The impact of Financing of Syariah Bank toward the performance and Welfare of Small Medium Enterprise

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Abstract

The purpose of this paper is to examine empirically the influence financing of Syariah Bank toward the business performance, the influence of financing of syariah bank toward welfare of small entrepreneurs, and the influence of performance of UKM toward the welfare of small entrepreneurs. The population of this research is all of the small medium enterprises in the District of Kediri who got Islamic bank financing for one year. These samples included 71 SMEs agribusiness. Sampling was done by purposive sampling research, namely SME agribusiness got Islamic bank financing for one year, with a workforce of 5 to 19 people. Questionnaire was used as a tool to collect primary data. The method of analysis used partial least square (PLS). Testing is done with a structural model (Inner model) and models of measurement (Outer model). Statistically, the results show that the Islamic bank financing significant influence with a positive direction on the performance of SMEs, this means that when the Islamic bank financing improved, will improve the performance of SMEs, further financing Islamic banks have a significant effect with positive direction towards the well-being of SMEs so that when the Islamic bank financing improved well-being of SMEs will be increased then the performance of SMEs have significant influence in a positive direction for the welfare of SMEs. So if the business performance of SMEs improved, well-being will increase.

Keywords: Islamic Bank Financing, business performance, welfare, small entrepreneur.

INTRODUCTION

Syaria bank is an Islamic financial institution had a purpose and function. It goal reaches the profitable as businesses and non-profit organizations as a non business. Th profit purpose is in order to achieve the advantages of the world and the hereafter, while non-profit purpose is in order to achieve the hereafter. Two of these goals make the bank function as business organizations as well as social institutions. (Arcarya: 2013).

Syaria bank as a business institution implemented Islamic bank as an intermediary institution that serves to connect between the surplus or the owner of the funds with the minus-one that requires funding, for example, employers, government and household sectors. Intermediation done here is expected to stimulate the real sector. The presence of Islamic banks in the banking industry is expected to contribute in the real sector, in fact it is the primary duty of Islamic banks. Banking activities in the real sector, among others, is to channel financing to scores of business. In terms of financing, Islamic banks differ from conventional banks. Activity in the finance portfolio will increase the venture capital sector.

Funding in this study is defined as an investment, because investment means spending aimed for improving or maintaining the stock of capital goods consisting of machinery, factories, offices and durable products that are used in the production process. Investment is also defined as expenditures or capital investment expenditures. The Company purchased capital goods and the equipmemt of production to increase the production capacity of goods and services available in the economy.

According to Paul A. Samuelson and William D. Nordhaus, (1996: 183), investment is expenditure made by the investment concerning the use of resources such as equipment, buildings, production equipment and other new machinery or supplies are expected to be benefit from the investment. Factors that can determine the level of such investments; the profit rate of investment is forecast to be obtained, the interest rate, predictions of future economic circumstances will come, inflation rates, technological advances, income level and its changes.

Syaria banking in its efforts to boost the real sector can be seen in the data published by Indonsia Bank through Islamic Banking Statistics data published every month. Financing provided by Syaria Bank based types of transaction as shown in Table 1. The data shows the composition of funding channeled Syaria Banks and Sharia Business Unit between the years 2007-2014.

Table 1. Financing Composition of Islamic Commercial Bank and Islamic Business Unit (Milyar)

Akad	2007	2008	2009	2010	2011	2012	2013	2014
Mudharaba	5.578	6.205	6.597	8.631	10.229	12.023	13.625	14.354
Musharaka	4.406	7.411	10.412	14.624	18.960	27.667	39.874	49.387
Murabaha	16.553	22.486	26.321	37.508	56.365	88.004	110.565	117.371
Salam	0	0	0	0	0	0	0	0
Istishna	351	369	423	347	326	376	582	633
Ijara	516	765	1.305	2.341	3.839	7.345	10.481	11.620
Qardh	540	959	1.829	4.731	12.937	12.090	8.995	5.965
Others	0	0	0	0	0	0	0	0
Total	**27.944**	**38.195**	**46.886**	**68.181**	**102.655**	**147.505**	**184.122**	**199.330**

Reference: BI, Statistik Perbankan Syariah 2015

Based on data in Table 1 shows the composition of funding channeled by Islamic Banks and Sharia Business Unit between the years 2007- 2014, in which the distribution of funding with murabahah shows the highest number compared with other financing. This indicates that Islamic Bank in financing distribution is more directed at low-risk financing are Murabahah, and the next stage leads also on financing of musyarakah because there is a sharing of risk and return to the customer.

