179	15441531	15241686	13748928
Health service	137341	479651	447460	444296
Education/other	1555	741	109	3279
Total	133649034	138400289	99220539	101672652

Source: Compiled from the data received from IRO Butwal and Bhairahawa and Customs Office, Bhairahawa 2024

Table 1.2 illustrates the annual revenue trends from fiscal year 2077/78 to 2080/81. The total revenue collection increased in 2078/79 at NPR 138,400,839 thousand but sharply declined in 2079/80, before making a slight recovery to NPR 101,672,652 thousand in 2080/81. Customs duties formed the largest portion of revenue, although it saw a significant drop in 2079/80, followed by a modest rise in 2080/81. Excise revenue followed a similar trend, peaking in 2078/79 and then decreasing in the following years.

Income tax collection remained relatively stable over the years, with a slight decline in 2080/81. Rent tax consistently decreased, while interest income fluctuated and peaked at NPR 232,914 thousand in 2080/81. Notably, health service revenue showed a sharp rise in 2078/79 and remained high thereafter, indicating possibly increased service usage or improved tax collection in that sector.

Customs Administration of Nepal collects Customs duty, VAT, Excise and other taxes at the border points. It accounts 44 percent of the total revenue and 50 percent of the total tax revenue. Customs duty alone contributes 20 percent of the total tax revenue. Customs administration is in the forefront in terms of internal revenue mobilization. This does not mean that the Customs role needs to be confined to internal revenue mobilization. It is

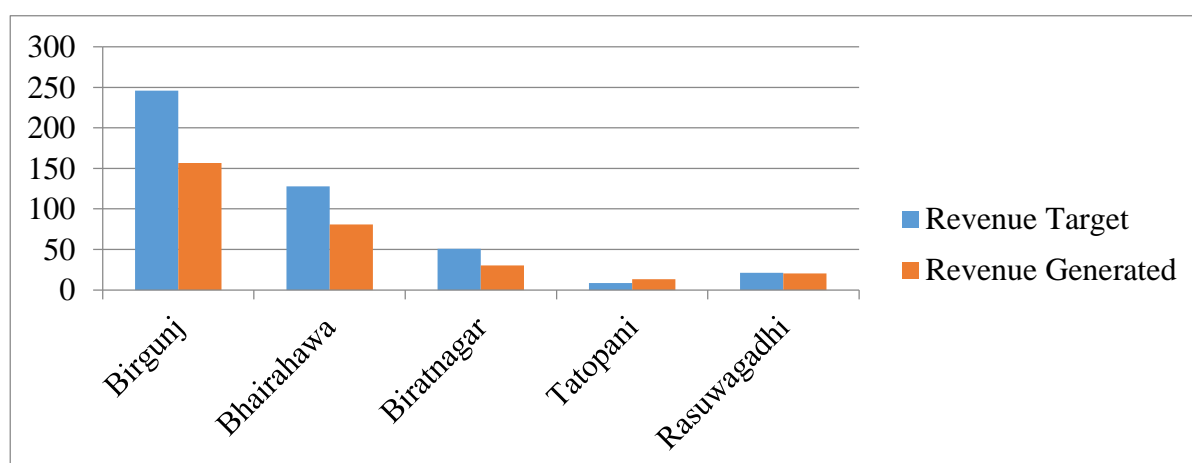
equally important to enhance trade facilitation by adopting international convention, recommendation and best practices without compromising with the national security (MyRepublica, 2024).

Customs revenue contributed around 40 percent of the total revenue collection by the government in the Fiscal Year (FY) 2023/24. The records with the Customs Department show that the customs offices across the country collected revenue worth NPR 420.16 billion in the FY 2023/24. The customs revenue which mainly includes import duty, excise duty, and value added tax, made up 39.71 percent of the total revenue collection of NPR 1.058 trillion during the period (MyRepublica, 2024).

According to the Customs Department, the amount fell short of the target by NPR 207.59 billion. The collected customs revenue stood only 66.93 percent of the total target of NPR 627.75 billion. The customs revenue amount in the FY 2023/24, however, was 7.54 percent more than the amount collected under the heading in the FY 2022/23 (Department of Customs, 2024). The revenue generated by the major custom offices in Nepal reflects significantly poor condition of custom generation.

Figure 1.1

Revenue Target Vs Revenue Generated by Major Custom Offices (in Billions) (FY 2080/81)



Source: Customs Department, 2024

Figure 1.1 illustrates the performance of five major customs offices in meeting their revenue targets for FY 2080/81. Among them, Tatopani Customs Office significantly exceeded its target, achieving 158.7% of its revenue goal by generating NPR 13.36 billion against a target

of NPR 8.42 billion. Rasuwa Customs Office also performed strongly, however, the larger customs offices such as Birgunj, Bhairahawa, and Biratnagar underperformed, with achievement rates of 63.8%, 63.2%, and 59.77% respectively. Birgunj had the highest revenue target of NPR 245.89 billion but managed to collect only NPR 156.86 billion, reflecting a significant shortfall.

The underperformance of major customs office may be indicative of decreased imports, policy inefficiencies, disruptions in trade, or revenue leakage. Rampant revenue leakage significantly undermines the government efforts. The Nepal and India have deployed the border police to guard the border-line; moreover, other security forces are also active formally and informally. India has deployed Seema Surakshya Bal (SSB) units in about three km and Nepal has deployed APF units in about 15-20 km (Baral & Pyakurel, 2015).

Bhairahawa Customs Office located in Rupandehi district is a major international trade and transit point in Nepal. About twenty-two to twenty-five percent of Nepal's total customs revenue is collected from this customs office. The entire yard management of this office, including the management of the entry, exit and parking of freight trucks, has been done by the Intermodal Transport Development Committee (Bhairahawa Customs Office, 2024).

Table 1.3

Revenue Collection Status of Bhairahawa Customs Office (Rs. thousand)

SN	Financial Year	Revenue Target	Revenue Collection	Collection (%)
1	2072/073	52941257	61912281	117
2	2073/074	57344008	62326494	109
3	2074/075	81437792	70289305	86
4	2075/076	93959773	82305333	88
5	2076/077	106008886	70291597	66
6	2077/078	99657608	112545123	113
7	2078/079	127426825	115878724	91
8	2079/080	155603879	76890598	49
9	2080/081	127836679	80841748	63
10	2081/082	109332252		

Source: Customs Office, Bhairahawa, 2024

Table 1.3 outlines the revenue targets and collections of Customs Office, Bhairahawa from FY 2072/073 to FY 2081/082. The data reflects significant fluctuations in revenue performance over the years. In the initial years, the revenue targets were exceeded with collection rates of 117% and 109%, respectively. However, a decline was observed from FY 2074/075 to 2076/077, with the lowest achievement of 66%. A strong rebound occurred in FY 2077/078 with 113% of the target achieved. The performance again slowed down to 49% in FY 2079/080 and slightly improved to 63% in FY 2080/081. The performance has been inconsistent, with alternating years of overachievement and shortfalls.

1.1.4 APF, Nepal in Revenue Leakage Control

The APF Nepal, established in 2001 is mandated with different tasks such as border security, internal security, customs oversight, industrial security, disaster management, revenue support, and many more. According to APF, Nepal Act 2001, the GoN can mobilize APF, Nepal in customs, revenue and industrial security. On the basis of this provision, it has played an increasingly crucial role in revenue leakage control, especially in border districts like Rupandehi.

The district's border with India makes it vulnerable to smuggling. The APF, Nepal plays a critical role in controlling revenue leakage by monitoring the border, preventing smuggling, and apprehending smugglers. Their presence deters illegal trade and ensures proper tax collection. Although there are various areas or sectors of revenue leakage, APF, Nepal however plays crucial role primarily in revenue leakage control associated with customs revenue. But still, the effectiveness of the APF, Nepal's efforts remains underexplored.

There is a provision under Article 37 of the Revenue Leakage (Investigation and Control) Act 1995 and its first amendment (2020), that the Government of Nepal can deploy revenue police for the purpose of investigation and control of revenue leakage. According to article 37(Ka) of the act, until there is a provision of separate revenue police, the government can deploy APF, Nepal as revenue police under the control and supervision of Revenue Department. Following the dismissal of Revenue Leakage Control Company in 2077, and Revenue Leakage Control Security Base, APF, Nepal is deployed as Revenue Police Unit in coordination with Revenue Investigation Offices since 2080/04/12 (DRI, 2025).

The APF, Nepal plays a critical role in protecting national revenue by monitoring border areas, combating smuggling, illegal trade, and other illicit activities. APF, Nepal has been

instrumental in fortifying Nepal's border security, distinguishing itself from the military and regular police through its unique operational framework (Adhikari, 2025). Data from local government reports indicate that between 2020 and 2023, there was a 15 percent increase in revenue collection efforts following intensified APF, Nepal operations in Rupandehi District. They also assist in investigations related to tax evasion and other financial crimes. APF, Nepal works alongside the Customs Department and local law enforcement agencies to curb smuggling, tax evasion, and other illicit activities.

Security forces, particularly paramilitary units like the APF, Nepal play a crucial role in controlling leakage through border patrolling, seizures, and security operations. Controlling revenue leakage is essential for fiscal sustainability and maximizing government resources. This study aims to assess the role of APF, Nepal in mitigating revenue leakage and to evaluate the broader systemic issues that contribute to the problem. By analyzing the measures taken by the APF, Nepal and their effectiveness, this research seeks to provide actionable insights and recommend strategies for enhanced revenue protection mechanisms focusing on capacity enhancement, technology integration and intelligence led operations.

1.2 Statement of the Problem

Revenue leakage in Rupandehi district has emerged as a critical challenge undermining Nepal's economic prosperity and obstructing developmental efforts. Various forms of leakages have contributed to the erosion of government revenue. Studies have analyzed the causes and patterns of revenue leakage and that it remains a significant concern in developing countries like Nepal. Some research has touched on the role of law enforcement agencies in reducing leakage through intelligence-led operations and border management.

However, there is a noticeable gap in localized, empirical research focusing specifically on the APF, Nepal, and its role in revenue leakage control at the district level, such as Rupandehi, a district marked by high volumes of cross-border trade and informal economic activities. The literature largely overlooks how the APF, Nepal's tactical deployments, coordination mechanisms with customs, and use of surveillance tools directly impact revenue retention in such areas.

Moreover, while some studies have acknowledged the APF, Nepal's involvement in trans-border crime control and the importance of interagency collaboration, there has been little research that systematically maps the APF, Nepal's specific areas of engagement in

addressing various forms of revenue leakage, particularly in border-intensive districts like Rupandehi. This study, therefore, seeks to identify major forms and causes of revenue leakage, analyze APF, Nepal's areas of engagement in revenue generation and leakage control and explore ways to enhance its effectiveness in revenue leakage control of Rupandehi district.

1.3 Research Questions

Revenue leakage remains a major concern in the national economy. It is relevant to identify the major forms of revenue leakage and APF, Nepal's areas of engagement in order to find out the gaps and formulate possible strategies to enhance its effectiveness in controlling the leakages. So, the study is focused to answer the following research questions.

1.3.1 What are the major forms of revenue leakage in Rupandehi district?

1.3.2 What are the areas of engagement of APF, Nepal in controlling major forms of revenue leakage?

1.3.3 How can the effectiveness of APF, Nepal be enhanced in revenue leakage control of Rupandehi district?

1.4 Objectives of the Study

The objectives of the study are focused to identify issues regarding revenue leakage, the roles and engagements of APF, Nepal in controlling those leakages and exploring ways to enhance its effectiveness in its areas of jurisdictions. The objectives of the study are as follows.

1.4.1 To identify the major forms of revenue leakage focusing on customs evasion and smuggling in Rupandehi district.

1.4.2 To analyze the areas of engagement of APF, Nepal with regards to revenue leakage control in customs evasion and smuggling.

1.4.3 To explore the strategies of enhancing the effectiveness of APF, Nepal in revenue leakage control of Rupandehi district.

1.5 Significance of the Study

This study is significant as it applies Systems Theory and Deterrence Theory to examine the role of APF, Nepal in controlling revenue leakage in Rupandehi District. The study recognizes that revenue administration is part of a larger interconnected system in which APF, Nepal functions as a critical subsystem within this broader institutional framework. The effectiveness of revenue protection relies on coordination, information flow, and feedback among stakeholders. The study is grounded in Deterrence Theory, which posits that crime and illegal behavior can be prevented when there are credible threats of detection and punishment.

This study is significant in understanding the major forms and causes of revenue leakage in Rupandehi district, primarily focusing on customs evasion and smuggling. The study highlights the major areas of engagements of APF, Nepal and their efforts in controlling revenue leakage. The study focuses on key challenges, such as ambiguities in government policies, inadequate training and capacity building, lack of technology adoption and adaptation, limitations in intelligence sharing and interagency coordination, inadequate resources, limited community engagement, etc.

The identification of gaps and challenges in revenue leakage control mechanisms, policies and practices provides valuable insights in enhancing revenue leakage control efforts by concerned authorities. The findings of the study have highlighted the need for capacity building, technology integration and intelligence-led operations to enhance the effectiveness of APF, Nepal. Policymakers and practitioners can use and implement the findings to craft policies and guidelines, allocate resources, and design training programs to better equip and strengthen APF, Nepal for accomplishing the tasks related to revenue leakage control effectively.

1.6 Limitations of the Study

The study is not free from its limitations. As the study was conducted in a specific geographical area, the findings may not represent and be applicable in other contexts. The methodologies and data collection techniques are limited to qualitative research approach with observation, Key Informant (KI) and Focused Group Discussion (FGD) as tools of data collection. The accuracy of the data collected through interviews or observations can be

influenced by respondent bias, the willingness of participants to disclose information, or the relevancy of the questions asked.

The objective of the study is concentrated on particular issues. The variables outside the focus of the study and beyond the jurisdictions of APF, Nepal such as economic conditions, political instability or changes in legislation have not been accounted for in the research. Some data, information, or the findings may become outdated with the rapidly evolving nature of technology and their implications in financial crimes. Limitations in accessing sensitive information for privacy concerns have also hindered the research to some extent. The limitations of the study have been summarized as follows.

- a) **Geographical Limitation:** The study was conducted in a specific area, so its findings may not apply to other regions.
- b) **Methodological Constraints:** The research relied solely on qualitative methods, including observations, KI, interviews, and FGD.
- c) **Data Accuracy:** Respondent bias, willingness to disclose information, and the relevance of questions may affect the accuracy of data collected.
- d) **Focused Scope:** The study only addresses certain issues, excluding factors like economic conditions, political instability, and changes in legislation.
- e) **Outdated Information:** Data and findings may become outdated due to rapid technological advances and their impact on financial crimes.
- f) **Privacy Concerns:** Limited access to sensitive information due to privacy issues impacted the research.

CHAPTER II

REVIEW OF LITERATURE

A literature review is a critical summary, synthesis, and evaluation of existing scholarly research related to a specific topic or research problem. It helps to establish the theoretical foundation, identify gaps in existing knowledge, and justify the need for new research. According to Snyder (2019), a literature review “maps the existing knowledge on a topic, identifying key concepts, theories, methods, and gaps.” It is not merely a summary of sources but an analytical approach to understand how the research area has evolved and what questions remain unanswered.

A literature review pinpoints areas where further research is needed, ensuring that the study contributes to new knowledge (Boote & Beile, 2005). According to Webster & Watson (2002), literature review helps to construct a strong theoretical or conceptual framework by aligning existing theories and models with the research question.

2.1 Theoretical Review

Several economic, financial, and governance theories can be applied to mitigate revenue leakage. A study by Nor and Mohamed (2024) investigated tax evasion and revenue leakage within Somali customs, employing agency theory and rent-seeking theory to understand the systemic factors contributing to these issues. Schuessler (2009) applied general deterrence theory to assess information systems security effectiveness across organizations of varying sizes. However, direct applications of Systems Theory and Deterrence Theory to study on revenue leakage control are limited. Researcher has attempted to use these theories to conduct the research.

Revenue leakage control can be analyzed using systems theory. It is an interdisciplinary framework that examines complex entities as cohesive wholes, emphasizing the interactions and interdependencies among their components. This perspective posits that understanding a system's behavior requires analyzing the relationships between its parts, rather than isolating each part individually. Originally developed in fields like biology and engineering, systems theory has been applied across various disciplines to understand how different elements within a system influence one another (Adams, et al., 2013)

The conceptual foundations of systems theory were laid in the early 20th century by Austrian biologist Ludwig Von Bertalanffy. In the 1940s, Von Bertalanffy introduced General System Theory, aiming to establish a unified scientific framework applicable across various disciplines (Von Bertalanffy, 1968). His work emphasized the importance of studying systems holistically to comprehend their complex behaviors.

Applying systems theory to revenue leakage control involves viewing border security as a complex system comprising interconnected components such as customs enforcement, immigration services, trade regulations, and technological infrastructure. By adopting a holistic perspective, border guarding forces can identify and address vulnerabilities that may lead to revenue leakage.

The foundations of deterrence theory trace back to the Enlightenment era, notably to the works of Italian philosopher Cesare Beccaria and English philosopher Jeremy Bentham. In 1764, Beccaria authored *An Essay on Crimes and Punishments*, advocating for a justice system where punishments are proportionate, prompt, and certain to deter crime effectively. Bentham expanded on these ideas in his 1781 work, *An Introduction to the Principles of Morals and Legislation*, emphasizing that the anticipation of punishment could prevent criminal activities (Tomlinson, 2016).

Deterrence theory posits that individuals can be discouraged from engaging in undesirable behavior through the threat of punishment. This concept is grounded in the belief that when the costs of an action outweigh its benefits, rational actors will choose to avoid such actions. Applying deterrence theory to revenue leakage control involves implementing measures that increase the perceived risk and consequences of engaging in illicit activities, such as smuggling or tax evasion, at border points. By enhancing the certainty and severity of detection and punishment, border guarding forces can discourage individuals and organizations from attempting to bypass legal channels.

2.2 Empirical Review

An empirical review in research involves the systematic analysis and synthesis of primary studies that have collected and analyzed data through direct observation or experimentation. This type of review critically examines the methodologies, findings, and contexts of empirical studies to identify patterns, strengths, and limitations within a specific research

domain. The importance of an empirical review lies in its ability to aggregate empirical evidence, thereby providing a comprehensive understanding of a research topic, guiding future research directions, and informing evidence-based practice (The Ohio State University, n.d.).

Nor & Mohamed. (2024) studied tax evasion and revenue leakage within customs frameworks in Somalia highlighted the importance of addressing systemic opportunities and governance deficiencies that facilitate such practices. By strengthening oversight, increasing the likelihood of detection, and ensuring consistent punitive measures, authorities can create an environment where the risks associated with revenue leakage outweigh potential gains, thereby deterring such behavior. The researchers explored the effectiveness of border security forces in revenue leakage control, employing various methodological approaches. A study focusing on the Somali customs framework utilized structural equation modeling (SEM) to analyze the dynamics of tax evasion and revenue leakage, revealing significant relationships between systemic opportunity structures, tax governance deficiencies, personal incentive structures, and tax evasion.

Goldstein, R., Sances, M. W., & You, H. Y. (2020) investigated whether the revenue-generating activities of local police departments compromise their effectiveness in criminal investigations. Utilizing data from U.S. Census and Uniform Crime Reporting, the authors employed quantitative analysis to assess the correlation between revenue collection and violent crime resolution rates. The findings indicated that increased reliance on fines and fees negatively impacted the clearance rates for violent crimes, suggesting a trade-off between revenue generation and core policing functions. A noted gap was the study's focus on quantitative data, with limited qualitative insights into the experiences of law enforcement officers.

Foltz, J. D., & Opoku-Agyemang, K. A. (2015) assessed the impact of salary increases on police corruption in Ghana. Using a regression discontinuity design, the authors analyzed the effect of a substantial pay raise for police officers on their propensity to solicit bribes. Contrary to expectations, the findings revealed that higher salaries did not reduce, and in some cases increased, the likelihood of bribery. The study highlighted the complexity of corruption and the need for comprehensive reforms beyond salary adjustments. A gap identified was the limited exploration of other factors influencing corrupt behavior.

Khan, A. Q., Khwaja, A. I., & Olken, B. A. (2016) examined the effects of performance-based incentives for tax collectors in Pakistan. Through a randomized controlled trial, the study compared different incentive schemes and their impact on tax revenue collection. The results demonstrated that performance pay significantly increased tax revenues without increasing taxpayer dissatisfaction, suggesting that well-designed incentives can enhance revenue collection efficiency. However, the study acknowledged potential long-term implications on taxpayer trust that were not fully explored.

Olken, B. A. (2007) conducted a randomized field experiment in which some villages received increased government audits, while others were encouraged to promote community participation in monitoring. Using expenditure tracking and physical audits of road projects, he compared reported costs with actual outcomes. The findings showed that formal top-down audits significantly reduced corruption, measured as the amount of "missing expenditures" by nearly 8%. In contrast, community monitoring had little to no measurable effect. The study concluded that centralized auditing mechanisms are more effective in curbing corruption than decentralized community oversight. A key gap was the limited investigation into why community monitoring was ineffective, particularly in contexts where local accountability systems are weak.

Past studies have highlighted the pivotal role of security and border guarding forces in curbing revenue leakage, particularly through the enforcement of customs regulations and the prevention of smuggling. The World Customs Organization (WCO) has identified that revenue risks in the customs context include leakage through the smuggling of highly taxed goods such as alcohol, tobacco, fuel, and mineral oil, as well as commercial fraud activities like undervaluation and misclassification (World Customs Organization, n.d.).

A study by K.C. (2018) analyzed the relationship between tax evasion, total tax revenue, and economic growth in Nepal. The research found a significant negative association between tax evasion and both total tax revenue and economic growth, indicating that increased tax evasion leads to a substantial decrease in government revenue and hampers economic development.

The Financial Intelligence Unit (FIU) of Nepal Rastra Bank (2023) in its strategic analysis report highlighted the misuse of personal bank accounts for business transactions as a prevalent method of tax evasion. The report noted a rising trend in Suspicious Transaction

Reports (STRs) related to potential tax evasion, with 896 reports in 2020, 1,647 in 2021, and 3,812 in 2022. This upward trajectory underscores the increasing challenges faced by regulatory bodies in curbing tax evasion practices.

