

INSIDER TRADING FROM THE PERSPECTIVES OF JUSTICE AND VIRTUE ETHICS

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Abstract

Justice is about the moral choices which respect the measure of the people's rights, but in the respect of virtue ethics, it emphasizes the character of the moral agent, rather than rules or consequences. The purpose of the study is to investigate the insider trading which is about buying or selling of securities on the basis of material, non public information, with ethical judgements as justice and virtue ethics from the perspectives of Business Administration Students. The data will be collected by different scenarios which reflect the insider trading in the stock market. The results show that insider trading should be analyzing according to the condition of this perspectives in order to find out that is ethical or unethical.

Key Words: Insider trading, Business ethics, Justice and Virtue Ethics

ADALET KAVRAMI ve ERDEM AHLAKI AÇISINDAN İÇERİDEN ÖĞRENENLERİN TİCARETİ

Özet

Adalet, bireylerin haklarına ilişkin ölçümleri yansıtan ahlaki seçimler iken; erdem ahlaki, sonuçlara veya kurallara nazaran ahlaki davranan/davranacak bireyin karakterini yansıtmaktadır. Araştırmanın amacı, işletme öğrencilerinin perspektifi nezdinde adalet ve erdem ahlaki açısından öğrenenlerin ticaretini araştırmaktır. Araştırmaya ilişkin veriler, sermaye piyasasında içeriden öğrenenleri yansıtan farklı senaryolar ile toplanmıştır. Sonuçlar göstermektedir ki, öğrenenlerin ticaretinin etik olup olmadığına karar verebilmek için bu teorilere ilişkin durumlar çerçevesinden bakılmalıdır.

Anahtar Kelimeler: İçeriden Öğrenenlerin Ticareti, İş etiği, Adalet ve Erdem Ahlakı

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1. Introduction

Having all of the public information about companies which is traded in capital markets is essential for investors and smoothly working capital markets. The main function of capital market is to transfer funds efficiently between borrowers and lenders and so to process the allocation of capital². In this process, the prices of stocks are main indicator of investors' assessment of companies' past performances and future prospects have an important role in this transaction. For this reason having any non-public information about the company provides crucial advantage of its owner. Since people at such a position may use the information to generate gains at the expense of other investors³, insider trading and its regulation so important for market operation.

2. The Nature of Insider Trading

Insider trading refers to buying or selling of securities on the basis of (inside) information that is material and not publicly available⁴. As inside information is privileged, price sensitive and material non-public information⁵, prior knowledge of the information that will affect prices of the securities and investment decisions of capital market investor when publicly announced⁶. The information can be obtained from large number of sources from which such private information can be used unfairly for financial or other gain⁷.

Insider is any individual or group that is able to possess crucial, unpublished information about the company and trading on securities to make profit or a loss⁸. Status of the insider is not important so the trader has extended its scope from corporate insiders to any person such as temporary insiders or constructive insiders who gain crucial information indirectly from such managers or directors⁹.

² J.P. Krahen ve diğerleri, "Insider Trading and Portfolio Structure in Experimental Asset Markets With a Long-Lived ", **The European Journal of Finance**, 1999, Vol. 5, s. 29.

³ Krahen ve diğerleri, **a.g.m.**, s. 29.

⁴ Panagiotis Lekkas, "Insider Trading and the Greek Stock Market", **A European Review**, Vol. 7, No 4, 1998, p. 193, Lawrence M. Ausubel, "Insider Trading In A Rational Expectations Economy", **The American Economic Review**, 1990, Vol. 80, No. 5, s. 1023, Julian Du and Shang-Jin Wei, "Does Insider Trading Raise Market Volatility?", **The Economic Journal**, 2004, 114, s. 919, Peter-Jan Engelen and Luc Van Liedekerke, "The Ethics of Insider Trading Revisited", **Journal of Business Ethics**, 2007, Vol. 74, No 4, s.498, Elizabeth Szockyj-Gilbert Geis, "Insider Trading Patterns And Analysis", **Journal of Criminal Justice**, 2002, Vol. 30, No 4, s. 273.

