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Sticky cost behavior in very small, small, medium and large sized firms in Greece

Stavros E. Arvanitis¹ and Theodoros V. Stamatopoulos²

Recently published studies as far as the cost behavior confirm that business cost increases more with increasing activity than it is reduced when the activity decreases. In this paper we investigate the research hypothesis “if there is asymmetric or sticky cost in the activity of a sample of 10,095 Greek not listed companies during the period 2002-2011”. For the total sample we have found evidence supporting the sticky cost hypothesis for operating costs, selling, general and administrative (SG&A) costs while we rejected it for the cost of goods sold. In particular, the operating cost increases by 0.88% per 1% increase in sales but it decreases by only 0.85% per 1% reduction. The relative estimations for the SG&A costs’ behavior are 0.49% and 0.42% respectively. In addition, the asymmetric cost behavior found statistically and economically significant just for the sub-samples of small and medium sized enterprises. Conversely, large sampled firms verified the research hypothesis of sticky cost only in the case of cost of goods sold. Time effects and firm specific as well as industry specific characteristics of the national economy found significant in the interpretation of the asymmetric business cost behavior. The lack of behavioral sticky cost studies in the case of non-listed SMEs makes difficult the comparison of our findings with other ones. However, the evidence presented in this paper is consistent with relative previous investigations which though have been concerned with listed firms.

Key words: sticky cost, asymmetric cost, small and very small firms, medium and large size firms, not listed firms.

JEL classification: D22, D24, M21.

¹ Corresponding author: Assistant Professor Stavros H. Arvanitis, [Crete Institute of Technology \(T.E.I. of Crete\)](#), S.M.E., Dept. of Accounting and Finance, [MSc Accounting and Auditing](#). Estavromenos, 71004 Heraklion, Crete, Hellas. Tel. +30-2810-379674. Email. starvan@staff.teicrete.gr.

² Associate Professor Theodoros V. Stamatopoulos, [Crete Institute of Technology](#), -T.E.I. of Crete-S.M.E., Dept. of Accounting and Finance, [MSc Accounting and Auditing](#). Estavromenos, 71004 Heraklion, Crete, tel. +30-2810-379601, fax. +30-2810-379625, and [University of Piraeus, Dept. of Maritime Studies](#), Hellas. Email. stamth@staff.teicrete.gr.