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## **DEDICATION**

I wish to dedicate this project to my respected parents Mother and Father for the support they have given me throughout my studies.

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## **ABSTRACT**

Monetary policy is a financial and economic indicator is to balance budgetary exercises, smooth business activities, and balance inflation rate throughout the country. Respective study is conducted to empirical analyse the impact of monetary tools (CBR, CRR and OMO), on financial performance (ROA, ROE and NIM) and Size of banks measured as a controlled variable. 17 banks are selected as sample size. Secondary data collection technique is adopted. Annual data is collected from official websites of commercial banks and state bank official websites for annual report from 2008 to 2016. In order to fulfil the research objectives, panel data series is more relevant. To analyse the data econometric views and Microsoft excel software are used. Through findings it is concluded that monetary policy has a positive and significant impact on financial performance of Large Size Banks; results indicated negative and significant impact on bank's performance of Medium Size Banks. Results indicated that monetary tools have a positive and insignificant impact of monetary tools on bank's performance of Small Size Banks of Pakistan. Size of Banks has positive and significant impact on financial performance of MSB. In case of Small Size Banks, size of banks has an insignificant impact on bank's performance. Size of banks indicated an insignificant impact on bank performance of Large Size Banks. Study suggests central banks formulate strategies according to small, medium and large banks and provide competitive investment strategies through which small bank's profits would be increase.