EFFECT OF FINANCIAL PERFORMANCE AND INVESTMENT RISK AS MEDIATION VARIABLES ON STOCK RETURN RETURN (STUDY ON FOOD AND BEVERAGE COMPANIES IN THE LIST OF SHARIA SECURITIES)

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ABSTRACT

The purpose of this study is to find out about the potential for stock investment in food and beverage sub-sector companies that are listed in the Sharia Securities List (DES) based on the company's financial performance and what if it is influenced by investment risk on the resulting return. The research sample consisted of 10 food and beverage sub-sector companies listed on the Sharia Securities List in 2016-2020 through purposive sampling method. The process of data analysis in this study is path analysis with the help of SPSS software program. The results of the research on substructure I show that the profitability variable proxied by ROE and ROA has a significant effect on investment risk. The liquidity variable proxied by CR has a significant effect on investment risk, while QR has no significant positive effect on investment risk. In substructure II, the profitability variable proxied by ROE and ROA has a significant effect on stock returns. The liquidity variable proxied by CR has a significant effect on stock returns, while negative QR has no significant effect on stock returns. The investment risk variable has a significant effect on investment risk. The effect of the profitability variables proxied by ROE and ROA has a significant effect on stock returns through investment risk. For the effect of the liquidity variable proxied by CR, it has a significant effect on stock returns through investment risk, while QR has no significant positive effect on stock returns through investment risk.

Key words: Financial Performance, Investment Risk, Stock Return.

INTRODUCTION

The rotation of the economy in Indonesia in this pandemic era had weakened and many industrial sectors were slumped so that many people lost their jobs because many people's businesses had decreased until they went out of business. Social distancing, self-isolation, and travel restrictions have led to a reduction in the workforce in all sectors of the economy and caused many jobs to be lost, schools have been closed, and the need for commodities and manufactured products has decreased (Nicola, et al., 2020). To prevent the weakening of the Indonesian economy in this pandemic condition, the government has made several policies that are currently being implemented, one of which is the existence of a new normal life order where people can carry out their activities as usual but remain vigilant by complying with the health protocol requirements.

Several phenomena that occur in society during this pandemic, which started from health problems, then became massive and spread to economic growth, especially the business sectors. While some businesses are surviving from adversity, on the other hand, several business sectors are growing rapidly, including: The Food and Beverage Industry, this is because people have changed people's consumption patterns such as increasing demand for food in the take away system and snacks due to the pandemic period, people spend more time at home (Donthu & Gustafsson, 2020). Digital technology-based businesses in the 2020 ASEAN Policy Brief, the phenomenon of an increase in the use of digital technology by the public, is none other than the increasing need for long-distance interactions to overcome movement restrictions in the midst of the corona virus pandemic. Other industries that are performing well in the pandemic era are those related to Health Care and herbal medicine and vitamins (Donthu & Gustafsson, 2020).

The COVID-19 phenomenon reminds people who have more financial capacity at this time to invest in preparing their personal or family lives from all possibilities that may occur in the future, both for the long and short term. Of the various investment options that are in great demand by the public for some time, one of them is investing in the stock sector. The stock market has an important role in helping and stimulating the economic development of a country (Rui, et al., 2018). In addition to providing investors with benefits in the form of dividends and capital gains, investing in shares itself can also enable the issuer company to get capital to develop the company. If the company is growing, it will absorb a lot of labor and reduce unemployment.

Before making a decision on a diverse investment, especially in the stock sector, investors must first look at the potential of a company to invest as an object of their investment and several aspects that will be studied in order to obtain information. Signaling theory is useful for analyzing disclosure behavior when two parties (organizations or individuals) have different information (Menicucci & Paolucci, 2018). Information affects the decision-making processes used by individuals in households, businesses, and governments (Connelly, et al., 2020). Several aspects can be studied by investors to obtain information on a company that has investment potential and long-term sustainability, namely by analyzing financial performance.

