The Influence of Macro Economic Factors on Stock Returns With Capital Structure as Intervening Variables in Lq 45 Manufacturing Companies

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Abstract:- The purpose of this research is to analyze macro economic factors (exchange rate of Rupiah/US Dollar, inflation, and BI rate) on stock return of manufacturing companies listed on LQ-45 index with capital structure as an intervening variable. Samples used in this research are among 8 manufacturing companies listed on Indonesia LQ-45 index. This research uses quantitative research with secondary data from quarterly reports of macro economic factors from central bank of Indonesia and manufacturing companies listed on Indonesia Stock Exchange. This research uses SEM PLS analysis with WarpPLS software. Independent variables are exchange rate of Rupiah/US Dollar, inflation and BI rate, the dependent variable is stock return, and capital structure as intervening variable. The result of this research indicated that, the exchange rate of Rupiah/US Dollar, inflation and BI rate have no significant effect on capital structure. Exchange rate of Rupiah/US Dollar, inflation and BI rate have a significant effect on stock return. Capital structure has no significant effect on stock return. The capital structure variable could not mediate the effect Exchange rate of Rupiah/US Dollar, inflation and BI rate have a significant effect on stock return.

Keywords:- Exchange Rate Of Rupiah/US Dollar, Inflation, BI Rate, Stock Return, Capital Structure.

I. INTRODUCTION

Basically, the capital market and the traditional market are not much different, where there are sellers and buyers, and there is a price negotiation process. The capital market itself is defined as a forum that brings together those who provide funds with those who need funds, which of course refers to the established rules. For companies in Indonesia, the capital market is an alternative funding and can also be seen as an alternative to investing.

Every capital or fund invested will have two inherent factors, namely return and risk, where the two factors always have a comparable reciprocal relationship. An investor always tries to hunt for low-risk securities with the same level of return in carrying out investment activities. Vice versa, investors look for securities that have the highest returns on securities with the same level of risk. The general principle that usually applies is that the smaller the risk, the smaller the return, and the higher the risk, the greater the return. Stock investment is one of the fields of investment that is quite attractive but has a high risk. The higher the profit or return obtained, the better the condition of the company [1]

In general, macroeconomics has a close link with the level of return and risk, because macroeconomic factors are external factors that cannot be controlled by a company, such as the impact of inflation, exchange rates and bank interest rates.

In today's modern economic era, macroeconomic information of a country is very important, for investors this information can be useful for determining investment decisions, while for companies this information can be useful for determining company financial decisions. Careful investors not only pay attention to the company's financial statements, but also pay attention to the macroeconomic conditions of the country where investors invest their capital so that investors can invest effectively and efficiently, as well as companies need to balance risk and return so as to obtain an optimal capital structure. So it is very important to explore the macroeconomic conditions of a country.

All investors as well as potential investors when making a decision to invest have the same goal regarding what they want to achieve. Where investors and potential investors when investing have a motive to obtain security, profits and the funds invested can grow. So it is important for investors who want to invest in stocks to analyze the condition of the issuer's company influenced by any factors. The analysis aims to obtain a comprehensive picture related to the company's ability to continuously grow and develop in the future.

Companies must demonstrate good corporate management performance and growth rates to attract investors. Complete, accurate, relevant and up-to-date information is information needed by investors. Some of this information is needed because the condition, achievements and prospects of the company in the future will affect the company's capital structure, which in turn will determine the level of stock returns in the form of capital gains or dividends that will be obtained by investors.

The level of leverage applied by the company has a direct effect on return and risk. A company's financial leverage is determined by its capital structure, which is a combination of debt and equity financing. Because of the fixed interest payments, the more debt a company applies relative to its equity, the greater its financial leverage. Firm value is influenced by the level of leverage and the composition of its capital structure [2]

Macroeconomic factors will affect the use of corporate debt and will affect the investment decisions of investors which is described in the form of changes in the company's stock returns. Based on this, this research uses the capital structure represented by DER as the intervening variable.

The research object uses manufacturing companies that are included in the LQ-45 index with the consideration that manufacturing companies are companies that are growing rapidly in Indonesia and can survive in all conditions of the Indonesian economy, especially companies that produce goods for daily needs, clothing, medicines, building materials, and others. In addition, more manufacturing companies go public than other industries, so they can be used to assist with representative research results.