PricewaterhouseCoopers (n.d.) studied that staffing at border checkpoints can lead to lapses in surveillance, providing opportunities for illegal trade and tax evasion. Conversely, a well-deployed human resource framework ensures rigorous inspection and monitoring, thereby minimizing revenue losses. State governments in India have initiated various measures to widen their tax net and address challenges such as circular trading and misreporting of sales, aiming to prevent tax collection leakages.

There is an acute problem of tax evasion in Nepal, it reduces not only the effectiveness of the government's operations, also reduces the prosperity of both the nation and its citizens. Several provisions in the income tax act leave room for dual meaning, which could lead to abuse. Therefore, Nepal should establish a less complex and more internationally competitive tax regime in order to reduce both tax evasion and corruption (K.C., 2018)

Nepal's customs duties are generally higher compared to many other countries. The general import duty rates vary from 0% to 80%, with essential goods like machinery or agricultural products often taxed at 5% or lower, while products considered hazardous to health, such as cigarettes and liquor, face higher specific duties (International Trade Administration, 2021). According to data compiled by the World Bank, countries like Singapore and Hong Kong have average applied tariff rates of 0% and 0.1% respectively, indicating significantly lower import duties compared to Nepal (World Bank, n.d.).

Shrestha (2024) conducted a case study on the Vehicle Consignment Tracking System (VCTS) in Nepal examined the implementation of technology to monitor vehicle movements and curb revenue leakage. The study employed a qualitative approach, analyzing the system's effectiveness in real-time tracking and data management. Findings indicated that VCTS enhanced transparency and reduced unauthorized activities. However, challenges such as technical glitches and the need for continuous system upgrades were identified as areas requiring attention.

According to Transparency International (2024), Nepal ranks 108th out of 180 countries in the Corruption Perceptions Index (CPI) with a score of 35. This indicates a slight improvement from the previous year, where Nepal had the same rank but with a score of 34.

In the Asia Pacific region, Nepal's performance reflects ongoing challenges in combating corruption. The regional average score is 45, suggesting that Nepal falls below this benchmark. Transparency International's analysis highlights that many countries in the region, including Nepal, continue to struggle with implementing effective anti-corruption measures, leading to stagnation in their CPI scores.

2.3 Mechanisms of Revenue Leakage Control

Storti & De Grauwe (2011) stated that the governments and international organizations implement various countermeasures, including stricter border controls, international cooperation, and surveillance technologies, to combat smuggling effectively. Law enforcement agencies worldwide have been pivotal in addressing revenue leakage. The implementation of strategic operations aimed at controlling smuggling and tax evasion has shown positive outcomes in various contexts. For instance, the Customs Enforcement Unit in the United States employs a range of strategies, including intelligence-led operations, to combat customs fraud and revenue loss (U.S. Customs and Border Protection, 2021).

The IMF highlighted the role of training in customs administration as a strategy for improved revenue mobilization. Through medium-term planning and addressing capacity development needs, customs administrations can modernize their operations to enhance revenue collection. This includes training programs that focus on the detection of smuggling, fraud, and other illicit activities that contribute to revenue loss (IMF, 2021).

Collaborative efforts among agencies such as customs, tax authorities, and law enforcement have enhanced surveillance capabilities, particularly in areas susceptible to smuggling and unauthorized trade. For instance, the Joint Interagency Task Force–South (JIATF–South) in the United States exemplifies successful interagency coordination in combating illicit trafficking. By integrating resources and intelligence from multiple agencies, JIATF–South has significantly improved its ability to detect and interdict illegal activities (Munsing & Lamb, 2011).

The Global Counterterrorism Forum (2024) released an addendum emphasizing the role of community engagement in border security and management. The document analyzed various programs that involved educating and collaborating with border communities to enhance security measures. The findings suggested that community involvement led to increased reporting of suspicious activities and strengthened trust between authorities and residents. A

noted gap was the need for culturally sensitive approaches to effectively engage diverse communities.

The U.S. Government Accountability Office (GAO) has assessed the progress and challenges associated with the use of technology, tactical infrastructure, and personnel by border security forces to secure the Southwest border, providing insights into the diverse strategies employed to enhance revenue protection (GAO, 2018). These studies collectively advocate for a comprehensive approach to border management, integrating advanced technology, inter-agency collaboration, and policy reforms to effectively control revenue leakage while ensuring national security.

Department of Homeland Security (2023) highlighted that adequate staffing and sufficient funding and technological advancement are fundamental for border security operations. For instance, the U.S. Customs and Border Protection (CBP) employs over 60,000 personnel, responsible for inspecting and clearing shipments, and collecting more than \$ 306 million in duties, taxes, and fees daily.

This significant workforce is essential for monitoring and regulating cross-border activities, thereby preventing revenue leakage. The CBP's budget for the fiscal year 2023 was \$17.5 billion, supporting 65,621 positions. This financial commitment reflects the prioritization of border security in national budgets, ensuring that security forces have the necessary resources to perform their duties effectively. Likewise, the

Taylor & Laje (2023) emphasized modern surveillance technologies, including autonomous relocatable surveillance towers, have significantly improved border monitoring capabilities. These systems provide real-time data and comprehensive coverage, enabling border agencies to detect and prevent unauthorized crossings and smuggling activities more efficiently. For instance, the U.S. CBP reported that investments in such technologies saved over 70,000 hours of agent time, allowing for more focused and effective enforcement efforts.

PricewaterhouseCoopers (2024) revealed that modern data analytics and artificial intelligence (AI) help in real-time monitoring of revenue-related transactions. Intelligence sharing among businesses and regulators aids in identifying anomalies and potential revenue leakages, allowing for quick corrective action. Likewise, Garafalo (2024) have stated that intelligence sharing plays a pivotal role in controlling revenue leakage by facilitating the exchange of critical information among stakeholders, thereby enhancing the detection and prevention of

financial losses. World Bank (2020) also emphasized on effective intelligence sharing between customs agencies, trade partners, and financial regulators to ensure transparency and help minimizing tax evasion and illicit financial flows.

A study by Ohene-Larbi (n.d.) examined the impact of technological integration and capacity building on tax administration efficiency in developing countries. The research utilized a mixed-methods approach, combining quantitative data analysis with qualitative interviews of tax officials. Findings indicated that revenue leakage often stems from inadequately trained administrators and ineffective tax collection mechanisms. The study highlighted that enhancing the technical expertise of tax authorities is crucial in addressing complex tax evasion strategies. However, a noted gap was the insufficient enforcement of tax legislation, suggesting that capacity building must be complemented by robust enforcement policies to effectively mitigate revenue leakage.

The application of data analytics and artificial intelligence (AI) in customs operations has proven effective in identifying patterns indicative of revenue leakage. By analyzing large datasets, AI can detect anomalies and potential fraud that may not be apparent through manual methods. According to a report by McKinsey & Company, implementing advanced analytics in revenue collection can potentially save governments up to \$1 trillion globally by reducing leakage and enhancing compliance (Cunningham, Davis, & Dohrmann, 2018).

A study by the Bureau of Justice Assistance (n.d.) examined the application of intelligence-led policing (ILP) across various law enforcement agencies to reduce crime and associated revenue losses. The study employed a case study methodology, analyzing multiple ILP initiatives implemented under the Targeting Violent Crime Initiative (TVCI). The findings indicated that agencies utilizing ILP strategies experienced enhanced information sharing, improved identification of crime patterns, and more effective resource allocation, leading to a reduction in revenue leakage associated with criminal activities. However, the study also identified gaps, notably the challenges in integrating ILP into existing organizational cultures and the need for continuous training to adapt to evolving criminal tactics.

Federal Emergency Management Agency (FEMA) advocated for a "Whole Community" approach to emergency management, emphasizing the engagement of all community segments to enhance security and resilience (FEMA, 2011). This approach can be adapted to

revenue leakage control, where the collective effort of security forces and local communities leads to more effective prevention and mitigation of revenue losses.

A study by Elekwa & Okechukwu (2014) examined internal revenue leakages in local government administrations, focusing on fund control mechanisms. The researchers employed a qualitative approach, analyzing financial records and conducting interviews with local government officials to identify prevalent causes of revenue leakage. Their findings indicated that inadequate fund control, often due to insufficient resource allocation for oversight functions, led to significant revenue losses.

According to K.C. (2019), Nepal and India have deployed APF, Nepal and SSB in the border to stop smuggling, prevent criminals from passing the border, prevent girls trafficking, the transaction of fake currencies, arms and amenities and security of customs checkpoints. Despite the increments of the number of the border force in the borderline and tightening the regulation procedures at the checkpoints, smuggling as well as illegal cross-border trade has increased.

Upreti (2021) has discussed the challenges Nepal has faced due to its open border with India, which facilitates illicit trade and smuggling, leading to substantial revenue leakage. The deployment of security forces, particularly the APF, Nepal is highlighted as a measure to maintain peace, security, and control cross-border crimes. The study emphasizes the need for enhanced border security to mitigate revenue losses.

Aryal (2022) highlighted APF, Nepal as a critical player in controlling revenue leakage. He focused on how APF, Nepal's collaborative efforts with customs and local government units have led to notable improvements in revenue collection. The study emphasized that the APF, Nepal has significantly helped reduce smuggling and unauthorized trade by maintaining strong border surveillance and coordination with customs. However, the study also identified gaps in technological infrastructure and interagency cooperation, which limited overall effectiveness in revenue leakage control.

2.4 Major Focus

The study primarily focuses on identifying the major forms of revenue leakage in Rupandehi district and examining how APF, Nepal contributes to minimizing illegal economic activities such as smuggling, tax evasion, and unauthorized trade. This study explores the operational

strategies, interagency coordination, and legal mandates under which APF, Nepal functions in detecting and deterring revenue leakage. It also assesses the challenges faced by APF, Nepal in undertaking their responsibilities and evaluates the effectiveness of their interventions in safeguarding national revenue. By analyzing these aspects, the study focuses to offer insights into the ways of further empowering and strengthening APF, Nepal in revenue leakage control of Rupandehi district.

2.5 Research Gap

A comprehensive review of the existing literature reveals that revenue leakage remains a significant concern in developing countries like Nepal, primarily due to factors such as smuggling, tax evasion, corruption, and administrative inefficiencies. Numerous studies have analyzed the causes and patterns of revenue leakage, ranging from technological shortcomings and limited enforcement capacity to tax evasion and informal economic activities.

Some research has touched on the role of law enforcement agencies in reducing leakage through intelligence-led operations and border management. However, there is a noticeable gap in localized, empirical research focusing specifically on the APF, Nepal, and its role in revenue leakage control at the district level, such as Rupandehi, a district marked by high volumes of cross-border trade and informal economic activities. The literature largely overlooks how the APF, Nepal's tactical deployments, coordination mechanisms with customs, and use of surveillance tools directly impact revenue retention in such areas.

Moreover, while some studies have acknowledged the APF, Nepal's involvement in trans-border crime control and the general importance of interagency collaboration, there is a little research that systematically maps the APF, Nepal's specific areas of engagement in addressing various forms of revenue leakage.

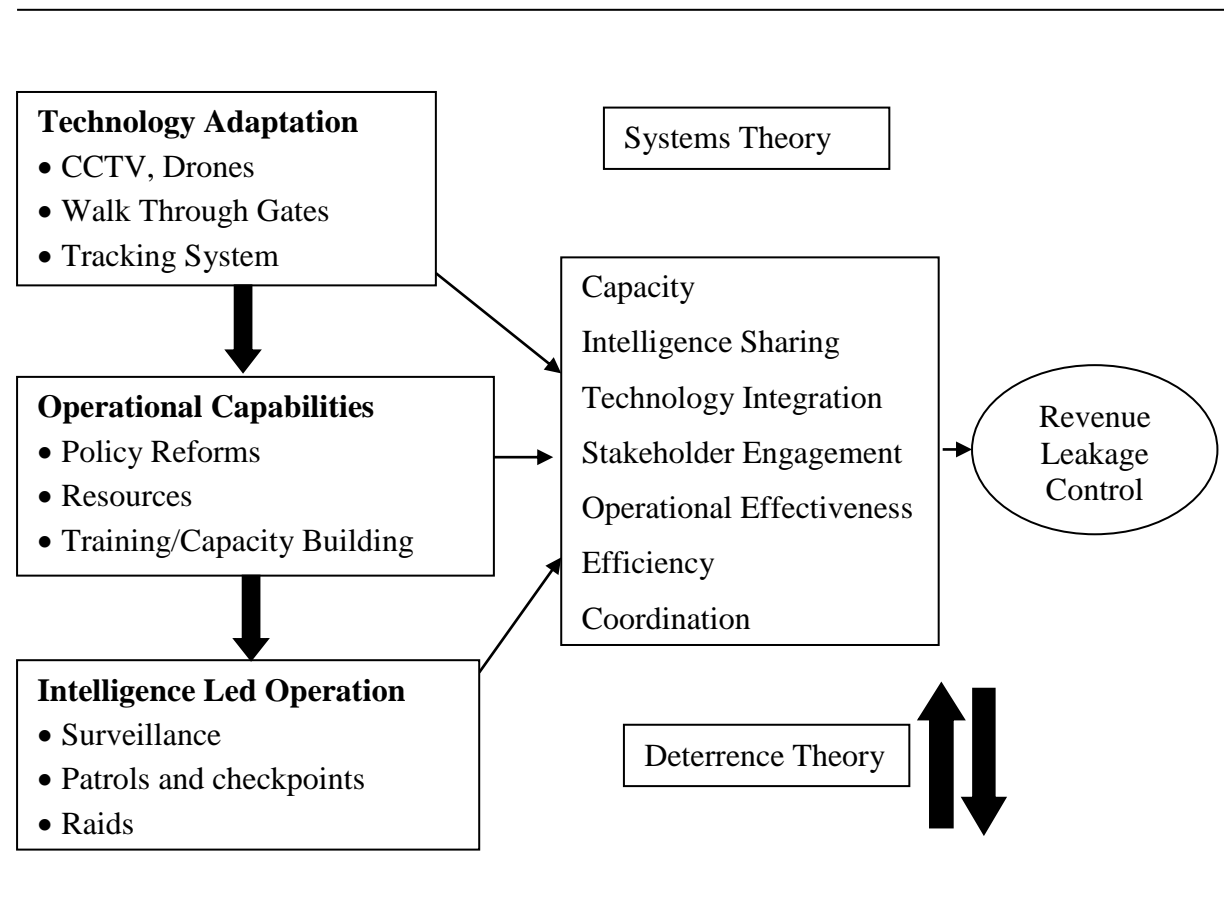
Existing literature does not explore how the effectiveness of the APF, Nepal can be further enhanced. Consequently, there remains a critical research gap in understanding the specific forms of revenue leakage prevalent in Rupandehi, the APF, Nepal's operational role in mitigating them, and what institutional, technical, and strategic enhancements could strengthen its effectiveness

2.6 Conceptual Framework

A conceptual framework is the justification for why a given study should be conducted. The conceptual framework describes the state of known knowledge, usually through a literature review; identifies gaps in our understanding of a phenomenon or problem; and outlines the methodological underpinnings of the research project. Additionally, it delineates the methodological foundations of the research endeavor (Varpio et al., 2020). The researcher has developed conceptual and methodological frameworks based on the theoretical, conceptual and empirical reviews.

Figure 2.1

Conceptual Framework 1

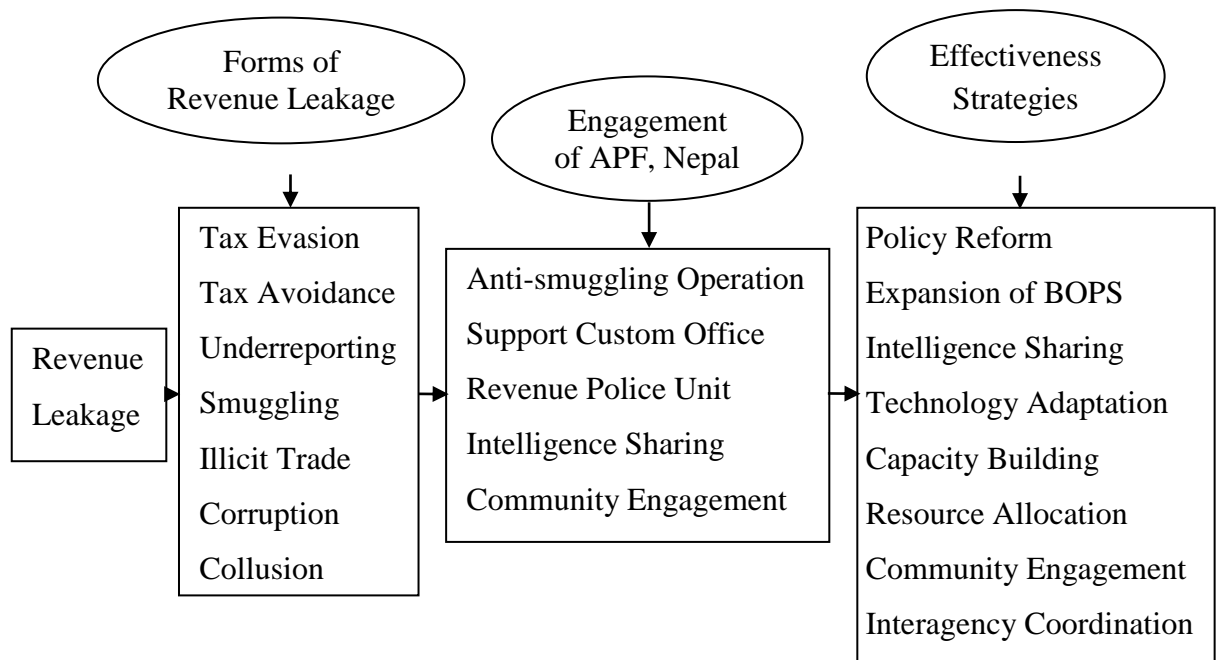


Source: Adapted and modified from Varpio et al., 2020; Tomlinson, 2016; Von Bertalanffy, 1968

Figure 2.1 shows a conceptual framework that applies deterrence theory demonstrating how the integration of technology reinforces operational capabilities and intelligence-led operations, deterring the smugglers and criminals. Deterrence theory suggests that individuals are less likely to engage in unlawful behavior when they perceive a high probability of detection and punishment (Tomlinson, 2016). The framework also applies system theory that focuses on the interagency coordination and interdependence in effective revenue leakage control efforts.

Figure 2.2

Conceptual Framework 2



Source: Adapted and Modified from Varpio et al., 2020

Figure 2.2 shows a framework that adopts a comprehensive approach to understanding and mitigating revenue leakage in Rupandehi district. By categorizing revenue leakages into distinct forms such as tax evasion, smuggling, and corruption, the framework identifies critical intervention areas of APF, Nepal. The framework also outlines the strategies to enhance effectiveness of APF, Nepal in its areas of engagements to control revenue leakage. Grounded in a systematic analysis inspired by Varpio et al. (2020), this research employs a qualitative and participatory methodology, focusing on stakeholder inputs, operational data, and the socio-economic dynamics of the district.

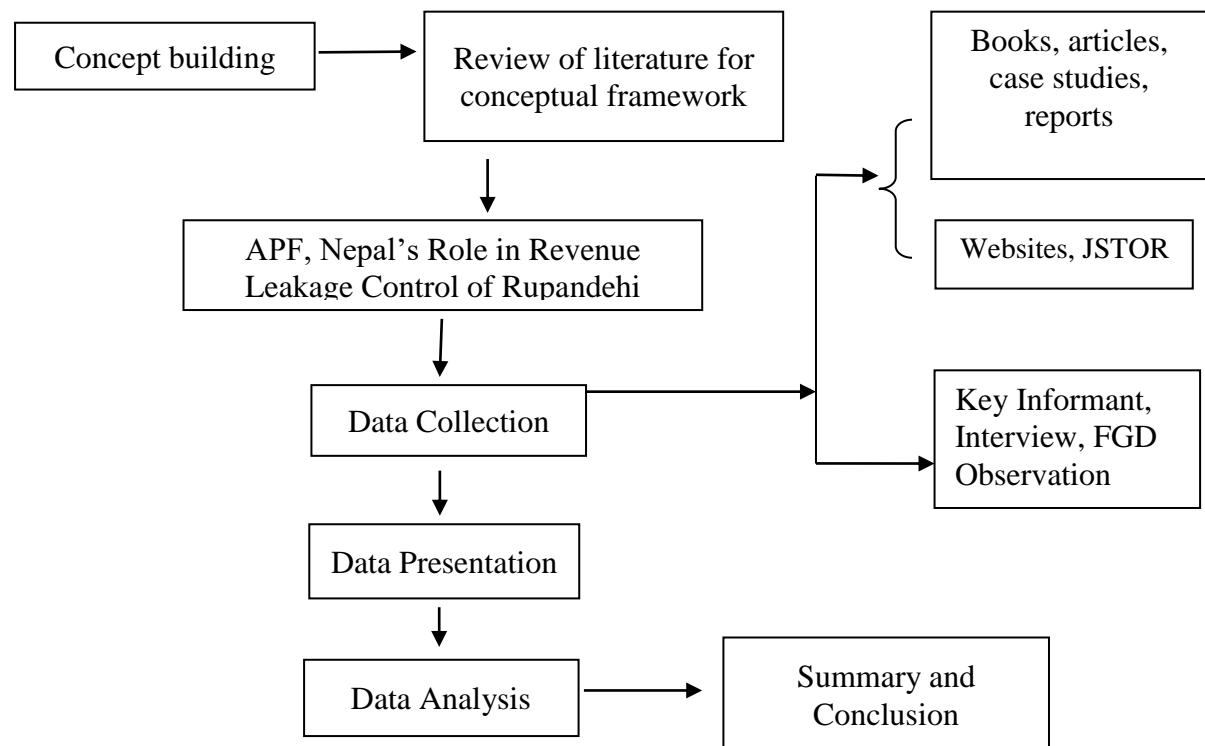
CHAPTER III

RESEARCH METHODOLOGY

Research methodology refers to the systematic approach and techniques employed to conduct research, including the design, data collection methods, and analysis procedures. It outlines the steps and procedures used to investigate research questions or hypotheses, ensuring rigor, reliability, and validity in the research process. The research methodology help to apply appropriate research techniques, design effective data collection instruments, analyze and interpret the data (Adedoyin, 2020). Nor & Mohamed (2024) has used structural equation modeling (SEM) as its primary research methodology collecting survey data from customs officials and traders to quantify the impact of different factors on revenue leakage while Montagnat-Rentier (2019) followed a policy review and administrative analysis approach.