Financial performance analysis is a way to determine the work attributes and financial health of a company which is assessed from the financial statements (Adegbie, et al., 2020). Investors are guided by adequate perceptions and knowledge about the financial performance of an entity through financial statement analysis to make decisions (Dadepo & Afolabi, 2017). According to Kaddumi (2017) the success of a financial analysis is directly related to the accuracy and thoroughness of financial statements which are considered as raw materials for the financial analysis process and a source for obtaining financial indicators related to company performance. Financial ratios are one of the most important tools for assessing and analyzing company performance (Banerjee, 2019). Investors are constantly looking for a single index or ratio from a company's financial statements that can tell them about their financial performance and business continuity status as well as to avoid making risky investment decisions (Imhanzenobe, 2020).

In investing from the point of view of investors, of course, they want to maximize stock returns and minimize investment risk. Before investing, every investor in the stock market needs to know some basic information about risks, types of risks, and other basic information about their investments (Faisal, et al., 2018). Financial risk means that uncertainty in the return of capital may be in the form of losses or gains not only for corporations but also for investors, both individuals and institutions (Wagdi & Tarek, 2019). Investment risk itself consists of unsystematic risk and systematic risk. Unsystematic risk is a risk that is still within the control of the organization that can be managed by management (Ajibade & Oyedokun, 2018). Systematic risk is a component of risk that arises as a result of factors that affect the market as a whole (John & Boateng, 2017).

In the current pandemic era, of course, it is systematic risk that should be the most concern of investors. A pandemic can impact the economy in many ways: a decrease in the availability of human resources for work, changes in lower consumption patterns, additional stress on the financial system and greater uncertainty leading to lower investment (Solarz & Waliszewski, 2020). According to Baumöhl, et al. (2020) systematic risk is a chain reaction that endangers financial stability and affects the real economy so that the supply of capital decreases and market liquidity has an impact on disrupting real sector activities which require large costs for the economy so that later it can reduce the level of population economic welfare. According to Liu, et al. (2020) investment theory states that high returns are accompanied by high risks and low returns are accompanied by low risks. Then, accompanied by previous research on the effect of systematic risk on stock returns, it has a significant effect, showing the same positive results. As research conducted by Aslanidis, et al. (2019); Liu (2019); Naufa, et al. (2019); Sinsel, et al. (2019).

The first variable is the profitability ratio proxied by Return On Equity (ROE) and Return On Assets (ROA) to systematic risk showing different results. For all profitability ratios considered, the higher the semi-variability, the higher the risk of a decline in stock exchange investment (Ziarko, 2015). Research conducted by Ziarko & Pyke (2017), Shalini, et al. (2020) show that ROE is significant to systematic risk. Meanwhile, research conducted by Hung & Liu (2005), Hosseinpour & Saeidi (2016) shows that ROE is not significant to systematic risk. Then the research conducted with the second profitability ratio variable is Return On Assets (ROA) to systematic risk as well as differences in results. Like the research that has been done by Nawaz, et al. (2017); Shah, et al. (2020) show the results that ROA is significant to systematic risk. However, research conducted by Lee & Jang (2007); Li (2016) shows that ROA is not significant to systematic risk.

The second variable is the liquidity ratio which is proxied by Current Ratio (CR) and Quick Ratio (QR) and systematic risk is measured by Beta. Liquidity is part of systematic risk (Kumar & Misra, 2019). Liquidity pressures are more systemic and thus more dangerous for the entire economy if liquidity drains spread more widely throughout the financial system (Lachini & Nobili, 2016). Several studies on CR to systematic risk have shown differences in results, such as studies conducted by Salary (2015), Wagdi & Tarek (2019), which showed significant CR results to systematic risk. While the results of research conducted by Liu & Lin (2015), Nawaz, et al. (2017) showed that CR was not significant to systematic risk. Furthermore, there are several studies on the Quick Ratio to investment risk showing differences in results such as research conducted by Li & Purice (2016), Dedunu (2017) showing that QR is significant to systematic risk. However, research conducted by Rowe & Kim (2010), Alaghi (2013) shows that QR is not significant to systematic risk.

To get information about the company's profitability, investors can analyze the profitability ratios in the company's financial statements. In general, profitability itself is defined as the company's income generated from revenue after deducting all costs incurred during a certain period (Allarussi & Alhaderi, 2018). Profitability is the ability of organizational management to use resources efficiently in the main operations of the business to generate sufficient revenue and can provide benefits to various stakeholders (Kajola, et al., 2019). Profitability ratios can be used to assess whether companies generate sufficient operating profit from their assets (Asogawa, et al., 2020). In this study using Return On Equity (ROE) and Return On Assets (ROA) as proxies of the profitability variable.

