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# The Economic Impact of Inflation and Exchange Rates on Stock Returns Mediated by Capital Structure in Food and Beverage Sub-Sector Companies Listed on the Indonesia Stock Exchange

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***Abstract:***

*In this study examines the effect of inflation and exchange rates on stock returns with capital structure as a mediating variable in food and beverage subsector companies listed on the Indonesian Stock Exchange during 2019-2023. The results showed that inflation and exchange rates have a signnificant influence on capital structure, where inflation has a negative impact and exchange rate fluctuations worsen capital structure. Furthermore, inflation has a positive impact on stock returns while exchange rates have a negative impact. Capital structure is proven to have a positive impact on stock returns, indicating the importance of good capital structure management in improving investor perception and stock performance. These results provide important insights for economic risk management and invesment in the sector.*

***Keywords:*** *Stock Return, Inflation, Exchange Rate, Capital Structure*

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## 1. Introduction

One of the industries propelling Indonesia's economic growth is the food and beverage sector. This industry continues to develop alongside Indonesia's population growth and rising demand for food and beverages. Indonesian people tend to prefer fast food, giving rise to new businesses in this sector and encouraging a more sensitive and competitive business climate among companies (Suharyanto & Zaki, 2021). The food and beverage sector is known as one of the industries that is relatively stable and not affected by economic fluctuations. Despite significant economic changes, sales of products from this industry remain resilient because consumption of food and beverages is a basic human need (Yanti & Darmayanti, 2019).

As a rapidly growing subsector, companies in this industry face various challenges, such as price fluctuations, changes in currency exchange rates, inflation, and capital structure issues. Understanding how these factors affect the stock performance of food

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and beverage companies listed on the Indonesia Stock Exchange (IDX) is very important. The steady growth of this sector has made it an increasingly interesting field of study. In addition, the development of the capital market needs special attention because the volume of investment made through the market reflects investor confidence in a country's economy (Tjandrasa, 2019).

Investing is an important activity for the government and the general public to improve their standard of living in the future (Haq *et al*., 2020). Investors analyze company performance as part of their investment activities, with the aim of gaining profit from the shares purchased. Profit acts as a driving factor for investment, because investors expect high returns, even though they are accompanied by significant risks (Nisa & Khairunnisa, 2019). Profits on investment can be categorized into tangible assets and financial assets (Kainde, 2021).

The capital market plays an important role in the national economy, offering two main functions: funding for business ventures and opportunities for the public to invest in financial instruments. Profits on investment are one of the driving factors for investment decisions and reflect the value of the company in the eyes of the public. Inflation and exchange rates are the main indicators that influence investment decisions. Inflation, as a macroeconomic variable, receives significant attention from the government which seeks to maintain price stability. However, Indonesia faces economic challenges and price instability (Fabiola & Iradianty, 2021).

Exchange rate is another important factor that affects stock returns. The exchange rate is the price of a country's currency against a foreign currency and plays an important role in international trade and investment. A weakening currency indicates economic instability and erodes investor confidence (Ghani *et al*., 2023). Likewise, capital structure, as measured by the Debt to Equity Ratio (DER), reflects a company's financial health and resilience in facing crises (Adziliani, 2019). Research shows that inflation and exchange rates significantly affect stock returns, with DER as a mediating variable (Wibowo & Kartika, 2020).

This study aims to explore the effect of inflation and exchange rates on stock returns, mediated by capital structure, in food and beverage companies listed on the IDX during 2019–2023. This subsector was chosen because of its crucial role in the Indonesian economy, its unique characteristics, and its potential to provide deeper insights into the factors that influence stock performance in a specific industry context. Although this study focuses on the food and beverage subsector, its findings may have broader implications for other industries and the capital market as a whole.

## 2. Theoretical Background

**Stock Return:** Stock return is the rate of return obtained by investors from their investment in a company's shares. According to Permaysinta & Sawitri, (2021), stock return is the result obtained from an investment. Stock returns can be divided into two, namely returns that have occurred and returns expected in the future (Prasetia *et al*.,

2020). Stock returns are a priority for investors in making investment decisions because stock returns reflect the potential for maximum profit from investment in the capital market (Intan *et al*., 2022). One of the indicators used to predict stock fluctuations is the monetary policy variable which is controlled through a transmission mechanism in the financial market (Silalahi & Silalahi, 2020). Stock returns are usually expressed as an annual percentage and are distinguished between returns that have occurred and returns that are expected (Hermuningsih et al., 2019). Investing in the stock market attracts investors who want maximum returns from their investments.