⁵ Ako Doffou, "Insider Trading: A Review of Theory and Empirical Work", **Journal of Accounting and Finance Research**, Vol. 11, No 1, 2003, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1028898, [Accessed 21.04.2010]

⁶ John Elliott ve diğerleri, "The Association Between Insider Trading and Information Announcements", **The RAND Journal of Economics**, Vol. 15, No. 4, 1984, p. 528, Meral Varış Tezcanlı, **Insider Trading and Market Manipulation**, Istanbul:IMKB, 1996, p.9.

⁷ Phillip Anthony O'Hara, "Insider Trading In Financial Markets: Legality, Ethics, Efficiency", **International Journal of Social Economics**, 2001, Vol. 28, No 10/11/12, s. 1047.

⁸ Tezcanlı, **a.g.m.**, s. 9, Engelen and Liedekerke, **a.g.m.**, s.499.

⁹ Engelen and Liedekerke, **a.g.m.**, s.499, Ausubel, **a.g.m.**, s. 1024, O'Hara, **a.g.m.**, s. 1047.

Corporate insiders can include directors or officers of the corporation or major shareholders, those who have managerial positions in the company, are assumed to have superior information about the company's future prospects, unavailable to the investing public and the current shareholders¹⁰. However, temporary insiders or constructive insiders can refer to outside auditors, lawyers, investment bankers who are temporarily retained by the corporation but have access to material non-public information¹¹ or persons who have a contractual or supply linkage to such a firm, such as those who print annual reports or stockbrokers who may unintentionally gain an information advantage or they can refer to managers' or directors' friends, family members, or close but to external business associates¹².

Portfolio diversification and liquidity adjustment, corporate control, sentimental reasons¹³ and also because of changes in wealth, preferences, and consumption opportunities can be the reasons for insiders to trade stock. Unlike other investors, insiders have access to price sensitive and material information and may trade to realize the benefits of that information especially for the second category¹⁴.

Although it is generally associated with illegal conduct, insider trading term actually includes both legal and illegal conduct¹⁵. According to Securities and Exchange Commission's (SEC) definition, "Legal insider trading is when corporate insiders—officers, directors, and employees—buy and sell stock in their own companies and when corporate insiders trade in their own securities, they must report their trades to the SEC". On the other hand, illegal insider trading is defined by the SEC as "Illegal insider trading refers generally to buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, while in possession of material, nonpublic information about the security. Insider trading violations may also include "tipping" such information, securities trading by the person "tipped," and securities trading by those who misappropriate such information"¹⁶.

Insider trading was first regulated and restricted by the Securities Act of 1934 to insure a "fair and honest market" so the USA were the first major country that place restrictions on insider trading¹⁷. Before the 1934 Act, insider was able to

¹⁰ Du and Wei, **a.g.m.**, p. 917, Yulong Ma and Huey-Lian Sun, "Where Should the Line Be Drawn on Insider Trading Ethics?", **Journal of Business Ethics**, 1998, Vol. 17, No 1, s. 68.

¹¹ Du and Wei, **a.g.m.**, s. 917.

¹² O'Hara, **a.g.m.**, s. 1047.

¹³ Ma and Sun, **a.g.m.**, s. 68.

¹⁴ Elliott ve diğerleri, **a.g.m.**, s. 522.