For the profitability ratio variable in this study by analyzing Return On Equity (ROE) which serves to measure companies with high profitability, low leverage and stable income (Lalwani & Chakraborty, 2018). ROE is one of the profitability ratios that represents the company's sustainable growth rate and is maintained back in the business to finance its activities (Imhanzenobe, 2020). ROE is one of the proxies of the profitability ratio variable that measures the ability of a company to generate profits from its shareholders' investment in the company (Asogawa, et al., 2020). Several previous studies on Return On Equity (ROE) on stock returns showed differences in results. Based on research conducted by Araújo & Machado (2018), Banerjee (2019) shows that Return On Equity (ROE) is significant to stock returns. While research conducted by Haddad (2012), Anwaar (2016) shows that ROE is not significant to stock returns.

Financial performance information that investors need to pay attention to is the liquidity ratio variable. Liquidity refers to the company's ability to meet its current obligations and is closely related to the size of the composition of the company's working capital position (Kontuš & Mihanović, 2019). The term liquidity refers to the company's ability to meet its short-term obligations which mature within one year (Khan & Raj, 2020). Liquidity is a must in the development and improvement of corporations (Liu, et al., 2020). To obtain information about the company's liquidity, investors can conduct an assessment of the liquidity ratios in the company's financial statements. In this study, the liquidity ratio variable is proxied by the Current Ratio and Quick Ratio.

One proxy for the liquidity ratio variable is the Quick Ratio, which reflects the fact that the company's ability to manage its current assets is related to prepaid expenses, some taxes, and prepayments related to employee salaries which cannot be converted back into cash (Al-Qadi & Khanji, 2010). 2018). Quick Ratio focuses on more liquid company assets by excluding inventory (Fusco & Migliaccio, 2018). This ratio is important to be known by investors, especially those engaged in the consumer goods industry because companies will always need supplies in the form of raw materials to be processed into consumer goods and ready to be marketed to consumers. Several previous studies have shown differences in results between the Quick Ratio and stock returns, among others Chang, et al. (2010); Sayedi & Ghazali (2017), show that the Quick Ratio is significant to stock returns. However, research conducted by Olokoyo, et al. (2018); Amogha & Suresh (2019) Quick Ratio has no significant effect on stock returns.

HYPOTHESIS DEVELOPMENT

Every investor before investing in the stock market needs to know some basic information about risks, types of risks, and other basic information about their investments (Faisal, et al., 2018). If investors are unable to track and calculate financial performance due to lack of detailed information or technically it requires tremendous time and effort so that it can also lead to investment risk (Cheng, et al., 2020). For all profitability ratios considered, the higher the semi-variability, the higher the risk of a decline in stock exchange investment (Ziarko, 2017). Previous research that shows the results of the level of profitability that has a significant effect on systematic risk was carried out by Nawaz, et al. (2017); Ziarko & Pyke (2017); Shalini, et al. (2020) and Shah, et al. (2020).

If a company has previously had the experience of losing shares, it could be due to high volatility and this can make liquidity and arbitrage riskier (Cheng, et al., 2017). Liquidity is part of systematic risk (Kumar & Misra, 2019). Liquidity equality can represent a source of risk that cannot be diversified (Quirós et al., 2017). Liquidity pressures are more systemic and thus more dangerous for the entire economy if liquidity drains spread more widely throughout the financial system (Lachini & Nobili, 2016).
Previous research which shows that the liquidity level has a significant effect on investment risk was carried out by Salary (2015), Li & Purice (2016), Dedunu (2017), Wagdi & Tarek (2019).

Financial performance includes the ratio of profitability and liquidity to stock returns. The company reflects how the efficiency is carried out by the company according to its capacity to achieve the results expected by the capital provider (Stefan, 2015). Stocks with high profitability expectations must get higher stock returns (Lin & Lin, 2019). Previous research that shows that profitability has a significant effect on stock returns was carried out by Zaremba (2016), Araújo & Machado (2018), Amogha & Suresh (2019), Banerjee (2019).