Basically SMEs have always faced different kinds of main difficulties were related to capital, management skills, mastery of technology, the availability of raw materials, marketing, skill, and labor wage. Among these problems, the most frequently encountered are the limitations of capital or financing, marketing difficulties followed as the second major problem, and the problem of raw material shortages (Tambunan, 2002: 70).

Immadudin (2015) revealed that around 50% of the total micro, small, and medium enterprises (SMEs) lack of capital. According to the survey 50 percent of their main problems is the shortage of venture capital, and then mentioned the difficulty in marketing at 24%, lack of expertise 7%, and other factors which reached 19%. Immadudin explained that the SME sector contributes to the national economy because it is able to absorb 107 million workers, or about 97.2% of the total workforce in Indonesia. "The contribution of SMEs to absorb the labor force is much larger than the big business sector around 2.8 persen. SMEs is in dire need of financing in the framework of development efforts, but still hard to get easy access to the formal financial institutions, including the Islamic Bank, so it is not uncommon their financing needs financed by renterneeer.

Ulama Council of Indonensia also states that many Muslim businessmen is located on the bottom layer. Muslim businessmen rarely can reach intermediate layer especially in the upper layers. Therefore, the increase in SME financing by Islamic banks needs to be done not only for muslim SMEs but also non-Muslims in the sense that SME financing is really rahmatan lil 'alamin, so it applies to all SMEs,

both Muslims and non-Muslims. Thus the existence of Syaria banks, in particular related to its ability to finance, should be done in the spirit of mutual help as Allah QS. Al Maidah verse 2

$$\text{.....وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَى ۖ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۚ وَاتَّقُوا اللَّهَ ۖ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ ۝}$$

"......dan tolong-menolonglah kamu dalam (mengerjakan) kebajikan dan takwa, dan jangan tolong-menolong dalam berbuat dosa dan pelanggaran dan bertakwalah kamu kepada Allah, Sesungguhnya Allah amat berat siksa-Nya."

Poverty in rural areas is crucial problem that can not be delayed in its overcoming and should be a top priority of economic development and social welfare. Therefore Kediri regency made development based on agriculture, especially in agribusiness. In efforts to develop agriindustri or agribusiness that is still the key problems about the lack of capital, in addition to technology and marketing.

The motivation of this study is the first; Problems of capital in agriculture need to be examined as to how the role of Syaria banks in financing in agriculture. Financing Islamic Bank profit loss sharing system is an appropriate financing to be distributed on the agribusiness which is full of a risk business (Sutawi, 2008). But in reality the data Islamic Bank in the District of Kediri shows the distribution of funding for the agricultural sector ranged from 6.5% of the total financing distributed. This shows the commitment of Islamic banks to the agriculture sector as a leading sector in the district of Kediri including agribusiness SMEs is still very low.

The increase of financing Islamic Bank is expected to improve business performance as stated by Gronroos (1990) that the stronger the relationship between small businesses and the bank then will make the better performance. Choudury, et al (2008) stated the same thing, that small businesses get the loan from the bank financing will result in good performance if the bank performs proactive relationships with small businesses. In addition to improving business performance, financing from Syaria banks are expected to take effect in improving the well-being of SMEs. So after getting financing from Syaria Bank, it is expected venture capital or infrastructure of agribusiness SMEs are fulfilled in facilities, so they can improve performance in performing activities of production to marketing its products in order to achieve growth in assets and profitability.

