

Basis of Investment Decision Making

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Abstract

The objective this study is to empirically test the fundamental analysis whether it can be used as a strategy in making investment decisions in the capital market. The method of this study is using secondary data. The analysis is done fundamentally and compares the intrinsic vale through the Price Earning Ratio approach to market value on close price.

Keywords: *Investment decision, stock, securities, profitability.*

Shares are closely related to business activities and can become a source of long-term financing by issuing company shares. In addition, stocks can also be used as an investment vehicle. Shares are a sign of participation or ownership of a person or legal entity in a company or limited liability company. Stocks are one of the most sought after capital market instruments by investors as they can generate attractive returns.

Making investment decisions is an important part of any company's development strategy. Investment objects attract owners and employees, state and municipal structures. The main purpose of investments is to expand and modernize production, which leads to an increase in income. In economics, we can say that the investment decision is usually the only conclusion of all participants in the process. It is based on a complete analysis of all the data obtained on the object's profitability and risks.

The objective need to provide services in this area is predetermined by the complexity of the securities industry, the wide variety of stock market products, the rapid changes in the situation in it, and the presence of many risks. In such conditions, the efficiency of the securities activity, the achievement of the set investment goals and the avoidance of large losses are closely related to the depth and comprehensiveness of the decisions made based on the study of the market situation. . Since a qualitative analysis of the situation arising in the stock market can be carried out only by those who are constantly engaged in relevant issues, have accumulated certain practical experience and have the necessary information and material and technical base, the division of labor begins to develop . They are professional stock market participants who provide investment analysis and consulting. Alternative investment projects are a means of solving investment problems and achieving investment goals. On the basis of investment decisions, it is necessary to decide in favor of one or more projects. Usually, alternative projects are compared in turn and the best is chosen based on profitability, affordability, safety, or other criteria important to investors.

An investment decision is a decision made to implement a certain project (or several projects) from the total number of alternative projects.

Investment decisions can be classified as follows.

1) Compulsory investments:

- ✓ solutions to reduce economic damage;
- ✓ decisions on improving working conditions in accordance with state standards.

2) Cost reduction solutions:

- ✓ solutions for improving the technologies used;
- ✓ making decisions on improving the quality of products, works, and services;
- ✓ decisions on labor organization and management.

3) Solutions for enterprise expansion and renewal:

- ✓ investments in new construction;
- ✓ investments in expansion of the enterprise;
- ✓ investments in the reconstruction of the enterprise;
- ✓ investments in technical re-equipment.

4) Decisions on the purchase of financial assets.

5) Solutions for developing new markets.

Investment decision-making requires taking into account the interests of various categories of individuals when making investments. Among them:

- ✓ capital owners who are interested in profitability and security of invested capital;
- ✓ creditors who take into account the security and repayment of the loan;
- ✓ marginal workers who care about job preservation, labor safety and profit sharing;
- ✓ managers aimed at achieving the success of the enterprise, sharing profits, power, and prestige;
- ✓ a society that expects tax revenues, increased employment and other positive social effects from investments.

The range of people involved in making investment decisions is very wide. The more information needed to make a decision, the more people are involved in the process. Therefore, one of the important features of investment decisions is that they are decisions that involve the cooperation of many people with different skills and views. Investment decisions cannot be considered in isolation from the entire enterprise. Investments define many internal functions and decisions must be related to processes occurring in the external environment.

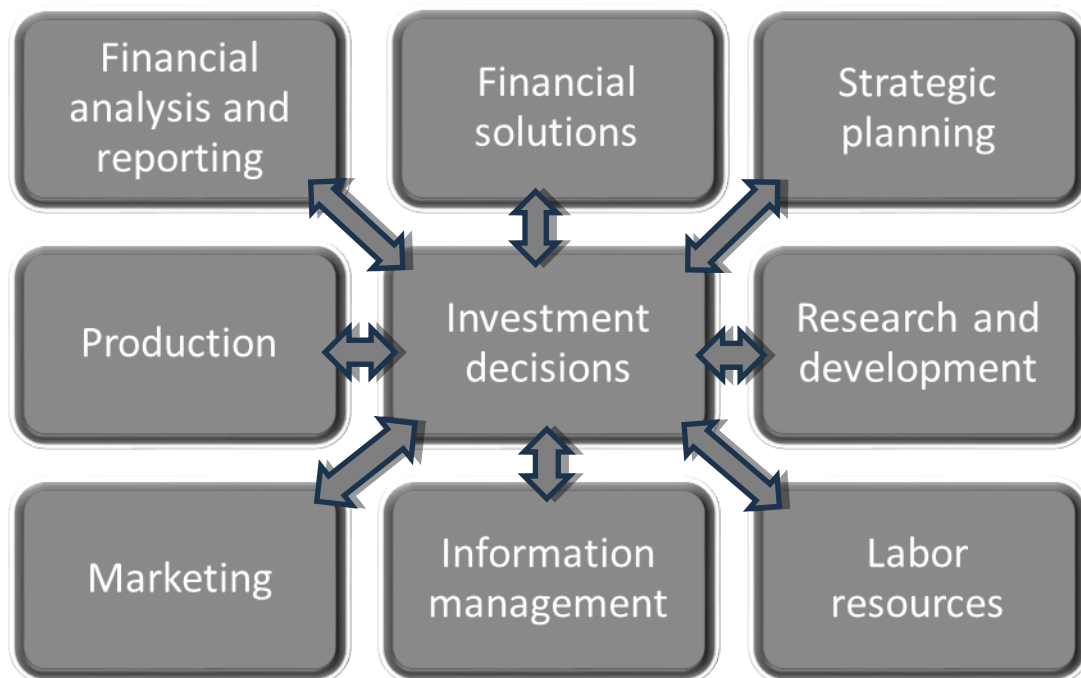


Figure 1. schematically shows the relationship between investment decisions and other aspects of organizational performance.

In conclusion, it should be said that when considering the relationship between investment decision-making and financial analysis, the enterprise works with long-term goals, strategies, and financial metrics in mind. Strategic planning, along with investment decisions, includes making decisions in order to develop, renew, and ensure the income of the enterprise. When making investment decisions, financial and investment analysis, quality selection of financing sources and the system of their management are used. installation is of great importance. Financial analysis and reports help to compare the changes occurring in the internal and external environment of the enterprise, monitor the news, and make investment decisions. maintains efficiency and development. This provides ample opportunities for how to integrate the links between financial analysis and investment decisions.

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