The subject of this thesis is the social optimality of an investment relationship between a bank and an enterprise in a market with asymmetric information. It is assumed in the study that the asymmetry is very strong in nature - the banks are completely unable to determine the properties of a particular enterprise applying for a loan or an equity investment. In addition, it is assumed that the banks are perfectly aware of the probability distribution of the potential enterprises applying for an investment. The measure of social optimality is chosen to be a simple sum function of the profit functions of the bank and the enterprise. However, this choice is completely arbitrary and fundamentally political in nature. It is also demonstrated in the thesis that this choice influences the results.

Market outcomes are investigated under several assumptions regarding market structure and the goods sold. These issues are found to have some effect on the outcomes, although at a qualitative level in almost all modeled situations the results are the same. For example, the difference between the competitive and monopolistic market is quantitative. On the other hand it is demonstrated in the study that the assumption regarding the enterprises' probability distribution has an effect on the results, at least in non-competitive markets.

In the empirical section we find out that at least in the United Kingdom the banking sector is not competitive. In addition, the monetary costs of taking a loan are not a very significant factor when entrepreneurs are trying to decide where to apply for a loan. Qualitative factors such as quality of service have a more significant impact. The majority of new enterprises are financed with the personal savings of the entrepreneur instead of with money from some external source. For those that do use external financing, the most commonly used type of finance is a loan of some type. Very few of those entrepreneurs that used external sources used an equity investment.

The result of the study is that using the assumed measure there are two different types of non-optimal investment relationships. It would be socially beneficial to finance some enterprises, yet the entrepreneurs do not apply for an investment. And some enterprises that do apply for a loan (and are accepted) are actually socially harmful. On the other hand, solving these problems is very difficult due to technical reasons. For example, simple subsidies or taxes solve one of the problems, but cause the other one to grow worse.