**Inflation:** Inflation is the price of a product, either goods or services that continues to increase or decrease, or can be interpreted as a general decrease in the value of money that can affect economic growth (Antasari & Akbar, 2019). The inflation rate is a major variable in macroeconomics. Increasing production costs are also one of the variables that contribute to high inflation rates. This will affect the company's profits, reduce dividends received by investors and encourage investors to move their funds to other more profitable investments (Yuliani & Suwitho, 2020). This impact will certainly be seen along with changes in stock prices (Efriyenty, 2020). This increasing inflation trend causes a decrease in market demand, which causes fluctuations in the stock prices of companies affected by inflation. The tool used to calculate the inflation rate is the Consumer Price Index (CPI). Periodic adjustments to the CPI (Consumer Price Index) reflect changes in the value of goods and services consumed by the population (Nasarudin, 2022). These changes reflect inflation or deflation in products available on the market. Inflation is the process of increasing prices in a country (Permaysinta & Sawitri, 2021).

**Exchange rate:** One factor that investors pay attention to when investing in the Indonesian stock exchange is the exchange rate. The exchange rate is determined from the rupiah in foreign currency units (USD) (Wiyono *et al*., 2023). The exchange rate usually includes the value of a country's money converted into another country's currency (Lintang *et al*., 2019). There are three terms in foreign exchange trading, namely the selling exchange rate, the buying exchange rate, and the middle price. The intermediary exchange rate is the exchange rate that lies between the buying exchange rate and the selling exchange rate and is calculated by adding the buying exchange rate and the selling exchange rate and dividing the result by two (Efriyenty, 2020). In general, information on the rupiah exchange rate against the US dollar is very much considered by companies in Indonesia, because USD is generally used by companies to make payments for production materials and other business transactions (Paryudi *et al*., 2021).

**Capital Structure:** Capital structure consists of the mix and equity used by a company. Capital structure reflects the financial health of a business, with well-structured capital arrangements enabling resilience during economic crises (Misharni & Adziliani, 2019). Capital structure is proxied by the Debt to Equity Ratio (DER), which indicates the proportion of debt financing relative to equity. A high DER indicates a significant reliance on long-term debt, which exposes the company to greater risk during economic downturns but also offers the potential for higher returns

during favorable conditions (Wulandari *et al*., 2021). DER is only used to purchase raw materials and conduct business transactions (Paryudi *et al*., 2021). In essence, the exchange rate represents the price of a country's currency against another country (Candy & Winardy, 2019). DER affects stock returns; higher DER is associated with decreased stock returns, while lower DER is associated with increased returns (Utami *et al*., 2021). Companies with high DER rely heavily on external funding, which can significantly affect their operations and risk profile (Banani *et al*., 2020). In contrast, a strong capital structure ensures the survival and adaptability of companies in dynamic market conditions (Misharni & Adziliani, 2019).

**A conceptual framework**: the relationship between the independent variable (X) and the dependent variable (Y) which is further clarified by the research conducted is how this conceptual framework explains various theories about the research variables. The conceptual framework presented in the previous figure is expanded in this study by using various sources of previous research. Therefore, researchers assume that the variables of inflation (X1), exchange rate (X2) and capital structure (Z) jointly affect stock returns (Y) according to the existing theory. The next structure, taking into account the implications of theoretical research and previous research findings, can be described as follows:

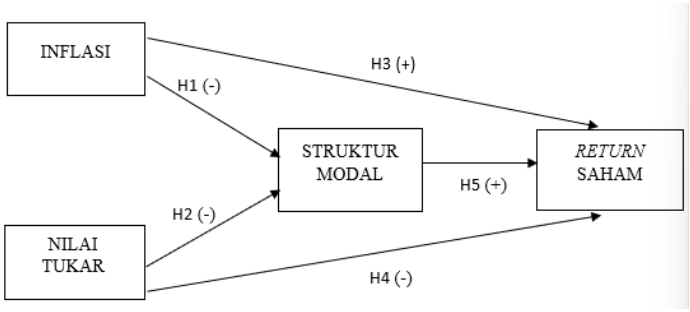



**Figure 1. Conceptual Framework**

This hypothesis functions as a temporary hypothesis regarding the formulation of the problem that is the subject of this research. By proposing a hypothesis, the research implementation will be more focused on accepting or rejecting the temporary hypothesis. This research hypothesis is formulated using relevant theories from previous research. The following is an outline of the hypothesis proposed in this study:

H1: Inflation has a significant influence on capital structure
H2: Exchange rate has a significant influence on capital structure
H3: Inflation has a significant effect on stock returns
H4: Exchange rate has a significant influence on stock returns
H5: Capital Structure has a significant effect on stock returns

## 3. Methodology

This study uses a descriptive quantitative approach with multiple linear regression analysis to examine the effect of inflation and exchange rates on stock returns, considering capital structure as a mediating variable. This study focuses on food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023, with samples selected using purposive sampling. Data were collected from secondary sources, especially the company's annual financial reports. Classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation, will be conducted prior to regression analysis. Hypothesis testing will include the F-test, T-test, coefficient of determination ($R^2$), and Sobel test to assess the significance of mediating variables. This study uses SPSS version 25 for data analysis and aims to provide insight into the relationship between financial variables and stock returns, with capital structure as an intermediary factor.

## 4. Empirical Findings/Result

### Descriptive statistical analysis

Descriptive analysis is an analysis conducted to investigate or confirm an existing phenomenon, symptom, or social statement. Descriptive analysis is used to describe a set of variables related to the problem and entity under study (Syahrizal & Jailani, 2023). This descriptive analysis aims to describe or convert data into clearer information. Descriptive statistical test result as follows:

**Table 1. Descriptive statistical**

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Inflation (X1) | 100 | 5057 | 11124 | 7484.79 | 2499.273 |
| Exchange rate (X2) | 100 | 125 | 3777 | 2302.31 | 1786.766 |
| Stock returns (Y) | 100 | 39 | 95956 | 57631.32 | 22840.233 |
| Capital structure (Z) | 100 | 2267 | 50123 | 23114.56 | 10699.046 |

Source: 2024 processed original data

Based on the test result above, it shows that all variables have the same amount of data (100) and show a varied data distribution, as indicated by the standard deviation value of each variable. The variable with the largest spread is stock returns, while the variable with the smallest spread is the exchange rate. The range of values between maximum and minimum shows a significant level of fluctuation, especially for the stock return and capital structure variables.

### Classic assumption test

### Test of normalcy

The data normality test uses the kolmogorov-smirnov test by looking at the significance of the resulting residuals. The results of the normality test obtained the following data:

**Table 2. Result of the Normality Test**

| One -Sample Kolmogorov-Smirnov Test | | |
|---|---|---|
| | | Unstandardized Residual |
| N | | 80 |
| Normal parameters[a.b] | Mean | .0000000 |
| | Std. Deviation | 2289.443527 |
| Most Extreme Differences | Absolute | .085 |
| | Positive | .065 |
| | Negative | -.085 |
| Test Statistics | | .085 |
| Asymp. Sig. (2-tailed) | | .200[c.d] |

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance

Source: 2024 processed original data

Based on the output in table, the normality test with the kolmogorov-smirnov method can be seen that the Asym.Sig (2-tailed) value is 0,200. This shows that 0,200 > 0,05, it can be concluded that the data is normally distributed.

**Test of Multicollinearity**

The multicollinearity test aims to determine the regression model found a correlation between the independen variables. A good regression model should not have a correlation between the independent variables. To determine multicollinearity, it is done by testing the variance inflation factor (VIF) and tolerance value. Tolerance limit > 0,10 and VIF limit < 10,00. The multicollinearity test results obtained the following data:

**Table 3. Results of the Multicollinearity Test 1**

| Coefficients[a] | | | |
|---|---|---|---|
| | | Collinearity Statistics | |
| Model | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Inflation | ,576 | 1,738 |
| | Exchange rate | ,576 | 1,738 |

a. Dependent Variable: capital structure

Source: 2024 processed original data

Based on table, the multicollinearity test shows that all variables obtain tolerance value > 0,10 and VIF < 10,00, it can be conclud that all variables do not occur multicollinearity symptoms in test equation 1.