Liquidity of companies in the stock market and capital market is a major concern for investors (Dang & Nguyen, 2020). Companies with good liquidity have lower costs for capital and lead to better performance (Wang, et al., 2020). Therefore, the liquidity measurement ratio is related to liquid assets about how the company's ability to claim maturity in one company's operating cycle or one fiscal year (Srbinoska, 2018). Previous research that shows the results of liquidity levels have a significant effect on stock returns is carried out by Chang, et al. (2010), Fathi (2014), Sayedi & Ghazali (2017) and Srbinoska (2018).

Risk is the possibility of a lower return than expected (Wolski, 2017). Risk is defined as the possibility of losing some or even all of the initial investment by paying attention to the expected return that will be different from the actual return (Rui, et al., 2018). Risk and return are generally considered as the main determinants in every investment decision (Vo, et al., 2019). Some of the results of previous research on the effect of risk on stock returns showed significant results on investment risk, namely Aslanidis, et al. (2019), Naufa, et al. (2019), Sinsel, et al. (2019), Liu (2019).

H_1 : Return on Equity (ROE) has a significant effect on investment risk.

H_2 : Return on Assets (ROA) has a significant effect on investment risk.

H_3 : Current Ratio (CR) has a significant effect on investment risk.

H_4 : Quick Ratio (QR) has a significant effect on investment risk.

H_5 : Return on Equity (ROE) has a significant effect on stock returns.

H_6 : Return on Assets (ROA) has a significant effect on stock returns.

H_7 : Current Ratio (CR) has a significant effect on stock returns.

H_8 : Quick Ratio (QR) has a significant effect on stock returns.

H_9 : Investment risk has a significant effect on stock returns.
H_{10} : Investment risk has a mediating effect on Return On Equity (ROE) and stock returns.
H_{11} : Investment risk has a mediating effect on Return On Assets (ROA) and stock returns.
H_{12} : Investment risk has a mediating effect on the Current Ratio (CR) and stock returns.
H_{13} : Investment risk has a mediating effect on the Quick Ratio (QR) and stock returns.

METHODOLOGY

This type of research is explanatory through a quantitative approach. This research was conducted on consumer goods industrial sector companies in Indonesia which are listed in the Indonesian Sharia Securities List (DES) published by the Financial Services Authority (OJK) in 2020. In this study, a non-probability sampling approach was used with a purposive sampling method. 10 companies were selected according to the criteria used as research samples. Collecting data in this study using the method of documentation. Hypothesis testing and analysis using Partial Least Square (PLS) and to test the mediating variable using the Sobel test.

RESULTS

The four regression assumptions have been met, it can be concluded that the model estimation results have met the BLUE (best linear unbias estimation) requirements so that it can be concluded that the model already describes the actual situation. The adjusted R-square of the risk variable is 0.820 or 82.0%. This can indicate that investment risk can be explained by ROE, ROA, CR and QR of 82.0%. For the rest (100% - 82.0% = 18%) is explained by the contribution of other variables that are not discussed in this study. Adjusted R-square variable return is 0.915 or 91.5%. This can indicate that stock return variations can be explained by ROE, ROA, CR, QR and risk of 91.5%. For the rest (100% - 91.5% = 8.5%) is explained by the contribution of other variables that are not discussed in this study.

Table 1 Testing the Direct and Indirect Effects of Variables with Path Analysis

Hypothesis	Effect	Coefficient	Sig.	Conclusion
1	$X_1 – Z$	0,195	0,001	Significant
2	$X_2 – Z$	0,241	0,000	Significant
3	$X_3 – Z$	0,209	0,035	Significant
4	$X_4 – Z$	0,048	0,214	Not Significant
5	$X_1 – Y$	0,123	0,017	Significant
6	$X_2 – Y$	0,176	0,002	Significant
7	$X_3 – Y$	0,341	0,000	Significant
8	$X_4 – Y$	-0,015	0,616	Not Significant
9	Z – Y	0,402	0,001	Significant
Hypothesis	**Effect**	**Coefficient**	**Sobel Test**	**Conclusion**
10	$X_1 – Z – Y$	0.078	2,384	Significant
11	$X_2 – Z – Y$	0.097	2,617	Significant
12	$X_3 – Z – Y$	0.084	2,228	Significant
13	$X_4 – Z – Y$	0.019	0,925	Not Significant

