Abstract.

This study is on the effect of interest rate in Nigerian economy for the period of 1980 - 2014. It used the secondary data sourced from the World Economy Outlet (WEO) and World Development Indicators (WDI).

The Ordinary Least Square (OLS) method was used to analyze the data. The method was used to test the variables of the study: Interest rate, Total investment, Inflation rate and Broad money supply. The result shows that there is stationarity among the variable; there is a long run relationship between interest rate, total investment, inflation rate, money supply and economic growth in Nigeria (1980-2014). In Nigeria within this period, interest rate causes changes in the growth of the economy. interest rate, total investment and inflation rate has a slight impact on growth in Nigeria economy. While money supply has no significant on the growth in Nigeria economy. This study found out that Nigerian authorities should set interest rate policies that will boost the economic growth. Therefore proper measure should be taken in order to have a more rapid economic growth. The Nigerian authorities should carry out reforms that would enhance the role of interest rate in order to mobilize funds for investment purpose, the government should aim at reducing the rate of inflation in Nigeria. A strong monetary policy for Nigeria should not be based on interest rate regulation.

**Keywords:** Economic Growth, Interest Rate, Investment Inflation rate money supply.