II. LITERATURE REVIEW

A. Exchange Rate Againts Capital Stictire
Macroeconomic factors will affect the company's capital structure, this is evidenced by Budiono and Septiani (2017) [3], with the results of their research which states that the capital structure is significantly but negatively affected by the US Dollar exchange rate factor against the rupiah. This result shows that if USD/IDR appreciates, companies with USD debt will reduce their debt, so the capital structure will be lower.

Hypothesis: The exchange rate has a significant negative effect on the capital structure of manufacturing companies listed on LQ 45 during 2015-2018.

B. Inflation rate on capital structure
According to De Angelo and Masulis (1980) [4] the use of debt is driven by inflation, because loan interest is relatively cheaper if inflation is higher.

Hypothesis: The inflation rate has a significant negative effect on the capital structure of manufacturing companies listed on LQ 45 during 2015-2018.

C. BI interest rate on capital structure
Based on research by Subagyo (2009 [5]), it was found that interest rates have a negative effect on capital structure. Companies will consider withdrawing bonds or issuing shares depending on interest rates.

Hypothesis: BI interest rates have a significant negative effect on the capital structure of manufacturing companies listed on LQ 45 during 2015-2018.

D. Capital structure on stock returns
According to Lindayani and Dewi (2016) [6] in their research, stock returns are significantly affected by the DER factor, by optimizing the use of debt such as managing assets, the company has the opportunity to increase sales.

Hypothesis: Capital structure has a significant positive effect on stock returns in manufacturing companies listed on LQ 45 during 2015-2018.

E. BI interest rates on stock returns
According to Abidin (2016) [7], the stock return variable is significantly but negatively affected by the interest rate factor, this is inseparable from the decision of investors to channel their funds into savings (such as deposits) whose risk is clearly smaller than investing in stocks.

Hypothesis: BI interest rates have a significant negative effect on stock returns in manufacturing companies listed on LQ 45 during 2015-2018.

F. Inflation rate on stock returns
Based on the research of Widiyatmoko (2012) [8], stock returns are significantly affected but negatively by inflation factors, this is because when the inflation rate increases, potential investors will prefer to meet their needs and spend their money rather than investing.

Hypothesis: The inflation rate has a significant negative effect on stock returns in manufacturing companies listed on LQ 45 during 2015-2018.

G. Capital structure on stock returns
According to Lindayani and Dewi (2016) [6] in their research, stock returns are significantly affected by the DER factor, by optimizing the use of debt such as managing assets, the company has the opportunity to increase sales.

Hypothesis: Capital structure has a significant positive effect on stock returns in manufacturing companies listed on LQ 45 during 2015-2018.

H. Capital structure moderates the effect of macroeconomic factors on stock returns
Macroeconomics is a factor that will affect the company's debt use policy which is described in the form of capital structure and will affect the investment decisions of investors which is described in the form of changes in the company's stock return.

Hypothesis: Exchange rates, inflation rates, and BI interest rates have a significant effect on stock returns through the capital structure of manufacturing companies listed on LQ 45 during 2015-2018.
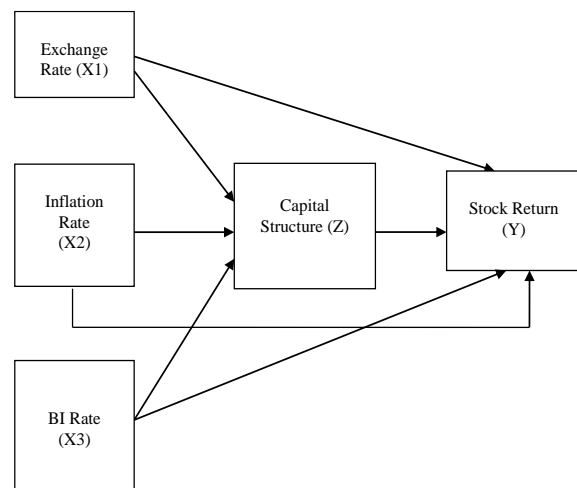

Fig. 1: Conceptual Frame

III. METHOD

A quantitative method approach is used to explain the effect of macroeconomics (BI interest rates, exchange rates, and inflation) on stock returns of manufacturing companies indexed in LQ-45 Indonesia in 2015-2018 through capital structure as an intervening variable.