**Table 4 Results of the Multicollinearity Test 2**

| Coefficients[a] | | | |
|---|---|---|---|
| | | Collinearity Statistics | |
| Model | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Inflation | ,570 | 1,753 |
| | Exchange rate | ,574 | 1,742 |
| | Capital structure | ,991 | 1,009 |

a. Dependent Variable: stock returns

Based on table, the multicollinearity test shows that all variables obtain tolerance value > 0,10 and VIF < 10,00, it can be conclud that all variables do not occur multicollinearity symptoms in test equation 2.

**Test of Heteroscedasticity**

The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. To determine heteroscedasticity, you can use the Glejser test. The basis for decision making in this test is if the significance value > 0,05, it can be concluded that there are no symptoms of heteroscedasticity, but on the contrary, if the signifcance value < 0,05, it can be concluded that there are symptoms of heteroscedasticity. The heteroscedasticity test result obtained are as follows:

**Table 5 Results of the Heteroscedasticity Test 1**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| Model | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3056,256 | 4728,477 | | ,646 | ,520 |
| | Inflation | 295,621 | 231,873 | ,190 | 1,275 | 206 |
| | Exchange rate | ,388 | ,466 | ,124 | ,832 | , 408 |

a. Dependent Variable: ABS_RES 1

Source: 2024 processed original data

Based on the results above, it shows that all variables have a sig > 0,05 value, which means that there are no symptoms of heteroscedasticity.

**Table 6 Results of the Heteroscedasticity Test 2**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3056,256 | 4728,477 | | ,646 | ,520 |
| | Inflation | 295,621 | 231,873 | ,190 | 1,275 | 206 |
| | Exchange rate | ,388 | ,466 | ,124 | ,832 | , 408 |

a. Dependent Variable: ABS_RES 2

Based on the results above, it shows that all variables have a sig > 0,05 value, which means that there are no symptoms of heteroscedasticity.

**Test of Autocorrelation**

The autocorrelation test aims to test whether the dependent variable in the linear regression model is not correlated with itself, either with the value of the previous period or with the value of the next period. A good regression model is a regression that is free from autocorrelation. The autocorrelation test can be done through the Durbin-Watson test.

**Tabel 7 Results of the Autocorrelation Test 1**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .407[a] | .166 | .148 | 247.286 | 2.065 |

a. Predictors: (Constant), exchange rate, Inflation

b. Dependent Variable: capital structure

Note :

dW = 2.065

dU = 1.6763

dL = 0.9976

4 – dU = 4 - 1.6763 = 2.3237

Based on the table above, it shows that dU<dW< 4-dU, then the null hypothesis is accepted, which means there is no autocorrelation.

**Tabel 7 Results of the Autocorrelation Test 1**

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .860[a] | .739 | .728 | 2334.193 | 1.940 |

a. Predictors: (Constant), capital structure, exchange rate, Inflation

b. Dependent Variable: stock return

Note:
dW = 1.940
dU = 1.6763
dL = 0.9976
4 – dU = 4 - 1.6763 = 2.3237
Based on the table above, it shows that dU<dW< 4-dU, then the null hypothesis is accepted, which means there is no autocorrelation.

**Analysis of Regression**

Relapse investigation could be a factual method that appears the presence or nonattendance of a relationship—also known as a causal connect or cause and effect—as an condition or systematic demonstrate. Relapse can be utilized to make a demonstrate, such as a relapse condition, or to foresee results. The method of relapse examination itself is utilized to discover how much one variable influences one or more other factors.

**Results of Multiple Linear Regression**

**Table 8. Results of the Linear Regresson Test 1**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 316,277 | 32,487 | | 9,735 | ,000 |
| | Inflation | -,121 | ,030 | -,377 | -3,973 | ,000 |
| | Exchange rate | -,036 | ,014 | -,240 | -2,532 | ,013 |

a. Dependent Variable: capital structure

Source: 2024 processed original data

Based on table the significance value of the two independent variables inflation (X1) is 0,000 and the independent variable exchange rate (X2) is 0,013 smaller than α = 5% or 0,05, it can be concluded that regression model 1, namely inflation and exchange rate variables have a signifcant effect on capital structure. Linear regression equation: Z = 0,377X1 + 0,240X2 + e