Figure 3.1

Research Methodology



Source: Researcher's compilation

Figure 3.1 shows a qualitative research approach of the study indicating data collection methods from primary and secondary sources. Various scholars have used different methods while studying about revenue. U.S. Government Accountability Office (2018) employed a mixed-methods approach, combining policy evaluation, field assessments, and qualitative interviews. The study assessed the effectiveness of border security infrastructure (technology, personnel, and tactical measures) in preventing illegal trade and revenue loss. The researchers used case studies, site visits, and data from border security agencies to evaluate the success of various enforcement strategies.

.3.1 Research Design

Research designs are types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research study. Others have called them strategies of inquiry (Denzin & Lincoln, 2011). The designs available to the researcher have grown over the years as computer technology has advanced the data analysis and ability to analyze complex models, and as individuals have articulated new procedures for conducting social science research.

This study has adopted a qualitative research design as it enables an in-depth exploration of the complex and context-specific dynamics involved in border security and enforcement activities. This approach allows the researcher to gather rich, descriptive data through interviews, observations, and document analysis, providing insights into the perceptions, experiences, and challenges faced by APF personnel, customs officials, and other stakeholders. Since revenue leakage often involves informal networks, human behavior, and institutional practices that are not easily captured through numerical data, a qualitative method helps uncover the underlying causes, strategies, and effectiveness of APF, Nepal's actions.

The researcher has used both primary data from Key Informants (KIs), Focused Group Discussion (FGD), interviews and observation and secondary data from existing literature as integrated evidences to reinforce the findings. The researcher has also focused on case studies and practical cases to illustrate successful collaborations in controlling revenue leakage. The use of visual aids such as figures and tables has served in establishing the relationships between the APF, Nepal and revenue leakage control measures.

In qualitative research, the numbers and types of approaches have also become more clearly visible during the 1990s and into the 21st century. The historic origin for qualitative research comes from anthropology, sociology, the humanities, and evaluation. Books have summarized the various types, and complete procedures are now available on specific qualitative inquiry approaches (Creswell & Poth, 2018).

In this research, the researcher has used qualitative, descriptive and analytical research design with interview data to explore experts' and stakeholders' perspectives and experiences on the subject matter. The research has been designed to identify key areas or sectors of revenue leakage, possible areas of engagement and inadequacies in role of APF, Nepal and ways of enhancing effectiveness of APF, Nepal in controlling the revenue leakage in Rupandehi district of Nepal. The study is based on leakage and control mechanisms gathered from a variety of primary and secondary sources.

3.2 Area of Study

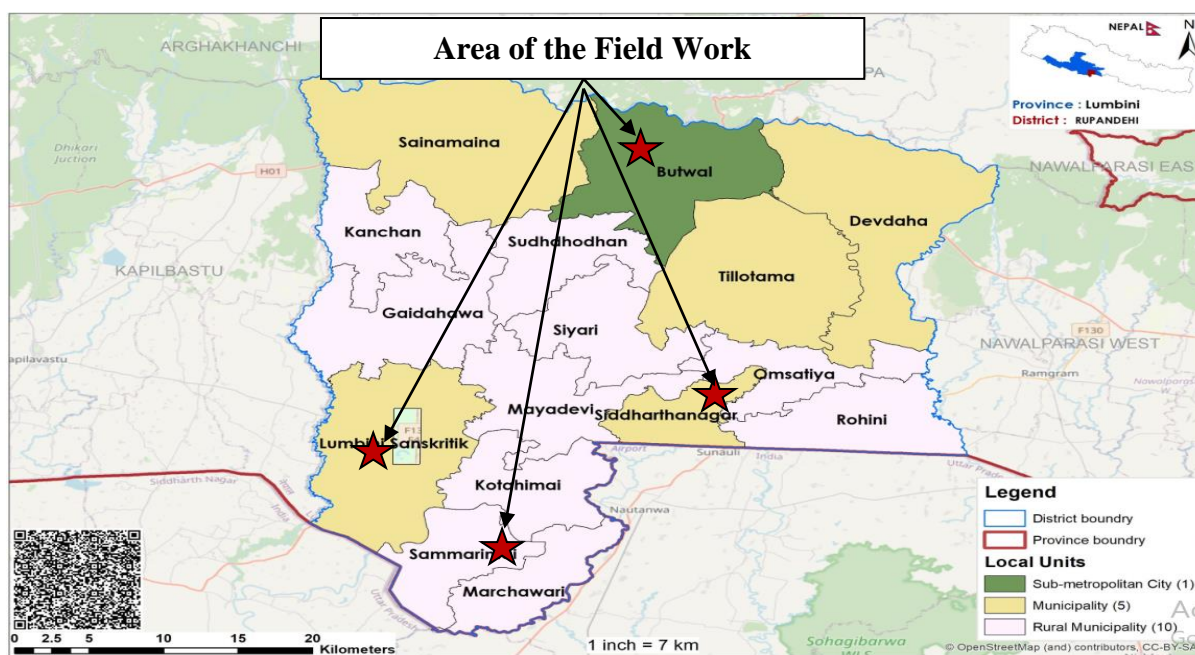
The area of study in this research is Rupandehi District, situated in Lumbini Province, known primarily for the birthplace of Lord Buddha, a United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Site. The district borders with India to the south, Kapilvastu district to the west, Palpa district to the north and west-Nawalparasi district to the east. The district covers a total area of approximately 1,360 square kilometers. The population as per the latest census is around 1.1 million.

Rupandehi district has played a crucial role in Nepal's economy with diverse sectors like agriculture, industry, and tourism. The district hosts major trade routes, customs checkpoints, dry port and Special Economic Zone (SEZ). However, the inability of the Inland Revenue Offices (IROs) and the customs office to meet their targets continuously for a number of years has been a major concern. The amount of contrabands seized by the APF, Nepal and the rising number of cases of corruption and collusion lodged by OAG and CIAA in the district were the primary reasons why researcher chose the district as an area of study.

This study primarily focuses on the leakages that fall under the responsibilities of RIO and customs office. The primary areas of study included Butwal, Bhairahawa, Belhaiya, Marchawar, Lumbini, trade routes of Rupandehi, no man's land in the border and several checkpoints in the district.

Figure 3.2*Map of Nepal showing Rupandehi district*

Source: https://commons.wikimedia.org/wiki/File:Rupandehi_district_location.png

Figure 3.3*Map of Rupandehi district*

Source: https://nepalinmaps.com/rupandehi/#google_vignette

3.3 Setting

Intensive qualitative fieldwork was conducted in order to get insights about the sectors of revenue leakage, primarily relating to import and export from the customs office and through border crossings. The participants were selected and divided in three categories. One category included the officials and authorities who are directly engaged or are responsible for generating revenue and controlling leakages, such as revenue and customs officials, Chief District Officer (CDO, authorities from APF, Nepal, Nepal Police, and National Investigation Department (NID). Another category consisted of provincial and local government authorities, chamber of commerce, and media. The last category consisted of local people, local shopkeepers and local carriers.

The categorization of the participants served the purpose of getting the insights into the subject matter from different lenses. The researcher conducted face-to-face interviews with the participants at a convenient location (home, cafe, workplace, office) and few of the interviews were conducted via telephone and internet (Gmail).

3.4 Nature and Sources of Data

The sources of data refer to the origins or locations from where researchers collect information for analysis. These sources can include primary data that are obtained directly from observations or secondary data sourced from existing books, publications, or databases. Primary sources often involve surveys and interviews while secondary sources include literature review, archives, database, offering diverse avenues for data acquisition and analysis (Ajayi, 2023). This research was done using both primary and secondary data. Although, some data taken into consideration are quantitative, the research is basically quantitative. Data collected from primary sources gave practical insights in the field while data collected from secondary sources were used to provide a conceptual framework of the study.

3.4.1 Secondary Data

The secondary data is defined as the data gathered from published sources. Secondary data are gathered using secondary data methods. This gathered data can be from both qualitative sources such as interview reports and quantitative sources data such as the census. Secondary

data were collected initially as a library research to have an overview of the area, the volume of revenue generation and condition of revenue leakage in the study area. The secondary data collection methods generally can be categorized as,

Table 3.1

Types of Secondary Data Collection Methods

Secondary Data Collection Methods	Description and Credibility Points
Published Printed Sources	In these types, the writer, publication, and publishing time are important.
Books	The most authentic ones among the secondary sources
Journals/Periodicals	The most important methods as they are up-to-date and provide data and information about very specific subjects.
Magazines/Newspapers	Not highly reliable but can be effective in your research as well
Published Electronic Sources	Very fast and accessible
E-Journals	Very available compared to the printed ones. Nowadays these types are very credible as well
General Websites	Not very reliable
Unpublished Personal Records	Useful in some cases
Government Records	Very useful in different subjects such as human research, social sciences, etc

Source: Kabir, 2016

As per the table 3.1, the data were collected from secondary sources such as books, Journal articles, previous studies, government reports, websites, and case studies relating to or published by Ministry of Finance (MoF), National Planning Commission (NPC), Nepal Rastra Bank (NRB), Department of Revenue Investigation (DRI), Inland Revenue Department (IRD), Department of Customs (DOC), Customs Office Bhairahawa, RIO Butwal, IRO Butwal, IRO Bhairahawa, APF No. 27 Bn Rupandehi and other relevant sources regarding revenue generation and revenue leakage.

3.4.2 Primary Data

Primary data refers to original data collected firsthand by researcher for a specific research purpose. These data are gathered through direct observation, surveys, interviews, experiments, or other methods tailored to the research question. It is unique to the study and has not been previously collected or published (Curtis, 2008). The primary data were collected accordingly.

In interviews, as a fundamental way of social interaction, questions are asked and data is collected using provided answers and it is in contrast to the questionnaire with indirectly collected data methodology. Thus, the chance of getting confidential data from interviewees is also possible; however, it requires special skills which are not necessary for questionnaires. Researchers can employ different methods to conduct an interview (Pandey & Pandey, 2015; Taherdoost, 2021).

The Key Informants were the persons living in the area for many years and having an extensive knowledge on the subject matter such as a local representative residing in the area since his birth, a shopkeeper living near the gate of Belhaiya transit point, and an employee working in the APF, Nepal unit. The Key Informants were carrying an experience and observing the area since a long time.

The interviews were conducted with the subject matter experts working in Inland Customs Office Bhairahawa, Revenue Investigation Officer, Butwal and Inland Revenue Office Butwal and Bhairahawa. The source of primary data also included key interviews with media persons, local people of Bhairahawa trade and transit route, local shopkeepers, and carriers from Bhairahawa, Butwal, Belhaiya, Marchawar, Lumbini, and other trade and transit routes of Rupandehi.

The researcher then conducted FGD among the members of District Security Committee of Rupandehi District, along with a member of Siddhartha Chamber of Commerce and Industry (SiCCI) and In-charge of APF Proposed Border Security Company Danda. The researcher finally conducted a thorough observation of the main trade and transit points, informal trade routes at the no man's land, both night and day, and interviewed the persons walking by in a very casual and informal way to get insights into the subject matter.

3.5 Tools and Techniques of Data Collection

The researcher conducted a ten-day field work in Rupandehi district from Poush 19 to Poush 29 of 2081 BS (January 3-13, 2025). A quick field observation was carried out by the researcher immediately after reaching the study area to have a general overview of the situation. Generally, observation helps the researcher to find out what is going on (Kabir, 2016) in the surrounding environment; however, as a data collection method, it is further than just listening and looking. This method includes an engagement with the setting, a clear expression of the events, technical improvisations, high attention, and good recording.

The researcher adopted various data collection tools and techniques from the field to gain insights and a comprehensive understanding of the area of study. The researcher conducted 3 KIs, 1 FGD and 49 interviews of different stakeholders in different platforms of Rupandehi district engaged directly or indirectly in revenue leakage control. FGD have covered the participants from all levels are areas of concern. KI was conducted from the participants of all related sectors.

The primary data were collected from KIs, FGDs, interviews and observations. Secondary data were collected from various sources published by GoN, reports, articles, and archives. Semi-structured and unstructured questions were used averaging up to 45 minutes to conduct interviews with different stakeholders. Spatial Analysis of trade routes, flow of goods, and economic activities were also incorporated.

Some of the participants showed keen interest in the subject matter and responded in a very active and helpful manner while some showed reluctance unless persuaded or stimulated in various ways. Few of the participants requested not to reveal their identities which the researcher has taken into considerations. After the interviews, KIs and FGD, a thorough observation of the bordering areas was again conducted to crosscheck the findings of the study and ensure reliability and validity of the data.

3.5.1 Sample Size

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample (Kothari, 2024).

Table 3.2*Methods, Participants and Techniques*

Method	Tools	Size	Participants
Observation			
Interviews	Interview Questions	49	Provincial Parliament 2, Government officials 18, Local Representative 6, Businessman 3, SiCCI 1, Local inhabitants 5, shopkeepers 5, carriers 5, media persons 3, civil society member 1
Key Informants	Interview Questions	03	Local shopkeeper 1, APF 1, Local Representative 1
FGD	Open Ended Questions	10	One FGD conducted at DAO Rupandehi, with DSC together with customs and revenue officials

Note: Relevant documents are attached in Appendices “A”, “B”, “C”, “D”, “E”, “F”, and “G”

As per the table 3.2, the primary data were collected. The numbers selected for the interview is as per the rules of saturation as recommended by Johnson et al. (2007). In this regard, Creswell and Plano Clark (2011) suggested the number of interviewees should be between 5 and 25 or till the saturation of the data. The participants for the interview were selected based on their knowledge, experience and diverse backgrounds.

3.5.2 Sample Technique

Convenience and judgmental sampling were taken into consideration. Snowball sampling or chain sampling, a form of non-probability sampling technique, was utilized where existing study subjects recruited future subjects from among the acquaintances. Thus the sample group grew like a rolling snowball. The technique played significant role in the research.

Semi-structured interviews are formal and are conducted based on a guide. The interviewers ask questions considering the guidance; however, when researchers or interviewers need extra information, they can continue the conversation based on the questions provided ahead of time. For example, it is an appropriate choice when you do not have the chance of interviewing with individuals more than once and you should gather clear, comparable, and

reliable qualitative data in the first meeting. Thus, training of the interviewers and the design of open-end questions are important points (Taherdoost, 2021).

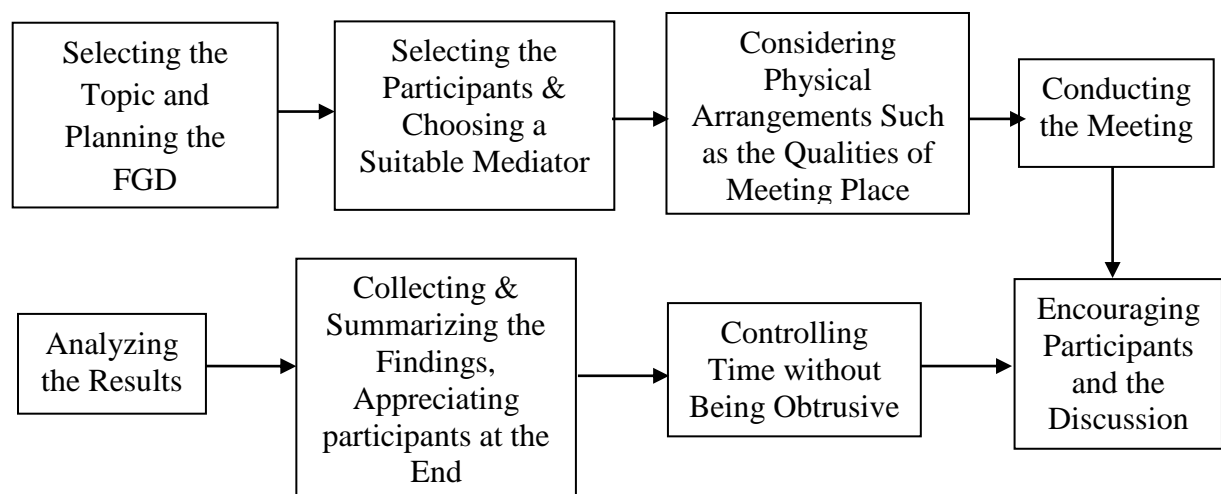
Semi-structured questions were used to collect primary data from the participants. The questions were utilized to gain insights from participants about the sectors of revenue generation and leakages, areas of engagement of APF, Nepal, and strategies enhancing its' effectiveness in revenue leakage control of Rupandehi district. The trend analysis of the revenue generation and revenue leakage before and after the deployment of APF, Nepal was done by the data taken from the customs office Bhairahawa, RIO Butwal and APF, Nepal.

The interviews were conducted with the local shopkeepers and the local people (primarily carriers) for changing the lens and getting insights from another dimension or perspective for the same subject matter. The set of questionnaire were also emailed to the participants with whom face-to-face interviews were not possible. Some participants were also interviewed through telephone. The researcher continued to recruit additional participants until data saturation was achieved, defined as the point at which no new themes could emerge.

FGD is characterized by a non-directive style of interviewing, encouraging a variety of viewpoints on the topic in focus for a group. A FGD is a formal, facilitated discussion on a specific topic. FGD is useful for identifying the knowledge, ideas, values, beliefs, and attitudes of the group (Ennew et al., 2009).

Figure 3.4

Process of Conducting an FGD



Source: Taherdoost, 2021

FGD offered unique advantage for the study as it gathered individuals for collaborative conversation and provided a perspective from different in a same forum. In contrast, the KI provided insights from someone who had unique knowledge and expertise in the given field and could provide deep insight and validate the data from other sources. The researcher experienced that FGD is not a suitable data collection tool in such studies where revealing of data in public or in a group becomes awkward and can become a blame game if stimulated improperly. So, only one FGD was conducted during the entire study.

Case studies give the opportunity to investigate issues deeply and descriptively. It covers different concepts ranging from individual(s) to organizations and sectors when the number of sites is small. As they develop a real-world context by observing what happens there and also interviewing the participants. They can help the researcher to study the site precisely and obtain deep explorations. It is basically an empirical investigation that can study different phenomena in a real-life context when the boundaries between them are not clear and also needs a comprehensive investigation (Taherdoost, 2021). This study utilizes a number of case studies to give practical insights into the subject matter.

3.6 Data processing, Analysis and Presentation

The study has followed qualitative, descriptive and analytical research approach. Primary data collected through various tools and techniques were analyzed thematically to identify trends and patterns and extract insights and perspectives. The data gathered from secondary sources were organized and presented logically. The data were evaluated to ensure valid research findings that align with the objectives of the study. Information obtained from various sources were critically examined, synthesized, and summarized to form conclusions.

The independent variables for this study are technology integration, intelligence led operations, community engagement, interagency coordination, policy reforms, adequate resource allocation, etc. The dependent variables are forms of revenue leakage such as tax evasion, tax avoidance, underreporting, smuggling, corruption, etc. The qualitative and quantitative data obtained from primary and sources have been presented in tabular diagrams. The researcher conducted thematic analysis of the participant interviews to derive core themes from the data, which was triangulated with the real scenario observations, existing theories and best practices around the world for validation.

3.7 Reliability and Validity

Reliability refers to the consistency and stability of a measurement instrument over repeated trials. If a research tool yields the same results under consistent conditions, it is considered reliable (Babbie, 2020). Validity, on the other hand, refers to the accuracy of a measurement, whether it measures what it is supposed to measure (Creswell & Creswell, 2018). Ensuring reliability and validity is crucial for research credibility. If a study is unreliable, results may be inconsistent and difficult to replicate. Likewise, if a study lacks validity, the conclusions may be misleading (Babbie, 2020). High reliability ensures dependability, while validity ensures meaningful and accurate interpretations of data (Creswell & Creswell, 2018).

To achieve reliability, researcher used test-retest method, administering the same test to the same participants at different times to ensure stability (Babbie, 2020). To enhance validity, researcher focused on content validity, ensuring the measurement instrument covers all aspects of the concept being studied (Creswell & Creswell, 2018). By employing these strategies, researcher strengthened both the reliability and validity of the study, ensuring accurate and replicable findings.

The researcher interviewed all levels of participants from various sectors. The primary and qualitative data collected from interviews, KIs, FGDs and observation were compared and contrasted with the findings from the different published and unpublished quantitative data and reports from related sectors. The findings have been backed up by pertinent case studies for triangulation and compared with national and international literatures and theories to derive conclusion.

3.8 Ethical Considerations

The researcher has adhered to the ethical guidelines, ensuring informed consent and confidentiality. The ten principles (Bell & Bryman, 2007) of ethical considerations have been followed. Authentic and approved sources have been used for data collection. Ethical approval have been sought from relevant institutions to conduct the research. The standard prescribed by American Psychological Association (APA) 7th edition has been followed for the study. The researcher has abided by the ethical responsibilities and ensured proper citations without altering the meaning of the subject matter.

CHAPTER IV

FINDINGS AND DISCUSSION

4.1 Findings

The objective of this study was to shed lights upon the major forms of revenue leakage in Rupandehi district and the APF, Nepal's areas of engagement in controlling the leakages. The study used a qualitative research design. The data were collected from field observation, 3 KIs, 1 FGD and 49 interviews of different stakeholders related to the area of study and most of them were actively engaged in the revenue leakage control activities. The trend analysis of the leakage before and after the involvement of APF, Nepal was done with the help of the data taken from the department of customs, IROs, RIO, and APF, Nepal units.