Quarterly financial reports are used as secondary data related to the variables studied, on manufacturing companies indexed by the BEI LQ-45 in the 2015-2018 period, as well as the Indonesian state macroeconomic report issued by Bank Indonesia in the 2015-2018 period.

The following variables were used in the research:

A. Stock Return (Y)
According to Ang (2010) [9], stock returns are investors who enjoy the level of profits they get on their stock investments.To analyze the actual return used the formula:

$$Ri_t = \frac{Pi_t - Pi_{t-1}}{Pi_{t-1}} \qquad (1)$$

Information:
Rit : Return of stock i in period t
Pit : Share price i in period t
Pit-1 : Share price i in period t-1

The benchmark for stock returns is measured in percent for 2015-2018.

B. Exchange Rate (X1)
The exchange rate of foreign currency (exchange) is the value of the domestic currency if it is exchanged for one unit of foreign currency (Sukirno, 2007) [10]. The benchmark for foreign exchange rates is the middle rate measured in rupiah during 2015-2018.

C. Inflation (X2)
The inflation rate is calculated based on an index that is collected at each price level of several commodities traded in the market. The inflation rate is calculated using the following formula (Putong, 2002) [11]:

1. $In = \frac{IHK_n - IHK_{n-1}}{IHK_{n-1}} 100\%$

2. $In = \frac{Df_n - Df_{n-1}}{Df_{n-1}} 100\%$ (2)

In = Inflation rate
CPI = Consumer Price Index base period
CPI- 1 = Consumer Price Index for the next period
Dfn = GNP or GDP base period deflator
Dfn-1 = GNP or GDP deflator next period

The benchmark for the inflation rate is measured in percent during 2015-2018.

D. BI rate (X3)
BI rate is an interest rate policy formulated by Bank Indonesia and published to the public that reflects the attitude or position related to the monetary basis. (Bank Indonesia, 2016) [12]. Not only in Indonesia, but all countries in the world also conduct an assessment of the soundness of their banks. Thus aligning the supervision of the central bank or banks with the principles used by the Monetary Authority. (Respati & Yandono,2007)[13]. The benchmark for the BI rate is measured in percent during 2015-2018.

E. DER(Z)
Debt to Equity Ratio (DER) is a comparison calculated through the formula between debt and equity (Subramanyam and Wild, 2013) [14]:

DER = Total Debt : Total Equity   (3)

The benchmark for DER is measured in percent during 2015-2018.

This study uses the population of LQ45 companies during 2015-2018 listed on the IDX (IDX), with the consideration that the company's performance level is good and always increasing so it is estimated that the share price owned is quite significant.

Purposive sampling approach is used in sampling, with the aim of being able to select samples that are in specific groups (Sekaran, 2006) [15] Sampling was carried out with the following criteria: 1) Manufacturing companies that are consistently listed on the LQ-45 listed on the IDX during 2015-2018; 2) Have financial reports as of December 31 during 2015-2018; 3)The company is active in stock trading 2015-2018.

Data Analysis Method uses Partial Least Square (PLS) model in this research, with the full form of the structural equation model as follows:
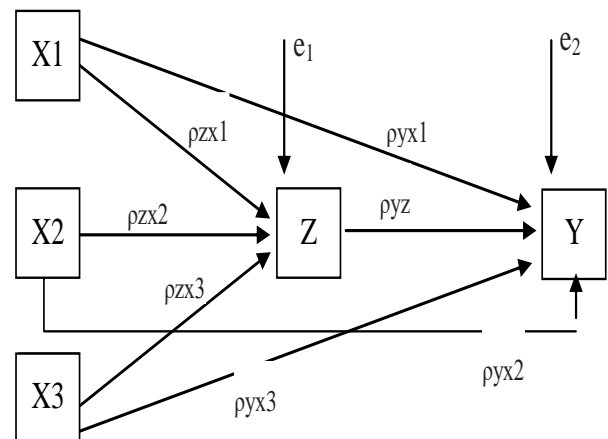