Performance can be defined as the achievements of the organization or company with a certain size. Performance by Islam is not only material success but also the success of non-material. Therefore, Islam is a performance measure (1) profit and non materiial bai material, (2) growth, (3) sustainability, and (4) the blessing or the pleasure of Allah SWT. Supadie (2010; 86) states that the purpose of a business other than material profit (qimah Muhammadiyah) should also get the benefit of non material that oriented to a) qimah insaniyah namely kemanfaatn humanitarian nature, for example through employment, ZIS (Zakah, Infaq, and Sholat), b) qimah khuluqiyah value noble moral values (akhalquh kharimah) basic foundation in managing the company, so as to create an Islamic brotherly relations and, c) qimah ruhiyah namely berketuhanan consciousness.

Associated with the SME Business Performance indicators used include sales, operating income, market share and ability to pay zakat, infaq and Sadaqah. Of the increase in all indicators are distributed to all components of SMEs so as to promote employment as the company's performance, distributive justice and welfare society. Agribusiness is a business in which agriculture can also be judged performance which included assets, income, sales and prices. Based on the data of the main problems of SMEs, hence their lack of capital will reduce the ability of agribusiness in providing raw materials, and this will have an impact on the lack of creative ability or in product innovation. Therefore, it is needed the fulfillment of financing capital including Islamic Bank.

If SMEs are still experiencing problems such as raw materials, marketing, capital and the other then its business performance will decline. This is due to businesses that lack capital, will have difficulty in providing raw materials, it is difficult to innovate, so that sales, profits and assets of the business as an indicator of business performance will also decrease.

The second motivation is the level of agribusiness SME's welfare as the welfare conditions had been experienced by farmers and other small businesses in general relatively low both in terms of material and spiritual. This happens in most small agribusiness entrepreneurs in rural areas, they are generally difficult to maintain the sustainability of its business, due to the difficulty in obtaining capital. so the fulfillment of venture capital is one of the solutions that are needed by agribusiness SMEs in order to achieve their welfare.

Mustafa Ahmad Zarqa stated that Imam al Ghazali was the first Muslim scholars to formulate the concept of social welfare function. In discussing human affairs, including economic activity, al-Ghozali always refers to the concept maslahah (welfare) as its central theme. According to Imam al ghozali in Euis (2005: 123) maslahah (welfare) is maintaining the objectives of sharia which is located at:
1. Protection of religion (Hifdzud -Diin)
2. Life insurance (Hifdzan-nafs)
3. Protection of sense (Hifdzal-Aql)
4. Protection descent / honor (Hifdzan-Nasl), and
5. Protection of property (HIfdzal-Maal)

This is in accordance with the guidance of revelation, that the purpose of human life is to achieve happiness of living in the world and the hereafter (mashlahat wa al-din al-dunnya). Al-Syatibi in Karim (2004: 381) argued that the sharia is aimed at establishing the welfare of human being in the world and the hereafter. The welfare in this case is defined as everything related to human sustenance, the fulfillment of human needs, and the acquisition of what is demanded by the qualities of emotional and intellectual, in an absolute sense.

Islamic economics looked at not only from the world alone, but prosperity is based Maqasid Sharia includes the first **ad-din** shown its ability in running the instructions of Islamic religion, which is measured from the zakat, infaq, sadaqah issued by SMEs agribusiness financed Islamic banks, second **an-nafs** is the working conditions indicated on the ability in keeping the soul in this case measured from the cost of food shopping nutritious capable issued by SME agribusiness financed syaria bank, third, **al-aql** is the well-being shown from the ability in maintaining reasonable measured of expenditure in increasing skill in the field of business, the fourth **an-nasl** is wellbeing presented from the ability in keeping the offspring measured from the expenditure to improve the quality of life of children (school, course, investment land, rice fields), and five **al-maal** is welfare indicated the amount of income received from agribusiness SMEs receiving financing syaria banks.

This study is a replication of a study conducted by the Sri Herianingrum (2014). In the study used a sample of 70 employers of tijaroh ziroah with quantitative and qualitative approaches. The results showed that the Islamic bank financing has a significant influence on the performance tijaroh ziroah businessman with a positive direction. Islamic bank financing has a significant influence on the welfare of the positive direction. Performance tijaroh ziroah employers have a significant influence on the welfare of tijaroh ziroah businessman with a positive direction. The difference in this study with previous research is years observed in this study took years 2013-2015, with a total sample of 71 SMEs in the District / City of Kediri.