**Results of Multiple Linear Regression II,**

**Table 9. Results of the Linear Regresson Test 2**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | ,499 | 19.104 | | ,026 | ,979 |
| | Inflation | 1,542 | ,320 | 2,927 | 4,821 | ,000 |

| | | | | | |
|---|---|---|---|---|---|
| Exchange rate | -1,543 | ,438 | -2,126 | -3,525 | ,001 |
| Capital structure | ,897 | ,248 | ,248 | ,3611 | ,000 |

a. Dependent Variable: stock return

Source: 2024 processed original data

Based on table that the significance value of the inflation variable (X1) is 0,000 then the significant value of the exchange rate variable (X2) is 0,001 and the capital structure variable (Z) is 0,000 smaller than α = 5% or 0,05, it can be concluded that regression model 2, namely the inflation, exchange rate, and capital structure variables have a significant effect on stock returns. Linear regression equation: Y = 2,927X1 – 2,126X2 + 0,248Z + e

**Hypotesis Test**

**Simultaneous test (f test)**

The simultaneous significance test or f test is used to test the significance of the independent variables together on the dependent variable (Ghozali, 2019). The significance value (α) is < 0,05 or 5%.

**Table 10. result of the f test 1**

**ANOVA[a]**

| Model | | Sum of Squares | df | mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1165541.250 | 2 | 582770.625 | 9.530 | .000[b] |
| | Residual | 5870427.674 | 96 | 61150.288 | | |
| | Total | 7035968.924 | 98 | | | |

a. Dependent Variable: capital structure
b. Predictors: (Constant), exchange rate, Inflation

Source: 2024 processed original data

Based on the table above shows the Sig. value of 0,000 < 0,05, it can be concluded that the regression model as a whole is significant to explain the effect of inflation, exchange rate on capital structure. That is, the independent variable simultaneous has a significant influence on the moderation variable.

**Table 11. result of the f test 2**

**ANOVA[a]**

| Model | | Sum of Squares | df | mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1291547088 | 3 | 430515696.1 | 85.239 | .000[b] |
| | Residual | 479813693.3 | 95 | 5050670.455 | | |
| | Total | 1771360782 | 98 | | | |

a. Dependent Variable: stock return
b. Predictors: (Constant), capital structure, exchange rate, Inflation

Source: 2024 processed original data

Based on the table above shows the Sig. value of 0,000 < 0,05, it can be concluded that the regression model as a whole is significant to explain the effect of inflation, exchange rates and capital structure on stock returns. This means that the independent

and moderation variables simultaneous have a significant influence on the dependent variable.

**Table 12. result of the t test 1**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 316,277 | 32.487 | | 9,735 | ,000 |
| | Inflation | -,121 | ,030 | -,377 | -3,973 | ,000 |
| | Exchange rate | -,036 | ,014 | -,240 | -2,532 | ,013 |

a. Dependent Variable: capital structure

Source: 2024 processed original data

**Table 12. result of the t test 2**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | ,499 | 19,104 | | ,026 | ,979 |
| | Inflation | 1,542 | ,320 | 2,927 | 4,821 | ,000 |
| | Exchange rate | 1,543 | ,438 | -2,126 | -3,525 | ,001 |
| | Capital structure | ,897 | ,248 | ,248 | ,3611 | ,000 |

a. Dependent Variable: stock return

From the tables above, it can be seen the effect on the research hypothesis as follows:

a. Linear regression analysis test result of inflation influence on capital structure. The t-test is conducted by comparing p value with α (5%). Inflation variable has t-count of -3,973 with significance 0,000 < 0,05 or α (5%) so that there is negative and significant influence of inflation variable toward capital structure.

b. The result of linear regression analysis test on the effect of exchange rate on capital structure. The t-test is conducted by comparing the p value with α (5%). The exchange rate variable has a t-count of -2.532 with a significance of 0.013 <0.05 or α (5%) so that there is a negative and significant effect of exchange rate variable on capital structure.
c. Linear regression analysis test results of the effect of inflation on stock returns. The t test is done by comparing the p value with α (5%). The inflation variable has a t-count of 4.821 with a significance of 0.000 <0.05 or α (5%) so that there is a positive and significant effect of the inflation variable on stock returns.
d. Linear regression analysis test results of the effect of exchange rates on stock returns. The t test is done by comparing the p value with α (5%). The exchange rate variable has a t-count of -3.525 with a significance of 0.001 <0.05 or α (5%) so that there is a negative and significant effect of the exchange rate variable on stock returns.
e. Linear regression analysis test results of the effect of capital structure on stock returns. The t-test is conducted by comparing p value with α (5%). The capital structure variable has a t-count of 0.3611 with a significance of 0.000 <0.05 or α (5%) so that there is a positive and significant influence of the capital structure variable on stock returns.

