

ETHICAL ORIENTATION AND PERSONAL BENEFIT IN INSIDER TRADING

Sekar Akrom Faradiza; Ratna Listiana Dewanti

Universitas Teknologi Yogyakarta
Jl. Ringroad Utara, Jombor, Sleman, Yogyakarta
sekar.akrom@gmail.com

ABSTRACT

Most of people think insider trading is an unfair activity because the parties that involved have unequal information. In a certain condition, unequal information used in a transaction is a fraud. The BAPEPAM's act have regulated that insider trading is illegal. Nevertheless it is not easy to bring perpetrators to the court due to some difficulties to prove. Insider trading is motivated by self attentiveness or personal advantage. However, ethical orientation can mitigate insider trading because it can mediate personal benefit. Through a survey administrated to the students, this study would like to examine how ethical orientation can prevent insider trading. Using multiple regressions, this study found that ethical orientation could not mediate the effect of personal benefit to perpetrators behavior of insider trading. Therefore, we concluded that it is important to give ethical education as soon as possible to all the people to prevent unethical behavior like insider trading.

Keywords: *Insider trading, personal advantage, ethical orientation*

ABSTRAK

Sebagian besar orang berpikir insider trading atau perdagangan melalui orang dalam adalah kegiatan yang tidak adil karena pihak-pihak yang terlibat memiliki informasi yang tidak setara. Dalam kondisi tertentu, informasi yang tidak sama digunakan dalam transaksi adalah penipuan. Tindakan BAPEPAM telah diatur bahwa insider trading adalah ilegal. Namun demikian, tidak mudah untuk membawa para pelaku ke pengadilan karena beberapa kesulitan untuk membuktikannya. Insider trading dimotivasi oleh kepentingan diri sendiri atau keuntungan pribadi. Namun, orientasi etika dapat mengurangi insider trading karena dapat memediasi kepentingan pribadi. Melalui survei yang ditujukan kepada sejumlah siswa, penelitian ini ingin mengkaji bagaimana orientasi etika dapat mencegah insider trading. Menggunakan regresi berganda, penelitian ini menemukan bahwa orientasi etika tidak bisa menengahi efek dari keuntungan pribadi dengan perilaku para pelaku insider trading. Oleh karena itu, kami menyimpulkan bahwa penting untuk memberikan pendidikan etika sesegera mungkin kepada semua orang untuk mencegah perilaku yang tidak etis seperti insider trading.

Kata kunci: *insider trading, keuntungan pribadi, orientasi etika*

INTRODUCTION

Insider trading is a trading in capital market by someone or parties that are part of the company or insider, by using information that is not published, that only known by the parties to increase their personal benefit through abnormal return. This information may be about price sensitivity and this information is not published yet. Insider trading is a wrongdoing or unfair because the parties that involved in a transaction does not have same information. The use of unequal information is fraud. However, transactions that occur because of unequal information are considered wrong only on certain condition, and not always wrong (Strudler and Orts, 1999).

Nowadays insider trading has become more attractive, because it provides much more gain to the perpetrators. The founder of Galleon Group, Raj Rajaratnam is arrested by FBI get US\$ 70 million by paying insider to get information and trading on stock. For that, he was sentenced to prison for 11 years. The other big scandal in insider trading is the resignation of boss of hedge fund Whitman Capital, Doug Whitman. He was caught up by FBI after he used the leaked information from insider in Wall Street at 12 February 2012. In Indonesia, the latest case is allegation of IDX on the practice of insider trading by PT Petrosea, Tbk. (PTRO) and PT Indika Energy, Tbk. (INDY). IDX noticed any irregularities of PTRO stock transactions from February 12nd, 2009 which are not reasonable. In the previous period, those transactions rarely happened; only happened in a small volume if any. However, since that date, the transaction volume increased significantly.

