



**SCHOOL OF GRADUATE STUDIES**

**EFFECT OF SERVICE RECOVERY PRACTICE ON  
CUSTOMER'S SATISFACTION THE CASE OF SELECTED  
COMMERCIAL BANKS IN GURAGHE ZONE**

**MBA THESIS**

**BY**

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WOLKITE, ETHIOPIA**

**EFFECT OF SERVICE RECOVERY PRACTICE ON CUSTOMER'S  
SATISFACTION THE CASE OF SELECTED COMMERCIAL BANKS  
IN GURAGHE ZONE**

**A Thesis Submitted to School of Postgraduate Studies, Wolkite University  
in Partial Fulfillment of the Requirements for the Degree of Masters of Art  
in Business Administration**

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## DECLARATION

I, the undersigned, hereby declare that this thesis is my original work. In its preparation, including data collection, analysis, and compilation, I have adhered to all established ethical and academic standards. All scholarly sources and contributions included in this thesis have been duly acknowledged through proper citation.

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As thesis advisor, I hereby certify that I have read and evaluated this thesis prepared under my guidance entitled “*Effect of Service Recovery Practice on Customer’s Satisfaction the Case of Selected Commercial Banks in Guraghe Zone*”. I recommended the thesis to be submitted for the department as fulfilled the requirements needed.

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As members of the Board of Examiners of the Masters of Art Thesis open defense examination, we have read and evaluated this thesis prepared by *Meskrem Yosef* entitled as “*Effect of Service Recovery Practice on Customer’s Satisfaction the Case of Selected Commercial Banks in Guraghe Zone*”, and examined the candidate. We hereby certify that, the thesis is accepted for fulfilling the requirements for the award of the degree of Master of Business Administration (MBA).

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**May, 2025**  
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**LIST OF ACRONYMS**

ANOVA	Analysis of Variance
ATMs	Automatic Tailer Machines
BOA	Bank of Abyssinia
CBE	Commercial Bank of Ethiopia
CE	Customer Engagement
CL	Customer loyalty
CSAT	Customer satisfaction
NBE	National Bank of Ethiopia
SRP	Service Recovery Performance

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## ABSTRACT

*Service providers including commercial banks must recognize that customers often have high expectations for service recovery. When a failure occurs, customers may anticipate a resolution that not only addresses the issue but also exceeds their initial expectations. This understanding can guide service providers in crafting recovery strategies that aim for satisfaction beyond the original service experience. This study is designed to investigate the effect of service recovery practice on customer's satisfaction the case of selected commercial banks in Guraghe zone. Both quantitative and qualitative data was collected from primary and secondary data sources. Questionnaires and interview were used as a major data collection tool from customers of selected commercial banks in Guraghe Zone. Both descriptive, inferential and regression analysis was conducted to find out the effects of customer satisfaction of service recovery in selected commercial banks. A total of 385 respondents from selected commercial banks in the Guraghe zone participated. Most respondents (44.9%) banked with the Commercial Bank of Ethiopia and had experienced service failures (93.2%), mainly involving ATMs, cash shortages, and delays. Only 28.6% received immediate responses to complaints, with 40% fully satisfied with service recovery. The findings of the regression analysis provide compelling evidence that justice dimensions, particularly distributive and interactional justice, play a critical role in shaping customer satisfaction with service recovery in the commercial banks of Guraghe zone. Qualitative insights further enrich these findings by shedding light on customers' evolving expectations. The demand for faster, more efficient service; improved digital platforms; and culturally tailored approaches underscores the need for banks to modernize their recovery strategies.*

**Key words:** *Service Failure; Service Recovery, Customers Satisfaction*



## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Background of the study

In today's highly competitive service industry, customer satisfaction has become a vital indicator of organizational performance and sustainability. Particularly in the banking sector, where service delivery is intangible and involves frequent customer interaction, ensuring high levels of customer satisfaction is both a strategic necessity and a challenge (Zeithaml, *et al*, 2018). However, service failures are inevitable, and the way organizations respond to these failures through effective service recovery practices can significantly influence customer perceptions and loyalty.

Service recovery refers to the actions a company takes in response to a service failure to rectify the situation and regain customer trust (Grönroos, 2007). Research shows that successful service recovery can enhance customer satisfaction and even lead to stronger customer relationships than before the failure occurred a phenomenon known as the "service recovery paradox" (McCullough, Berry, & Yadav, 2000). Key elements of effective service recovery include procedural justice (fairness of the process), distributive justice (fairness of the outcome), and interactional justice (quality of interpersonal treatment during recovery), all of which are critical in shaping customer responses (Tax, Brown, & Chandrashekar, 1998).

Service excellence is a key to gaining an edge in today's evolving banking industry. As banks diversify their offerings into areas like wealth management, insurance, credit cards, investment banking, consumer finance, mutual funds, and stock broking, providing exceptional service has become a key differentiator (Kusuma et al., 2013; Anh, 2022). In this highly competitive environment, banks must prioritize service quality and demonstrate a strong commitment to customer satisfaction across all touch points (Kusuma et al., 2013, Betelhem, 2015). Factors such as responsiveness, reliability, system availability, and speed of service delivery are essential for banks to excel and build a loyal customer base (Samuel, 2023).

Customer satisfaction is largely influenced by how customers perceive the service they receive and how well a bank performs across essential service quality dimensions. To

maintain a competitive advantage, banks need to continuously monitor and improve their service quality. This includes managing the workforce effectively, developing targeted service improvement strategies, and closing any gaps between customer expectations and the delivered service (Kusuma et al., 2013, Betelhem, 2015). By focusing on service quality, banks can enhance their competitive position and thrive in the dynamic financial services industry (Anh, 2022).

