Abstract

This study aims to find an effective incubation model of SMEs in order to survive, grow and absorb a lot of labor. This study is conducted at the Regional Zakat Agency (BAZDA) of Central Java. The population is BAZDA managers in Central Java with Sample of 68 BAZDA incorporated in Central Java. This study uses a mixed approach, qualitative and quantitative approach with descriptive analysis approach and focus on depth investigation on SMEs assisted by BAZDA. The methods and techniques used in this study are the compilation of the study of literature, previous empirical studies, observations and in-depth interview to respondents of SMEs managers assisted by BAZDA in Central Java Province. All method of approaches are assisted by the Statistical Programs for Social Analysis (SPSS), and Partial Least Square (PLS) to make it easier to analyze the data. The findings show that, qualitatively, SMEs assisted by BAZDA in Central Java need assistance and motivation to be monitored and assisted on a regular basis in order to see the flaws and strengths. Besides, Spiritual guidance to businesses is also needed to ensure them that only Allah is the giver of all good luck and facility to conduct business. SMEs also need to be assisted to open a new branch and solve problems faced. They must also be given customer service management and improvement of product quality in order to increase customer confidence. Training of good and clean living, honest and creative and getting involved in the seminar in order to raise the willingness to run business are needed as well. Based on the findings of the quantitative analysis, it shows that there is a positive significant influence of incubation, management skills and innovation toward the performance of SMEs assisted by BAZDA in Central Java.

Key word: *Incubation, Management skill, innovation and performance of SMEs*