4.1.1 Forms of Revenue Leakage

The areas of revenue generation refer to those sources from which the government collects its taxes duties and fees. The importance of revealing areas of revenue generation is that only after knowing the major areas of revenue generation, it would be possible to find out areas of revenue leakage and their cause and effects to analyze them and look out for possible ways to control them. APF, Nepal, one of the major actors of controlling revenue leakage, can analyze, revise and reframe its strategies and the Government of Nepal can make changes in its policies to strengthen the roles of APF, Nepal in revenue leakage control. Various areas of revenue leakage were revealed and among them the major areas are given below.

(a) Tax Evasion

Tax evasion is an illegal act where taxpayer deliberately hides income, reduces tax obligations, or does not pay taxes that should be paid through fraudulent and unlawful means. It may be due to various reasons such as high tax rates, tax pressure, or lack of integrity on the parts of the citizens. Tax evasion is both illegal and unethical, not only does it decrease government revenue, but also hinders the overall development. It is an act of concealing taxes, through the submission of false documents, false statements or unrealistic information (K.C., 2018).

Almost all the participants in the FGD, including participants from RIO Butwal and Inland Revenue Offices Butwal and Bhairahawa stated that

Tax evasion is the major cause of revenue leakage in Rupandehi district. Tax evasion occurs in Rupandehi district as the taxpayers escape the taxable income obligations to the state by under-declaring income, exaggerating deductions, filing false tax returns, claiming an unreal deduction, making false entries in the books, and Keeping two books on purpose.

(FGD, 07 January 2025)

The statement signifies that tax evasion is a common phenomenon in Rupandehi district where taxpayers evade tax by escaping their taxable income obligations and the country is losing a huge amount of revenue from tax evasion.

One of the participants from local representatives, KI expressed that

A very high percentage of tax imposed by the government to individual and businesses has victimized the industrialists and traders leading to underreporting. So there is a tendency of tax evasion in the country. Government must take necessary actions and make provisions to reduce tax in order to control the revenue leakage.

(KI, 08 January 2025)

The statement highlights that the high tax rates imposed by government is the reason for tax evasion. High tax rate refers to the percentage of income, profit, or value that individuals, businesses, or goods are required to pay as taxes to the government. High tax rates can apply to, income tax, corporate tax, sales tax or VAT or property tax.

One of the participants (a businessman) during the interview expressed that

Tax evasion has become a culture in Rupandehi district. Not all business houses are involved but due to lack of effective monitoring mechanism, high tax rates and complexities in tax system, people tend to evade tax in a significant level. It occurs by billing errors, unpaid invoices, inaccurate pricing, unbilled services, etc.

(Interview, 09 January 2025)

This indicates that due to various reasons such as lack of effective monitoring system, high tax rates and complexities in tax system, tax evasion is prevalent in Rupandehi district.

According to Section 96 of the Income Tax Act, 2058, every individual is required to submit their income statement within three months after the end of the fiscal year (or within the extended period if granted under Section 98). In the FY 2079/80, out of 107,247 taxpayers required to submit income statements, only 41,005 (38.23%) complied, as per the records. Among them, Day 1 statements 28,731 taxpayers (70.06%), Day 2 statements: 2,882 taxpayers (7.03%), Day 3 Statements 9,376 taxpayers (22.87%), Day 4 Statements 16 taxpayers (0.04%) submitted their income statement.

However, 66,242 taxpayers (61.77%) failed to submit their income statements within the legally specified timeframe. Likewise, 34.02 percent did not submit their statements in the same fiscal year. For instance, a biscuit producing industry during FY 2077/078, showed a loss of extra 14.60 percent and exempted a VAT of NPR 74,67,658 (Office of the Attorney General [OAG], 2078/79).

(b) Tax Avoidance

Tax avoidance is the deliberate avoidance of tax by a taxpayer by exploiting a legal loophole in the tax system rather than by engaging in illegal activity. Tax avoidance occurs as the taxpayers take advantage of loopholes in tax law to reduce the amount of tax they have to pay. This behavior is caused due to a tax system that is too complex (it often changes), tax rates that are too high, weak effective supervision from the tax authorities, and many other causes.

According to participants from RIO Butwal and IROs Butwal and Bhairahawa during FGD,

Tax avoidance in Rupandehi district is practiced by most of the tax payers by using legal methods to minimize the amount of income tax owed and by using tax credits, deductions, exemptions and income exclusion. Tax avoidance in Rupandehi operates within legal boundaries and raises only ethical concerns.

(FGD, 07 January 2025)

It was noted that taxpayers try to avoid tax by some illegal means or by taking the benefit of some loopholes that exist in the Nepalese tax system. If most of the taxpayers are avoiding tax, it became obvious to find out what were the causes leading to avoid tax.

One of the participants (a businessman) during the interview stated that

The tax system in Nepal is complicated and capable of creating confusions and ambiguities among the taxpayers. The frequent change in policies, differing interpretations and loopholes is one of the factors responsible for tax avoidance and revenue leakage.

(Interview, 09 January 2025)

The participant was trying to refer to the complexities in the tax system, frequently changing policies on taxes and the differing interpretations and loopholes in the tax system was making it possible for the taxpayers to avoid taxes and promote revenue leakage.

A case filed by Commission for the Investigation of Abuse of Authority (CIAA) on 2080/12/02 against Tilotamma Municipality Rupandehi for not imposing Environment Tax from the vehicles used by Namuna Rodadhunga Udhyog Private Limited, New Shristee Namuna Roda Udhyog Private Limited and New Super Roda Udhyog and caused revenue loss of NPR 2,63,150. Likewise, a case filed on 2080/08/15, government officials from Land revenue office of Butwal exempted Capital gain and registration fees and did not deposit in revenue account and caused revenue loss on (CIAA, 2024). A total of 15 taxpayers under 6 Inland Revenue offices including Bhairahawa, Butwal and others avoided the amount of compensation against insurance and caused a revenue loss of NPR 3,30,72,000 including interest accrued (OAG, 2024).

(c) Underreporting and Customs Evasion

Customs evasion manifests through various tactics, including under-invoicing, misclassification of goods, smuggling, and the use of fraudulent documentation. Under-invoicing involves declaring a lower value for goods to reduce payable duties, while misclassification entails categorizing goods under tariff codes with lower duty rates.

Underreporting occurs when a relatively expensive good is supplied and it is invoiced as being less expensive, of different quality, or even an entirely different item so that the

documentation does not accurately record what is actually supplied. For example, the money is transferred for plastic wastages and chemical fertilizers are shipped or the money is transferred for Coal and instead expensive electronic items are shipped, etc. The importance of studying about customs evasion and underreporting for the study was that by knowing the modus operandi used by the importers in evading customs, it would be useful in understanding how and to what extent the custom taxes are evaded.

A participant from SiCCI, Siddharthanagar stated that

Underreporting is one of the major causes of customs evasion in Rupandehi district. The customs are evaded in two ways. The importers either falsify the quantity or the quality of the goods imported. The question of how it is done and to what extent it is done is a matter of investigation and due to lack of effective oversight and monitoring mechanisms, underreporting has persisted as a major form of revenue leakage in Rupandehi district.

(Interview, 09 January 2025)

The statement clearly demonstrates that custom evasion by underreporting is a prevalent issue in Rupandehi district. The lack of proper monitoring mechanism has resulted in the significant amount of revenue loss by falsifying information on imports and exports.

A participant from Siddharthanagar Municipality reiterated in an interview that

Several factors contribute to customs evasion in Rupandehi. High tariff rates, complex regulatory frameworks, corruption and weak enforcement mechanisms allow the custom evasion to flourish. However, after the introduction of Automated System for Customs Data (ASYCUDA) in the customs office, it has diminished to some extent.

(Interview, 09 January 2025)

The participant agreed that there are custom evasions in the district and highlighted that the importers are engaged in custom evasion activities due to various reasons such as high tax rates and complex tax systems hindering the revenue collection to flourish in Rupandehi district.

When asked about the statements to the customs authorities, a participant for customs office Bhairahawa insisted that

Revenue and customs operations function as a system where failures in subsystems such as valuation, classification, documentation can cause revenue leakage. Custom offices in most of places including Bhairahawa now use ASYCUDA ensuring interdepartmental collaboration to improve revenue collection and prevent revenue loss. This system has served the purpose of holistic revenue assurance strategy by integrating automated monitoring systems and data analytics to prevent leakages.

(FGD, 07 January 2025)

The custom official asserted that although custom evasion in custom office was a pertinent issue, the things have changed now and it will not be fair to assume that the problem of custom evasion persists despite their enormous effort in controlling revenue leakage.

In one case, a company imported mustard seeds under the subheading 1205.10 paying 10 percent customs duty and VAT and misused the privilege offered to cooking oil producing company. Although the importer had a cooking oil producing company, he did not use the material for the stated purpose and evaded tax of NPR 55,61,000 (OAG, 2024)

The concerned office observed that an importer imported Prestige Bus 2815 under customs heading 8702.20.20 (which applies to minibuses with a seating capacity of 15 to 25 seats and requires a 30% customs duty, 35% excise duty, VAT, and road construction fee). However, the bus was cleared under customs heading 8702.20.10 (which applies to buses with a seating capacity of more than 25 seats and requires a 30% customs duty, 5% excise duty, and VAT). Upon verification, the bus should have been cleared under customs heading 8702.20.20. Due to the incorrect classification under a different customs heading, the customs evasion was calculated to be NPR 28,37,756 (OAG, 2024).

(d) Smuggling and Illicit Trade

The general meaning of smuggling refers to the import or export of goods across international borders without paying lawful customs and duties violating legal regulations. Illicit trade encompasses a diverse range of commodities and services that creates the formation of black markets around the world. This illicit activity often aims to circumvent customs duties,

import/export restrictions, or bans on specific goods, including narcotics, weapons, and endangered species. The customs revenue deficit highlights critical vulnerabilities in Nepal's economic framework.

Member of Parliament of Lumbini Province and local government authorities during interview stated that

Smuggling and illicit trade are the major areas of revenue leakage in Rupandehi district. The traders of both sides engage in movement of goods across borders, violating legal statutes. The consequences of smuggling in Rupandehi are extensive, encompassing economic losses due to evaded taxes, the bolstering of organized crime, and threats to national security and public health.

(Interview, 10 January 2025)

The statement highlighted that smuggling and illicit trade significantly contributes to revenue leakage in Rupandehi district, with cross-border traders violating legal norms. These activities lead to major economic losses, support organized crime, and pose risks to national security and public health.

A participant from Customs Office Bhairahawa during FGD stated that

Smuggling in Rupandehi district occurs mainly due to open border with India, particularly through abandoned border crossings or unofficial border points. Smugglers avoid formal customs checkpoints and use alternative routes through remote villages. The lack of manpower, intelligence and technologies in APF, Nepal, despite their enormous effort, has hindered the operational effectiveness leading to smuggling in Rupandehi district.

(FGD, 07 January 2025)

The statement highlighted that smuggling in Rupandehi district thrives due to the open border with India, with smugglers bypassing official checkpoints by using abandoned crossings and remote village routes. The APF, Nepal's limited manpower, intelligence, and technological resources, despite their efforts, have hindered their ability to effectively curb smuggling in the region.

A participant from APF Proposed Border Security Company, Danda during an interview stated that

Goods are concealed in hidden compartments of trucks, buses, motorcycles, and even private cars. Small quantities of goods are smuggled across the border by individuals carrying them in bags, suitcases, or even under their clothing. Smuggling activities often take place at night to avoid law enforcement agencies.

(KI, 05 January 2025)

The participant revealed that the smugglers use different techniques to smuggle goods and it was done basically during the night to evade detection by law enforcement.

A participant from a manufacturing industry (businessman) during the interview stated,

One major reason for smuggling or custom evasion in Nepal is that the customs duties are very high compared to many other countries. The difference in the price of the commodities in India and Nepal is one of the main reasons for smuggling and custom evasion.

(Interview, 09 January 2025)

The participant attributed to high customs duties in Nepal compared to other countries as a key factor driving smuggling and customs evasion. Additionally, significant price differences between goods in India and Nepal further encourage illegal cross-border trade.

The general import duty rates vary from 0% to 80%, with essential goods like machinery or agricultural products often taxed at 5% or lower, while products considered hazardous to health, such as cigarettes and liquor, face higher specific duties (International Trade Administration, 2021). According to data compiled by the World Bank, countries like Singapore and Hong Kong have average applied tariff rates of 0% and 0.1% respectively, indicating significantly lower import duties compared to Nepal.

Table 4.1*Seizure of smuggled goods by APF No. 27 Bn in last 5 years (In NPR)*

SN	Month	076/77	077/78	078/79	079/80	080/81
1	Shrawn	5605405	2422427	3300891	1712320	4664670
2	Bhadra	2811780	4307020	3358315	14764330	5116889
3	Ashoj	1120990	2717808	2949520	3689353	9187611
4	Kartik	982025	2459397	3692587	1720900	6478190
5	Mangsir	12115317	5729635	790105	6336820	4449307
6	Poush	6642480	2974808	412810	7251847	3636168
7	Magh	3000940	4864945	313480	6367516	2779299
8	Falgun	2845503	6736062	741035	3313136	9877836
9	Chaitra	5024330	12760225	634915	3937988	10352574
10	Baisakh	1176422	5774925	409380	5984423	13424845
11	Jestha	727280	2629355	1661135	6457705	11253907
12	Ashad	1569842	2213408	517870	23929795	11657433
	Total	43622314	55590015	18782043	85466133	92878729

Source: APF No. 27 Bn Rupandehi, 2081

Table 4.1 shows that over the past five fiscal years, the APF, Nepal No. 27 Bn in Rupandehi district has shown a significant upward trend in the seizure of smuggled goods. The total value of seizures increased from NPR 43.6 million in 2076/77 to a peak of NPR 92.8 million in 2080/81, despite a sharp decline to NPR 18.7 million in 2078/79, likely due to COVID-19 disruptions. Monthly data reveals consistent spikes in months like Ashad, Chaitra, Falgun, and Baisakh, indicating intensified operations during periods of high smuggling activity.

The data indicates that revenue leakage remains a significant issue in Rupandehi district, as evidenced by the high and increasing value of smuggled goods seized over the past five years. The total seizure amount rose from NPR 43.6 million in 2076/77 to NPR 92.8 million in 2080/81, suggesting that large volumes of goods continue to cross the border illegally, bypassing formal customs procedures and resulting in substantial loss of government revenue. The sharp increase in certain months and years also implies that smuggling activities are well-organized and fluctuate based on opportunity, such as during festivals, policy changes, or lax enforcement periods.

A local shopkeeper (KI) during an interview stated that

There are no enough custom offices in the border besides Bhairahawa Customs Office and Lumbini Customs Office. The customs offices in Buchi Barehawa, Amuwa Barehawa, Paklihawa, Bethari, Manjharia, and Thumuhawa have remained closed for many years. It is very difficult for a local resident to travel around 25 km to report every petty transaction to customs offices in the district.

(KI, 08 January 2025)

The statement implies that the lack of adequate customs offices along the border, except in Bhairahawa and Lumbini, creates a gap in monitoring cross-border trade. As a result, locals find it difficult to report small transactions due to the long travel distances, contributing to unregulated trade and revenue leakage.

According to the Bhairahawa Customs Office, in the past ten and a half months (from 26 October 2023 to 31 August 2024), the customs office had seized goods including clothes, sugar, peas, tobacco, toothpaste, onions, hookah flavor, and cigarettes, valued at more than NPR 40.5 million. Additionally, vehicles used for smuggling, including trucks, pickups, cars, and motorcycles worth NPR 20.34 million, have been seized, and eight individuals had been arrested and prosecuted for smuggling (The Annapurna Express, 2024).

Figure 4.1

Local Market at Meudihawa



Source: Field observation, 2024

Figure 4.1 are the pictures of local weekly market at Meudihawa. DAO and APF, Nepal authorities have requested authorities on the Indian side to close the market, but their delay in response makes it obvious that they do not intend to do so. There has been no any response till date. The transactions amount to millions and there is a significant amount of revenue loss due to those markets. It is a form of smuggling that is operating openly.

The researcher observed another aspect of smuggling in the bordering areas of Rupandehi district during observation. There is a place in Meudihawa of Siddharthnagar Municipality 1, Rupandehi where a local market (Farenhi Bazaar) is operated just beside the no man's land in the border every Saturday and Wednesday. Thousands of people from bordering areas of Nepal attend those markets for daily products. Even the wholesalers arrive with their vehicles at those markets to buy goods in large volumes.

(e) Corruption and Collusion

Corruption in the general sense is the dishonest or illegal misuse of power, position, or resources for personal gain, often at the expense of ethical standards, laws, and public trust. It often involves bribery, fraud, nepotism, or embezzlement, undermining trust, fairness, and economic development (Transparency International, 2023). It can occur in government, businesses, and organizations, affecting economic growth, governance, and social development.

The role of government agencies in controlling revenue leakage has come under scrutiny. While the RIO, customs office, IRO and APF, Nepal are tasked with curbing illegal trade, their effectiveness is hampered by financial irregularities within the system that underscores the need for transparency and accountability in revenue administration. The participants from a local government authorities and a renowned media during interview stated that

The main areas where corruption and collusion take place include border trade, public services, infrastructure projects, law enforcement, and political institutions. Traders underreport the value of goods to reduce customs duties. The citizens often pay bribes to get essential documents such as land ownership certificates, business registrations, or citizenship papers processed faster.

(Interview, 09 January 2025)

The statement implies that corruption and collusion are prevalent in sectors such as border trade, public services, infrastructure projects, law enforcement, and politics, where individuals exploit their positions for personal gain. This includes underreporting goods' values to lower customs duties and bribery for faster document processing.

CIAA filed cases against government officials from Marchawari Rural Municipality, involving chief administration officer, ward chairman, proprietor of a private limited company, an executive member of the municipality, and a ward secretary on 2080/04/26 and 2080/04/31 for taking bribes from development projects and asked refunds of NPR 13,45,000, NPR 5,00,000, NPR 85,000, NPR 3,60,000, and NPR 2,00,000 (CIAA, 2024)

In other cases, traders importing aluminum profiles through customs offices Birgunj, Bhairahawa, Biratnagar, Mechi, and Nepalgunj should have paid 15 percent custom duties, 10 percent excise duty and VAT under subheading 7604.21 but evaded revenue under subheading 7604.10.10 of amount 3,38,43,000 (OAG, 2024).

According to the 34th Annual Report (FY 2080/081) of CIAA, there were 13 cases of revenue leakage involving 89 personnel and 27 institutions amounting to NPR 1144674438.06 in FY 2080/081 and 48 cases of corruption involving 84 people amounting to NPR 19160500. There were 8 mayors, 5 sub mayors and 1 ward chairman involved in the revenue leakage activities by accepting bribes. There was an involvement of 11 Undersecretary, 23 Section Officers, 3 low ranking officials, and 65 other agents in total (CIAA, 2024).

According to reports from OAG, an importer imported resin powder used in marking roads through Bhairahawa customs office under subheading 3911.10.00 as petroleum resin and took South Asian Free Trade Area (SAFTA) privilege. The importer should have brought the product under subheading 3210.00.10 and paid 40 percent custom duties, 7 percent excise duty including VAT. There was a custom revenue leakage of NPR 48,72,000. The incident clearly indicated collusion among agencies (OAG, 2024).

The CIAA has filed multiple cases related to corruption in Rupandehi District over the past five years. In August 2023, the CIAA charged seven individuals, including the former Chief Administrative Officer of Marchwari Rural Municipality, for accepting commissions and bribes in development projects (MyRepublica, 2023). Similarly, in July 2023, the CIAA arrested an engineer and an accountant from two rural municipalities for bribery, with one of

them caught accepting NPR 125,000 related to a COVID-19 awareness program (The Kathmandu Post, 2023).

CIAA filed a case against an engineer of Kotahimai Rural Municipality ward No.7 on 2080/04/12 regarding a bribe case where he was accused of taking bribe of NPR 45,000 from a local resident Bikash Yadav for Plain Cement Concrete (PCC) and graveling of a road section. Likewise, a chief engineer of Lumbini Development Fund was charged with bribery on 2080/12/15, from a contractor of a construction company while buying a piece of land in his mother's name. He was demanded a compensation amount of NPR 80,00,000 (CIAA, 2024).

The findings suggest there are various revenue related challenges in Rupandehi district, including tax evasion, tax avoidance, underreporting, customs evasion, and smuggling. Tax evasion remains a major challenge due to high tax rates, a lack of effective monitoring, and complexities in the tax system, leading to widespread fraudulent practices. Similarly, tax avoidance exploits legal loopholes, while customs evasion and smuggling continue due to weak enforcement, high tariff rates, and open border issues.

4.1.2 Areas of Engagement of APF, Nepal

APF, Nepal has been officially deployed in border security and controlling revenue leakage since 2007 AD. In addition to its responsibility of securing borders, it is also responsible for controlling smuggling and illicit trades through borders. APF, Nepal is deployed in the trade and transit routes to work in coordination with customs office to assist in revenue generation and control revenue leakage.

(a) Anti-smuggling Operations

APF Nepal engages in surveillance and anti-smuggling operations such as border patrols, checkpoints and raids. Border patrol refers to the systematic surveillance, monitoring, and security operations conducted along international boundaries to prevent illegal activities, unauthorized crossings, smuggling, human trafficking, etc. It is carried out by specialized security forces, such as border police, border guarding force, or paramilitary organizations like SSB in India, US Customs and Border Protection (CBP) in US, and Frontex (European Border and Coast Guard Agency) in Europe, etc.

Border checkpoints are designated entry and exit points along national borders where authorities regulate the movement of people, goods, and vehicles. These checkpoints serve as security, immigration, and customs control hubs to ensure legal and safe border crossings. The functions of those checkpoints are immigration control, customs inspection, security screening, quarantine checks, trade regulation, etc.

APF, Nepal has deployed Proposed Border Security Companies, Border Outposts (BOPs), and security bases along the India-Nepal border that deploys regular patrols and check points to control smuggling, illicit trade and revenue leakage along with other functions. APF, Nepal No. 27 Battalion, Rupandehi is a designated unit to carry out those responsibilities in Rupandehi district.