The test criteria in the direct influence of the variables, if Sig. < 0.05, then Ho is accepted otherwise if Sig. > 0.05, then Ho is rejected and Ha is accepted. In accordance with the results of data processing shown in table 1, hypotheses 4 and 8 which show insignificant results. Table 1 also shows that the relationship between variables through indirect influence is a Sobel test greater than 1,676. This means that the relationship between the ROE, ROA, and CR variables on the stock return variable through the investment risk variable as a mediating variable is significant or can be said to be mediating, except for the relationship between QR and stock returns.

DISCUSSION

Relationship between Profitability and Investment Risk

Based on the results of hypothesis testing, it shows that Return On Equity (ROE) has a significant positive effect on investment risk. This means that the higher the ROE, the higher the investment risk. In the theory of profit risk it is stated that profit is a reward for taking risk (Isedu & Erhabor, 2021). If ROE increases, the company's capital originating from retained earnings on shareholder investment will also increase which will lead to excess capital, this will pose a risk if the allocation of capital is not appropriate. Investors will consider the investment risk because the profit from the company is obtained from the equity capital invested by investors for the sustainability of the company. The results of this study are consistent with research conducted by Ziarko & Pyke (2017), Shalini, et al. (2020) shows that Return On Equity (ROE) is significant to investment risk.

Based on the results of hypothesis testing also shows that Return On Assets (ROA) has a significant positive effect on investment risk. This means that the higher the ROA, the higher the investment risk. The increase in large assets allows the production of goods to increase, the market demand for the goods produced will decrease if the company does not innovate because society will reach a level of saturation. In Gossen's first law "Law of diminishing marginality" states that the amount of pleasure or desire given will continue to decrease if the person continues to consume additional units to fulfill pleasure until satisfaction is achieved (Trifu, 2020). The results of this study are consistent with the research conducted by Nawaz, et al. (2017), Shah, et al. (2020) show the results that ROA is significant to systematic risk.

Relationship between Liquidity and Investment Risk

Based on the results of hypothesis testing, it shows that the Current Ratio (CR) has a significant effect on investment risk. This means that the higher the CR, the higher the investment risk. In shiftability theory, current assets can be transferred by companies to others so that they can become a source of liquidity at predictable prices (Taiwo, et al., 2017). Manufacturing companies with high liquidity will increase the risk because some current asset posts such as cash, equipment and securities which incidentally for operational continuity will be easily transferred to other people or sold. If the CR is high, the risk experienced by the company will be higher, more systemic liquidity pressure is more dangerous for the entire economy (Lachini & Nobili, 2016). If investors experience investment risk, it will create an unsafe perception in the community so that it will affect market volatility which will affect systematic risk. The results of this study are consistent with the research conducted by Salary (2015), Wagdi & Tarek (2019) showing significant CR results towards systematic risk.

Based on the results of hypothesis testing, it also shows that the Quick Ratio (QR) has no significant effect on investment risk. QR focuses on more liquid company assets by excluding inventory (Fusco & Migliaccio, 2018). Assets on QR are assets that the company currently owns and can be quickly converted into cash. The concept of financial theory is concerned with understanding the different ways in which companies and people earn money and allocate that money to projects taking into account the associated risk factors (Effiong & Enya, 2020). The proper allocation of funds to the Food ad Beverage company to meet its current obligations does not involve inventory, but it is possible to sell these inventory items if needed to maintain the company's liquidity stability. So even though there is no increase in QR in Food and Beverage companies in this study, the company is still able to meet its short-term obligations by producing goods from inventory to produce liquid assets so that it does not affect investment risk. The results of this study are consistent with research conducted by Rowe & Kim (2010), Alaghi (2013) showing that QR is not significant to systematic risk.