¹⁵ Securities and Exchange Commission (SEC), 'Insider Trading', <http://www.sec.gov/answers/insider.htm>, [Accessed 20.04.2010]

¹⁶ SEC, 'Insider Trading', <http://www.sec.gov/answers/insider.htm>, [Accessed 20.04.2010]

¹⁷ Mary B. Curtis and Julius Mwangi, "Insider Trading from the Internal Auditor's Perspective", <http://www.theiia.org/research/research-reports/chapter-sponsored-research-list/>, [Accessed 20.4.2010], p. 2, Antonio Bernardo, "Contractual Restrictions On Insider Trading: A Welfare Analysis", **Economic Theory**, 2001, 18, s. 7, Robert W. McGee, "Applying Ethics to Insider Trading", **Journal of Business Ethics**, 2008, Vol. 77, No 2, s. 207, Utpal Bhattacharya and Hazem Daouk, "The World Price Of Insider Trading", **The**

buy and sell securities of their own corporations using private information with no legal restriction¹⁸. The USA have the most comprehensive anti-trading laws, the most severe requirement on information disclosure, and the strictest enforcement to deal with fraud and manipulation in the securities markets and the definition and regulation of illegal insider trading in the USA evolves over time in response to concerns about the effect of insider trading on public confidence¹⁹.

France established an insider trading law in 1967 as a second country and other countries followed them slowly. The UK, Japan, Australia and parts of Asia have generally similar legislation to USA²⁰. The European Union (EU) passed a directive that required all member countries to pass legislation prohibiting certain kinds of insider trading by 1992 and any country that wants to join the EU must also have an insider trading law on the books²¹.

In May 1992, Capital Market Law (CML) established a direct and explicit article considering insider trading, manipulation and disclosure approved by the Parliament in Turkey. In this statement includes five conditions²²:

- Insiders are identified individually and specifically,
- Individuals with price sensitive information should have traded for the advantage of themselves or their relatives,
- The equilibrium of equal information principle among the market participants should not be damaged by the usage of inside information,
- Individuals who have material information should have made a profit or eliminated a loss after such a trading and
- The information should be non-public information.

The set of activities that are defined as insider trading and illegal under a national law or regulation and the penalties allowed by laws in (different) countries can vary from country to country. However, main aim of the regulation is to create secure, transparent and stable functioning markets and to protect the rights and benefits of the investor since insiders have more advantage in unregulated environment as outsiders have not the same private value-relevant information. Insiders can use their privileged information to have *four types of unfair advantage*²³:

Journal Of Finance, 2002, Vol. LVII, No. 1, s. 81-84, Anthony Boardman ve diğerleri, "The Effectiveness of Tightening Illegal Insider Trading Regulation: The Case of Corporate Takeovers", **Applied Financial Economics**, 1998, Vol 8, s.520.

¹⁸ J. Carr Bettis ve diğerleri, "The Effectiveness Of Insider Trading Regulations", **Journal of Applied Business Research**, 1998, Fall, Vol. 14, No, 4, s. 54.

¹⁹ Du and Wei, **a.g.m.**, s. 919; Ma and Sun, **a.g.m.**, s. 69; Bettis ve diğerleri, **a.g.m.**, s. 55.

²⁰ McGee, **a.g.m.**, s. 207; O'Hara, **a.g.m.**, s. 1049.

²¹ McGee, **a.g.m.**, s. 207.

²² Tezcanli, **a.g.k.**, s. 83.

²³ Bettis ve diğerleri, **a.g.m.**, s. 56; O'Hara, **a.g.m.**, s. 1050; Steven E. Kaplan ve diğerleri, "Ethical Norms Of CFO Insider Trading", **Journal of Accounting Public Policy**, 2009, Vol. 28, Issue 5, s. 389.

If the nonpublic information is `good news` the insider can profit by *buying more stocks* or *holding stock* that was otherwise would have been bought since the information likely to effect positively the stock price.

If the nonpublic information is `bad news` the insider can benefit by *selling stock* to unaware trades or *refraining from purchasing stock* that otherwise going to be bought.

Portfolio diversification and liquidity adjustment, corporate control, sentimental reasons, desiring to capitalize on private information about firm's performance before its disclosure to investor²⁴ and also changes in wealth, preferences, and consumption opportunities are the main reasons for insiders to trade stock. Especially for the second category, it is important to have access to price sensitive and material information and insiders may trade to realize the benefits of that information²⁵.

