# Impact of International Migration on Household Behavior in Nicaragua

Impact of International Migration on Household Behavior in Nicaragua
This paper looks at the effects of income from international migration on household behavior in the communities of origin. It uses a household 9-year panel dataset from Nicaragua to investigate the effect of income of Nicaraguan migrants to the US and Costa Rica on employment and investment decisions made by households in the sending communities during the 1990s. Using variation in wages at the migrant's destination for identification, it finds that migration income increases the probability of employment of household heads, the effect being stronger for poorer households. This result indicates the value of the empirical identification strategy employed, as it contrasts sharply with those found in earlier literature which did not control for endogeneity of international remittances. With regard to investment decisions, the paper finds that migration income increases the probability of business ownership of households when the head is not a migrant. On the other hand, when the household head is a migrant the effect is negative on business ownership and positive on real estate ownership. Hypotheses interpreting these results are proposed and their validity assessed based on the empirical evidence.