Fig. 2: Path Diagram of the Effect of Variable 'X' on 'Y' through 'Z

Structural equation 1:
Z = zx1X1 + zx2X2 + zx3X3 + e1
Structural equation '2:
Y' = yx1'X1+ yx2'X2 + yx3'X3 + yzZ+ 'e2
Information:
X1 = Rupiah Rate
X2 = Inflation Rate
X3 = BI rate
Y = Stock return
Z   = Capital Structure
zx1X1 = Path coefficient of the rupiah exchange rate against the capital structure
zx2X2 = Path coefficient of inflation rate on capital structure
zx3X3 = BI rate path coefficient on capital structure
zyY   = Path coefficient of capital structure on stock returns
e1 = Other factors that influence the capital structure
e2 = Other factors that affect stock returns

IV. RESULT AND DISCUSSION

A. Results of Descriptive Analysis of Research Variables
A description of the results of research on capital structure analysis as an intervening variable from the influence of macroeconomic factors on stock returns (case study of a manufacturing company LQ 45 in 2015 - 2018), will be described from taking data obtained from quarterly reports or quarterly reports from 8 (eight) manufacturing companies that are the source of his research.

Variable	Minimum	Maximum	Mean	Standard Deviation
Stock Return (%)	-25.16	31.46	0.799	10.138
Capital Structure (%)	9.65	309.56	77.261	62.146
Exchange Rate (IDR)	12804.4	14812.5	13579.7	514.177
Inflation (%)	3.02	7.09	4.23	1.38
BI Rate (%)	4.25	7.58	5.63	1.221

Table 1: Results of Descriptive Analysis of Research Variables During 2015-2018

Table 1 provides an analysis of the stock return analysis of manufacturing companies (LQ-45) on the IDX during 2015-2018 showing the highest value of 31.46% and the lowest value of -25.16%. 0.8% with a standard deviation of 10.14% being the average value of stock returns of manufacturing companies (LQ-45) on the IDX during 2015-2018. So that it is confirmed that the stock returns of manufacturing companies (LQ-45) on the IDX during 2015-2018 are concentrated in the range of 0.80±10.14%.

The capital structure of manufacturing companies (LQ-45) on the IDX during 2015-2018 showed the highest value of 309.56% and the lowest value of 9.65%. 77.26% with a standard deviation of 62.15% being the average value of the capital structure of manufacturing companies (LQ-45) on the IDX during 2015-2018. So that it is confirmed that the capital structure of manufacturing companies (LQ-45) on the IDX during 2015-2018 is concentrated in the range of 77.26±62.15%.

The manufacturing company exchange rate (LQ-45) on the IDX during 2015-2018 showed the highest value of 14812.50 Rupiah and the lowest value of 12804.40 Rupiah. 13579.70 Rupiah with a standard deviation of 514.18 Rupiah being the average value of the manufacturing company exchange rate (LQ-45) on the IDX during 2015-2018. So that it is confirmed that the exchange rate of manufacturing companies (LQ-45) on the IDX during 2015-2018 is concentrated in the range of 13579.70±514.18 Rupiah.

Inflation of manufacturing companies (LQ-45) on the IDX during 2015-2018 showed the highest value of 7.09% and the lowest value of 3.02%. 4.23% with a standard deviation of 1.38% being the average inflation rate for manufacturing companies (LQ-45) on the IDX during 2015-2018. So that it is confirmed that inflation for manufacturing companies (LQ-45) on the IDX during 2015-2018 is concentrated in the range of 4.23±1.38%.

The BI rate of manufacturing companies (LQ-45) on the IDX during 2015-2018 showed the highest value of 7.58% and the lowest value of 4.25%. 5.63% with a standard deviation of 1.22% being the average value of the BI rate for manufacturing companies (LQ-45) on the IDX during 2015-2018. So that it is confirmed that the BI rate of manufacturing companies (LQ-45) on the IDX during 2015-2018 is concentrated in the range of 5.63±1.22%

The Goodness of fit model is used to determine how much variability of an endogenous variable can be explained by the presence of various exogenous variables. The coefficient of determination (R-Square) and Q-Square predictive relevance (Q2) are used for the analysis of the goodness of fit model.

The summary of the goodness of fit model is in the following teble (Table 2):

V Endogen	R-squared	Q-squared
Capital Structure	0.007	0.013
Stock Return	0.228	0.383

Table 2: Results of Goodness of fit model

R-square of capital structure is 0.07%, this value is relatively low. The diversity of capital structure can largely be explained by the exchange rate, inflation, and the BI rate of 0.07% each, while the remaining 99.93% are other factors in the research but are not discussed. Then the Q-square of the capital structure variable is 0.013. This illustrates that the exchange rate, inflation, and BI rate have weak predictive power on capital structure.