Therefore insider trading in stock market is crucial for the interest of the financial community which bears the gains or damages and can demoralize investors and destabilize investment due to insider trading²⁶ and for the general public which gets the spillover result²⁷. In parallel with its importance for capital market, business literature contains many researches which studies aspect of insider trading on financial markets and insider trading ethics due to the fact that insiders take advantage of nonpublic information. In the literature, there are arguments for and against insider trading.

The main arguments against insider trading include envy and the labor theory of value, the "it's just not right" argument, asymmetry information, the fairness argument, the fraud argument, the fiduciary duty argument and the misappropriation argument²⁸.

The main arguments for insider trading are the executive compensation argument, the efficiency argument and the rights-based argument²⁹.

²⁴ Shijun Cheng ve diğerleri, "Insider Trades and Private Information: The Special Case of Delayed-Disclosure Trades ", **The Review of Financial Studies**, 2007, Vol. 20, No 5, s. 1833, Ma and Sun, **a.g.m.**, s. 68

²⁵ Elliott ve diğerleri, **a.g.m.**, s. 522.

²⁶ E, Mine Çınar, "The Issue of Insider Trading in Law and Economics: Lessons for Emerging Financial Markets in the World", **Journal of Business Ethics**, 1999, Vol. 19, No 4, s. 345, Kaplan ve diğerleri, **a.g.m.**, s. 387.

²⁷ Çınar, **a.g.m.**, s. 345.

²⁸ Robert W. McGee, "Analyzing Insider Trading from the Perspectives of Utilitarian Ethics and Rights Theory", **Journal of Business Ethics**, 2009 Vol. 91, No 1, O'Hara, 2001; Çınar, 1999; Lekkas 1998; Stephen M. Bainbridge, **Insider Trading, Encyclopedia of Law and Economics**, <http://encyclo.findlaw.com/5650book.pdf>, [Accessed 20.04.2010], Hayne E. Leland, "Insider Trading: Should It Be Prohibited?", **The Journal of Political Economy**, 1992, Vol. 100, No. 4

Bainbridge, 2000; Leland, 1992; Doffou, 2003; Bernardo 2001; Engelen and Liedekerke, 2007, Patricia H. Werhane, The Indefensibility of Insider Trading", **Journal of Business Ethics**, 1991, Vol. 10, No 9.

²⁹ McGee, 2009; O'Hara 2001, Bainbridge, 2000; Due and Wei, 2004; Mervyn King ve diğerleri, "Insider Trading", **Economic Policy**, 1998, Vol. 3, No. 6, Lekkas, 1998; Leland, 1992.

3. Ethical Arguments against Insider Trading: Virtue Ethics and Justice

The paper critically focused on the principal ethical arguments against insider trading. The arguments fall in to two main ethical theories: Justice and Virtue Ethics.

Virtue ethics makes foundational the qualities of ones character which are manifest in ones actions. A virtue-based ethic cultivates through experience, reflection, understanding and judgment a way of living a good life in social domains³⁰. Essentially, for virtue ethics, a good act is good because it results from a good character that is intrinsically going to perform an action in line with one or more virtues. The goodness of the act is not a result of the intended outcome³¹.

Ethical virtues, on this account, pertain to human character³². Character traits include virtues and vices like courage, cowardice, honesty, dishonesty, benevolence, malevolence, friendliness, unfriendliness, as well as certain other traits like friendliness or talkativeness³³. They are constituted by well entrenched dispositions or traits to deliberate and make decisions in accordance with correct reason, as well as to reliably act in appropriate ways and to be properly affected in desire and feeling. In order to get all of these things right, something which is the distinguishing mark of a fully virtuous agent?³⁴

The practice of moral virtue, or doing what the virtuous person would do, is conducive to attaining moral ideals in that moral ideals can be thought of as the attainment of the state of having the relevant virtue. From this it follows that moral agents have a duty on an occasional basis over time to do what is conducive to attaining moral ideals³⁵.