Some countries have restricted insider trading since insider trading have negative impact for both the small investors and the markets. Insider trading ensures that there is no fair play involved and there is no fair demand and supply of stocks which are detriment to the functioning of a healthy capital market. Illegal insider trading weakens the faith of investors in the investing system and an unchecked insider trading could keep off people from investing capital and this could potentially harm the economy as a whole. Indonesia classifies insider trading as a crime. This is in accordance with Bapepam Act number 8th in 1995 which states that people in the company who has inside information are prohibited to purchase or to sale in capital markets. Although the Act has been issued related to the prohibition against insider trading, it is not easy to bring the perpetrators into criminal justice because of the difficulties to reveal this crime. The other problem is the implementation of restrictions which is extremely expensive because it requires quite a long time to reveal the insider trading.

Business ethics researchers examined personal moral philosophy (Karande et al., 2002) or personal ethical ideology (Henle et al., 2005) as a factor that has considerable impact upon decisions. In this paper, we adopted Henle et al.'s definition of ethical orientation or orientation "a system of ethics used to make moral judgment, which offer guidelines for judging and resolving behavior that may be ethically questionable. Forsyth (1980) developed Ethics Position Questionnaire (EPQ) to identify someone's orientation that could be classified into relativism and idealism.

A relativist believes that there are many ways to look at morality and ethical principles. While an idealist considers that there is always be a good consequence of an action. Besides, an idealist would pay attention to others welfare. Therefore, someone's ethical orientation (idealistic versus relativist) would affect a decision, for example a decision to conduct insider trading. More idealistic people will not decide to conduct insider trading and harm the others. However, the results showed that ethical orientation was influenced by personal benefits from an action. Greenfield et al. (2008) found evidence that ethical orientation mediated relationship between personal benefit to earning management.

The precedence of insider trading is self-interest motivations. Beams et al. (2003) examined the deterrent variables (certainty, severity of punishment, social stigma, and guilt) and motivational

variables (profits, envy and legal justice) of insider trading. Their results indicate that guilt, expectation of benefit and legal justice perception affect the likelihood of insider trading. Several previous studies also examined the ethics of insider trading. Abdolmohammadi and Sultan (2002) used experimental study using a simulated stock trading. P-Score is used as a proxy of ethical reasoning. Their results showed that people with high ethical reasoning did not use inside information to conduct insider trading. Statman (2009) used students in United States, China and Taiwan to examine their perception about fairness of insider trading. By using Paul Bond's Case, 76% of students in China considered that insider trading is ethical to do. McGee (2009) looked at insider trading from the utilitarian and right perspective. Insider trading is judged as ethical or unethical based on their ethical principles.

The purpose of this study is two-fold. Our first objective is to examine the impact of an individual's ethical orientations to insider trading decision. Our second objective is to observe whether the presence of a personal benefit affects an individual's ethical orientation within the context of an opportunity to insider trading. This research referred to researches conducted by Abdolmohammadi and Sultan (2002) and Beams et al. (2003). Both studies did not consider the ethical orientation of the individual as personal factors that can influence decisions taken by someone. Many studies about personal benefit have not given consistent results yet. Personal benefits can influence ethical orientation and then will influence decision. Therefore, this study would like to examine whether ethical orientation can mediate the relationship between perceptions of personal benefits on insider trading. The framework for the research is presented on Figure 1.

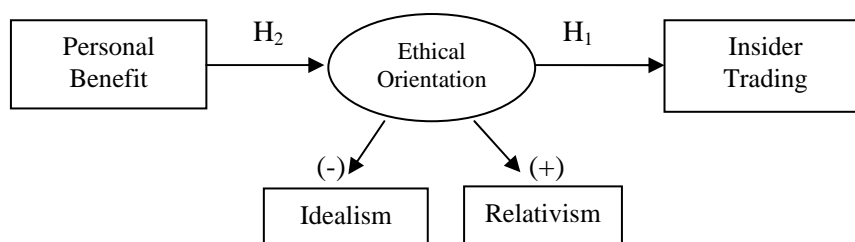


Figure 1. Research framework

In the remainder of this paper we present further discussions of theory and research supporting the development of our research model and hypotheses, explain our results and discuss our conclusions and possible implications.

Insider Trading Phenomenon

Investing dictionary of Jerry M Rosenberg defined insider trading as follow

“The practice of participating in transaction based on privileged information, gained by one’s position and not available to public, when such transactions affect the price, giving unfair advantage to a trader, is illegal.”

