

BRANCH STRATEGY | INDIA RETAIL BANKING

# Time to overhaul branch expansion models

Perspective on micro-market strategy for private and universal banks

## Key messages

1. Branch expansion in Indian banking has been optimised for coverage. Coverage and dominance are not the same.
2. Location identification has often been imprecise — built on credit data and herd behaviour rather than micro-market intelligence.
3. The data to make precise location decisions now exists: real estate values, car sales, school fees and consumer signals reveal genuine micro-market affluence.
4. Even with the right location, execution fails when format, people and product are not calibrated to the specific micro-market.
5. The banks that solve both problems — precision in identification and differentiation in execution — will build deposit franchises that are structurally difficult to dislodge.

## The need to look beyond credit data

A consistent narrative has unfolded in branch expansion strategies in India over the past decade.

The process typically begins with gathering credit data to identify geographies with credit-active households, commercial density and visible signs of economic activity. This initial assessment is followed by an analysis of the locations of established players and a verification of whether a major bank has recently opened a branch in the same area, which serves as a validation of the market's potential. Based on these findings, a decision is made to open a new branch.

While this approach is not entirely flawed, it is built on a narrow foundation. Specifically, it is prone to three distinct failure modes:

- Credit data captures credit behaviour — what people have borrowed and how they have repaid. It says very little about wealth accumulation, savings propensity or the stage of economic development a micro-market is in.
- Following competitor locations tells you a market crossed a certain threshold of viability. However, it says nothing about whether it is the right market for your specific model.
- Anchoring on large incumbent banks means you are, at best, entering a market someone else already shaped — competing for established relationships that are already loyal and expensive to acquire.

Location identification is not always wrong, but it has often been imprecise in ways that compounded over time. Until recently, this imprecision was difficult to avoid.

## The data landscape has changed — and most banks haven't caught up

Two to three years ago, a branch planning team working on a Tier 2 or Tier 3 market had limited signals to work with. Today, the data available at the micro-market level has expanded significantly, and it is far more revealing about actual affluence and economic behaviour than credit data alone.

Data signal	What It reveals	Strategic application
Real estate transaction values and per square feet prices	Where wealth is being deployed and at what velocity	Identify emerging affluent corridors before they become obvious
Car sales by model and segment	Discretionary spending power and aspiration at locality level	Proxy for savings capacity and investment appetite
School fee brackets	Household willingness to invest in the future; one of the strongest proxies for savings behaviour	Identify locations with high financial planning appetite
Consumer spending signals	Day-to-day economic behaviour and lifestyle stage	Determine dominant product opportunity: Current Account and Savings Account (CASA), or wealth related
Commercial registration activity	Pace of micro, small and medium enterprises formation and business density	Identify current account and business banking opportunities early

This data unlocks a new level of precision in micro-market identification. Not just finding markets where demand exists but finding markets where your specific proposition — whether savings acquisition, current account depth or wealth management — has the highest probability of winning.

The difference between a branch opened with credit data and a branch opened with this intelligence is not marginal. It is the difference between being present in a market and being positioned to dominate it.

Most banks are not yet using this data systematically in branch planning. Those that do will increasingly have a structural advantage in identifying the right micro markets — before competitors do and before those markets become crowded.

## Coverage and dominance are not the same

Coverage means your branch is present in a geography. Dominance means your branch owns the primary banking relationship — the CASA and wealth relationships — for the customers that matter most in that micro-market.

A bank can achieve coverage quickly. Dominance takes longer and requires what coverage logic does not demand: a genuine understanding of what this specific micro-market needs and whether your execution model is built to deliver it.

Most banks skip that question. The result is often branches that, while technically located in the right place are operationally configured to lose — not to a better-located competitor, but to a better-positioned one.

## The execution breakdown nobody talks about

Getting the micro-market right is necessary, but it is not sufficient.

A branch sitting in a dense commercial corridor — teeming with traders, MSME clusters and wholesale activity — has a fundamentally different value creation opportunity than a branch opening in an emerging residential township with a growing salaried base and first-generation wealth accumulation. These are not variations of the same opportunity. They are categorically different businesses that happen to share a branch format.