Virtue ethics proposes that, if we take the information turn, we do best to start where we are instead of positing external and information-impooverished points of view as foundational³⁶.

Organizational justice refers to an employees' subjective perception of fairness in allocation of resources as well as rewards or punishments made by organization.³⁷

³⁰ Graham McBeath,-Stephen A. Webb, "Virtue Ethics and Social Work Being Lucky, Realistic and, not Doing Ones Duty", **British Journal of Social Work**, 2002, 32, s. 1018.

³¹ Graham McBeath,-Stephen A. Webb, "Virtue Ethics and Social Work Being Lucky, Realistic and, not Doing Ones Duty", **British Journal of Social Work**, 2002, 32, s.1020-1021.

³² Frans, Svensson, "Virtue Ethics and the Search for an Account of Right Action", **Ethic Theory Moral Practice**, 2010, 13 s. 256.

³³ Gilbert, Harman, Virtue Ethics and the Fundamental Attribution Error, **Meeting of the Aristotelian Society**, 1999.

³⁴ Frans, Svensson, "Virtue Ethics and the Search for an Account of Right Action", **Ethic Theory Moral Practice**, 13,2010, p. 256.

³⁵ Gregory F, Mellema,,Moral Ideals and Virtue Ethics, **J Ethics**,2010, 14, s.176-177.

³⁶ Richard Volkman, "Why Information Ethics Must Begin With Virtue Ethics", **Journal Compliation**, 2010,390.

Organizational justice has been examined by three components: Distributive justice, procedural justice and interactional justice³⁸. Distributive justice refers to fairness in the allocation of a set of outcomes to a defined circle of recipients, and the primary concern in most distributive justice research is reactions to pay injustices. Procedural justice, on the other hand, refers to fairness in the means by which decisions or outcome distributions are made³⁹. Interactional justice is viewed as a distinct construct of justice and emphasizes the quality of the interpersonal treatment people receive in the implementation of procedures⁴⁰.

4. Research Methodology

4.1. Purpose of the study

The purpose of the study is to investigate the insider trading which is about buying or selling of securities on the basis of material, non public information, with these two theories as justice and virtue ethics from the perspectives of Business Administration Students in Yıldız Technical University. Because, principal ethical arguments (that is virtue ethics and justice in this research paper) show that the practice (insider trading) is moral or immoral.

4.2. Limitations of the study

The sample of the study is relatively small. It should be consisting of more other business administration students by reflecting of culture of their universities. Also, in the scale, there were only two cases to determine the insider trading. Because, it is so difficult to fit the scenarios quite well related with insider trading.

4.3. Hypotheses

Developed hypotheses in this study are showed below:

H1: There will be statistical differences among students' perceptions about insider trading in the justice perspective.

H2: There will be statistical differences among students' perceptions about insider trading in the virtue ethics.

Also, some demographic variables were used to show the differences among students' perceptions.

³⁷ Yi-Jung Chen, Cheng-Chen Li, Yu-Chuan Tung, Yuan-Ta Ko, Associations of Organizational Justice and Ingratiation with Organizational Citizenship Behavior,: The Beneficiary Perspective, **Social Behavior and Personality**, 2008,36,3, s. 291.

³⁸ Mahmut, Özdevecioğlu, "Algılanan Örgütsel Adaletin Bireylerarası Saldırgan Davranışlar Üzerindeki Etkilerinin Belirlenmesine Yönelik Bir Araştırma", **Erciyes Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi**, 2003, 21, s. 77-96.

³⁹ Jody Clay Warner, Jeremy Reynolds, ve Paul Roman, "Organizational Justice and Job Satisfaction: A Test of Three Competing Models", **Social Justice Research**, 2005, Vol. 18, No. 4, s. 393.