Insider trading is a securities trading by people or parties within company. This trading occurred because important or material information which is owned by insiders, open to the public yet (as private information) and only owned by few people (Werhane, 1989; Abdolmohammadi and Sultan, 2002). Not all of insider trading is an illegal activity. Illegal or not depends on the access to material information. Material information is information that can be utilized by the investor to increase wealth by trading before the information published (Abdolmohammadi and Sultan, 2002).

Expected economic benefits or wealth increase can be directly or indirectly gained, which is a short swing profits.

There are two kinds of insider trading perpetrators. First is a person who has the trust directly or indirectly from issuer or company and the party who receives inside information (fiduciary position). They are directors and their spouse (husband or wife) and their children. Second is the party who owns easy access to company's strategic information, for example corporate executives, bankers, auditors, certain shareholders, financial consultants and others. Bapepam's Act does not provide rigor restrictions about insider trading, but it only provides restrictions to prohibited transaction including insider who have inside information are prohibited to sale or purchase of their company (clause 95th).

Insider trading is a special term that is only used in capital market. The terms borrowed from unfair stock trading practices in the US associated with the usage of proprietary information by company officials who can take advantages. Insider trading is opposed to disclosure principle to create efficiencies in trading. Either illegal or legal, insider trading undermines market efficiency and reduces the function of the free market (Werhane, 1989).

The company will encourage insiders to own shares of company through stock options or through incentives. Nevertheless, insider can buy stock by a regular pattern through capital market. However, the insider used personal or inside information so he violated the law. Usually the company tends to withheld some information. It led to occurrence of information asymmetry between insider and the public. Some people with their professions may have accesses to such information and if they used this information to trade, they bore the risk that should have been considered before (Beams et al., 2003).

Ethical Orientations in Insider Trading

Insider trading is perceived as a crime or at least as unethical practice. The ethics of insider trading can be viewed from various aspects or principles, especially from utilitarian and rights principles (McGee, 2009). Based on the utilitarian, an act considered as ethical if an action will give more benefits by considering gain and loss. When the benefit of an action is greater than cost, then an action can be judged as an ethical act. However, there are some problems of utilitarianism in judging an act ethically (McGee, 2009), they are: (1) it is difficult to measure the gains and losses; (2) it is difficult to measure the benefit of minorities and also the loss of the victim; (3) it is not easy to compare the utility one to others; (4) it does not observe personal rights. Based on these weaknesses, utilitarian principle is not the best approach to assess an action. The right principle said that an act is ethic when not violate person's rights. If a person's right is violated then it is considered to be unethical even if such action will be an advantage (McGee, 2008).

Another argument related to insider trading is about efficiency. An action is considered ethical if it increases efficiency. Insider trading causes inefficient so that insider trading is not an ethical act (Manne, 1966). The market becomes inefficient if the information is not accessible. He stated that should be deployment of information in market so that market becomes efficient. Based on some these arguments, it can be concluded that insider trading is the act that requires a lot of ethical considerations.

Moral philosophy or ethical orientation is a factor that influencing a decision. Ethical orientation is an ethical system that used to make moral judgment to guides when consider and resolve the ethical problems (Karande et al., 2002). Forsyth (1992) states that a person will assess a business practice as ethical and unethical actions, and then decide whether to do or not to do. So that a person's tendency to act unethically, for example insider trading is influenced by morality, that is ethical orientation or ethical orientation.

Ethical orientation is controlled by idealism and relativism. Idealism refers to how a person believes that desire and consequences will be accepted without violating the moral guidance. Lack of idealistic recognizes that a negative consequence (includes crimes against other people) often accompanies positive consequences of moral guidance and there are negative consequences of an action. Relativism implies a rejection of moral rules to guide real behavior. Relativism is an attitude to reject of moral values to guide the behavior of absolute morality. While idealism refers to something that is trusted by individuals with consequences that are owned and did not wanted violate moral value s. Both concepts are not opposites but rather a separate section (Forsyth, 1992).

