Traffic congestion is a major problem in many cities of India along with other countries. Failure of signals, poor law enforcement and bad traffic management has lead to traffic congestion. One of the major problems with Indian cities is that the existing in frastructure cannot be expanded more, and thus the only option available is better management of the traffic. Traffic congestion has a negative impact on economy. the environment and the overall quality of life. Hence it is high time to effectively manage the traffic congestion problem. There are various methods available for traffic. management such as video data analysis, infrared sensors, inductive loop detection, wireless sensor network, etc. All these methods are effective methods of smart traffic management. But the problem with these systems is that the installation time, the cost incurred for the installation and maintenance of the system is very high. Hence a new technology called Radio Frequency Identification (RFID) is introduced which can be coupled with the existing signaling system that can act as a key to smart traffic management in real time. This new technology which will require less time for installation with lesser costs as compared to other methods of traffic congestion management. Use of this new technology will lead to reduced traffic congestion and early preventive measures can be taken thus saving time and money of the driver.