⁴⁰ RH Moorman, "Relationship Between Organizational Justice and Organizational Citizenship Behaviors: Do Fairness Perceptions Influence Employee Citizenship?", **Journal of Applied Psychology**, 1991, 76, s. 845-55.

H3: There will be statistical differences among students' perceptions about insider trading according to gender.

H4: There will be statistical differences among students' perceptions about insider trading according to class.

4.3. Method

4.3.1. Participants

Students of business administration undergraduate degree at Yıldız Technical University in Istanbul are the sample for the research. Table 1 exhibits the summary of demographics as gender, age, class and tenure.

Table 1: Demographic characteristics of sample

Demographic variables			
	Frequency		Frequency
Gender		Class	
Women	87	1	23
Men	65	2	60
Age		3	46
Under 20	10	4	21
20-25	139	Tenure	
26-30	3	Under 1 year	4
		1-5 year	10
		6 and above	1

The sample for this study was drawn from the business administration students of Business Administration Department of Yildiz Technical University in Istanbul (n=142). A majority of the respondents is women. Most of the respondents are in second class. In terms of working experience, 10 have at least 1-5 years of working experience.

2.4.1. Measures

In the research model there are mainly two variables. Those are;

- Ethical judgments (Virtue ethics and organizational justice)
- Insider Trading

Two different scenarios were developed by the researchers and in each scenario type of insider trading was manipulated. Each scenario includes two alternatives each of them representing different ethical theories. Participants were asked to rate if they agree with the insider trading on a 4 point scale and 1 means "never" and 4 means "too much likely".

2.4.2. Data Analysis

Data was analyzed with SPSS software. Reliability analysis was done for insider trading. For the demographics frequency distributions, means and standard

deviations were calculated. Testing the hypothesis, t-test and Anova were used for testing the hypotheses.

3. RESULTS

3.1. Reliability analysis of the study

For the reliability analysis of the scale used in this study, the most frequently used Cronbach alpha coefficient was examined. As Cronbach alpha coefficient of the scale in this study is higher than the commonly accepted .50-.60 for social sciences as shown in Table 2.

Table 2: Reliability analysis scores for insider trading (Scenario 1 and Scenario 2)

Insider Trading(Scenario1)	Cronbach Alpha Value
Virtue Ethics	,527
Justice	,676
Insider Trading(Scenario2)	
Virtue Ethics	,562
Justice	,623

According to Virtue Ethics, Cronbach alpha value of insider trading was determined as ,527, according to justice perspective, it was performed as ,676 in scenario 1. And also, According to Virtue Ethics, cronbach alpha value of insider trading was determined as ,562, according to justice perspective, it was performed as ,623 in scenario 2.

Table 3: Descriptive Statistics

	Mean	Std. Deviation
Insider Trading(Scenario1)		
Virtue Ethics	2,57	1,08
Justice	3,48	,93
Insider Trading(Scenario2)		
Virtue Ethics	2,58	1,02
Justice	3,25	1,05

According to the results of the descriptive statistics, mean and standard deviation for the insider trading from the perspective of virtue ethics, were found as 2,57 and of justice perspective were found as 3,48 in Scenario 1. According to the results of the descriptive statistics, mean and standard deviation for the insider trading from the perspective of virtue ethics, were found as 2,58 and of justice perspective were found as 3,25 in Scenario 2. This result indicates that respondents accepted mostly to the “likely” and “more likely” alternatives for both scenarios. Mean scores of virtue ethics are lower than scores of justice, because, related item with virtue ethic show that “Performing this action is moral, if the intention is to reach wellness and goodness”.

3.2. Test of Hypotheses

As it explained before, research hypotheses are summarized below in Table 4.