According to Superintendent of APF, Nepal No. 27 Bn HQs during interview,

There is one dedicated Proposed Border Security Company deployed at Belahiya border crossing to assist Bhairahawa Customs Office and five BOPs at different locations along the India-Nepal border that deploy regular patrols and checkpoints and conduct raids in their Area of Responsibilities (AORs) to control smuggling, illicit trade and revenue leakage along with other functions.

(Interview, 06 January 2025)

A dedicated border security company is stationed at the Belahiya border crossing to support Bhairahawa Customs, alongside five BOPs that conduct patrols, checkpoints, and raids to combat smuggling and illicit trade. These units routinely inspect, confiscate smuggled goods, and arrest individuals involved in illegal activities within their designated areas.

A participant from DAO during FGD emphasized that

APF, Nepal has been strategically operating both permanent and mobile checkpoints along the Nepal-India border to inspect vehicles, goods, and individuals for smuggled or undeclared items. It also conducts regular and intelligence-based raids on suspected smuggling routes, storage hubs, and warehouses, targeting goods like electronics, clothing, cosmetics, and petroleum products that are often brought in without paying customs duties.

(FGD, 07 January 2025)

This signifies the role of APF, Nepal that strategically operates along the border to inspect vehicles and goods for smuggled or undeclared items. Additionally, APF, Nepal conducts intelligence-led raids on suspected sites, focusing on specific items that evade customs duties.

A participant from APF, Nepal Border Security Department stated that

APF, Nepal has implemented a Concept Paper on Mobilization for Border Foot Patrol, 2024 as part of the 'APF with the Border Population', that mobilizes APF platoon 24 hrs at the border areas. The objective of such mobilization is to secure borders, control cross-border crimes, monitor and prevent encroachment of border, control revenue leakage, etc.

(Interview, 12 January 2025)

The statement focused on Concept Paper on Mobilization for Border Foot Patrol, 2024, under the APF with the Border Population' initiative, deploying APF platoon around the clock at border areas. The goal is to secure borders, curb cross-border crimes, prevent border encroachment, and control revenue leakage.

There are many cases of anti-smuggling operations conducted by APF, Nepal solely or in coordination with other agencies. On 2081/07/05 at 1105 hrs, a team of 34 personnel comprising of 11 personnel from the APF, Nepal, Proposed Border Security Coy, Danda, 18 personnel from the APF, Nepal, No. 27 Bn HQs, Rupandehi, and 5 personnel from the Bhairahawa Customs Office conducted a joint operation at Gallamandi area, Rupandehi. During the operation, a total of 471 sacks of sugar worth NPR 1,413,000 were seized and transported to the Bhairahawa Customs Office for further action.

On 2081/11/07 at 1710 hrs, a team of 11 personnel comprising of 4 personnel from the Bhairahawa Customs Office and 7 personnel from APF, Nepal, Proposed Border Security Coy, Danda conducted a joint operation in Lumbini Road, Yadav Chowk, Siddharthanagar Municipality-4, Rupandehi. During the operation, the team intercepted a tractor traveling from Marchwar to Bhairahawa, loaded with 72 quintals of wheat worth NPR 3,00,000 with irregularities in the invoices. The loaded tractor was taken into custody and sent to Bhairahawa customs office.

(b) Support Custom Office

Customs office is a government-controlled facility responsible for regulating the import and export of goods, collecting tariffs and duties, and enforcing trade laws and regulations. It operates at international borders, seaports, airports, and designated inland locations. The functions of a Customs Office are processing import and export documentation to ensure compliance with national and international trade laws, charging taxes, duties, and excise fees on imported and exported goods, preventing smuggling, drug trafficking, and illegal trade activities, trade facilitation and quarantine and inspection to monitor agricultural and animal products to prevent the spread of diseases and pests (WCO, 2022).

The participants from DAO, Rupandehi, APF, Nepal No. 27 Bn Rupandehi, and Customs Office Bhairahawa stated that

APF, Nepal Proposed Border Security Company is deployed in the major trade and transit route of Rupandehi to support customs office in trade facilitation and to prevent smuggling, revenue leakage, trafficking and illegal trade. APF, Nepal has been conducting various activities and operations solely and in coordination with Customs Office to carry out its responsibilities. It is only responsible for security at customs and does not have the explicit authority to inspect goods once they have exited the customs area.

(FGD, 07 January 2025)

The statements highlight that APF, Nepal has been actively engaged in Rupandehi district, especially in the route to support customs office but it is deprived of the authority to inspect goods as they have exited the customs area.

The participant from a renowned media stated during interview that

The role of APF, Nepal in border security and supporting customs office by trade facilitation and prevention of illegal trade is praiseworthy. APF, Nepal, despite various constraints, plays a significant role in revenue leakage control. APF, Nepal should be empowered and strengthened for better performance and effective deployment.

(Interview, 09 January 2025)

This signifies that APF, Nepal, has made commendable contributions in securing the borders, aiding customs offices, facilitating legal trade, and curbing illegal trading activities. Despite facing several challenges, the APF plays a crucial part in controlling revenue leakage and therefore needs to be further empowered and strengthened to enhance its effectiveness and operational efficiency.

The table below shows significant contribution of APF, Nepal Proposed Border Security Company Danda, in controlling illegal trade and smuggling in Rupandehi district.

Table 4.2

Confiscation by Proposed Border Security Company Danda

SN	Month	2077/078	2078/079	2079/080	2080/081	2081/082
1	Shrawan	735,050	1,865,770	693,100	2,024,855	3,714,555
2	Bhadra	1,451,620	26,390,220	3,292,610	1,681,690	6,716,940
3	Ashoj	1,081,550	1,348,650	3,252,650	19,46,150	1,448,270
4	Kartik	1,008,090	2,812,515	803,781	45,07,635	4,260,093
5	Mangsir	785,090	635,375	169,700	21,30,082	3,201,465
6	Poush	900,330	100,230	3,497,140	2,275,705	7,565,873
7	Magh	1,539,725	158,150	2,452,968	2,573,601	3,034,274
8	Falgun	2,797,300	520,850	3,193,681	2,509,411	35,37,940
9	Chaitra	1,468,095	214,200	1,001,105	2,876,400	-
10	Baisakh	3,259,350	200,260	1,150,290	3,344,655	-
11	Jestha	1,574,940	223,500	4,714,495	3,659,003	-
12	Ashadh	332,898	125,440	1,843,580	4,371,490	-
13	Cash detained	-	-	2,576,223	-	-
	Total	16,934,038	34,595,160	28,641,323	3,39,00,677	3,34,81,410

Source: Proposed Border Security Company Danda, 2081

Table 4.2 shows the confiscation of smuggled goods by APF, Nepal Proposed Border Security Company Danda that indicates a consistent rise in anti-smuggling activities over a period. Starting from FY 2077/078, the value of seized goods increased sharply to NPR 34.59 million in 2078/079, with a slight decline to NPR 28.64 million in 2079/080. A major rise

occurred in 2080/081, reaching to NPR 339 million, followed by a slightly lower figure of NPR 334.81 million in 2081/082. This upward trend reflects improved surveillance, and operational effectiveness along the border. Monthly variations, particularly the high values suggest seasonal patterns in smuggling activities.

There are numerous cases of joint operations of APF, Nepal and customs office Bhairahawa. On 2081/03/07 at 1120 hrs, a joint team of Seven personnel from the APF, Nepal, Proposed Border Security Company, Danda, under the command of Sub-Inspector and Seven personnel from the Bhairahawa Customs Office, Belahiya, under the command of Customs Officer, conducted an operation in Siddharthanagar Municipality-4, Rupandehi, at an empty shutter in Gallamandi, where sugar was being stored and loaded onto a vehicle. During the operation, a mini truck (Lu 2 Kha 3435) worth 12 lakhs, 3600 kg of sugar worth 216000, 84 cans of Red Bull worth NPR 10,080, and 20 kg of cheese worth NPR 12,000 totaling to NPR 14,38,080 was seized and taken to the Bhairahawa Customs Office, Belahiya on 2081/03/10 at 1335 hrs.

On 2081/02/28 at 0715 hrs, a joint team of 18 personnel comprising of 9 personnel from the APF, Nepal, Proposed Border Security Coy, Danda, 4 personnel from the APF, Nepal, BOP Majhgawa, and 5 personnel from the Bhairahawa Customs Office, Belahiya, conducted a joint operation in Maryadpur area, Ward No. 3, Kotahimai Rural Municipality, Rupandehi. During the operation, the team seized a mini truck worth NPR 600,000 and a pickup vehicle worth NPR 400,000 loaded with 7000 kgs of onion worth NPR 280,000, altogether total value of NPR 12,80,000 (Twelve lakhs eighty thousand only) with no valid invoices or declared value. The seized vehicles and goods were sent to the Bhairahawa Customs Office, Belahiya for further legal action.

(c) Deployment of Revenue Police Units

According to article 37(Ka) of the Revenue Leakage (Investigation and Control) Act 1995 and its first amendment (2020), Government of Nepal has deployed APF, Nepal as Revenue Police Unit (RPU) under the supervision of Revenue Investigation Department. Following the dismissal of Revenue Leakage Control Company in 2077, there are provisions of RPUs since 2080/04/12. There is a central unit at Hariharbhawan, Kathmandu and 4 regional units at Pathlaiya, Itahari, Butwal and Kohalpur.

APF, Nepal collaborates closely with the RIO, Butwal and other law enforcement agencies to address revenue leakage. This interagency coordination is vital for sharing intelligence,

conducting joint operations, and ensuring cohesive efforts in tackling smuggling and tax evasion. The specialized RPU's have been formed to assist RIOs in investigating and controlling revenue leakage. These units focus on identifying and apprehending individuals involved in smuggling and other economic crimes, thereby safeguarding national revenue.

According to an official from RIO Butwal,

The deployment of APF, Nepal under the RIO has assisted significantly in house/area raid operations, patrolling of AORs, arrest of persons, confiscation of vehicles, and security of office, staff, alleged persons, controlled items and vehicles. The deployment of APF, Nepal has reflected into vast improvement in terms of security, support in revenue generation, credibility and accountability.

(Interview, 09 January 2025)

The deployment of APF, Nepal under the RIO has greatly supported operations such as area raids, patrolling, arrests, vehicle seizures, and ensuring the safety of offices, personnel, suspects, and confiscated items. This presence has led to notable improvements in overall security, revenue collection efforts, and has enhanced the credibility and accountability of enforcement activities.

The RIO Butwal has conducted various operations, registered cases and prosecuted for further actions in the last three years. The tabular representation of the performance of RIO, Butwal is shown below.

Table 4.3

Performance of Revenue Investigation Office, Butwal (in Rupees)

Titles	2080/081	2079/080	2078/079
Registered case on Revenue Leakage	135	59	84
Prosecuted case on Revenue Leakage	6	9	8
Bigo calculated on prosecuted case	395151368	360764307	475931572
Revenue collection from VCTS	13735000	6440110	5856644
Vehicle fined for violation of VCTS	167	85	113

Source: Revenue Investigation Office, 2081

Table 4.3 showcases the performance of the RIO Butwal in controlling revenue leakage over the past three fiscal years. The number of registered revenue leakage cases increased from 84 in 2077-78 to 135 in 2080/81, indicating enhanced surveillance and reporting. However, the number of prosecuted cases remained relatively low and inconsistent suggesting a gap between identification and legal action. The compensation calculated from prosecuted cases, remained consistently high, with the highest in 2078/79 at over NPR 475 million, pointing to the scale of leakage involved in a small number of cases. Revenue collection through VCTS steadily increased and the number of vehicles fined for VCTS violations also rose sharply, reflecting improved enforcement. Overall, the data suggests the office is becoming more effective in detecting revenue leakage.

Since the provision of RPUs under the supervision of RIO Butwal, there have been reflections in the enhancement of performance of RIO and the contributions can be showcased in a table as,

Table 4.4

Performance of Revenue Investigation Office, Butwal

Year	Contribution	Remarks
2077-78	1,64,57,449	
2078-79	10,25,000	
2079-80	NA	
2080-81	91,00,150	
2081-82	1,69,51,551	Till Magh

Source: Revenue Investigation Office, 2081/82

Table 4.4 shows significant fluctuations over the years. In 2077-078, revenue collection was 1.64 crores, but it dropped drastically to just 10.25 lakhs in 078-79, suggesting weak investigation efforts, administrative challenges, or fewer fraud cases identified. Data for 079-80 is unavailable, making trend analysis difficult. However, a strong recovery occurred in 2080-81 with 91 lakhs, and 081-82 (till Magh) saw further improvement to 1.69 crores, suggesting increased enforcement actions or successful investigations.

According to a participant from RPU Butwal during interview,

The collaboration between the RIO, Butwal and the RPU, Butwal has significantly enhanced revenue leakage control efforts in Rupandehi district by enabling more coordinated, timely, and targeted enforcement actions. Joint operations, including surveillance, vehicle checks, and market monitoring, have improved the identification and interception of smuggled goods and tax evasion cases. The Revenue Police Unit provides on-the-ground support and rapid response capabilities, while the Investigation Office handles legal procedures, case registration, and prosecution.

(Interview, 09 January 2025)

The partnership between the RIO, Butwal and the RPU, Butwal has greatly strengthened efforts to control revenue leakage in Rupandehi by allowing more efficient, well-coordinated, and focused enforcement actions. While the Revenue Police Unit ensures swift field-level support through surveillance, vehicle checks, and market inspections, the Revenue Investigation Office manages the legal aspects such as case filing, investigation, and prosecution.

Various operations have been conducted jointly by RIO, Butwal and RPU, Butwal. On 2080/07/15 at 1330 hrs, a joint team of 15 personnel comprising of 4 personnel from the RIO, Butwal and 11 personnel from the APF, Nepal RPU, Butwal conducted a raid at a house in Chhapiya Bazaar, Ward No. 4, Siyari Rural Municipality, Rupandehi. During the raid, the team seized illegally imported chocolates that had been smuggled from India without customs clearance and stored at the location. The estimated value of the seized chocolates was NPR 1,00,00,000. The confiscated goods were taken to the RIO, Butwal for further legal action.

On 2081/06/20 at 1720 hrs, a joint team consisting of four personnel from the RIO, Butwal, led by a Section Officer and eleven personnel from the APF, Nepal Security Base, Butwal, under the command of Assistant Sub-Inspector (ASI), conducted a raid at the warehouse of M.S. Clothing Store, located at old bus park of Butwal Sub-Metropolitan City-5, Rupandehi. During the raid, 29 sacks of clothing were found in the warehouse, seized, and taken to the RIO, Butwal, for further investigation. After completing the investigation, on 2081/08/02, the total value of the seized clothing, including fines and penalties, was determined to be NPR 50,000,00.

(d) Intelligence Sharing

In the context of revenue leakage control, intelligence sharing involves the exchange of financial, trade, and tax-related information among government agencies, customs departments, financial institutions, and international bodies. This collaborative approach helps detect and prevent tax evasion, smuggling, fraud, and other illicit activities that undermine government revenue and economic integrity (OECD, 2016).

The participants from DAO Rupadehi, APF, Nepal No. 27 Bn Rupandehi, and District Police Office, Rupandehi stated that

APF, Nepal and concerned agencies share information and intelligence for detection of tax evasion and fraud, combating smuggling, preventing money laundering and strengthening customs and tax compliance. However, there are challenges that APF, Nepal is facing with regards to legal and data privacy concerns, lack of coordination among agencies, corruption and insider leaks and technological gaps.

(FGD, 07 January 2025)

APF, Nepal works together with relevant agencies by exchanging information and intelligence to identify tax fraud, fight smuggling, prevent money laundering, and improve customs and tax enforcement. However, it faces several obstacles such as legal and data privacy issues, poor inter-agency coordination, corruption, insider information leaks, and limitations in technology.

According to a participant from NID,

APF, Nepal has been playing an important role in revenue leakage control of Rupandehi district. There is a good coordination and information sharing practice among the agencies. Intelligence led operations and real time data sharing can further enhance the performance of APF, Nepal in this regard.

(Interview, 06 January 2025)

The participant focused on the benefits of intelligence sharing and the need to further enhance the effectiveness of APF, Nepal as the real time data sharing can serve the purpose of

effective and efficient conduction of operations leading to successful operations and revenue leakage control.

A case study of 22 Kartik 2081 demonstrates how an intelligence led operation conducted by a joint team of RIO, Butwal and APF, Nepal, Revenue Police Unit was successful in confiscating smuggled goods from a residence in Mujhana, Ward No. 2, Lumbini Cultural Municipality, Rupandehi. The team confiscated 112 sacks of tax evaded sugar worth NPR 4,00,000. While transporting the seized items, approximately 150-200 local people blocked the road and started throwing stones at vehicles used by security personnel with the intent of looting the sugar. Following this incident, a coordinated effort was made by the team of DAO, No. 27 Bn HQs Rupandehi and RIO, Butwal that instantly dispersed the crowd and took situation under control.

However, the participants from local carriers, shopkeepers and a media during their interviews and stated that,

The intelligence sharing and coordination among the stakeholders in Rupandehi district is not appreciable and they do not collaborate well while fighting for the same cause and with the same issue. There are five checkpoints within a distance of around 1 km and the people have to take the burden at the cost of poor communication, coordination and intelligence sharing among the primary stakeholders.

(Interviews, 09 January 2025)

The statement focuses on the need to strengthen interagency coordination and Intelligence sharing for successful operations. Intelligence collection and sharing are fundamental in controlling revenue leakage globally. APF, Nepal focuses on interagency cooperation among customs, tax authorities, financial intelligence units, and law enforcement agencies for the purpose of revenue generation and revenue leakage control.

(e) Community Awareness and Engagement

Community awareness and engagement are pivotal in controlling revenue leakage, as they foster transparency, encourage compliance, and empower citizens to participate actively in governance. By educating the public about the importance of adhering to financial regulations and the detrimental effects of revenue loss, communities become more vigilant

and proactive in reporting irregularities. This collective vigilance helps deter activities such as tax evasion and smuggling, which are primary contributors to revenue leakage (Bhargava, 2015).

The participants from DAO Rupandehi and APF, Nepal No. 27 Bn Rupandehi stated that

Engaging local communities in Rupandehi district has proven effective in controlling revenue leakage. By actively participating in community engagement and awareness programs, APF, Nepal has significantly contributed to the prevention of activities that lead to revenue leakage. Their involvement ensures that communities are informed, vigilant, and cooperative in efforts to safeguard public resources.

(FGD, 07 January 2025)

Involving local communities in Rupandehi district has played a key role in reducing revenue leakage. Through awareness campaigns and community interaction, APF, Nepal has helped educate and mobilize the public to stay alert and support efforts to protect national revenue.

A participating BOP Commander of APF, Nepal during an interview further stated that

Initiatives like community awareness and engagement programs in border areas and scholarships for underprivileged children in APF schools under the scheme ‘APF, Nepal with Border Population’ highlight its commitment to community welfare. Border facilitation committees led by local representatives have further encouraged community participation, reflecting APF’s emphasis on people-centric security measures.

(Interview, 09 January 2025)

Programs such as awareness campaigns in border regions and scholarships for disadvantaged children in APF-run schools under the ‘APF, Nepal with Border Population’ initiative show the force’s dedication to community well-being. Additionally, the formation of border facilitation committees led by local leaders has boosted public involvement, showcasing APF’s focus on inclusive, community-based security approaches.

APF, Nepal conducts different Border Area Development Programs (BADPs), such as health camps, awareness programs, scholarships for underprivileged children, cleaning campaigns,

provide services through help desks during festivals (Belhiya, Kalidaha, and Bhagwanpur) and serves the people of border areas.

A participant from the civil society during an interview opined that

The border facilitation committee led by local representatives under the concept of BADP and ‘APF, Nepal with Border Population’ has brought APF, Nepal closer to the border population. People are being acquainted about the different socio-economic issues and the importance of revenues in developmental aspects of the country.

(Interview, 09 January 2025)

This indicates understanding local social and political dynamics is crucial for the successful implementation of resource management policies. These instances demonstrate that community engagement, coupled with robust inter-agency coordination, is essential for effective revenue leakage control in Rupandehi and across Nepal.

The findings of the study showed that the deployment of APF, Nepal has made a positive impact in the controlling revenue leakage in the district and that it has contributed significantly in boosting the national economy. Nevertheless, APF, Nepal faces several challenges demanding for some policy changes and implementation of the new strategies for enhancing its effectiveness in revenue leakage control efforts.

4.1.3 Enhancing Effectiveness of APF, Nepal

Enhancing the effectiveness of the APF, Nepal, in revenue leakage control is crucial for safeguarding the country’s economic interests and strengthening financial security. APF, Nepal plays a vital role in preventing smuggling, illegal trade, and customs evasion. However, challenges such as limited technological resources, coordination gaps among enforcement agencies, and evolving smuggling trends hinder optimal performance.

(a) Policy Reform

Policy reform refers to changes or improvements in existing laws, regulations, or government policies to address issues, enhance efficiency, promote economic growth, or achieve specific social, political, or economic objectives. The reforms can occur in various sectors, including

education, industrial security, trade, revenue sectors. Key aspects in policy reforms can include legislative changes, regulatory adjustments, or institutional reforms.

The participants from DAO, Rupandehi and APF, Nepal No. 27 Bn Rupandehi during FGD stated that

APF, Nepal operates under the Armed Police Act, 2001, which primarily focuses on internal security and disaster response. There is a lack of clear legal provisions defining APF, Nepal's role in revenue leakage control, leading to jurisdictional confusions. Policy reforms are necessary to enhance the APF, Nepal's role in revenue leakage control, particularly in the form of smuggling, under-invoicing, tax evasion, and illegal trade across Nepal's borders. For this, there should be an amendment in the Armed Police Act to give APF a legally defined role in revenue protection.

(FGD, 07 January 2025)

This implies that the absence of clear legal authority regarding its role in preventing revenue leakage, there is overlap and confusion with agencies like Customs, Nepal Police, and the DRI; hence, policy reforms, including amending the Armed Police Act, are needed to formally assign APF, Nepal a defined mandate in tackling revenue leakage.

