**Title of Article:** The Role of Banks in Capital Formation and Economic Growth: The case of Nigeria

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**Abstract:** This study investigates the role of banks in capital formation and economic growth: The case of Nigeria for the period 1980-2009. The economies of all market-oriented nations depend on the efficient operation of complex and delicately balanced systems of money and credit. Banks are an indispensable element in these systems. This study employed the Ordinary Least square method in carrying out the research. The explanatory variables employed include Commercial Banks Deposit Liability (BDL), Maximum Lending Rate(MLR), Commercial Banks' Credit (CBC) and Investment by banks in Nigeria (BINV). The dependent variables are Gross Fixed Capital Formation (GFCF) and Gross Domestic Product (GDP), which is a measure of a nation's economic performance – economic gro wthin this instance From the various test carried out it was find out that Commercial Banks Deposit Liabilities is elastic to Gross Fixed Capital Formation in Nigeria. This positivity of the coefficient of Commercial Banks Deposit Liabilities is in conformity to the economic apriori expectation of a positive impact of Commercial Banks Deposit Liabilities on Gross Fixed Capital Formation. Also, the regression result shows that Commercial Banks Credits(CBC) has a positive impact on Gross Fixed Capital Formation (GFCF). It is therefore recommended that efforts should be made by the monetary authorities to effectively manage the banks' maximum lending. This policy thrust will most likely result into increased investment activities which will enhance capital formation in Nigeria needed for its real sector investments and industrial growth.