**Abstract**

Financial exclusion has been predominant in rural areas primarily due to poor infrastructure resulting in lesser access to more sophisticated and modern financial services.This along with financial illiteracy, burdensome documentation and procedures insisted by formal sources of credit, lack of customized financial products leads to financial exclusion of poor and low income citizens of India. Moreover, lack of credit history and absence of documentary proof of identity or address of the prospective borrowers become obstacles for formal sources of credit to provide access to financial services. The economy should recognize exclusion as a logical indeed, inevitable outcome and to design appropriate mechanism for addressing each of the factors that make for it. Financial Inclusion facilitates efficient allocation of productive resources and thus can potentially reduce the cost of capital. Financial Inclusion improves the day–to-day management of finances.