Based on the above phenomenon, namely the impact of the distribution of Islamic bank financing to performance in the form of profits, business assets and also for the welfare of the SME agribusiness, the purpose of this study was to analyze the influence of Islamic bank financing affect the performance of SMEs agri-business, the influence of Islamic bank financing influence on the welfare SME agribusiness, and the influence of the agribusiness SME performance effect on welfare
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RESEARCH METHODS

The population of this research is all SMEs in the district/city Kediri who have got the financing form syaria bank and complying with the provisions of Law No. 20 of 2008. According to data from the Department of Cooperatives, Department of Agriculture, syaria banks in the districts/cities consist of 240

entrepreneurs. The place of Kediri been choosen because there is a high potential in the small business agribusiness, but it still needs to be done to explore the potential of these improvements.

The types of data in this study are primary data obtained directly from the original source, namely through questionnaire. The techniques of collecting data via survey by SME in agriculture, fisheries, vegetables, flowers and fruit, and rice mechinery. The research sample was 71 SMEs were taken by purposively, with provisions where SMEs have a work force of 5 to 19 people, who got financing of syariah bank at the district Kediri in the year of 2013/2015. The variables in this study consisted of exogenous and endogenous variables. Varibale exogenous in this study is the financing of syaria bank (X1), whereas endogenous variables consisted of intervening variables and the dependent variable. Intervening variables consist of business performance variables (Y1), while the dependent variable is the well-being of SMEs (Y2).

The financing of syaria bank (X1) is based on the Islamic principles of financing distributed by syaria bank to the respondents, namely SMEs. This variable is measured by three indicators, namely of financing of mudharaba (X1.1), the financing of musyaraka (X1.2), and financing murabaha (X1.3). The indicators used to measure variables of financing of syaria bank are as follows: a). Mudharaba financing is that the respondents' assessment of the adequacy of the transaction of mudaraba financing that has been received from syaria bank, b). Musharaka financing is the respondents' assessment of the adequacy of the transaction of musharaka financing that has been received from Bank Syariah, c). Murabahah financing is the respondents' assessment of the adequacy of the transaction of murabaha financing that has been received from syraia bank. The measurement of financing syaria bank variabel is done by measuring the level of adequacy of funding received by small entrepreneurs. Each indicator uses a Likert Scale adequacy level with a range of 1-4: 1 = very insufficient, 2 = insufficient, 3 = sufficient, 4 = very sufficient. The value of 1 or very insufficient meant that small business got financing from syaria bank is not more that 25% the financing value that requested. The value of 2 or isufficient meant that small business got financing of syaria bank between 25% until 50% the financing value that requested. The valaue of 3 or sufficent meant that the small business got the finaning of syaria bank between 51% until 75% the funding value that requested. The value of 4 or very sufficient meant that the small business got the financning of syaria bank between 76% until 100% the financing value that requested.