Business ethics theories believe that when facing ethical problem, someone will apply ethical guidelines established by moral philosophy (Fernando et al., 2008). Moral philosophy is the principle or rule that used by individuals to determine whether something is good or bad. Abdolmohammadi and Sultan (2002) conducted an experiment to test whether students who have lower ethical standards would tend to make insider trading. Subjects were included in a trading simulation, students in treatment group can access to inside information. However, students in control group did not have same access. All experimental subjects were told that the transaction by using insider information is illegal and unethical. By using P-Score to measure the level of moral reasoning, results showed that individuals who tend to engage in insider trading had a lower ethical reasoning.

Forsyth (1992) states that an idealist would consider ethical decisions based on universal ethical principles, whereas a relativist would make decisions based on personal interests. An idealist who has a personal interest to do insider trading will assume that insider trading is unethical to do and vice versa. Someone who has a personal interest and considers that the law is unfair increasingly would tend to do insider trading. Therefore the hypotheses are follows

H_{1a}: There will be a negative relationship between idealism and insider trading behavior

H_{1b}: There will be a positive relationship between relativism and insider trading behavior

Personal Benefit

As discussed earlier, individual's tendency to conduct insider trading is driven by expected gain or profit to be obtained either directly or indirectly if they trade by using inside information. McGee (2009) states that insider trading is fair if the gains to be obtained are greater than losses. He also stated that insider trading is a form of compensation so a company can give low compensation to employees. This is one way to reducing salary expenses that may not harm or burden the company. So by allowing insider trading, it's means allows executive or insider to use inside information for personal gain. However this is contrary to right principle because it is violates individual rights even though not harm a company.

By using accounting students, Beams et al. (2003) examine some factors that motivate and prevent insider trading. The results show that expected gain, cynicism and perception of fairness of law significantly correlate with the intention to trade based on insider information. Their research also shows that a person is more likely to commit insider trading to avoid losses than to obtain benefits that may arise in the future based on the information it holds now. Seyhun (1998) found evidence that insider trading is able to predict profits that will come, and although this practice is prohibited, insider trading proved to be a practice that can provide many advantages.

Statman (2007) said if conflict of interest between private interests and ethical values is occur, as long as the facts show that private interests that would be the first. The opponents of insider trading practices suggest that although overall wealth increased by using inside information, this action still unethical and unfair to others (Snoeyenbos and Smith, 2000). Prospect Theory (Kahneman and Tversky, 1979) stated that to achieve a profit, individuals can see differently. For example, gain is

avoiding losses. This theory states that a person would be more likely to avoid losses than to expect to earn profits. Bettis et al. (2000) states that insider can take advantage by using inside information by 4 ways. If the information is good news, insider can earn profits by buying more shares or by withholding to be sold later. If the information is bad news, insider can earn profits by selling shares to “stupid” investors or by resisting from buying shares although can be bought.

Individuals with a relativistic ethical orientation would tend to view insider trading decisions as acceptable (moral/ethical) based on the specific circumstances. Therefore relativistic individuals who would personally benefit from a decision might be more inclined to trading based on inside information than those who would not personally benefit. Forsyth (1980) reported that individuals who were highly relativistic judged a person more favorably who produced a positive outcome (by violating a moral standard) than someone who produced a negative outcome (by following a norm). On the other hand, those who were categorized as highly idealistic were very critical of individuals who violated a moral standard, regardless of whether the person obtained a good or bad outcome (Forsyth, 1980). This suggests that idealistic individuals should tend to reject an opportunity to achieve a personal benefit from an action that might be considered questionable. That is, when presented with an opportunity to achieve personal benefit, relativistic individuals should be more inclined to do so and idealistic individuals should be less inclined. Based on the previous description it can be put forward hypotheses to be tested as follows:

H₂: There will be a positive relationship between personal benefit and ethical orientation

METHOD

Sample

This study was conducted using 238 business students of a non public university in Yogyakarta from accounting and management department. Business students were expected to have a good understanding of the business environment. They will be candidates for management positions in the future, and as such, they are likely to have access to insider information in the future. Before questionnaire were given to respondents, instructor explained or reminded them about insider trading and ensured that all respondents could imagine and understand how insider trading occurred. Nineteen respondents were removed because they did not understand the instruction and have same answers in all questions. Three respondents were removed because they did not answer all questions. Therefore, there were only 216 usable responses to further analysis.