Micro-market type	Primary opportunity	What the branch needs
Dense commercial corridor (traders, MSME clusters, wholesale)	Current account dominance	Relationship Managers (RMs) who understand working capital cycles; product shelf oriented to business banking; branch experience that signals commercial credibility
Emerging residential township (salaried base, first-generation wealth)	Savings and wealth acquisition	Advisors who can hold financial planning conversations; proposition for the emerging affluent households; trust-building over multiple interactions
Mixed-use urban corridor (retail + residential density)	CASA acquisition + cross-sell	Blended team with retail banking depth; high footfall experience model; digital-first service design

Most banks deploy a standardised branch format, RM profile and product priority stack across all the three micro-market types. The branch opening announcement is differentiated by location. The execution model is not differentiated at all.

This is where underperformance originates — not only in the location decision but also in the failure to translate micro-market insights into a differentiated operating model at the branch level. You can have the most precise location intelligence in the industry and still build an underperforming branch if the model used is generic.

## Three questions that should precede every branch decision

The shift from coverage thinking to dominance thinking requires a different set of questions at the point of a branch investment decision. While these questions are not new, institutions often lack the organisational discipline and required data to answer them consistently across micro-markets and incorporate them into branch-level decision making.

### Question 1: What does the full data picture reveal about this micro-market?

Rather than identifying existing segments through credit data, it is vital to understand the stage of economic development, dominant wealth profile, and primary financial behaviour in the micro-market. It is also important to determine the opportunity type — is it a current account, savings or wealth opportunity? The answer to the question determines everything downstream: format, staffing and product priorities.

### Question 2: Does the RM composition match the market's dominant opportunity?

A branch anchored on business banking acquisition needs a different human profile than one targeting emerging affluent households. While this may seem obvious, it is rarely executed consistently across a network, because hiring and deployment systems operate on uniform templates, not micro-market logic. The wrong RM profile in a well-chosen market produces the same underperformance as the right RM in the wrong market.

### **Question 3: What does the branch communicate before anyone speaks?**

The branch's format, experience design and service choreography tell a customer what kind of relationship is on offer. A branch built for transaction throughput will not earn the trust that a savings or wealth relationship requires. Physical presence without the right physical experience is just real estate.

### **Why this is relevant now**

India's wealth is not where it was five years ago. It is accumulating in Tier 2 and Tier 3 cities at a pace that most branch strategy frameworks have not caught up with. The signals are visible in real estate prices, car sales mix and increasing school fee brackets in cities that were not on most banks' expansion maps three years ago.

These are not future markets. They are present markets, forming now. And can be precisely identified by any bank willing to invest in the right data.

The first-mover advantage in these markets is real, but it is conditional. It accrues to the bank that arrives with two things — the intelligence to identify the right micro-market before it becomes obvious and the execution model calibrated to win the primary relationship in that specific market.

A standard branch in an emerging corridor captures coverage. A calibrated approach — right location, right product suite, and right people — builds dominance. In a market that is becoming more competitive every quarter, that distinction determines which branches become long-term assets and which ones become the next network optimisation conversation.

### **The real diagnostic question**

When a branch underperforms, the first instinct is to question the location. Was the credit data wrong? Was the market too competitive?

The honest answer is usually more layered. Sometimes the location was wrong — chosen on incomplete data, validated by competitor behaviour rather than independent analysis. Sometimes the location was right, but the model was generic. Often it is a combination of both.

What has changed is that the first problem — location precision is now genuinely solvable. The data exists. The analytical tools exist. The banks that incorporate this capability into their branch planning process will make systematically better location decisions than those still relying on credit data and competitive observation.

What remains unsolved, in most banks, is the second problem. Micro-market insight that ends at the location decision — without flowing through to format, people, and product alignment — will produce well-located but underperforming branches.

**Both problems need to be solved in sequence. However, most banks have only just started to work on the first one.**

#### **Note on methodology**

*The observations in this article are drawn from consulting engagements with Indian private and universal banks across network strategy, branch optimisation, and micro-market positioning. No client data, proprietary information, or institution-specific performance figures have been used or disclosed. Market data referenced is sourced from publicly available reports, including RBI's Trend and Progress of Banking in India (FY25), CRISIL Ratings, and IBEF.*

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