Business Performance of SMEs (Y1) is the respondents' assessment of the achievements of the business after obtaining financing syaria bank that is measured in terms of the results of work in the form of huge profit achieved, and the assets of the business. This variable is measured by two indicators: operating profit (Y1.1) and business assets (Y1.2). The indicator used to measure business performance variable is 1). Profit or gain is the assessment of respondents to its operating profit after obtaining financing Syaria Bank. 2). Assets of the business is the respondents' assessment of the achievements of his business assets after obtaining financing Syaria Bank. The second measurement of business performance indicators in the variable is done by using a Likert scale. Likert scale used is the 1-4 range, namely; 1 = strongly unincrease, 2 = not increase, 3 = increase, 4 = greatly increased. A value of 1 or strongly not increases when income and business assets increased by 1% to 4%, the value 2 or not increased if the income and business assets increase between 5% to 9%, a value of 3 or increases when income and business assets increase between 10 % to 14%, a value of 4 or greatly increases when income and business assets increase more than 15%.
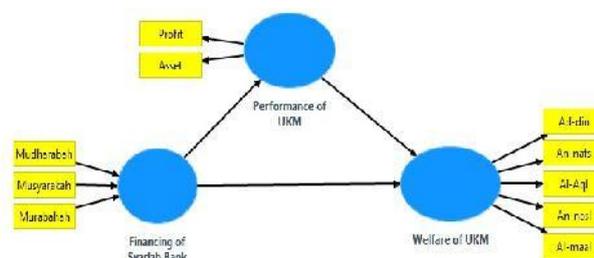
Welfare of SMEs (Y2) is an assessment of respondents to the happiness of the world and the hereafter, and a better life based on the concept of sharia experienced by SMEs who received financing Islamic Bank. This variable is measured by five indicators of *ad-din* (Y2.1) is an assessment of the economic security (welfare) of the respondents that is indicated with their ability in implementing the commands of Islamic religious, which are   measured by the zakat, infaq, shadaqah issued by the respondent after obtaining financing Islamic Bank, *an- nafs* (Y2.2) is an assessment of welfare of the respondents that is indicated with the ability in keeping the soul which are measured by the costs or

expenditure incurred by SMEs for the consumption of nutritious foods, *al-aql* (Y2.3) is the assessment of the respondents indicated with the ability in the welfare to maintain and keep the rationality that is measured by the expenditure in improving his skills in the business, *an-Nasl* (Y2.4) is an assessment of respondents' well-being shown on the ability to maintain and keep descendant that is measured by the expenditure to improve the quality of children life (schools, courses, investation in land, gardens, fields, houses) and *al-maal* (Y2.5) is an assessment of respondents' well-being is evident from the amount of income received by SMEs who received financing Islamic Bank.

Instruments in this study are a questionnaire using a Likert scale of 1-4, as described in each of the above research variables. There are three tests for the study variables: 1). Test the validity of the variable 2). Reliability test 3). Test Validity discriminant.

Validity test is done by using convergent validity indicators that exist in the model. Each indicator in the model should meet the convergent validity, which has a value of more than 0.5. If any indicator has had a value of more than 0.5 loading factor evaluation step can be continued. Ghazali (2011: 74) explains that constructs with formative indicators can not be analyzed with a view convergen validity and composite reliability. This is because the formative constructs is basically a regression relationship of indicators to judge it based on how to construct the regression coefficients and the significance of the regression coefficients. So to construct formative assessed with outer weight of each indicator, with the decision that if each of the indicators the value of t statistic > t-table (1.96) it is said to be significant, so the evaluation step can proceed. While the reliability test performed by using the composite reliability. Value composite reliability for all constructs declared reliable if the value is above 0.6 (Ghozali, 2011: 115). Then test the discriminant validity. To view the discriminant validity is to see the value of Average Variance Extracted (AVE). Ghozali (2011: 116) recommends a good construct validity required by the AVE value should be above 0.5.

The Partial Least Square (PLS) was used to determine the effect of exogenous variables to variable indogen. Partial least squares models that can be analyzed and presented in order to provide a representative result, then the model must be tested first with inner and outer models. Model latent variables and indicators in this study are described as follows:

Picture 1. Research Model

RESULT AND DISCUSSION

In this research used the analysis of inner model and outer model. Inner model is the specification of relation between laten variables while the outer model is the specification of the relation between laten variable with indicators. In this step, described about validity of test results on variable Financing of syaria bank.

The validity test on syaria bank financing used outer weight because the variable is formed formatively, that is by comparing the value of the t statistic with t table of each indicator. Based on the results can be explained that the outer weight indicator X11, X12, and X13 is significant. As shown in Table 2 below

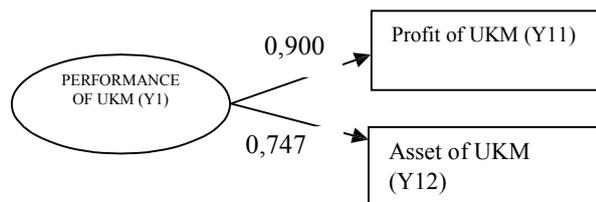Table 2. Hasil Outer Weight dari Bootstrapping