Measures

Insider Trading Behavior

Insider trading is a transaction conducted by a person within the company to use unpublished material information to the public. This dependent variable is measures by two questions measured subject's likelihood of trading based on insider information which is used by Beams et al. (2003) modified with Abdolmohammadi and Sultan (2002) instrument. The first question was presented in terms of a gain from buying a stock with insider knowledge that the stock price would go up. The second question was framed in terms of avoiding a loss by selling an existing stock based on insider knowledge that the stock price would go down. Subject responded to each question by giving a percentage or probability from 0 to 100%. A response of 0 represented no chance while a response of 100% meant that the item was an absolute certainty. A probability scale is used instead of a likert scale to give greater accuracy in the responses (Beams et al., 2003).

Ethical orientation

Forsyth's (1980) Ethics Position Questionnaire (EPQ) was used to measure the levels of idealism and relativism. The EPQ follows Forsyth's view that individual differences as predictors of moral judgment may be described most parsimoniously by taking into two basic dimensions of personal moral philosophies, idealism and relativism. The EPQ consists of two scales to measure idealism and relativism, each has ten questions with a nine-point likert scale, 1 indicating strongly disagree and 9 indicating strongly agree. This questionnaire allocates respondents to different ethical groups, by evaluating their responses and averaging their total scores in both segments which loaded greater than 0,500 on all item. Cronbach's alpha statistics for each of ten-item idealism and relativism measures is 0,762 and 0,729 indicate satisfactory internal reliability for ethical orientation scales.

Personal benefit

Personal benefits are private benefits that are expected to be received or accrued as a result from insider trading. Personal benefits of this study was measured by two items that are the expected gain and avoiding loss that used by Beams et al. (2003) with a probability scale of 0 to 100%..

RESULTS AND DISCUSSION

Descriptive Statistics

This study used 216 samples to test our research model. The majority of participants were females (68,5%), most of them do not take ethics courses (60.2%) and portfolio courses (59.3%) and a half from respondents is join one or more organizational activities in campus. There is no significant different effect of demographic variable to the insider trading. Descriptive statistics for the variables appear in Table 1.

Table 1 *Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
IT	216	.00	100.00	55.8171	25.17229
PB	216	12.50	100.00	68.7639	16.39277
IDEAL	216	1.50	8.50	6.4206	1.02019
REL	216	2.10	7.80	5.8434	.91319
Valid N (listwise)	216				

Table 1 showed that the mean of the subjects intention to conduct insider trading is 55.81. It means that in both conditions, gain and losses, the subject tent to trade their securities based on their inside information. In all conditions, subjects expect that is an advantage (68,76) for them when they have inside information either to increasing their wealth or to avoiding the losses. Subjects have high idealism (6,42) and high relativism (5,84).

Regression Analysis

We assesed the first two hypotheses based on coefficient regression in multiple regression analysis and present those results in Table 2.

Table 2 *Regression Results*

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std. Error	Beta		
Constant	53.395	13.344		4.001	0.000
Idealisme	-0.782	1.815	-0.032	-0.413	0.667
Relativisme	1.274	2.027	0.046	0.629	0.530

Hypothesis 1a predicted that an individual with a more idealistic ethical orientation would less likely to engage in insider trading, and coefficients regression is -0.078 and not significant (0.667) and did not supports this hypothesis. Similarly, hypothesis 1b predicted that an individual with a relativistic ethical orientation would be more likely to engage in insider trading, suggesting a positive relationship between relativism and insider trading. The coefficient regression did not support the hypothesis (p=0.530). These interesting findings that when someone made a decision, especially when facing ethical situation, they would never consider his/her ethical orientation. These results did not support Greenfield et al. (2007) who found that individual with a relativistic (idealistic) ethical orientation were more (less) likely to engage in earning management, and budgetary slack creation (Douglas and Wier, 2000).