Relationship between Profitability and Stock Return

Based on the results of hypothesis testing, it shows that Return On Equity (ROE) has a significant effect on stock returns. The significant relationship between ROE and stock returns shows that the increasing profitability as measured by ROE, the return obtained by the company from its own capital such as retained earnings or from the capital invested by previous investors will also increase. The theory of capital needs states that companies that have several sustainable growth opportunities will seek opportunities either in the form of financing, from income storage or from the capital market (Akani & Sweneme, 2016). In the theory of the Dividend Client effect, some groups of investors do not really need money immediately and are happier if the company holds some of the net profit for capital (Koo & Chae, 2020). In making the right decisions that are in line with the company's capital needs and the investment desires of investors, it is expected to affect the company's financial performance through the provision of adequate capital so that the resulting return will increase. The results of this study are consistent with previous research conducted by Araújo & Machado (2018), Banerjee (2019) showing that ROE is significant on stock returns.

Based on the results of hypothesis testing also shows that Return On Assets (ROA) has a significant effect on stock returns. This means that the higher the ROA, the higher the stock return. A high ROA value indicates that the company is more efficient in utilizing its assets to obtain an income so that stock returns will also increase. According to the arbitrage price theory that asset increases are not only driven by general factors such as market movements but by industry or business characteristics that also have an impact on returns (Rossi, 2016). In utility theory, it is related to the company's strategy to get competitive profitability, this is because profitability is considered an indicator of progress, improvement and a factor that reflects the company's sustainability in the near future (Seissian, et al., 2018). If ROA increases, the company's performance in this case can be said to be good and in the end investors do not hesitate in making decisions to invest because if ROA is high, the stock returns expected by investors will follow. The results of this study are consistent with previous research conducted by Amogha & Suresh (2019), Farhan, et al. (2020) which shows that ROA is significant to stock returns.

Relationship between Liquidity and Stock Return

Based on the results of hypothesis testing, it shows that the Current Ratio (CR) has a significant effect on stock returns. This means that the higher the ROA, the higher the stock return. The CR value shows the availability of current assets in the company to meet its obligations and current assets itself contains accounts such as cash and cash equivalents, receivables, inventories and securities. This means that the higher the company's liquidity value, the lower the debt will be in line with agency theory which shows that when liquidity agency costs are high, external creditors tend to reduce the available debt financing limit (Saif-Alyousfi, et al., 2019). A good CR should be considered by investors because it shows how the company has a high work ethic and commitment based on its accuracy in paying its obligations or debts at maturity such as dividend payments to investors. The perspective of a good CR investor will increase the market attractiveness of the company's shares so that the expected return is as expected. The results of this study are consistent with previous research conducted by Jabbari & Fathi (2014), Srbsinoska (2018) which showed that CR was significant on stock returns.

Based on the results of hypothesis testing also shows that the Quick Ratio (QR) has no significant effect on stock returns. This is because companies in the Food and Beverage sub-sector will always need supplies in the form of raw materials to be processed into consumer goods and ready to be marketed to consumers. In the law of diminishing returns is a law in economics that explains how the right proportion of production to get maximum output (Trifu, 2020). If the proportion of production is too much or too little it will cause inappropriate results. The liquidity and viability of companies in the consumer goods industry are critical because their products are for direct consumption and are needed by all company stakeholders (Effiong & Enya, 2020). If in this consumer goods industry many assets are used as cash which causes high liquidity, it can reduce the company's production and reduce the income and returns obtained by investors will decrease. In terms of fulfilling short-term obligations for Food and Beverage industrial companies, inventory items will be managed as well as possible so that the company can continue to operate in various conditions. The management has allocated funds to meet the company's short-term obligations without involving the inventory of goods used for company operations so that QR does not have a significant effect on stock returns. This study is consistent with research conducted by Olokoyo, et al. (2018), Amogha & Suresh (2019) which showed insignificant results.

Relationship between Investment Risk and Stock Return

Based on the results of hypothesis testing, it shows that investment risk has a significant positive effect on stock returns. This means that the higher the investment risk, the higher the stock return. Liu, et al. (2020) explains the investment theory which states that high returns are accompanied by high risks and low returns are accompanied by low risks. Basically, investors in both Islamic and conventional stocks also pay attention to the benefits of their investment. Investment risk and stock returns are important things that are considered when investing, if the investment risk is high, investors in Islamic stocks should pay attention to the precautionary principle, namely by reducing investment to minimize investment risk, but this will also have an impact on decreasing Islamic stock returns which will obtained. The results of this study are consistent with the research conducted by Aslanidis, et al. (2019), Naufa, et al. (2019) shows that investment risk is significant to stock returns.