**Coefficient of Determination (R Square)**

The coefficient of assurance esteem is between zero (0) and one (1). A little $R^2$ esteem implies that the capacity of the autonomous (free) variables to clarify varieties within the subordinate variable is exceptionally constrained. A esteem near to one implies that the subordinate factors give almost all the data required to foresee varieties within the subordinate variable.

**Table 13. R Square Test Results 1**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | ,948[a] | ,898 | ,896 | 37,09288 |
| a. Predictors: (Constant), exchange rate, inflation | | | | |

Source: 2024 processed original data

The test result from the table can be seen that the results of the calculation of the adjusted R Square value of 0,896, this means that 89,6% of the capital structure varaible is influenced by the inflation and exchange rate variables, while 10,4% is influenced by other variables that have not been studied or not included in the regression in this study.

**Table 14. R Square Test Results II.**

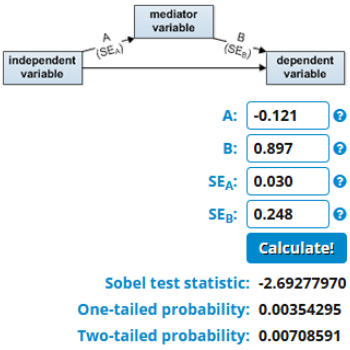
| Model Summary[b] | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | ,860[a] | ,739 | ,728 | 2334,193 |
| a. Predictors: (Constant), capital structure, exchange rate, inflation | | | | |
| b. Dependent Variable: stock return | | | | |

Source: 2024 processed original data

The test result from the table can be seen that the results of the calculation of the adjusted R Square value of 0,728, this means that 72,8% of the capital structure variables is influenced by the inflation and excahange rate variables, while 27,25 is influenced by other variables that have not been studied or not included in the regression in this study.

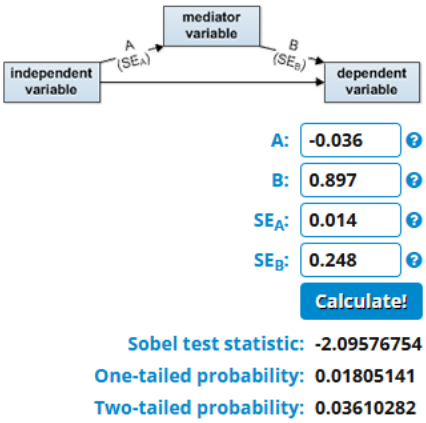
**Sobel test**

**Picture 1. Result Sobel test 1**




Based on the figure above, the sobel test on the inflation variable on stock returns through capital structure as a mediating variable, it is known that the results of the calculation of the sobel test get a one tailed probability value of 0.00354295 with a significant level of 5% from these results it can be concluded that 0.00354295 <0.05, while the two tailed probability value gets 0.00708591 with a significance level of 5% from these results it can be concluded that 0.00708591 <0.05 so it can be said that the capital structure is able to mediate inflation on stock returns.

**Picture 1. Result Sobel test 2**




Based on the figure above, the sobel test on the exchange rate variable on stock returns through capital structure as a mediating variable, it is known that the results of the calculation of the sobel test get a one tailed probability value of 0.01805141 with a significant level of 5% from these results it can be concluded that 0.01805141 <0.05, while the two tailed probability value gets 0.03610282 with a significance level of 5% from these results it can be concluded that 0.03610282 <0.05 so it can be said that the capital structure is able to mediate the exchange rate on stock returns.