Next R-square stock return is 22.8%, this value is relatively high. The diversity of capital structure can largely be explained by the exchange rate, inflation, and the BI rate of 22.8% each, while the remaining 77.2% are other factors in the research but not discussed. Then the Q-square stock return is worth 0.383. This shows that the exchange rate,

inflation, BI rate, and capital structure have strong predictive power on stock returns.

B. Results of Direct Effect Hypothesis Testing

To test whether the direct effect of exogenous variables on endogenous variables is significant or not, the direct influence hypothesis is tested. If the significance level of the P value 0.05 as the level of significance is met, it is assumed that the endogenous variables are significantly affected by exogenous variables. The test results are in the following table (Table 3):

V Exogen	V Endogen	Path Coefficient	SE	P value
Exchange Rate	Capital Structure	-0.024	0.088	0.393
Inflation	Capital Structure	0.048	0.087	0.293
BI Rate	Capital Structure	-0.050	0.087	0.284
Exchange Rate	Stock Return	-0.337	0.082	<0.001
Inflation	Stock Return	-0.361	0.081	<0.001
BI Rate	Stock Return	0.209	0.084	0.007
Capital Structure	Stock Return	0.138	0.086	0.055

Table 3: Results of Direct Effect Hypothesis Testing

Table 3 illustrates that the structural models formed are: 1) Equation 1: Capital = -0.024 Exchange Rate + 0.048 Inflation - 0.05 BI_Rate; 2) Equation 2: Return = -0.337 Exchange Rate - 0.361 Inflation + 0.209 BI_Rate + 0.138 Capital.

The P value of the direct influence of the exchange rate on the capital structure is 0.393, this value indicates if the P value > 0.05 as the level of significance, it means that the capital structure is influenced by the exchange rate factor, although it is not significant. While the coefficient of the direct effect of the exchange rate on the capital structure is -0.024, it can be interpreted that the exchange rate has a negative effect on the capital structure. Thus, it can be interpreted that the higher the exchange rate, the lower the capital structure, although the decrease is not significant.

While the P value of the direct effect of inflation on the capital structure is 0.293, this value indicates if the P value > 0.05 as the level of significance, it means that the capital structure is influenced by the inflation factor although it is not significant. And 0.048 is the coefficient value of the direct effect of inflation on the capital structure, it can be interpreted that inflation has a positive effect on the capital structure. So that it can be interpreted that the higher inflation will increase the capital structure, although the increase is not significant.

The P value has a direct influence on the BI rate of 0.284 on the capital structure, this value indicates if the P value > 0.05 as the level of significance, it means that BI has an effect but is not significant on the capital structure. And -0.050 is the coefficient value of the direct influence of the BI rate on the capital structure, it can be interpreted that the BI rate has a negative impact on the capital structure. So it can be interpreted that the higher the BI rate, the lower the capital structure, although the decrease is not significant.

The P value has a direct effect on the exchange rate of <0.001 on stock returns, this value indicates if the P value <0.05 is the level of significance, it means that the exchange rate has a significant impact on stock returns. And equal to -0.337 for the coefficient value of the direct effect of the exchange rate on stock returns. It can be interpreted that the exchange rate has a negative impact on stock returns. So it can be interpreted that if the exchange rate is higher, the stock return will decrease.

The P value has a direct effect on inflation of <0.001 on stock returns, this value indicates if P value <0.05 is the level of significance, meaning that inflation has a significant impact on stock returns. And equal to -0.361 for the coefficient value of the direct effect of inflation on stock returns. It can be interpreted that inflation has a negative impact on stock returns. So that it can be interpreted if inflation then stock returns will decrease.

The P value has a direct effect on the BI rate of 0.007 on stock returns, this value indicates if the P value <0.05 as the level of significance, it means that the BI rate has a significant effect on stock returns. And 0.209 for the coefficient value of the direct influence of the BI rate on stock returns. It can be interpreted that the BI rate has a positive impact on stock returns. So that it can be interpreted that the higher the BI rate, the stock returns will increase.