Hypothesis 2 predicted that there would be a positive relationship between personal benefit and ethical orientation. The results showed that personal benefit had not significant correlation with idealism (p=0.507). However, the correlation between personal benefit and relativism is significant (p=0.031). These results marginally supported hypothesis 2. Practically speaking, this result suggested that the individual who tent to be more idealistic, in presence of an opportunity to personally benefit from a business decision, would tend to move toward a more strongly idealistic position. That is, the idealistic person seemed to sense the ethical dilemma inherent in the decision and adopted a stronger conviction to avoid this potential problem. Given the same set circumstances, interest findings, the individual who tent to be more relativistic would apparently tend to favor the positive consequences (personal benefit) that are possible, which tent to strengthen their relativistic positions. These results were generally in line with the findings that Forsyth (1980) reports. It meant that when confronted with other business dilemmas, people tent to reinforce their ethical orientation.

Indirect Effect of Personal Benefit to Insider Trading

The third aim of this result was to investigate, in presence of a personal benefit, whether ethical orientation affected an individual's inclination to participate in insider trading. To test the indirect effects of personal benefit to insider trading behavior, we compared the direct and indirect effect of personal benefit to insider trading by using path analysis. If indirect effect was greater than direct effect, it meant that ethical orientation could mediates the impact of personal benefit on insider trading. The results of path analysis were presented in Table 3.

Table 3 *Direct and Indirect Effects*

Variables	Direct Effect	Indirect Effect through	
		Idealism	Relativism
Personal Benefit	0.249	-0.001	0.007

This result indicated that there was not any indirect effect of personal benefit to insider trading behavior. This result indicated that ethical orientation (idealism and relativism) did not mediate the relationship between personal benefit with insider trading.

When someone had personal benefit, either to get gains or to avoiding losses they did not use their ethical norm to make decisions. They did not consider whether they did something right or wrong, either to idealist or relativist. In this situation, idealist could consider that insider trading was unfair because it harmed the others based on unequal information they have used. A relativist will more ignore about this ethical problem. This indicated that personal benefit can effect ethical orientation and can influence how a person makes a decisions. This finding was not consistent with Abdolmohammadi and Sultan (2002) who found that a person who has high ethical reasoning would not use inside information to insider trading. It was also not consistent with Greenfield et al. (2008) who found that ethical orientation mediated the relationship between personal benefit and earning management.

Sensitivity Analysis

According to the prospect theory, this study used two kinds of personal benefit, expected gains and avoiding losses (Kahneman and Tversky, 1979). Prospect theory suggested that a difference in the responses to the two dependent measure questions may exist. Based on prospect theory, the respondents should be more willing to trade to avoid a loss. A paired t-test was used to test for differences in the responses to the two questions. Table 4 presents the result.

Table 4 *Test of Prospect Theory*

Prospect Theory	Mean Response				
	Gain Situation	Loss Situation	Difference	t-stat	sig
Mean probability of trading	49.481	61.9861	12.5051	-6.291	0.000

Based on table 4, the mean response to the probability of buying a stock after receiving insider information (gain situation) was 49.65 while the mean response to the probability of selling a stock after receiving insider information (loss situation) was 61.99. This difference of 15.34 was in the expected direction and was statistically significant at $p < 0.001$. This finding supported prospect theory in that subjects were more inclined to use the insider information to prevent a loss than to achieve an abnormal gain (Beams et al. 2003).

Social Desirability Response Bias

Social desirability response bias stated that there was a tendency to bias survey responses to make one's self look socially responsible. Since the dependent measure questions concerned an illegal activity, there was a risk to response may contain bias. Therefore respondents might not give their true likelihood of trading based on insider information because this response made the individual appeared to possess a socially undesirable trait. To examine this bias, we used two questions in both gain situations and losses situations that asked whether the other person based on subjects perceived would do insider trading. If the responses for this two questions were significantly higher than the responses to two dependent questions about self intention to do insider trading, it would suggest that this social pressure was bias to the responses.

To test for this bias, a paired t-test was run on the differences between responses for subject intention and the one's peer. The results were showed at Table 3. The mean responses to for buy and sell stock based on insider information was 55.82, while mean responses to one's peer to buying and sell stock based on insider information was 71.37. The difference of 15.55 was in the expected direction and is significant at $p < 0.001$. The results suggested that responses to the question concerning insider trading were biased downward even though the respondents were anonymous. This result was consistent with the finding of Randall and Fernandes (1991) and Beams et al. (2003).