## 5. Discussion

The findings of this study underscore the significant relationships and impacts between inflation, exchange rate, struktur modal, and return saham within food and beverage sub-sectors listed on the Indonesian stock exchange. Based on the test result (H1), this research shows that inflation has signifcant influence on capital structure. This can be proven from the t-count test result of -3,973 with a significance of 0.000 <0.05 or α (5%) so that there is a negative and significant effect of inflation variable on capital structure. inflation has a negative impact on capital structure because an increase in inflation tends to raise interest rates, so that the cost of debt increases and companies tend to reduce the use of debt to avoid financial risk. Based on this statement, the researcher concludes that an increase in inflation tends to cause a decrease in capital structure, this shows that companies may be more cautious in increasing debt when inflation is high. This research is in line with previous research which states that inflation has a negative and significant effect on capital structure (Yulianto et al., 2019).

Based on the test result (H2), this research shows that exchange rate has significant influence on capital structure. This can be proven from the t-count test result of -2.532 with a significance of 0.000 <0.05 or α (5%) so that there is a negative and significant effect of exchange rate variable on capital structure. The exchange rate negatively affects the capital structure because high fluctuation increases the risk of currency cost, especially foreign currency. This makes the company more cautious and tends to reduce dependence on debt financing. This it can be concluded that the increasing exchange rate fluctuation tends to cause the worsening of the capital structure of the

company, this indicates that the company can reduce its dependence on debt financing when facing exchange rate volatility. The results of this study are reinforced by the results of previous research which states that the exchange rate has a negative and significant effect on capital structure (Hayuningtyas et al., 2020).

Based on the test results (H3), it shows that inflation has a significant effect on stock returns. This can be seen from the t-count result of 4.821 with a significance of 0.000 <0.05 or α (5%) so that there is a positive and significant effect of the inflation variable on stock returns. This it can be concluded that an increase in inflation tends to be followed by a significant increase in stock returns, so inflation is one of the important factors affecting the movement of stock returns. The results of this study are in line with previous research which states that inflation has a positive and significant effect on stock returns (Christine et al., 2023).

Based on the test results (H4), it shows that the exchange rate has a significant effect on stock returns. This can be seen from the t-count result of -3.525 with a significance of 0.001 <0.05 or α (5%) so that there is a negative and significant effect of the exchange rate variable on stock returns. The exchange rate has a negative effect on stock returns because a weakening exchange rate can increase the cost of importing raw materials for companies that rely on goods from abroad, thereby reducing profit margins and reducing the attractiveness of the company's shares. Based on the test results, it can be concluded that the exchange rate has a significant relationship to stock returns, where a weakening exchange rate tends to cause a decrease in stock returns. The results of this study explain that the exchange rate is an important factor that needs to be considered by investors in analyzing the movement of stock returns because exchange rate fluctuations can affect stock market performance. The results in this study are in line with previous research which states that the exchange rate has a negative and significant effect on stock returns (Suharyanto & Zaki, 2021).

Based on the test results (H5), it shows that capital structure has a significant effect on stock returns. This can be seen from the t-count of 3.611 with a significance of 0.000 <0.05 or α (5%) so that there is a positive and significant effect of capital structure variables on stock returns. Based on the test results, it can be concluded that the results of this test indicate that good capital structure management, such as more efficient use of capital can lead to increased stock returns. Therefore, capital structure is an important factor that needs to be considered by companies because it can affect investor perceptions and have a positive impact on stock investment returns. The results of this test are in line with previous research which states that capital structure has a positive and significant effect on stock returns (Apriliany & Effendi, 2019).

## 6. Conclusions

The results of this study indicate a significant relationship between inflation, exchange rates, capital structure and stock returns in the food and beverage sub sector listed on the Indonesian stock exchange. Inflation is proven to have a significant negative impact on capital structure because an increase in inflation increases interest rates,

making the cost of debt more expensive. As a result, companies tend to reduce their loans to avoid financial risk. On the other hand, exchange rate also has a significant negative impact on capital structures, as high fluctuations increase the risk of foreign exchange costs, so firm are more cautious an less dependent on debt financing.

In addition, inflation has a significant positive impact on stock returns, indicating that an increase in inflation is often followed by a significant increase in stock returns. On the other hand, exchange rate has a significant negayive impact on stock returns as a weaker exchange rate can increase the cost of importing raw materials and reduce profit margins. Capital structure is also shown to have a significant positive impact on stock returns, indicating that good capital structure management can improve investor perceptions and have a positive impact on stock returns. These results support previous research and provide important insights for companies and investors in the management of economic and market risks.

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