The P value has a direct effect on the capital structure of 0.055 on stock returns, this value indicates if the P value > 0.05 as the level of significance, it means that the capital structure has an impact on stock returns but is not significant. And equal to 0.138 for the coefficient value of the direct effect of capital structure on stock returns. It can be interpreted that capital structure has a positive impact on stock returns. So it can be interpreted that if the capital structure is higher, the stock return will also increase, although the increase is not significant.

C. Results of Indirect Effect Hypothesis Testing

The following are the results of testing the indirect effect hypothesis, where exogenous variables are declared to have a significant influence on endogenous variables through intervening variables if the test results meet the criteria for P value 0.05 as the level of significance. The following table of test results:

V Exogen	V Intervening	V Endogen	Indirect Coefficient	SE	P value
Exchange Rate	Capital Structure	Stock Return	-0.003	0.062	0.479
Inflation	Capital Structure	Stock Return	0.007	0.062	0.458
BI Rate	Capital Structure	Stock Return	-0.007	0.062	0.456

Table 4: Results of Indirect Effect Hypothesis Testing

The P value of the effect of the exchange rate on stock returns through the capital structure is 0.479 (P value > 0.05 as the level of significance, meaning that the exchange rate

has no significant effect on stock returns through the capital structure. And is -0.003 for the coefficient value of the effect of the exchange rate on stock returns through capital structure, it can be interpreted that the exchange rate has a negative impact on stock returns, so that it can be interpreted that the lower the capital structure caused by the higher exchange rate, the lower the stock return, although the decline is not significant.

The P value of the effect of inflation on stock returns through the capital structure is 0.458 (P value > 0.05 as the level of significance), meaning that inflation has no significant effect on stock returns through the capital structure. And equal to 0.007 for the coefficient value of the effect of inflation on stock returns through the capital structure, it can be interpreted that the exchange rate has a positive impact on stock returns. So that it can be interpreted that the higher the capital structure caused by the higher inflation, the higher the stock return, although the increase is not significant.

The P value of the influence of the BI rate on stock returns through the capital structure is 0.456 (P value > 0.05 as the level of significance), meaning that the BI rate has no significant effect on stock returns through the capital structure. And equal to -0.007 for the coefficient value of the BI rate effect on stock returns through the capital structure, it can be interpreted that the BI rate has a negative impact on stock returns. So it can be interpreted that the lower the capital structure caused by the higher BI rate, the stock return will also decrease, although the decline is not significant

D. Results of Testing the Dominant Effect

The value of the largest total effect is used to determine the dominant effect of exogenous variables on endogenous variables regardless of the sign of the positive or negative coefficient, the results can be seen in the following table (Table 5):

V Exogen	V Endogen	Total Coefficient
Exchange Rate	Capital Structure	-0.024
Inflation	Capital Structure	0.048
BI Rate	Capital Structure	-0.050
Exchange Rate	Stock Return	-0.341
Inflation	Stock Return	-0.354
BI Rate	Stock Return	0.202
Capital Structure	Stock Return	0.138

Table 5: Results of Testing the Dominant Effect

Table 5 provides an illustration if the BI rate is the variable that has the largest total effect on the capital structure of -0.050. Therefore, the BI rate is the most dominant factor in its impact on the capital structure. While inflation is the variable that has the largest total effect on stock returns of -0.354. So that inflation becomes the most dominant factor influencing stock returns.

E. Discussion

From the results of the analysis that has been done, the effect of the exchange rate on the capital structure is not significant. This illustrates that changes in the rupiah exchange rate against the USD will not affect the decision making of the LQ-45 manufacturing company in determining the company's capital structure policy. This is in line with Perdana's research (2015) [16] which states that the exchange rate has no impact on the company's capital structure. However, contrary to Budiono and Septiani (2017) [3], and Mufidah (2012) [17] based on research conducted which states that the exchange rate has an impact on capital structure. It can be concluded that the source of debt funding in the capital structure of manufacturing companies LQ-45 is mostly denominated in rupiah, so that changes in the rupiah exchange rate to the US dollar will not affect the company's loans.