Most of the participants (local representatives, local shopkeepers, businessperson and BOP commanders) during their interviews stated that

APF, Nepal should be given the jurisdiction of preliminary investigation regarding smuggling, illicit trade, and tax evasion in the border areas. The current legal provision of handing over the smugglers and smuggled goods that are apprehended and confiscated by APF personnel to other agencies without any preliminary investigation leads to confusions and discrepancies.

(Interviews, 10 January 2025)

The participants indicated that APF, Nepal needs to be authorized to conduct initial investigations into smuggling, illegal trade, and tax evasion activities occurring in border regions. The existing practice of transferring seized goods and apprehended smugglers to other agencies without conducting a preliminary inquiry creates confusion and inconsistencies in the enforcement process.

The Ministry of Home Affairs (MoHA) is yet to define clear jurisdiction and provide necessary legal authority to neutralize significant operational shortcomings. According to Chapter 4, article 24(2) of APF Act 2001, if an Armed Police officer has a reasonable ground to believe that an object prohibited by the prevailing laws is kept or a person involved in a crime is living in a house, place or vehicle of any place ... arresting the person involved in criminal activities and entrust local other police as soon as possible. The section 46(1) of Customs Act 2007 outlines that any employee of the customs office or other body shall promptly hand over the goods seized by that employee or body... to the customs officer in accordance with this Act.

Both the provisions in the acts emphasize for immediate handover of the apprehended persons or seized items. In the new proposed APF Bill 2081, Chapter 3 article 7 (Gha), it is stated that APF, Nepal will be deployed in customs security and provide assistance in revenue leakage control. In the article 8 (Ja), it is stated that seized smuggled goods, prohibited items as per prevailing laws, or illegal money of unknown sources from the international border area shall be taken under control and sent to the concerned authority for legal action as per the prevailing laws.

Also in the article 8 (Ta), APF, Nepal can apprehend individuals involved in illegal activities in the international border area, conduct searches and preliminary investigations, and send them to the concerned authority for legal action as per the prevailing laws. This provision will clarify the ambiguities and enhance operational capabilities. These provisions must be formalized in order to clarify and strengthen APF, Nepal's role in revenue leakage control.

(b) Expansion of Border Outposts

BOPs are strategic security installations established along national borders. They are manned by border security forces and serve as critical points for monitoring and regulating cross-border activities, including trade, immigration, and security enforcement. Border outposts play a crucial role in revenue leakage control by preventing illegal movement of goods across the border. These outposts play a vital role in preventing illegal trade, smuggling, and unauthorized movements. They serve as the first line of defense in detecting smuggling activities and enforcing customs regulations. By maintaining a constant security presence, these outposts help deter unauthorized trade and ensure lawful revenue collection for the state.

The participant from APF, Nepal Border Security Department stated during interview that,

There are a total of 922 entry points along the Nepal-India border, out of which 244 are being secured by BOPs of APF, Nepal. As per the units deployed for border security, the total required personnel are 20,940. However, currently, only 13,603 personnel are deployed, indicating a shortfall of 7,337, under the current structure.

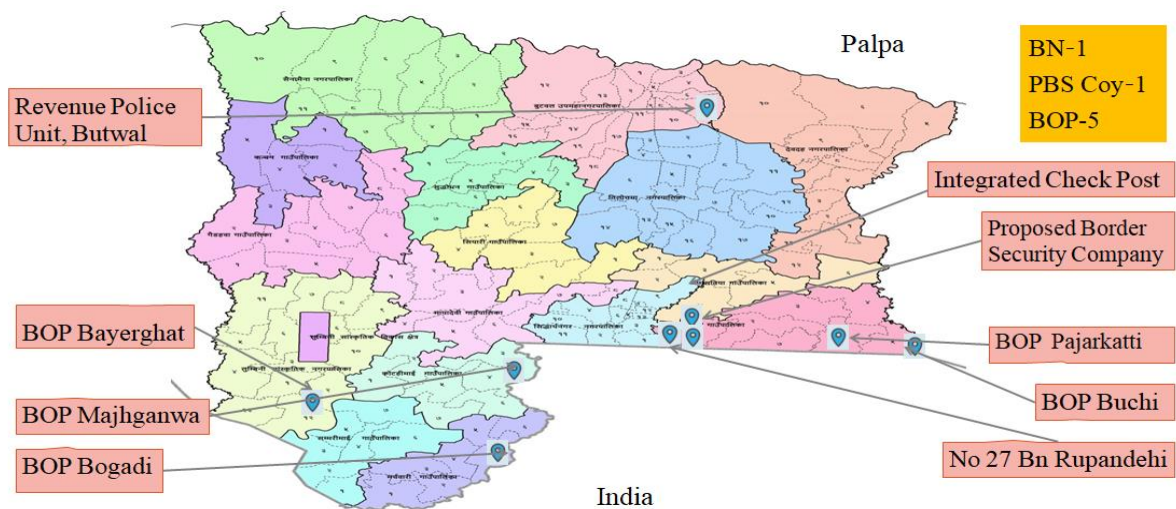
(Interview, 12 January 2025)

The statement means that APF, Nepal is responsible for guarding several entry points along the Nepal-India border, but they are only able to secure a portion of them due to limited resources. There is a significant shortage of personnel, which affects their ability to fully manage border security as per the current organizational structure.

The statement exerts that although the establishment of BOPs along the border is essential for enhanced border security including surveillance and monitoring, reduction in smuggling and strengthening intelligence sharing, the number of personnel and BOPs are not adequate to meet it objectives. The figure below shows deployment of APF, Nepal dedicated to border security and revenue protection in Rupandehi district.

Figure 4.2

Deployment of APF, Nepal along the Borderline of Rupandehi District



Source: APF, Nepal No. 27 Bn HQs Rupadehi, 2025

Figure 4.2 shows the deployment of APF, Nepal in Rupandehi district. A proposed Border Security Company and Five BOPs along the 70.2 km Nepal-India border and a Battalion as an operational and reserve unit makes it vulnerable to smuggling and other criminal activities. The deployment of RPU along with RIO Butwal has been a landmark in controlling revenue leakage in Rupandehi district.

The GoN has recognized the importance of strengthening border security and is dedicated to increase the number of APF, personnel and number of BOPs for enhancing security and controlling revenue leakage. There have been improvements regarding the construction of more BOPs along the border to enhance surveillance and control over cross-border activities but without additional number of personnel to be added, it will not yield expected outcomes in one way or the other.

The participant from APF, Nepal No. 27 Bn Rupandehi during FGD stated that

There are only 5 BOPs and one Proposed Border Security Company along the 70.2 km Nepal-India border of Rupandehi district. There are 2 major routes and 8 other border crossings. There are no restrictions or barriers along the border. The open border guarded by a few number of BOPs with limited number of personnel has made the border area vulnerable to smuggling, illicit trade and trans-border crime. Government must take initiatives to increase the number of BOPs and personnel for better surveillance, smooth intelligence collection and effective revenue leakage control.

(FGD, 07 January 2025)

The statement exerts that 5 BOPS in 70.2 km of the borderline gives each BOP an approximate AOR of up to 12 km each which is very difficult to cover with 15 to 20 personnel with no vehicles, technologies and very limited resources. It becomes almost impossible to conduct successful operations especially when the smugglers and criminals are using latest mode of transport and technologies for smuggling and other criminal activities. The deployment of APF, Nepal units dedicated to border security and revenue leakage control is shown in the figure below.

(c) Intelligence Collection and Sharing Mechanism

Intelligence sharing is crucial in controlling revenue leakage, as it enables concerned authorities to detect, prevent, and mitigate financial losses resulting from inefficiencies, errors, or fraudulent activities. By facilitating the exchange of critical information among stakeholders, intelligence sharing enhances transparency and collaboration, leading to more effective revenue management.

The participant from NID stated in an interview that “The authorities must focus on creating a robust real time data sharing mechanism and conducting intelligence led operations to minimize revenue leakage in the district; however there have been no any improvements so far.” (Interview, 05 January, 2025)

The participants from DAO, Rupandehi, APF, Nepal No. 27 Bn Rupandehi and NID during FGD opined that

There is a need of a robust intelligence sharing mechanism that enables authorities and businesses to detect fraudulent activities such as tax evasion, smuggling, and financial misreporting. By exchanging information among the agencies, APF, Nepal can identify suspicious patterns and prevent revenue loss.

(FGD, 07 January 2025)

While specific data on intelligence sharing in Rupandehi district is limited, these nationwide initiatives likely encompass districts like Rupandehi, especially given its proximity to major border points. The emphasis on interagency coordination and system integration reflects a rigorous effort to mitigate revenue leakage across the country.

There is a provision in article 137 of new APF Bill 2081 that APF, Nepal may secretly deploy informants in plain clothes as required to collect information necessary for maintaining peace and order, controlling border crimes and other offenses when deployed in international border areas and other sensitive regions. Although the bill is yet to be passed by the federal parliament, it is a way forward in the conceptual understanding of concerned authorities in emphasizing the importance of intelligence collection and sharing mechanism.

(d) Technology Adaptation

The integration of advanced technology is pivotal in controlling revenue leakage at international borders. Integrating advanced technologies such as surveillance systems, data analytics, automated monitoring can bolster APF, Nepal's capacity to detect and prevent activities that lead to revenue losses, such as smuggling, tax evasion, and customs fraud.

The participant from Proposed Border Security Company, Danda during FGD opined that

Currently there is a limited use of modern technology in border surveillance. Many BOPs rely on manual checks, making it easy for smugglers to operate undetected. Lack of CCTV surveillance, drone monitoring and automated tracking systems weaken APF, Nepal's ability to prevent revenue leakage.

(FGD, 07 January 2025)

At present, the use of advanced technology in border monitoring is minimal, with many Border Outposts (BOPs) still relying on manual inspections, which allows smugglers to avoid detection. The absence of tools like CCTV, drones, and automated tracking systems hampers APF, Nepal's effectiveness in preventing revenue leakage.

However, the participant from Customs Office, Bhairahawa stated that

The use of CCTV in the customs and main transit points has proven to be very effective in deterring the smuggling activities. The adoption of modern technologies such as drones, walk through gates and automated tracking system could definitely enhance the effectiveness of APF, Nepal in revenue leakage control.

(Interview, 09 January 2025)

Installing CCTV at customs and major transit points has been highly successful in discouraging smuggling activities. Incorporating advanced technologies like drones, walkthrough gates, and automated tracking systems would significantly improve APF, Nepal's ability to control revenue leakage.

The adoption of advanced technologies is essential for effective revenue leakage control at international borders. Enhanced surveillance systems, data analytics, AI, automated border control solutions, and specialized diagnostic services collectively contribute to more secure

and efficient border operations, ultimately safeguarding national revenues. The GoN must recognize the importance of utilizing technology to combat smuggling, corruption and enhance scrutiny at border points. Thus, APF, Nepal should implement Smart Border Surveillance using drones, AI-based tracking, and real-time data sharing.

(e) Training and Capacity Building

Effective training and capacity building are essential components in controlling revenue leakage at international borders. Enhancing the skills, knowledge and expertise of APF personnel can strengthen the ability to detect and prevent illicit activities that result in significant revenue losses. The participants from Customs Office, Bhairahawa, IRO, Butwal and RIO Butwal, during the FGD stated that

APF, Nepal personnel are trained primarily for security and counterinsurgency purposes and not financial crimes, trade fraud, or tax evasion. Without specialized knowledge, APF, Nepal struggles to detect complex smuggling techniques. Specialized training programs must be introduced in collaboration with customs and financial experts on financial crimes, trade fraud detection, and customs procedures.

(FGD, 07 January 2025)

Specialized trainings in customs regulations, identification of contraband items, and advanced investigative techniques will improve effectiveness in leakage control. APF personnel cannot control custom evasion that takes place within the custom procedures, but equipping them with necessary skills will ensure a more robust response to revenue leakage activities.

The participants from DAO, Rupandehi and APF, Nepal No. 27 Bn Rupandehi during interview opined that

Training and capacity building is necessary for APF personnel to enhance their operational capabilities. Trainings on the use of new technologies such as use of drones and detectors in surveillance and integrating it with enhanced intelligence capabilities would be a milestone concerning revenue leakage control of Rupandehi district.

(Interview, 06 January 2025)

Training and capacity building of APF personnel significantly enhance their operational capabilities in countering revenue leakage by equipping them with updated knowledge, specialized skills, and modern techniques for surveillance, inspection, and enforcement. Through targeted training programs, APF personnel can better understand customs laws, border security protocols, and smuggling trends, allowing them to identify and intercept illegal trade activities more effectively.

Capacity building also strengthens their coordination with other agencies such as customs, RIOs, and local administration, leading to more integrated and efficient operations. Furthermore, trained personnel are more capable of using technology like the VCTS and conducting intelligence-led operations, resulting in greater deterrence against tax evasion, under-invoicing, and unauthorized cross-border trade, ultimately reducing revenue leakage in the district.

(f) Resource Allocation

Effective control of revenue leakage at international borders is crucial for a nation's economic stability and security. The deployment of adequate human resources by security forces plays a pivotal role in monitoring and curbing illicit activities such as smuggling, tax evasion, and unauthorized trade, which directly impact revenue collection. Their success is heavily dependent on the availability and optimization of various resources such as human resources, technological resources, and financial resources.

The participants from DAO, Rupandehi and Customs Office, Bhairahawa during FGD stated that

APF, Nepal is doing its level best in terms of revenue leakage control despite lack of all sorts of resources such as human resources, technical resources and financial resources. The lack of resources has hindered the operational capabilities and effectiveness with regards to revenue generation and revenue leakage control.

(FGD, 07 January 2025)

From the above statement of the participants, it is obvious that the lack of resources has hindered the operational capabilities of APF, Nepal. Lack of financial resources hampers in the logistical, intelligence and capacity building approaches whereas lack of technological

resources directly hampers the operational capabilities of APF, Nepal. This leads to ineffectiveness and inefficiencies in the revenue leakage control activities.

The participant from APF, Nepal No. 27 Bn Rupandehi during interview stated that

Allocation of adequate resources is mandatory for enhancing operational effectiveness in the international border. APF, Nepal must be equipped with a level of essential resources such as adequate number of personnel and infrastructure, latest technologies in surveillance and monitoring and adequate financial resources for effective functioning of APF, Nepal.

(Interview, 06 January 2025)

The statement strictly focuses on making adequate resources available for enhancing operational capabilities of APF, Nepal. Adequate human, infrastructure, technology and financial resources can directly and indirectly make the functioning of the APF personnel efficient and effective in the mandated tasks.

(g) Community Engagement

Community awareness is a critical component in controlling revenue leakage, particularly in border areas where illicit activities such as smuggling is prevalent. Engaging local communities through awareness programs improves vigilance and collaboration, enabling residents to identify and report suspicious activities that may contribute to revenue loss. The involvement of security forces is crucial in enhancing community awareness that creates a collaborative environment where residents become vigilant and proactive in reporting suspicious activities, thereby aiding in the reduction of revenue losses (World Bank, 2020).

The participants from APF, Nepal No. 27 Bn Rupandehi during FGD stated that

APF, Nepal has been working in coordination with other stakeholders in addressing trans-border crimes, thereby promoting good governance and effective border management. By establishing mechanisms such as Border facilitation committees and organizing local meetings and maintaining trust and cooperation with border communities, APF, Nepal encourages them to report suspicious activities.

(FGD, 07 January 2025)

The statement means that APF, Nepal works closely with other organizations to address crimes that occur at the border, which helps improve border security and governance. By setting up committees, holding local meetings, and fostering trust with communities near the border, APF encourages residents to report any suspicious activities they notice.

The participant from Siddharthanagar Municipality responded that

Conducting community awareness and engagement programs will significantly assist the APF, Nepal in controlling revenue leakage by encouraging a sense of shared responsibility and alertness among local residents. Border communities are often the first to observe suspicious cross-border movements, and when educated about the negative impacts of smuggling and tax evasion on national development, they are more likely to report illicit activities. Such programs help build trust between the border population and APF, Nepal, encouraging greater cooperation and real-time information sharing.

(Interview, 09 January, 2025)

The statement reiterates that the importance of community awareness in revenue leakage control is diverse. Firstly, informed communities can serve as the first line of defense against illegal activities by monitoring and reporting anomalies. Secondly, awareness programs educate residents about the economic and social impacts of revenue leakage, cultivating a sense of shared responsibility in safeguarding local resources. Finally, such initiatives enhance trust and cooperation between the community and enforcement agencies, leading to more effective and sustainable revenue protection strategies.

(h) Strengthening Interagency Coordination

Interagency coordination in revenue leakage control refers to the collaboration among various agencies, including customs, border security forces, tax authorities, and financial intelligence units, to prevent tax evasion, smuggling, and other forms of illicit financial activities that lead to revenue loss. Effective coordination ensures effective enforcement, intelligence sharing, and regulatory compliance to minimize revenue leakage.

Interagency coordination can include intelligence sharing and data exchange, joint border patrols and inspections, policy harmonization and legal frameworks, cross-agency training

programs, etc. coordination and collaboration among APF, Nepal, Customs Office, RIO, IRO, Indian counterparts and other law enforcement agencies is crucial for improved information sharing and joint operations to control revenue leakage.

The participant from DAO, Rupandehi during interview stated that

There is a need to strengthen interagency coordination among the stakeholders, the law enforcement agencies, businesspersons, media, and the civil society in terms of intelligence sharing and collaborative approaches for the effective enforcement of revenue leakage control measures. The agencies should be able to conduct joint operations to deter smugglers and illicit traders. APF, Nepal generally conducts joint patrolling with SSB in the borders. However, intelligence and real time data sharing has not become effective enough, hindering operations in revenue leakage control.

(Interview, 06 January 2025)

The statement highlights the importance of collaboration among the stakeholders such as Nepal Police, customs officials, and local administration to strengthen law enforcement and border surveillance. Their continuous presence and active enforcement can deter illegal trade activities and significantly contribute to minimizing revenue loss in the district.

The participant from RIO, Butwal during interview stated that “RIO and Revenue Police Unit have the practice of information sharing and conducting joint operations to control revenue leakage and this has become very effective so far.” (Interview, 09 January 2025)

A participant (KI) during the interview however informed that

There is a lack of interagency coordination among the agencies in Rupandehi district. There are 5 checkpoints of different agencies within the distance of 1 km along the Belahiya-Butwal road due to which the local people, vendors and shopkeepers have a hard time doing the business and trade activities.

(KI, 08 January 2025)

The researcher also observed that there were 5 checkpoints of Customs Office, APF, Nepal, and Nepal Police within 1 km distance of the road section reflecting lack of coordination among the agencies.

In conclusion, APF, Nepal can collectively address the diverse challenges of revenue leakage through enhanced surveillance system, adequate resource allocation, technological integration, interagency coordination, proactive community engagement and intelligence-led operations. Such collaboration not only safeguards national revenue but also promotes transparency and efficiency within governmental operations.

4.2. Discussion

This section summarizes the discussion of major findings analyzed in the earlier chapters. The major forms of revenue leakage have been observed and identified as the significant cause of downturn of the economy of Rupandehi district and national economy as a whole. The findings of the study also assisted the analysis of areas of engagement of APF, Nepal and ways to enhance its effectiveness in revenue leakage control of Rupandehi district.

4.2.1 Major Forms of Revenue Leakage

Revenue leakage in Rupandehi district primarily occurs through tax evasion, tax avoidance, customs evasion, cross-border smuggling through illegal trade bypassing formal customs points, under-invoicing of goods, and corruption and collusion.

(a) Tax evasion: The findings of the study emphasize that tax evasion is a predominant form of revenue leakage in Rupandehi district, supported by both empirical data and existing literature. The FGDs involving officials from RIO Butwal and IROs highlighted widespread practices such as under-declaration of income, filing false returns, and maintaining dual accounting systems as common tactics of evasion. Similarly, KI from local representatives pointed to high tax rates as a driving factor, noting that the burden imposed by the government leads many businesses to resort to underreporting income to survive. An interview with a businessman further stressed the cultural normalization of tax evasion in the district, attributing it to complex tax systems, poor monitoring, and administrative inefficiencies.

These insights are validated by official statistics from FY 2079/80, where only 38.23% of taxpayers submitted income statements on time, while 34.02% failed to submit them at all, reflecting severe compliance issues. Additionally, a specific case of a biscuit industry falsely reporting a 14.60% loss and evading VAT worth NPR 74,67,658 illustrates the scale of such

malpractices. This aligns with scholarly assertions that tax evasion is not only a legal violation but a complex, multidisciplinary challenge (Sandmo, 2005).

Crocker and Slemrod (2005) explain that such evasion reflects systemic issues, including corruption and administrative weaknesses, which widen the tax gap. Khanal (2019) classifies the root causes into poor taxpayer compliance and institutional incapacity, while K.C. (2018) identifies Nepal's ambiguous tax laws and complex system as enabling factors. The prevalence of cases filed by the CIAA and RIO further underscores the systemic nature of tax evasion in Rupandehi. Collectively, the views from KIs, FGDs, and interviews, reinforced by literature and real cases, establish tax evasion as the leading contributor to revenue leakage in the district.

(b) Tax avoidance: The analysis of the findings highlights tax avoidance as a significant contributor to revenue leakage in Rupandehi district, even though through legal means. The FGD participants from RIO Butwal and IROs emphasized that taxpayers commonly engage in tax avoidance by utilizing legal provisions such as exemptions, deductions, and income exclusions to minimize their tax liabilities. Although these actions are lawful, they raise ethical concerns, especially when widely practiced. A businessman interviewed further pointed out that the Nepalese tax system is overly complex, with frequent policy changes and loopholes, which facilitate tax avoidance and contribute to revenue loss.

