Working Papaer No. 414

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Lina Cardona Carlos Medina

We assess whether international remittances affect Colombian household?s expenditure composition and demand of education. We exploit the migratory wave that took place on late 90s due to one of the deepest crises in Colombian history, along with institutional barriers to migration, to identify the effect of remittances on expenditure composition. The empirical exercises find a positive effect over education, beneficiary households expending about 10% of total expenditure more in education than non beneficiaries. In addition although no effect was found on enrollment rates, we found an important effect on the probability of attending a private, rather that a public, educational institution. Such effect is on average 24% for individuals 5-30 years old, 50% for those attending secondary education, and 40% for those attending higher education. On the other hand, effects over consumption, investment and health expenditure, are nil. Finally, we find important effects of remittances on living standards of beneficiary households.

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.