Effect of Mediation by Investment Risk on Profitability and Liquidity on Stock Return Return

The results of hypothesis testing indicate that there is a significant effect of ROE on stock returns through investment risk, therefore investment risk is able to mediate the effect of ROE on stock returns. According to the pecking order theory, longerestablished firms have managed to accumulate more profits over time and can therefore use these profits to finance their own investments (Chen, et al., 2021). The company's success in generating profits from shareholder investment can be used as a reference in the market that the company is able to carry out corporate sustainability so that it is good for investors to invest. The relationship between a company's earnings increases which will make stock returns increase.

The results of hypothesis testing also show that there is a significant effect of ROA on stock returns through investment risk, therefore investment risk is able to mediate the effect of ROA on stock returns. In the relationship between ROA and investment risk, there are sufficient company assets that can be utilized properly by the company to be able to increase profit which is used to increase assets and increase the amount of goods produced. If the profit earned by the company from assets increases, this will have an impact on increasing investment risk due to large assets and increased production of goods without diversification or variety of goods, it is possible that market demand for goods produced will decrease because it reaches the level of market saturation.

The results of hypothesis testing indicate that there is a significant effect of CR on stock returns through investment risk, therefore investment risk is able to mediate the effect of CR on stock returns. Companies with good liquidity have lower costs for capital and lead to better performance (Wang, et al., 2020). This indicates that the higher the company's liquidity value, the decrease in debt will be in line with agency theory which shows that when liquidity agency costs are high, external creditors tend to reduce the available debt financing limit (Saif-Alyousfi, et al., 2019). The possibility that occurs when the company is not liquid is the company's inability to fulfill its current obligations, especially the timely payment of investment returns to investors so that liquidity problems will arise. If this liquidity problem occurs, it can lead to the company's decision to sell its assets to meet its short-term obligations so that the company's opportunity to operate and earn profits will decrease because the market perspective of the company has investment risk.

The results of hypothesis testing indicate that there is no significant effect of QR on stock returns through investment risk. Therefore, investment risk is not able to mediate the effect of QR on stock returns. The low QR occurs because the liquid assets owned by the Food and Beverage sub-sector company are smaller than current liabilities due to the large inventory for the company's operational needs to produce goods. Even though the QR owned by the Food Beverage company is low, the inventory turnover is able to meet market demand so that the company is able to pay its current obligations on time without having to have large liquid assets. In this case, the raw material supplier will ensure the liquidity of the company's position before the sale is made (Effiong & Enya, 2020). In the law of diminishing returns is a law in economics that explains how the right proportion of production to get maximum output (Trifu, 2020).

CONCLUSIONS AND SUGGESTIONS

Conclusion

Profitability proxied by Return On Equity (ROE) and Return On Assets (ROA) has a significant effect on investment risk, as well as on stock returns. Liquidity is proxied by the Current ratio (CR) has a significant effect on investment risk. Meanwhile, when proxied by the Quick Ratio (QR), it does not significantly affect investment risk. Although there is no increase in the Quick Ratio (QR) due to smaller liquid assets and more inventory at Food and Beverage companies, they are still able to meet their short-term obligations by producing goods from inventory to produce liquid assets so that it does not affect investment risk. Likewise, when tested against stock returns. Furthermore, investment risk also affects stock returns.

The effect of the mediating variable in the form of investment risk on financial performance is measured by the profitability variable proxied by ROE and ROA. It shows that investment risk has a mediating effect on the ROE and ROA variables on stock returns. The effect of the mediating variable in the form of investment risk on financial performance measured by the liquidity variable proxied by CR shows that there is a mediating effect on the CR variable on stock returns. Meanwhile, when proxied by QR it has no significant effect, so there is no mediating effect.

Suggestion

The information obtained from this research should be used as consideration in making decisions in order to improve financial performance through company performance in order to be able to attract investors to invest in the form of shares in the company. And to invest funds in companies listed in the Sharia Securities List, it is hoped that this research can be used as consideration for making decisions in investing in sharia qualified shares.

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