This complexity and lack of consistent interpretation create opportunities for individuals and businesses to manipulate the system. Real-life cases also underscore the impact of tax avoidance on revenue leakage, such as the CIAA filing against Tilotamma Municipality for failing to impose environment tax, resulting in a loss of NPR 2,63,150, and another case involving land revenue officials who failed to deposit capital gains tax and registration fees. Similarly, a group of 15 taxpayers across six IROs avoided compensation against insurance, leading to a revenue loss of over NPR 3.30 crore. These instances demonstrate that while tax avoidance operates within the legal framework, its widespread use significantly undermines revenue collection.

Khanal (2019) has distinguished tax avoidance from evasion by noting that avoidance is legal yet contributes to leakage through exploitation of loopholes and explained that it stems from complex tax systems and weak oversight. Slemrod & Gillitzer (2014) and OECD (2024) further confirm that although legal, tax avoidance can attract ethical scrutiny and weaken

public trust in fiscal governance. Collectively, the KI, FGD, interviews, and documented cases validate that tax avoidance, like evasion, is a major channel of revenue leakage in Rupandehi district.

(c) **Customs Evasion:** The insights from FGD, interviews and documented cases collectively stress customs evasion, particularly underreporting and misclassification, as a major cause of revenue leakage in Rupandehi district. The participant from the SiCCI during interview emphasized that importers frequently falsify the quantity and quality of goods due to ineffective monitoring mechanisms, making underreporting a dominant evasion tactic in the district. Similarly, another interview from Siddharthanagar Municipality noted that factors such as high tariff rates, complex tax systems, and corruption have encouraged such practices, although the introduction of ASYCUDA has somewhat reduced the problem. In contrast, a customs official during an FGD argued that revenue assurance has significantly improved with the integration of ASYCUDA and automated data systems, suggesting a systemic shift towards better monitoring.

However, real cases contradict this optimism. For instance, a mustard seed importer misused the customs subheading 1205.10 to evade NPR 55,61,000 in taxes and a misclassified bus import led to revenue loss of NPR 28,37,756 (OAG, 2024). Literature by Pangen (2018) further validates that customs evasion through under-invoicing, fake billing, and collusion with officials is a persistent issue in Nepal. Additionally, Shrestha (2023) highlighted customs evasion using fraudulent documents, such as gold being brought from Hong Kong under fake paperwork. These findings collectively affirm that despite some technological improvements, customs evasion, particularly through underreporting, continues to be a major source of revenue leakage in Rupandehi district.

(d) **Smuggling:** The findings of the study consistently attribute to smuggling as a major form of revenue leakage in Rupandehi district. Interview with Member of Parliament and local authorities revealed that both Nepali and Indian traders engage in illegal cross-border trade, causing economic and security threats. A participant from customs office Bhairahawa during FGD emphasized that the open border with India, combined with insufficient manpower, intelligence, and technological resources in the APF, Nepal has hindered the control of smuggling activities. This view was supported by the APF representative during KI, who described various techniques used by smugglers, such as concealing goods in vehicles and carrying them at night.

A local businessman pointed out that high customs duties and price differences between India and Nepal incentivize smuggling, which is supported by international data showing Nepal's comparatively high import duties (International Trade Administration, 2021). Furthermore, a local carrier highlighted the absence of functional customs offices across the border, making legal trade more difficult for locals. Observations by the researcher at the Fareni Bazaar near Meudihawa illustrated how smuggling is normalized through open weekly markets at the border, leading to substantial unregulated trade.

Data from APF No. 27 Battalion shows a rising trend in smuggling, with seizures peaking at NPR 92.8 million in 2080/81, while the Bhairahawa Customs Office reported smuggled goods and vehicles worth over NPR 60.8 million seized in ten and a half months (The Annapurna Express, 2024). These findings are validated by Bethencourt and Kunze (2018), who argue that high tax rates increase evasion by smuggling, and by Basu (2014), which defines smuggling as the illegal movement of goods to avoid customs. These testimonies, observations, and data reinforce that smuggling is a persistent and organized practice contributing significantly to revenue leakage in Rupandehi district.

(e) **Corruption and Collusion:** The findings from interview and documented cases collectively underscore that corruption and collusion are critical drivers of revenue leakage in Rupandehi district. Participants during KI from local authorities and media pointed out systemic irregularities across sectors including customs, infrastructure, and service delivery, where traders underreport goods and officials solicit bribes to expedite public services or manipulate project allocations. These qualitative insights are validated by the CIAA's 34th Annual Report for FY 2080/081, which documented highest number of complaints totaling to 1178 about corruption and abuse of authority in Rupandehi district. The report also documented 13 cases of revenue leakage and 48 corruption cases involving a range of stakeholders, from mayors and engineers to customs officials, amounting to more than NPR 1.14 billion in losses (CIAA, 2024).

In one notable example, traders imported aluminum profiles through Bhairahawa Customs using incorrect subheadings to evade duties worth over NPR 33.8 million, indicating collusion between traders and officials. The participants echoed that corruption within law enforcement and regulatory agencies reduces the effectiveness of anti-leakage efforts, allowing revenue evasion to flourish. These patterns are consistent with Transparency International's (2024) assessment that Nepal remains below regional averages in corruption

control, ranking 108th out of 180 countries in its CPI. Case examples, such as the arrest of local engineers and rural municipality officials for bribery, further substantiate that corruption permeates multiple levels of governance in Rupandehi (MyRepublica, 2023; The Kathmandu Post, 2023). Overall, the convergence of field data and official reports affirms that corruption and collusion are deep-rooted and institutionalized, making them one of the most damaging forms of revenue leakage in the district.

4.2.2 APF Engagements

The APF, Nepal plays a crucial role in addressing these issues by being deployed along the open border with India, conducting anti-smuggling operations, collaborating with agencies customs and RIO, intelligence sharing and community engagement. APF is actively engaged in patrolling border routes, detaining smuggled goods, monitoring suspicious vehicle movements, and supporting legal enforcement actions to control revenue leakage.

(a) Anti-smuggling Operations: The interviews, FGD, and field data collectively highlight APF, Nepal's strategic and evolving role in anti-smuggling operations as a means to control revenue leakage, particularly in collaboration with the Bhairahawa Customs Office. Interview with from APF, Nepal emphasized regular border patrols, intelligence-based raids, and 24-hour surveillance implemented under the 2024 Concept Paper on Border Foot Patrol. Custom Official during FGD stated APF, Nepal has been strategically operating to inspect vehicles, goods, and individuals for smuggled or undeclared items and conducting regular and intelligence-based raids in suspected smuggling routes, storage hubs, and warehouses.

These findings resonate with international practices. For instance, the U.S. CBP utilizes integrated patrols and agency coordination to combat smuggling and protect revenues (U.S. CBP, 2023), while Frontex, SSB and BSF mirror these efforts through targeted operations and technology-driven surveillance, with the BSF alone seizing goods worth INR 461.07 crore in 2024 (The Statesman, 2024). These parallels validate Nepal's model of interagency coordination, permanent and mobile checkpoints, and intelligence-led raids as effective methods for revenue protection. As literature suggests, coordinated enforcement and surveillance are key to tackling transborder smuggling (Storti & De Grauwe, 2011), and APF, Nepal's structured deployment reflects both local innovation and alignment with global anti-smuggling frameworks.

(b) **Support Custom Office:** The findings consistently highlight the significant role of APF, Nepal, in supporting customs office to control revenue leakage. Insights from the FGD revealed that the deployment of the APF Proposed Border Security Company at key trade route has enhanced trade facilitation and smuggling prevention efforts. This qualitative data is corroborated by the quantitative figures from Table 4.2, which demonstrate a steady rise in the value of confiscated smuggled goods from NPR 16.93 million in FY 2077/078 to over NPR 334 million in FY 2081/082, suggesting enhanced surveillance and proactive enforcement. Case studies of joint operations, such as the seizure of goods worth NPR 1.4 million in Siddharthanagar and NPR 1.28 million in Maryadpur, further substantiate the APF, Nepal's active collaboration with customs office.

These findings align with global literature; the WCO (2022) emphasizes inter-agency coordination and data-backed enforcement as crucial to preventing trade-related crimes. Comparative models, such as the coordination between SSB, India and customs agencies (The Statesman, 2024), also validate Nepal's approach. Collectively, the triangulated evidence from interview, FGD, and case records confirms that APF, Nepal's integrated enforcement strategy with Bhairahawa Customs has been pivotal in curbing revenue leakage in Rupandehi district.

(c) **Provision of Revenue Police Units:** The findings collectively highlight the significant role of RPU in enhancing revenue leakage control. The interview with RIO and RPU Butwal acknowledged the deployment of APF, Nepal as RPU has led to improved enforcement, support in field operations, and increased credibility in controlling smuggling and revenue fraud. This is substantiated by the upward trend in case registration and compensation recovery shown in Table 4.3, as well as the improved contribution figures in Table 4.4. RPU officer mentioned how joint efforts have allowed for better interception of smuggled goods, demonstrating the operational importance of these units.

The case studies from Chhapiya Bazaar and M.S. Clothing Store further validate the critical function of RPUs in real-time enforcement. Applying the similar model, U.S. CBP has emphasized the role of specialized border security units in its 2024–2028 strategy to curb transnational smuggling (CBP, 2023). Such provisions ensure timely response, integrated operations, and sustained pressure against revenue leakage (World Bank, 2020), aligning Nepal's enforcement structure with international best practices.

(d) **Intelligence Collection and Sharing Mechanism:** The findings present contrasting views on intelligence sharing in revenue leakage control. The interview with NID emphasized positive interagency coordination and recognized APF, Nepal's role in intelligence-led operations, suggesting that real-time data sharing could further enhance operational efficiency. The FGD supported this view, noting that APF, Nepal shares intelligence with other agencies to combat tax evasion and smuggling but also highlighted barriers such as lack of coordination, and technological gaps. In contrast, interviews with local stakeholders painted a critical picture, pointing out fragmented communication and weak cooperation among agencies, resulting in inefficiencies and public burden due to overlapping checkpoints and poor coordination

The 22 July 2081 case study demonstrates the effectiveness of coordinated, intelligence-led enforcement highlighting the benefits of such collaboration. These mixed accounts align with global literature as OECD (2016) advocate for real-time, cross-border intelligence sharing mechanisms. International best practices, including Australia's intelligence-sharing model (Kowalick et al., 2018) and centralized databases recommended by the World Bank (2020), illustrate how structured collaboration improves enforcement responsiveness. Therefore, APF, Nepal must prioritize strengthening intelligence-sharing frameworks through legal reforms, digital infrastructure upgrades, and trust-building among agencies to align with global standards and enhance its role in revenue leakage control.

(e) **Community Awareness and Engagement:** The findings collectively emphasize the significant role of the APF, Nepal in encouraging community awareness and engagement to control revenue leakage. The FGD highlights that APF, Nepal's proactive participation in community engagement programs has been crucial in reducing revenue leakage by promoting vigilance and cooperation among local residents. Similarly, the BOP Commander and a participant from civil society elaborated on initiatives like scholarships, health camps, and the formation of border facilitation committees under the schemes like 'APF, Nepal with Border Population', which have enhanced community involvement and trust in border security measures. These field-level insights are strongly supported by international literature, which highlight the importance of public participation, transparency, and education in improving public finance governance (Bhargava, 2015; OECD, 2022).

The Arvanitis & Raballand (2023) affirms that such community-based and participatory governance approaches have yielded positive results in other regions, aligning with Nepal's

experience. Furthermore, comparative international examples like Lebanon's community outreach campaigns reinforce the importance of direct engagement by security forces (Internal Security Forces, 2023). While these initiatives in Rupandehi demonstrate the effectiveness of APF, Nepal's people-centric strategies, both interviews and literature also acknowledge persistent challenges such as limited resources and inter-agency coordination gaps, which must be addressed to sustain and enhance the success of revenue leakage control efforts.

4.2.3 Strategies of Enhancing Effectiveness

To address the issues and challenges of revenue leakage control, enhancing the capabilities of APF, Nepal with policy reforms, expansion of its strength and number of BOPS, training and capacity building, technology integration, strengthening intelligence networks, enhancing inter-agency collaboration, conducting intelligence-led operations and implementing strict legal measures are essential.

(a) **Policy Reforms:** A comparative analysis of the findings highlights the need for policy reforms to clearly define and empower the role of APF, Nepal in revenue leakage control. During FGDs, it was emphasized that the Armed Police Act, 2001 lacks explicit provisions regarding revenue protection, resulting in jurisdictional confusion among APF, Nepal, Customs Office, Nepal Police, and the DRI. Interviews with local representatives, businesspersons, and BOP commanders further revealed that the requirement to immediately hand over apprehended smugglers and seized goods without conducting any preliminary investigation hampers APF, Nepal's operational efficiency and allows discrepancies in enforcement. These operational gaps are rooted in outdated legal provisions such as Section 24(2) of the Armed Police Act, 2001 and Section 46(1) of the Customs Act, 2007, which limit APF's authority.

In contrast, the proposed APF Bill 2081 introduces Articles 7 and 8, which aim to formalize APF, Nepal's role in customs security and grant authority for preliminary investigation, seizure, and transfer to concerned authorities, thus enhancing clarity and operational capability. International studies support this approach, noting that in regions like Southeast Asia and Eastern Africa, clearly defined interagency mandates and legal authority for border forces have led to more effective revenue protection and reduced institutional overlaps (OECD, 2016). Therefore, legal and institutional reforms are essential to align APF, Nepal's

mandate with the evolving challenges of border security and revenue leakage, ensuring better coordination and enforcement capabilities across agencies.

(b) **Expansion of Border Outposts:** The findings of the study demonstrate critical need for expanding BOPs and increasing number of personnel in APF, Nepal to effectively control revenue leakage. A participant from APF, Nepal Border Security Department during interview stated only 244 entry points being secured by BOPS out of 922 and emphasized on shortfall of 7337 personnel under the current structure. According to the FGD, limited number of BOPs with an AOR of around 12 km for each makes it impossible to monitor borders effectively or respond to cross-border crimes in time. Literature reinforces these findings by emphasizing the correlation between porous borders and significant revenue loss due to smuggling and tax evasion (Uprety, 2021).

Drawing from deterrence theory, enhancing the likelihood of detection and punishment through an increased BOP presence and staffing serves as a psychological and operational barrier to smugglers. The U.S. CBP case further illustrates the importance of adequate manpower, employing over 60,000 personnel to monitor borders, collect taxes, and enforce trade compliance effectively (Department of Homeland Security, n.d.). Without proportional increase in APF personnel and BOPs, the government's border security and revenue protection efforts risk underperformance. Therefore, the Government of Nepal must prioritize the expansion and fortification of BOPs and deployment of adequate human resources as a central strategy in border management and revenue leakage control.

(c) **Intelligence Sharing:** A comparative review of the findings highlights a strong consensus on the critical role of intelligence sharing in enhancing APF, Nepal's capacity to control revenue leakage. The interview with NID stressed the importance of establishing a real-time data-sharing system and conducting intelligence-led operations in Rupandehi to proactively curb revenue loss. This was reinforced by FGD where participants emphasized on urgent need for a robust intelligence sharing mechanism among tax authorities, law enforcement, and financial institutions to detect and prevent revenue-related crimes such as smuggling and tax evasion.

Article 137 of the proposed APF Bill 2081 empowers APF, Nepal to deploy informants for intelligence gathering, indicating need for covert operations and structured information exchange, though it awaits parliamentary approval. Garafalo (2024) emphasizes that

intelligence sharing significantly aids in detecting and mitigating financial leakages by encouraging interagency collaboration, while the World Bank (2020) advocates for coordinated intelligence exchange among customs, trade bodies, and regulators to combat tax evasion and illicit flows. Together, these insights stress that the GoN and APF, Nepal must prioritize building a formal, real-time intelligence sharing framework, focusing both legal provisions and technological platforms to safeguard national revenue.

(d) **Technology Adaptation:** A comparative analysis of the findings highlights a critical consensus on the need for technology adaptation in APF, Nepal to effectively control revenue leakage. Participant from APF, Nepal during FGD highlighted that most BOPs lack modern surveillance tools forcing reliance on manual checks that enable undetected smuggling. In contrast, interview from the Customs Office, Bhairahawa emphasized that the existing use of CCTV at major transit points has proven effective in deterring smuggling, and integrating advanced tools like drones and walk-through gates could significantly enhance APF's effectiveness.

These local insights align with international literature; for instance, the U.S. CBP reported saving over 70,000 hours of agent time through the deployment of surveillance towers, drones, and sensors, allowing for more strategic enforcement (Taylor & Laje, 2023). Cunningham, Davis, & Dohrmann (2018) emphasized the role of artificial intelligence and data analytics in detecting anomalies and preventing revenue fraud, with the latter suggesting potential savings of up to \$1 trillion globally. The Department of Homeland Security (n.d.) also supports this view, showcasing how advanced technology is central to modern border enforcement strategies. Therefore, the integration of technologies such as AI, drones, CCTV, and automated tracking into APF, Nepal's border operations is essential to bolster real-time monitoring, intelligence-led enforcement, and inter-agency coordination, thereby minimizing revenue leakages and enhancing border security.

(e) **Training and Capacity Building:** A comparative analysis of the findings reveals a strong consensus on the critical need for training and capacity building of APF, Nepal to effectively control revenue leakage. FGD participants noted that APF personnel are primarily trained for security operations and lack specialized knowledge in financial crimes, customs procedures, and trade fraud detection, which limits their effectiveness in identifying complex smuggling techniques. This concern is echoed in interview responses, which emphasized the

necessity of training in the use of modern surveillance technologies like drones and detectors, alongside intelligence enhancement, to bolster operational capacity.

Literature also supports this view, with the Asian Development Bank (2022) highlighting that border security forces often lack institutional exposure to trade-related offenses, while the Arvanitis & Raballand (2023) and OECD (2016) stress the importance of equipping personnel with technical and investigative skills to detect illicit trade. Furthermore, the Basu (2014) demonstrates that tools such as the VCTS and drone surveillance enhance interagency coordination and serve as deterrents to cross-border crime. These findings collectively emphasize the need for the GoN to invest in structured and specialized training programs for APF personnel to build a capable, tech-savvy, and collaborative force that can effectively combat revenue leakage.

(f) **Resource Allocation:** The findings of the study highlight the critical need for adequate resource allocation to APF, Nepal in controlling revenue leakage. Participants from DAO, Rupandehi, and Customs Office, Bhairahawa during the FGD emphasized that APF, Nepal faces operational inefficiencies due to lack of human, technological, and financial resources, which significantly hinder its ability to curb revenue leakage. Similarly, an interview participant from APF, Nepal stressed that essential resources like sufficient personnel, advanced technology, and financial support are mandatory for effective border operations.

Literature supports these assertions, with PricewaterhouseCoopers (n.d.) highlighting that inadequate staffing at border checkpoints leads to surveillance lapses, facilitating illegal trade and tax evasion. Furthermore, examples like the U.S. CBP's \$17.5 billion budget for fiscal year 2023 illustrate the importance of prioritizing border security in national budgets to ensure operational efficiency (DHS, 2023). These findings collectively emphasize that a strategic allocation of human, technological, and financial resources is essential to empower APF, Nepal to effectively fulfill its mandate of controlling revenue leakage at Rupandehi borders.

(g) **Community Engagement:** The findings of the study highlight the critical role of community awareness and engagement controlling revenue leakage. Participants from APF, Nepal during FGD stated that APF, Nepal has been working in coordination Border facilitation committees and organizing local meetings to maintain trust and cooperation with border communities to fight with trans-border crimes. Interview with participant from

Siddharthanagar Municipality emphasized the value of trust-building mechanisms to promote information sharing and vigilance among border residents. This aligns with the system theory, which advocates for integrated and coordinated efforts of all subsystems in this case, local communities and security forces for the functioning of the overall system.

The findings highlighted that communities, when properly informed, can act as the first line of defense against smuggling and tax evasion by identifying and reporting irregular cross-border activities. World Bank (2020) recognizes that community collaboration with enforcement agencies enhances the efficiency of anti-smuggling operations, while FEMA (2011) promotes the “Whole Community” approach, urging the inclusion of all societal segments to improve resilience and enforcement outcomes. These insights reveal the pressing need for APF, Nepal to strengthen its outreach and educational programs in border areas, ensuring that local populations are not only aware of the implications of revenue leakage but are also active partners in its prevention.

(h) **Strengthening Interagency Coordination:** The findings of the study highlight the urgent need for improved interagency coordination in revenue leakage control. While agencies like customs, RIO and Inland Revenue Office have shown effectiveness in joint operations, other key stakeholders like APF, Nepal have not been adequately integrated into these frameworks. The participant from DAO emphasized the importance of intelligence sharing and joint enforcement measures but noted significant gaps in real-time data exchange, which hinders effective operations. The existence of five separate checkpoints within 1 km, as observed and confirmed by a local shopkeeper (KI), further reflects duplication of effort and poor coordination.

Theoretical and empirical literature reinforces the need for coordination. System theory emphasizes that all involved agencies must function in harmony to prevent operational breakdowns. The IMF stresses that improved interagency cooperation and data sharing are critical to mobilizing tax revenues effectively in low-income countries (Akitoby, 2018). Similarly, McKinsey Global Institute points out that integrating technology across agencies through collaboration can significantly enhance the detection and control of leakages (McKinsey & Company, 2018).

Therefore, enhancing the effectiveness of APF, Nepal in controlling revenue leakage in Rupandehi District requires a diverse and comprehensive approach involving legal reforms,

institutional strengthening, and strategic investments. Policy reforms are crucial to clearly define APF, Nepal's role and empower its operations through updated legal mandates, while expanding BOPs and deploying adequate personnel will improve surveillance and deterrence. Integrating modern technologies such as drones, AI, and surveillance systems will enhance monitoring and enforcement capabilities, whereas intelligence sharing and interagency coordination are vital for timely and targeted intelligence led operation against illicit trade.

Furthermore, structured training and capacity-building programs will ensure APF personnel are well-equipped to tackle sophisticated financial crimes. Sufficient allocation of financial, technological, and human resources, alongside meaningful community engagement, will not only strengthen operational efficiency but also promote trust and vigilance among border populations. Together, these measures will contribute to empower APF, Nepal as a key stakeholder in revenue protection.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The thesis explores the critical role of the APF, Nepal in combating revenue leakage in Rupandehi District, a key economic and trade hub located along the open Nepal-India border. Revenue leakage, defined as the unlawful loss of government income through illicit trade, tax evasion, corruption, and smuggling, has emerged as a significant challenge hindering Nepal's economic development and public service delivery. The study is framed within Systems Theory and Deterrence Theory, emphasizing the need for interagency coordination, structured operational frameworks, and credible enforcement mechanisms to deter illegal activities.

