development of the concept of industrial credit insurance. Thus, moneys could flow into small secondary industry not on the basis of the credit of the borrower, but on the credit of the insurer which would be unassailable.

20. Small business lending is usually considered risk lending, which is a bad concept. The effect is undesirable because the lender thinks or claims that the risk can be compensated by an increase in the rate of interest which is self-defeating as it increases the burden of fixed interest payments to the borrower. The business of insurance on the other hand is directly related to risk taking and the insurer has to accept the fact that he is being paid through premiums to accept risks.

21. For any private institution involved in direct lending activities, the effect of a loan going sour can be bad not only for the credit of the lender, but also in the inhibiting effect it has on future lending. On the other hand, a credit insurance company would not be performing its function properly if, over a period, it did not have to stand some underwriting losses; its reserve mechanisms are designed for this purpose.

22. As in any insurance activities the underwriting of risk would be the key, but as a practical matter there seems to be no reason why the talent of existing institutions whether government or private, could not be utilized for this purpose.

23. Industrial credit insurance would compete with nobody; it would harness and supplement the activities of the present institutions active in venture capital financing and would open the door to supplies of moneys from say pension funds and trust funds which are at present unavailable for this purpose.