Table 3 *Social Desirability Test*

	Subjects	Peer	Difference	t-stat	sig
Mean probability of trading	55.82	71.37	15.55	-9.018	0.000

CONCLUSION

This study found that ethical orientation were not used by someone to make decision when they faced ethical dilemma situations. When they faced ethical situation, and there was personal benefit to get, they would tent to reinforce their ethical orientation. Ethical orientation did not mediate the effect of personal benefit to insider trading. When someone could predict that there would be personal benefits from insider trading, he would keep doing it. The ethical orientation proved that it did not able to influence decisions that they choose. This suggested that the understanding of ethics owned by the majority of people was still weak. In this case, ethical background should be as guidelines to making decisions, especially when we faced ethical dilemmas that required ethical considerations more deeply. This result showed us that ethical education is very important and should be given as early as possible for all people, especially for students who will be heavily involved with ethical issues.

The results of this study should be interpreted within the context of the following limitation. One such limitation related to the participants was used in this study. The undergraduate students from a university must consider properly when make generalization. The established measurement instruments used in study is a novel. While considerable attention was paid to the issue of validity, further work is needed to refine this instrument. In addition to replication of this study it is needed to consider the four stages of Forsyth's ethical orientation.

REFERENCES

- Abdolmohammadi, Mohammad & Sultan, Jangahir. (2002). Ethical Reasoning and the Use of Insider information in Stock Trading. *Journal of Business Ethics*, 37, 165-173.
- Beams, Joseph D., Brown, Robert M. & Killough, Larry N. (2003). An Experimental Testing the Determinants of Non-Compliance with Insider trading Laws. *Journal of Business Ethics*, 45, 309-323.
- Bettis, C., Coles, J. & Lemmon, M.L. (2000). Corporate Policies Restrictng Trading by Insider. *Journal of Financial Economics*, 57(2), 191-220.
- Fernando, M., Dharmage, S. & Almeida, S. (2008). Ethical Ideologies of Senior Australian Managers: An Empirical Study. *Journal of Business Ethics*, 82, 145-155.
- Forsyth, D.R. (1980). A Taxonomy of Ethical Ideologies. *Journal of Personality and Social Psychology*, 39, 175-84.

- Forsyth, D.R. (1992). Judging the Morality of Business Practices: The Influence of Personal Moral Philosophies. *Journal of Business Ethics*, 11, 461-470.
- Greenfield Jr., A.C., Norman, C.S. & Wier, B. (2008). The Effect of Ethical Orientation and Personal Commitment on Earning Management Behavior. *Journal of Business Ethics*, 83, 419-434.
- Kahneman, Daniel & Tversky, Amos. (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*, 47 (2),263-291.
- Karande, K., Rao, C.P. & Singhapakdi, A. (2002). Moral Philosophies of Marketing Managers: A Comparison of American, Australian and malaysian Culture. *European Journal of Marketing*, 36(76), 768 -791.
- Manne, H. (1966). *Insider Trading and the Stock Market*. New York: The Free Press.
- McGee, Robert W. (2008). Applying Ethics to Insider Trading. *Journal of Business Ethics*, 77, 205-217.
- McGee, Robert W. (2009). Analyzing Insider Trading from the Perspectives of Utilitarian Ethics and Rights Theory. *Journal of Business Ethics*, 91, 65–82.
- Republik Indonesia. (1995). *Undang-undang No. 8 tahun 1995 tentang Pasar Modal*. Jakarta: RI.
- Seyhun, H. N. (1998). *Investment Intelligent from Insider trading*. Massachusetts: MIT Press.
- Statman, Meir. (2007). Local Ethics of Global World. *Financial Analyst Journal*, 63(3), 32-41.
- Statman, Meir. (2009). The Culture of Insider Trading. *Journal of Business Ethics*, 89, 51-58.
- Werhane, Patricia H. (1989). The Ethics of Insider Trading. *Journal of Business Ethics*, 8, 841-845.