Rupandehi District has witnessed significant instances of revenue leakage due to its strategic trade location and open border. Major forms of leakage include customs evasion, smuggling of goods, tax underreporting, and collusion between traders and officials. Despite efforts by government agencies such as the Customs Department and RIO, challenges such as administrative inefficiencies, resource limitations, and corruption persist. In response, APF, Nepal has taken a leading role, particularly in border monitoring, anti-smuggling operations, and providing support to customs authorities.

The research adopts a qualitative research approach involving KI, FGDs, and direct observations to gather insights from stakeholders including government officials, APF officers, customs officials, local businesspersons, and political representatives. The findings indicate that APF, Nepal's presence has significantly reduced illegal trade activities in the district. Their activities include surveillance, patrolling, raids, checkpoint monitoring, and coordination with customs. However, operational effectiveness is constrained by lack of resources, limited technology, inadequate intelligence, insufficient training, unclear mandates, and shortage of personnel.

The thesis highlights that although APF, Nepal is instrumental in revenue leakage control, their contributions are under-documented in academic and policy discourse. There is also a noticeable absence of localized empirical research addressing the specific forms of leakage

and APF, Nepal's tactical interventions in Rupandehi. Moreover, systemic issues such as limited interagency intelligence sharing, political interference, and public unawareness about tax compliance exacerbate the problem.

To strengthen the effectiveness of APF, Nepal, the thesis recommends key strategies such as expansion of BOPs, integration of surveillance technologies like drones and CCTV, institutional capacity building through training, improved interagency coordination, and community engagement. It emphasizes the need for policy reforms that clearly define APF, Nepal's mandate in revenue protection and promote intelligence-led operations.

The study fills a critical research gap by systematically analyzing the forms of revenue leakage, identifying the APF, Nepal's areas of engagement, and proposing actionable strategies for enhanced effectiveness in revenue protection. It contributes to the broader discourse on economic security in Nepal and provides valuable insights for policymakers to design robust frameworks for combating revenue leakage at both district and national levels.

5.2 Conclusion

Revenue leakage remains as one of the most pressing challenges in Nepal's economic development. This study was conducted to analyze the role of the APF, Nepal in revenue leakage control in Rupandehi district. This study clearly shows that revenue leakage continues to hinder the government's ability to generate the necessary funds for public services, infrastructure development, and national progress. Among the different forms of revenue leakage identified, smuggling, customs evasion, tax evasion, under-invoicing, misdeclaration of goods, and corruption were the most dominant. These issues are especially severe in Rupandehi due to its location along the open Nepal–India border, which facilitates the movement of illegal goods and provides opportunities for evading taxes.

One of the key findings of the study is the vital role played by the APF, Nepal in controlling revenue leakage. Their efforts in patrolling border areas, checking illegal activities, coordinating with customs and other law enforcement agencies, and seizing smuggled goods have had a significant impact in reducing leakages. The APF, Nepal's deployment along key trade routes and border points in Rupandehi has led to the interception of millions of rupees' worth of illegal goods, demonstrating their effectiveness as a frontline defense against revenue loss.

However, the research also uncovered many limitations that prevent the APF, Nepal from reaching its full potential. These include a lack of adequate human resources, poor infrastructure, insufficient technological tools, and limited intelligence-sharing mechanisms. The APF, Nepal is not granted clear legal authority to inspect goods after they leave customs, which significantly reduces their capacity to control post-customs revenue leakage. Their ability to operate independently and proactively is further restricted by outdated policies and inadequate coordination with other revenue and enforcement agencies.

The research strongly recommends institutional capacity building by providing adequate human, technological and logistical resources along with relevant and specific trainings. The integration and implementation of surveillance technologies, such as CCTV at key checkpoints, drone monitoring along open borders, and vehicle tracking systems can further strengthen its capabilities in revenue protection. The adoption of real-time intelligence sharing platforms among APF, Nepal, customs, and RIO can lead to more targeted and efficient intelligence-led operations. Improving inter-agency collaboration would allow the APF, Nepal to operate with greater efficiency and precision.

The study also emphasizes the need for clearer policies that empower APF, Nepal with well-defined roles in revenue protection, particularly in coordination with customs, revenue offices, and local governments. Effective revenue protection is a shared responsibility, and without seamless coordination, efforts are likely to be undermined. Furthermore, community engagement and public awareness about the impacts of revenue leakage can build local support and help in identifying suspicious activities.

Another significant aspect of the study is the importance of systemic reform. Applying Systems Theory, the study highlights that revenue leakage must be addressed holistically revenue protection involves multiple interdependent agencies including customs, revenue offices, police, judiciary, and local government. When one subsystem fails, such as customs lacking manpower or APF, Nepal lacking legal inspection rights, the entire system becomes vulnerable to leakage. Hence, strengthening one entity alone is not enough; a systems-based approach that ensures synchronized operations among all stakeholders is essential.

Furthermore, the Deterrence Theory supports the argument that APF, Nepal's effectiveness depends not only on physical enforcement but on increasing the perceived risk of detection and punishment for offenders. Smugglers and tax evaders are less likely to operate when

enforcement agencies demonstrate strong intelligence, rapid response, and operational credibility. Currently, APF, Nepal's limited technological capacity and intelligence coverage reduce this deterrent effect. When supported by deterrents like strong monitoring, timely punishment, and transparency, this system can collectively reduce the incentives for illegal trade and corruption.

APF, Nepal plays an indispensable role in minimizing revenue leakage in Rupandehi. With proper resources, technology, legal authority, and cooperation, their role can be significantly expanded. By addressing existing institutional and operational gaps, the government can boost the effectiveness of the APF in protecting national revenue. Strengthening their involvement is not just a matter of law enforcement, but a strategic investment in the country's economic stability and long-term development.

APPENDICES

Appendix “A”

(Refer to Page No. 37)

Key Informants:

SN	Participant	Age	Sex	Organization	Education
1	KI1	35-45	M	Local Shopkeeper	Higher Secondary
2	KI2	45-55	M	APF Personnel	Higher Secondary
3	KI3	40-50	M	Ward Office	University Education

Participants of Focused Group Discussion:

SN	Participant	Age	Sex	Organization	Education
1	FGD1	45-55	M	Siddharthanagar MP	University Education
2	FGD2	50-60	M	District Administration Office	University Education
3	FGD3	45-55	M	Customs Office Bhairahawa	University Education
4	FGD4	45-55	M	RIO, Butwal	University Education
5	FGD5	35-45	M	IRO, Bhairahawa	University Education
6	FGD6	35-45	M	District Police Office	University Education
7	FGD7	40-50	M	APF No. 27 Bn Rupandehi	University Education
8	FGD8	45-55	M	NID, Rupandehi	University Education
9	FGD9	45-50	M	SiCCN	University Education
10	FGD10	40-45	M	APF, Nepal (Danda)	University Education

Participants of Interviews:

SN	Participant	Sex	Age	Organization	Education
1	P1	M	35-45	Provincial Parliament	University Education
2	P2	M	35-45	Provincial Parliament	University Education
3	P3	M	45-55	Customs Department	University Education
4	P4	M	50-60	Siddharthnagar MP	University Education

5	P5	M	45-55	DAO	University Education
6	P6	M	45-55	Customs Office Bhairahawa	University Education
7	P7	M	35-45	RIO, Butwal	University Education
8	P8	M	35-45	APF No. 27 Bn Rupandehi	University Education
9	P9	M	40-50	District Police Office	University Education
10	P10	M	45-55	SiCCN	University Education
11	P11	F	40-45	Local inhabitant	Secondary
12	P12	F	35-40	Local inhabitant	Higher Secondary
13	P13	M	40-45	Local inhabitant	Secondary
14	P14	M	25-30	Local inhabitant	Higher Secondary
15	P15	M	40-45	Local inhabitant	Higher Secondary
16	P16	M	35-40	Shopkeeper	Higher Secondary
17	P17	F	25-30	Shopkeeper	Higher Secondary
18	P18	F	45-50	Shopkeeper	University Education
19	P19	M	35-40	Shopkeeper	Higher Secondary
20	P20	M	40-45	Shopkeeper	University Education
21	P21	F	35-40	Carrier	Higher Secondary
22	P22	F	25-30	Carrier	Secondary
23	P23	M	40-45	Carrier	Secondary
24	P24	F	40-45	Carrier	Higher Secondary
25	P25	M	25-30	Carrier	Secondary
26	P26	M	35-40	Media person	Higher Secondary
27	P27	M	35-40	Media person	University Education
28	P28	F	40-45	Media person	University Education
29	P29	M	35-40	IRO	Higher Secondary
30	P30	M	40-45	IRO	University Education
31	P31	M	40-45	Customs	Higher Secondary
32	P32	M	35-40	Customs	University Education
33	P33	M	40-45	Ward chairman	Higher Secondary
34	P34	M	35-40	Ward chairman	Higher Secondary
35	P35	M	40-45	Ward chairman	University Education
36	P36	M	45-50	Ward chairman	Higher Secondary

37	P37	M	40-45	Ward chairman	University Education
38	P38	M	35-40	Businessperson	University Education
39	P39	M	35-40	Businessperson	Higher Secondary
40	P40	M	25-30	Businessperson	University Education
41	P41	M	45-50	Civil society	University Education
42	P42	M	35-45	APF, Nepal (HQ)	University Education
43	P43	M	25-30	APF, Nepal (Bde HQ)	University Education
44	P44	M	30-35	APF, Nepal (No. 27 Bn)	University Education
45	P45	M	30-35	APF, Nepal (BOP Cdr)	University Education
46	P46	M	30-35	APF, Nepal (BOP Cdr)	University Education
47	P47	M	40-45	APF, Nepal (BOP Cdr)	Higher Secondary
48	P48	M	30-35	APF, Nepal (BOP Cdr)	University Education
49	P49	M	40-45	APF, Nepal (BOP Cdr)	University Education

Appendix “B”

(Refer to Page No. 37)

Informed Consent Form

Armed Police Force, Nepal in Revenue Leakage Control of Rupandehi District

Date (day/month/year)

I, (Mr./Mrs./Ms.)

..... hereby
have signed the consent to declare that:

- 1. Before signing the certificate of consent, I have been explained the objectives and methods of the study.
- 2. I have had the opportunity to ask questions about the study and any questions that I have asked have been answered to my satisfaction.
- 3. I have the right to withdraw from the study at any time if I feel uncomfortable.
- 4. The investigator will keep the information confidential, and my personal data will not be declared in any case except the academic purpose.
- 5. The investigator will provide additional necessary information about the study, if any.

I have read and understood the above information and provide consent voluntarily to participate as a participant in this research.

Signature/Fingerprint(Participant/informant)

Signature(Researcher)

(Pankaj Paudel)

Questions and Answers

1. What are the major forms of revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावटका मुख्य क्षेत्रहरू के के हुन्?
2. What factors contribute to customs revenue leakage in the Rupandehi district? रुपन्देही जिल्लामा भन्सार राजस्व चुहावटका मुख्य कारणहरू के के हुन्?
3. What major roles do APF, Nepal play in preventing revenue leakage in Rupandehi? राजस्व चुहावट रोक्न सशस्त्र प्रहरी बल नेपालले खेल्ने मुख्य भूमिकाहरू के हुन्?
4. What are the operational strategies used by APF, Nepal to combat revenue leakage in border areas? सीमावर्ती क्षेत्रमा राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपालले प्रयोग गर्ने विशेष रणनीतिहरू के के हुन्?
5. What are the main challenges faced by the APF, Nepal in controlling revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावट नियन्त्रण गर्दा सशस्त्र प्रहरी बल, नेपालले सामना गर्ने मुख्य चुनौतीहरू के के हुन्?
6. How is the coordination and collaboration between the APF, Nepal and other government agencies (e.g., customs, Nepal Police, and DAO) in controlling revenue leakage? राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपाल र अन्य सरकारी निकायहरू (जस्तै), भन्सार, नेपाल प्रहरी, र जिल्ला प्रशासन कार्यालयबीचको समन्वय र सहकार्य कस्तो छ (?)
7. How effective are the existing laws and policies in supporting the APF, Nepal's efforts against revenue leakage? राजस्व चुहावट विरुद्ध सशस्त्र प्रहरी बल, नेपालको प्रयासलाई समर्थन गर्ने विद्यमान कानून र नीतिहरू कतिको प्रभावकारी छन्?
8. What improvements are needed in the APF's strategies to better control revenue leakage? राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपालले अबलम्बन गरेका रणनीतिहरूमा के कस्ता सुधारहरू आवश्यक छन्?
9. How can the government or policymakers strengthen the APF Nepal's role in this area? राजस्व चुहावट नियन्त्रणमा सशस्त्र प्रहरी बल, नेपालले भूमिका बलियो बनाउन सरकार वा नीति निर्माणकर्ताहरूले के गर्न सक्छन्?

Questions and Answers

1. What are the major forms of revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावटका मुख्य क्षेत्रहरू के के हुन्?
2. What factors contribute to customs revenue leakage in the Rupandehi district? रुपन्देही जिल्लामा भन्सार राजस्व चुहावटका मुख्य कारणहरू के के हुन्?
3. What major roles do APF, Nepal play in preventing revenue leakage in Rupandehi? राजस्व चुहावट रोक्न सशस्त्र प्रहरी बल नेपालले खेल्ने मुख्य भूमिकाहरू के हुन्?
4. How do revenue leakage and smuggling activities affect legitimate businesses in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावट र तस्करी गतिविधिले वैध व्यवसायहरूलाई कसरी प्रभावित गर्छ?
5. What are the main challenges faced by the APF, Nepal in controlling revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावट नियन्त्रण गर्दा सशस्त्र प्रहरी बल, नेपालले सामना गर्ने मुख्य चुनौतीहरू के के हुन्?
6. What are the major challenges faced by businesses in complying with customs and revenue regulations? भन्सार र राजस्व नियमहरू पालना गर्न व्यवसायहरूले सामना गर्ने चुनौतीहरू के के हुन्?
7. What recommendations would you suggest to ensure fair trade and minimize revenue leakage? निष्पक्ष व्यापार सुनिश्चित गर्न र राजस्व चुहावटलाई न्यूनतम बनाउन तपाईंले के सुझाव दिनुहुन्छ?
8. How can the government or policymakers strengthen the APF Nepal's role in this area? राजस्व चुहावट नियन्त्रणमा सशस्त्र प्रहरी बल, नेपालले भूमिका बलियो बनाउन सरकार वा नीति निर्माणकर्ताहरूले के गर्न सक्छन्?
9. How do you coordinate with stakeholders, such as custom authorities, APF, Nepal and Nepal Police to address smuggling activities? तस्करी गतिविधिलाई निरुत्साहन गर्न भन्सार कार्यालय, एपीएफ, नेपाल, र नेपाल प्रहरी जस्ता अन्य निकायहरूसँग तपाईं कसरी समन्वय गर्नुहुन्छ?

Questions and Answers

1. What are the major forms of revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावटका मुख्य क्षेत्रहरू के के हुन्?
2. What factors contribute to customs revenue leakage in the Rupandehi district? रुपन्देही जिल्लामा भन्सार राजस्व चुहावटका मुख्य कारणहरू के के हुन्?
3. What role do local authorities play in controlling revenue leakage in the district? जिल्ला भित्र राजस्व चुहावट नियन्त्रण गर्न स्थानीय निकायहरूको के भूमिका हुन्छ?
4. Are there any community-led initiatives or programs to support anti-smuggling efforts? तस्करी विरुद्धको प्रयासलाई सहयोग पुऱ्याउन समुदायमा कुनै पहल वा कार्यक्रमहरू छन्?
5. What measures could enhance the role of local authorities in combating revenue leakage? राजस्व चुहावट नियन्त्रणमा स्थानीय निकायहरूको भूमिका थप प्रभावकारी बनाउन कस्ता उपायहरू अपनाउन सकिन्छ?
6. How do you evaluate the role of APF, Nepal in controlling smuggling and illegal trade? तस्करी र अवैध व्यापार नियन्त्रणका लागि सशस्त्र प्रहरी बल, नेपाल बाट प्रयोग गरिएका वर्तमान विधिहरूको प्रभावकारिता तपाईं कसरी मूल्यांकन गर्नुहुन्छ?
7. How can the government or policymakers strengthen the APF Nepal's role in this area? राजस्व चुहावट नियन्त्रणमा सशस्त्र प्रहरी बल, नेपालले भूमिका बलियो बनाउन सरकार वा नीति निर्माणकर्ताहरूले के गर्न सक्छन्?
8. How do you coordinate with stakeholders, such as custom authorities, APF, Nepal and Nepal Police to address smuggling activities? तस्करी गतिविधिलाई निरुत्साहन गर्न भन्सार कार्यालय, एपीएफ, नेपाल, र नेपाल प्रहरी जस्ता अन्य निकायहरूसँग तपाईं कसरी समन्वय गर्नुहुन्छ?
9. How do you evaluate the effectiveness of measures applied by APF, Nepal in controlling smuggling and illegal trade? तस्करी र अवैध व्यापार नियन्त्रणका लागि सशस्त्र प्रहरी बल, नेपाल बाट प्रयोग गरिएका वर्तमान विधिहरूको प्रभावकारिता तपाईं कसरी मूल्यांकन गर्नुहुन्छ?

Questions and Answers

1. What are the major forms of revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावटका मुख्य क्षेत्रहरू के के हुन्?
2. What factors contribute to customs revenue leakage in the Rupandehi district? रुपन्देही जिल्लामा भन्सार राजस्व चुहावटका मुख्य कारणहरू के के हुन्?
3. How does smuggling or revenue leakage affect your daily life and the local economy? तस्करी वा राजस्व चुहावटले तपाईंको दैनिकी र स्थानीय अर्थतन्त्रलाई कसरी प्रभाव पार्छ?
4. What is your perception of the effectiveness of the APF, Nepal in controlling illegal trade? अवैध व्यापार नियन्त्रण गर्न सशस्त्र प्रहरी बल को प्रभावकारिताप्रति तपाईंको धारणा के छ (एपीएफ)?
5. Have you observed any collaboration between local communities and law enforcement agencies to address smuggling? तस्करी रोक्न स्थानीय समुदाय र कानून कार्यान्वयन निकायहरूबीच कुनै सहकार्य भएको देखिएको छ?
6. What challenges do you face in reporting suspicious activities related to revenue leakage? राजस्व चुहावटसँग सम्बन्धित शंकास्पद गतिविधिहरू रिपोर्ट गर्न स्थानीय बासिन्दाहरूले केकस्ता चुनौतीहरू सामना गर्छन्?
7. How do you evaluate the role of APF, Nepal in controlling smuggling and illegal trade? तस्करी र अवैध व्यापार नियन्त्रणका लागि सशस्त्र प्रहरी बल, नेपाल बाट प्रयोग गरिएका वर्तमान विधिहरूको प्रभावकारिता तपाईं कसरी मूल्यांकन गर्नुहुन्छ?
8. How can the government or policymakers strengthen the APF Nepal's role in this area? राजस्व चुहावट नियन्त्रणमा सशस्त्र प्रहरी बल, नेपालले भूमिका बलियो बनाउन सरकार वा नीति निर्माणकर्ताहरूले के गर्न सक्छन्?
9. What recommendation would you provide to improve the transparency and accountability of revenue protection efforts? राजस्व संरक्षण प्रयासहरूको पारदर्शिता र जवाफदेहितामा सुधार गर्न तपाईं के सुझाव दिनुहुन्छ?

Appendix “G”

(Refer to Page No. 37)

APF, Nepal in Revenue Leakage Control of Rupandehi District**Focused Group Discussion Questions**

1. What are the major forms of revenue leakage in Rupandehi district? रुपन्देही जिल्लामा राजस्व चुहावटका मुख्य क्षेत्रहरू के के हुन्?
2. What factors contribute to customs revenue leakage in the Rupandehi district? रुपन्देही जिल्लामा भन्सार राजस्व चुहावटका मुख्य कारणहरू के के हुन्?
3. What major roles do APF, Nepal play in preventing revenue leakage in Rupandehi? राजस्व चुहावट रोक्न सशस्त्र प्रहरी बल नेपालले खेल्ने मुख्य भूमिकाहरू के हुन्?
4. What are the operational strategies used by APF, Nepal to combat revenue leakage in border areas? सीमावर्ती क्षेत्रमा राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपालले प्रयोग गर्ने विशेष रणनीतिहरू के के हुन्?
5. How is the coordination and collaboration between the APF, Nepal and other government agencies (e.g., customs, Nepal Police, and DAO) in controlling revenue leakage? राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपाल र अन्य सरकारी निकायहरू (जस्तै), भन्सार, नेपाल प्रहरी, र जिल्ला प्रशासन कार्यालयबीचको समन्वय र सहकार्य कस्तो छ (?)
6. How effective are the existing laws and policies in supporting the APF, Nepal’s efforts against revenue leakage? राजस्व चुहावट विरुद्ध सशस्त्र प्रहरी बल, नेपालको प्रयासलाई समर्थन गर्ने विद्यमान कानून र नीतिहरू कतिको प्रभावकारी छन्?
7. What improvements are needed in the APF’s strategies to better control revenue leakage? राजस्व चुहावट नियन्त्रण गर्न सशस्त्र प्रहरी बल, नेपालले अबलम्बन गरेका रणनीतिहरूमा के कस्ता सुधारहरू आवश्यक छन्?
8. How can the government or policymakers strengthen the APF Nepal’s role in this area? राजस्व चुहावट नियन्त्रणमा सशस्त्र प्रहरी बल, नेपालले भूमिका बलियो बनाउन सरकार वा नीति निर्माणकर्ताहरूले के गर्न सक्छन्?

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