

ABSTRACT

The issue of poverty still becomes a major world issue presently. Millennium Development Goals (MDGs) declares the Eradication of poverty by 2015. Many programs have been conducted by the Indonesian government, but the number of poor in the country is still 31.7 million people (BPS, 2012). *Zakat* is an Islamic economic instrument relevant to poverty alleviation. Some studies have been done recommend that it should be managed productively, so that the poor become not poor anymore (Adiwijaya, 2008). It takes a model of SMEs empowerment through *qardul hasan* financing by *Bazda* in Central Java. This study uses is mix approach, qualitative and quantitative. The first phase is dominated by in-depth interview and questionnaire as guided question to the respondent to find the right model of SMEs empowerment. The findings of the first phase of the study indicate that the SMEs empowerment model of through *qardul hasan* financing by *BAZDA* requires assistance, training management skills, innovation and marketing assistance. Thus, model is expected to improve the performance of micro-businesses targeted by *Bazda*. The findings of the second phase of the study indicate that the SMEs empowerment through *qardul hasan* financing (the findings of the first stage) positively influences the performance of SMEs targeted by *Bazda*. The *Bazda* managers respond positively on the model generated in the first stage, and in its implementation, it still needs assistance process *mustahik* that receive *qardhul hasan* financing.

Key words: poverty, financing, Small and Medium enterprises, performance