



# Financial investigations in a cash economy



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Despite the increasing use of digital payment methods, cash is still king in many economies – including criminal economies. It remains the most-used payment option across Africa, the Middle East and Latin America, and accounted for over USD 7.6 trillion in consumer expenditures throughout 2022. That’s a challenge when investigating financial crimes. How can you “follow the money” without records of bank transfers, debit or credit card payments, or digital wallet transactions?

This Quick Guide explains the specific challenges involved in conducting financial investigations in a cash economy. It outlines how law enforcement can use traditional investigative methods to successfully uncover the financial affairs of a suspect.

## No paper trail and other challenges

The primary objective of a financial investigation is to “identify and document the movement of money during the course of criminal activity”.

That is why financial investigations in an economy where financial transactions are conducted in cash can be demanding. Since money is physically exchanged without a formal intermediary, there are limited or no records by which to “identify and document” the transactions. Hence cash transactions can easily be used to conceal illicit activities, such as money laundering or tax evasion.

Apart from the lack of a paper trail, law enforcement must also deal with:

- **Difficulty in ascertaining income or expenses:** Where businesses and individuals operate on a cash-only basis, it is difficult to be sure of their income or expenses. It is very easy for someone to under- or overreport income and expenses, and hard to prove they have done so.
- **Limited forensic accounting tools:** Standard forensic accounting techniques focused on analysing data may not be effective in a cash-based economy, where there is little financial data to analyse.
- **Difficulty in identifying beneficial owners:** Assets like real estate and vehicles registered in the names of proxies and acquired using cash may be difficult to connect to the “real” (beneficial) owner.

## What’s the impact?

Faced with these circumstances, many investigators resort to collecting just enough evidence to prove the offence committed (e.g. bribery), without going after the assets connected to the crime.

This leaves corrupt and criminal individuals and their associates to enjoy their criminal proceeds.

## How traditional investigative methods can help

Here are practical ways in which law enforcement officers can successfully investigate a suspect’s finances even in a cash economy:

1. **Conduct interviews:** Gather information from key individuals, including business owners, employees and customers. Such information might help you identify assets belonging to your suspects or indicate an extravagant lifestyle that does not match their lawful income.

2. **Use surveillance:** Surveillance on the suspect themselves may reveal unregistered assets bought with cash that the suspect is enjoying (properties, cars etc.), excessive lifestyle expenditures, or locations where the suspect stores cash or is attempting to insert it into the digital financial system. If the suspect runs a cash intensive business for the purpose of laundering funds (e.g. a restaurant or petrol station), surveillance will allow investigators to assess whether the amount of customers the business has reflects its reported income.
3. **Conduct searches:** You will discover a significant volume of information that can be obtained through (physical) searches. Documents such as title deeds, car registration and sales agreements, perhaps in the names of third parties, can be found and connected to your suspect and often to hard cash. And if the suspect does not keep their money in the financial system, they will need to keep it somewhere else – perhaps in their home?
4. **Analyse physical records:** Review documents you may obtain through searches: sales receipts, invoices, sales agreements, land titles or utility bills connected to different properties linked to the suspect. What was bought, and where is the object now? Who made the purchase? Even if documents are in the name of a third party, as long as they were found in the possession of your suspect, you can trace them to uncover the beneficial owner of a particular asset. Analysing business records and receipts may also reveal if a business is accurately reporting their income.
5. **Gather intelligence:** A lot of information can be obtained through open-source intelligence (OSINT). A search on social media, in online directories or other public information databases can reveal helpful details on your suspects, their families and associates. For instance, a social media post of your suspect or a close family member on a holiday, when followed up, might connect the cost of the trip to your suspect.
6. **Profile your suspect and their associates:** Profiling your suspect and their network might provide you with information about their finances. Are they buying expensive vehicles or property, and living in a luxurious way that can't be explained by their lawful income? Information on your suspect's partner, children, close relatives and friends might reveal that your suspect is hiding ownership of assets using their names.
7. **Engage with other authorities:** Collaborate with law enforcement, tax authorities, financial intelligence units or other relevant agencies that can share intelligence on your suspect. This might reveal helpful information such as tax returns, assets owned or interest in any asset or business your suspect has.

8. **Use indirect methods of proof:** Even if a suspect doesn't leave a paper trail, you can still use indirect methods to examine their income and expenditure. Techniques such as cash flow analysis, net worth analysis, and source and application of funds analysis can help to investigate and prove unreported, concealed or unlawful income. Make use of the illicit enrichment provision in your legislations.
9. **Ascertain the value of a suspect's assets:** Criminals will often spend or invest the proceeds of their crimes in many forms, for example by constructing or renovating properties (and paying for work in cash) or through purchasing valuable or rare objects. Obtaining a professional valuation will help you to ascertain the amount of money involved.
10. **Check for non-traditional financial transactions:** Few people only use cash. Mobile money services and cryptocurrencies are increasingly popular in many cash economies. Has your suspect used a mobile money service to pay a utility bill – allowing you to connect them with a property? Is there evidence of a crypto wallet that may have been used to launder cash? The information can be obtained through search or forensic analysis of their devices.
11. **Investigate cross-border and remittance networks:** It is very easy to transfer money across borders using cross-border payment methods such as international money transfer services, cryptocurrencies or Hawala banking. As some of them are not properly regulated, criminals use them to move proceeds of crimes. During investigations, especially during a search, be alert to evidence of cross-border remittances and follow up on these leads.

## **Beyond law enforcement techniques**

By employing the outlined strategies, investigators can have a better chance of identifying and documenting the movement of money linked to criminal activity.

But it's not only about law enforcement techniques. Conducting effective financial investigations in a cash economy requires a deep understanding of local business practices, industry knowledge and specialised skills.

Governments can also support law enforcement by regulating the use of cash, for example by setting a threshold for cash purchases of high-value assets.

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