Table 4: T-Test Results

Scenario-1					
Virtue Ethics	N	Mean	Standard Deviation	t- value	p-value
Man	65	2,53	1,09	-,592	,555
Women	87	2,64	1,07		
Justice	N	Mean	Standard Deviation	t- value	p-value
Man	65	3,56	,88	1,007	,308
Women	87	3,41	,98		
Scenario-2					
Virtue Ethics	N	Mean	Standard Deviation	t- value	p-value
Man	65	2,4	1,07	-2,161	,032
Women	87	2,75	,94		
Justice	N	Mean	Standard Deviation	t- value	p-value
Man	65	3,15	1,06	-,1,279	,203
Women	87	3,37	1,01		

According to the result of the t test and under the estimation of variance equality, p values were found as >0,05 except virtue ethics according to gender in Scenario-2. Perceptions of men students were higher than women students’.

Table 5: One Way ANOVA Results

Scenario-1					
Virtue Ethics	N	Mean	Standard Deviation	F value	p-value
1.Class	23	2,34	1,07	,664	,575
2.Class	60	2,60	1,04		
3.Class	46	2,73	1,18		
4.Class	21	2,57	1,02		
Justice	N	Mean	Standard Deviation	F value	p-value
1.Class	23	3,17	1,15	1,837	,155
2.Class	60	3,40	1,02		
3.Class	46	3,69	,72		
4.Class	21	3,57	,81		
Scenario-2					
Virtue Ethics	N	Mean	Standard Deviation	F value	p-value
1.Class	23	2,26	1,05	1,089	,356
2. Class	60	2,63	1,05		
3.Class	46	2,71	,95		
4.Class	21	2,60	,94		
Justice	N	Mean	Standard Deviation	F value	p-value
1.Class	23	3,08	,99	1,026	,383
2.Class	60	3,30	1,10		
3.Class	46	3,45	,95		
4.Class	21	3,28	1,09		

According to results of the One-way Anova analysis, p values were found as $> 0,05$. It was showed that there wouldn't be any differences among student's perceptions according to class dimensions for both scenarios.

4. CONCLUSION

Insider trading may be legal, but it may not be moral in some cases. It should be looked from the perspectives of certain ethical theories to discuss which forms of insider trading are legal and which are illegal. Insider trading in the stock markets has been of interest to social scientist as well as the legal community. The issue is important both in terms of ethics and of damages and also benefits of insider trading. Some researchers could determine as its beneficial, other researchers accept that it is unethical. So the purpose of this study is to analyze the often discussed issue of insider trading.

There are also lots of discussion in the moral perspectives on insider trading, but this discussion focus on only some dimensions of business ethics as deontology or teleology, cultural relativism, ethical egoism, rule theory, etc. Deontology theory provides that the wrong of interfering with autonomous choice cannot be corrected by benefits to society, even by benefits to the person who is wrong. In previous study, we determined the insider trading from the perspectives of Utilitarian and Kant's ethic. Although, different people gave different definitions of immorality of insider trading, we found the similar results with this current study.

In this study, it is aimed to show the determining the ethical perspectives of insider trading by analyzing in two different ethical theories in two scenarios: Virtue Ethics and organizational justice. Is it right or wrong, is it ethical or unethical.

Principal ethical arguments as virtue ethics and organizational justice approach against insider trading show that the practice is unethical according to perceptions of business administration students. It shows that there is something wrong and it can be accepted as unethical situation according to the some cases. As it explained in its definition, it is an illegal activity interferes with the free market. Supported by the results, in this study, conclude that it can be evaluated as an unfair activity in some circumstances.

According to results of the study about the differences between to demographic variables as class and gender, there weren't significant differences of student's perceptions about insider trading from the perspectives of ethical theories as virtue ethics and organizational justice, but there is only one significant value in differences. Man students consider that insider trading is unethical from the perspectives of virtue ethics according to women students.

For further research, the sample could be determined from the employees to better understand the nature of insider trading in stock market. Because, there is less empirical analysis in the survey of insider trading with the perspectives of people who work in actively, also scenarios should be evaluated for some cases related with insider trading circumstances.

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