The effect of the inflation rate on the capital structure from the analysis results obtained does not have a significant impact. This shows that changes in the inflation rate do not affect the decisions of companies manufacturing LQ-45 in determining the company's capital structure policy. This is in line with the research of Budiono and Septiani (2017) [3], where the capital structure of LQ-45 companies is not influenced by high inflation. In this research, the higher the inflation rate, the higher the capital structure. This can be caused by increasing inflation which can be interpreted as a decrease in the real interest rate, company management can use this momentum to use debt because in real terms the cost of capital is cheaper.

The effect of the BI interest rate on the capital structure from the results of the analysis carried out is that there is no significant effect. This shows that changes in BI interest rates do not affect the decisions of LQ-45 manufacturing companies in determining the company's capital structure policy. This is in line with the research of Budiono and Septiani (2017) [3] and Karyawati, Taher and Darminto (2011) [18], that some companies can obtain additional funds by borrowing money from outside sources, which can offset the effect of BI interest rates. If firms have external sources of funding, they can use leverage (borrowing money) from foreign creditors, which can offset the initial impact of the base interest rate.

The effect of the exchange rate on stock returns from the results of the analysis that has been done is that there is a significant negative effect. This shows that the higher the exchange rate of the Rupiah against the Dollar, the stock return will decrease. In line with research by Abidin (2016) [7], Amrillah (2016 [19], Halim (2013) [20]], Meta (2010) [21], and Widyatmoko (2012) [8], which stated that the IDR/USD exchange rate had a significant impact on manufacturing stock returns. So that when the rupiah weakens against the US dollar, it will have a negative impact on the capital market, this happens because investors tend to save their funds in US dollars which causes the capital market to be unattractive.

The effect of the inflation rate on stock returns from the results of the analysis that has been done is that there is a significant negative effect. This shows that the higher the inflation rate, the lower the stock return. In line with the research of Amrillah (2016) [19], Meta (2010) [21], and Widyatmoko (2012) [8], this researcher suggests that inflation has a significant impact on a company's stock return. This can be explained when high inflation has an impact on the selling price of goods in general to be higher due to production costs. Purchasing power will decrease if the selling price is high, this will have an impact on the company's profit which leads to its share price. High inflation expectations encourage people to convert their financial assets into physical assets such as houses, land and so on.

The effect of BI interest rates on stock returns from the analysis results is that there is a significant effect. This shows that if BI interest rates are higher, then stock returns will also increase. This is in line with research by Abidin (2016) [7], Meta (2010) [21], and Widyatmoko (2012) [8] which state that BI interest rates have a significant impact on company stock returns. This can be explained because there are investors who like risk (risk seekers) so that investors channel their funds into shares rather than in the form of deposits with predictions of obtaining a higher return equivalent to the risk received.

The effect of capital structure on stock returns from the analysis results is that there is no significant effect. This shows that changes in the decisions of companies manufacturing LQ-45 in determining the company's capital structure policy do not affect stock returns. This is in line with the research of Zubaidah, Bambang, and Elen (2018) [24], and Yulianti and Suratno (2015) [23] which state that the debt to equity ratio has no impact on a company's stock return. This shows that investors believe that capital structure does not play a role in investment decisions.

The effect of the exchange rate on stock returns through the capital structure as an intervening variable from the analysis results is not significant. This illustrates that the capital structure factor cannot mediate the effect of changes in the exchange rate on stock returns. The effect of the inflation rate on stock returns through the capital structure as an intervening variable from the analysis results is not significant. This illustrates that the capital structure cannot mediate the effect of changes in the inflation rate on stock returns. The effect of BI interest rates on stock returns through capital structure as an intervening variable from the analysis results is not significant. This illustrates that the capital structure cannot mediate the effect of changes in interest rates on stock returns.

V. CONCLUSION

Referring to the results of research and discussion, the following conclusions are obtained: 1) The exchange rate, inflation rate, and BI interest rate have no impact on the capital structure of manufacturing companies listed on LQ 45 from 2015 to 2018; Exchange rates, inflation rates, and BI interest rates have an impact on stock returns in manufacturing companies listed on LQ 45 from 2015 to 2018; 3. Capital structure has no impact on stock returns in manufacturing companies listed on LQ 45 from 2015 to 2018; 4) Capital structure as an intervening variable is not able to mediate the impact between the exchange rate, inflation rate, and BI interest rates on stock returns in manufacturing companies listed on LQ 45 from 2015 to 2018.

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