No	Indicators	Original Sample	Sample Mean (M)	Standard Error	T Statistic	P Values

1.	Mudharaba	0,402	0,410	0,037	10,951	0,000
2.	Musyaraka	0,308	0,306	0,035	8,699	0,000
3.	Musyaraka	0,383	0,377	0,048	7,989	0,000

Reference: analisis Smart PLS 3

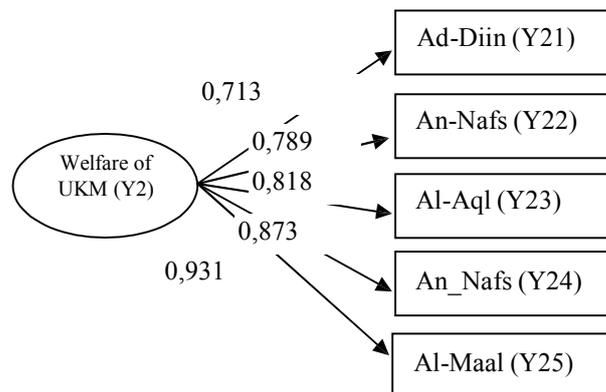**Convergent Validity Test on SMEs Performant Variable.**

The test results of confirmatory factor indicates that each indicator has a value of loading factor of greater than 0.5. This means that all indicators of the variable are declared valid to be an indicator of the endogenous variables SMEs performance. The test results of confirmatory factor described in the figure below:

Picture 2. Result of Loading Factor on variables SMEs performance

Convergent Validity Test on Welfare Variable

The test results of confirmatory factor indicates that each indicator has a value of loading factor of greater than 0.5. This means that all indicators are considered valid to be an indicator of welfare variables of SMEs. The test results can be seen in the following figure:

Picture 3. Result of loading factor on welfare of SMEs

The test of Reliability

The result of reliability rest to examine the composite reliability for each construct shown in Table 1 below:

Table 3. Result of Composite Reliability Test

No.	Variable	Composite Reliability
1	Financing Syariah Bank	0,941
2	Performance of UKM	0,811
3	Welfare of UKM	0,916

Based on the above table shown taht all of constructs have a composite reliability values greater than 0.60. This illustrates that the Bank Syariah Financing (PBS), the business performance of SMEs (KU SMEs) and welfare (Kesej) has a good reliability.
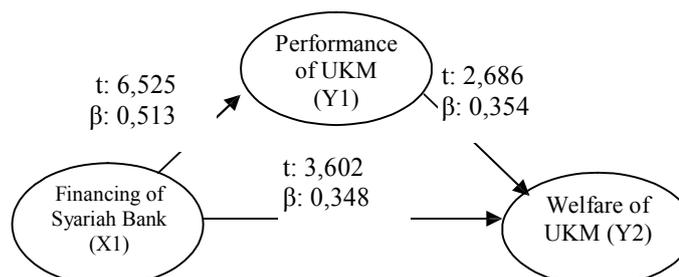
Discriminant Validity Test.

To view the discriminant validity is to see the value of Average Variance Extracted (AVE). Ghozali (2011: 116) recommends that a good construct validity required by the AVE value should be above 0.5. Based on the discriminant validity test results showed that all of variables have good discriminant validity (above 0.5). Results can be seen in the following table

Table 4. Result of Average Variance Extracted (AVE) Test

No.	Variable	Average Variance Extracted
1	Financing Syariah Bank	0,841
2	Performance of UKM	0,684
3	Welfare of UKM	0,686

At this stage of the analysis are shown the results of calculations by using partial least square and three variable relationship in Figure 4, the results indicate that a significant difference between the positive trending variable of financing Islamic Bank, the performance of SMEs and SME Welfare. Financing Bank Syariah has significant influence in a positive direction towards welfare, financing Islamic bank has a significant effect on positive direction towards prosperity. The performance of SMEs has positive significant effect on welfare. Results of testing the hypothesis of this study appear in Figure 4 below

Picture 4. Result of Partial Least Square Test

Results of testing the path coefficients are shown in Table 5 indicate that the variable of Islamic bank financing has significant influence with a positive direction on the performance of SME with coefficient parameters of 0,0,456 and the statistical value of 4,435 t (t statistic > 1.960). The Financing of Islamic bank with a significant effect on the welfare of the positive direction with coefficient of 0.421 and the value of the parameter t statistic of 4.582 (t statistic> 1.960). The business performance of SMEs has significant influence with positive direction towards prosperity with coefficient of 0.304 and exhibited significantly with the value of statistic of 2.298 (t statistic > 1.960)

Table 5. Result of Path Coefficients

Variables	Coeficients path	Sample Mean (M)	Standard Error	T Statistic	P. Values
Financing of Syariah Bank > Perform. of UKM	0,513	0,519	0,079	6,525	0,000
Financing of Syariah Bank > Welfare of UKM	0,354	0,362	0,098	3,602	0,000
Perform. of UKM > Welfare of UKM	0,348	0,362	0,130	2,686	0,007

Based on the test results the path coefficients as shown in Table 3, the hypothesis testing results can be obtained as follows:

a. The first hypothesis is Islamic bank financing a significant effect on business performance. Based on the results of calculations PLS in Table 3 show that the financing of syariah bank has significant influence toward the performance of SMEs with a positive direction. Statistically proven with the value t-statistic of 6.525 is greater t-table (1.960), while the value of the estimated coefficient (β) of 0.513. This means that the better the Islamic bank financing, the better the performance of SMEs. In other words, if the Islamic bank financing (PBS) were given to SMEs to be improved both in quality and quantity will be increased on the performance of SMEs. Conversely the smaller Islamic banks granted financing SMEs lead the business performance of SMEs is getting low. This means that by getting the Islamic bank financing will enhance the ability of SMEs to provide capital or means of business, thus increasing productivity and increased sales revenue and profit increases so achieved performance increases.

b. The second hypothesis is the Islamic bank financing has significant effect on welfare. Based on the results of calculations PLS in Table 3 shows that the Islamic bank financing with a significant effect on the positive relationship toward prosperity. It is proven statistically to see the value of t-statistic of 3.602 bigger with t-table, (1,960), while the value of the estimated coefficient (β) of 0.354. This means that the better the financing of Islamic banks, the better the well-being of SMEs will be. In other words, if the Islamic bank financing is granted to SMEs increased both the quality and quantity will be able to improve the welfare of SMEs. Conversely the smaller Islamic banks granted financing SMEs lead to lower welfare of SMEs. Basically funding channeled to SMEs will affect the business conduct of SMEs, namely the existence of sufficient working capital will provide peace, tranquility in the business, so that the creativity of the business increases, business expansion and opportunities owned businesses also increased. Such conditions will increase the income of SMEs that will improve the economic security.

c. The third hypothesis is the performance of SMEs have a significant effect on the welfare. Based on the results of test calculations PLS in Table 3 indicate that the performance of SMEs have a significant effect in relation to the welfare of the positive direction. It is proven statistically to see the value of t-statistic of 2.686 is greater with t-table (1.960), while the value of the estimated coefficient (β) of 0.348. This means that the better performance of SMEs, the better the well-being of SMEs. In other words, if the performance of SMEs improved both the quality and quantity will be able to improve the welfare of SMEs. Conversely the smaller the SME performance led to lower welfare. Improved performance in the form of profits and assets will facilitate SMEs reach to welfare based on maqasid sharia.

CONCLUSION

Based on the analysis that has been described, it can be drawn several conclusions as follows. Financing Islamic bank has significant effect on the performance of the business with a positive direction. These test results proved that if the Islamic bank financing granted to SMEs increased both the quality and quantity then will improve its performance. Financing Islamic bank has significant effect on the welfare of the positive direction. These test results proved that increased funding channeled to the SMEs increasing prosperity of SMEs. Performance of SME has significant effect on welfare with a positive direction. The results of this study demonstrated that increased business performance at SMEs will increase welfare of SMEs. Improved performance of the ability to get its operating income and assets tend to increase the ability of SMEs to improve the welfare of the maqasid sharia.

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