However, with the increasing complexity of service delivery and the growing number of banking customers, the risk of service failures has also risen. Service failures can lead to customer dissatisfaction, a negative brand image, and decreased customer loyalty (Kusuma et al., 2013; Vinnarasi et al., 2022). Despite banks' efforts to prevent service failures, they have become unavoidable. Given the difficulty of completely eliminating service failures, banks have focused on employing effective strategies to resolve these issues and minimize their negative impact on customer behavior. One of the most effective ways to satisfy customers is through efficient complaint and feedback management (Kusuma et al., 2013). Customer complaint and feedback management has become an integral part of the banking industry, both from a regulatory standpoint and a customer service perspective.

By implementing effective service recovery management strategies, banks can proactively address customer concerns and integrate their feedback, which ultimately enhances service quality, boosts customer satisfaction, and cultivates long-term loyalty (Vinnarasi et al., 2022). High service quality and the right recovery strategies are crucial for retaining existing customers, proving to be more cost-effective than acquiring new ones (Matikiti & Mpinganjira, 2019). Studies show that satisfied customers are more inclined to stay loyal to the services they receive (Yang et al., 2010). Moreover, the definition of a customer extends beyond those who simply deposit their salaries or savings; it includes individuals engaged with various banking services such as hire purchase, mortgage loans, insurance, and more.

In the context of Ethiopia, the banking sector has experienced rapid growth and increased competition, compelling commercial banks to focus more on customer satisfaction and retention. The Guraghe Zone, a growing economic area in the Central Ethiopia, is home to several commercial banks that serve a diverse customer base. Yet, there is a lack of empirical research on how service recovery practices affect customer satisfaction within these banks.

In this study focusing on the banking industry, service providers must pay close attention to customer reactions to service disruptions and the effect of service recovery on their relationships with the organization. This study sought to examine how service recovery practices influence customer satisfaction, specifically within selected commercial banks in the Guraghe zone. Recognizing the importance of recovery efforts is crucial, as they significantly influence customer relationships and satisfaction.

## **1.2. Statement of the problem**

In today's competitive banking environment, customer satisfaction has become a critical determinant of success and long-term sustainability. Service failures are inevitable in the banking industry due to the complex, high-contact nature of its services. What distinguishes successful banks is not the absence of service failures, but how effectively they respond to these failures through service recovery practices (Zeithaml, Bitner, & Gremler, 2018). Research indicates that customers are more likely to remain loyal and satisfied if their complaints are handled fairly and promptly a concept known as effective service recovery (Grönroos, 2007).

Service recovery effectiveness is commonly evaluated through three justice dimensions: distributive justice (fairness of outcomes), procedural justice (fairness of processes), and interactional justice (fairness of interpersonal treatment) (Tax, Brown, & Chandrashekar, 1998). These dimensions play a vital role in shaping customer perceptions and satisfaction following a service failure. Despite the proven importance of these factors, many banks particularly in developing regions like Ethiopia continue to struggle with inconsistent and ineffective service recovery strategies.

Service recovery management in the service industry entails both challenges and opportunities. As competition intensifies, it becomes increasingly important for managers to identify the root causes of service failures and understand their effects on service quality and customer satisfaction. Service failures may lead to customer dissatisfaction and negative word-of-mouth, but well-executed recovery strategies can help reduce customer attrition and minimize related costs (Simanjuntak & Kristiana, 2016). Successful service recovery actions can yield positive results, including strengthened customer relationships, heightened satisfaction, increased trust, and enhanced loyalty. Nevertheless, the execution of service

recovery must be precise, as unsuccessful attempts can lead to negative repercussions, such as customer defection and unfavorable publicity (Maleki et al., 2016).

Ethiopian Commercial Bank can enhance its customer complaint management by prioritizing improvements in service quality. Recognizing customer emotions and reactions following service failures is vital for effective complaint resolution. Establishing specific timelines for resolving complaints, such as a maximum of 20 working days, is critical to mitigate potential reputational and financial risks (Muhamad et al., 2022; Nitsuh, et al., 2021; Chigora and Vutete, 2014).

Moreover, categorizing and profiling customers based on their complaint behaviors allows the bank to prioritize issues and tailor recovery strategies accordingly. Engaging employees in the planning and execution of complaint management through a comprehensive performance management system can significantly boost the bank's effectiveness in handling customer grievances. By adopting these strategies, Ethiopian Commercial Bank can achieve efficient and satisfactory resolutions to customer complaints, ultimately fostering greater customer satisfaction and loyalty (Metasebiya and Tesfaye, 2015 ; Tripathi and Siddiqui, 2010).

By implementing effective service recovery strategies, banks can transform service failures into valuable opportunities for enhancing customer engagement and loyalty, which in turn can elevate overall customer satisfaction. Service recovery initiatives are essential in lessening the adverse impacts of service failures on customer satisfaction within the banking sector. Research highlights the critical importance of service recovery effectiveness (SRP) in shaping customer engagement (CE) and Customer loyalty (CL) (Zahoor, 2021). Furthermore, the effectiveness of apologies during service recovery significantly strengthens the connection between perceived justice and customer satisfaction (Zulganef and Hodijah, 2023).

To enhance customer experience, bank performance, customer satisfaction, and foster loyalty and retention, it is essential for banks to understand customer perceptions of service quality. This understanding enables them to identify areas that require improvement (Kavita et al., 2022). Evaluating service quality and recovery strategies is crucial not only for retaining existing customers but also for attracting new ones, thereby improving overall business performance. This study aims to explore the effect of service recovery practices on customer

satisfaction within selected commercial banks in the Guraghe zone. Additionally, it seeks to contribute to the existing literature by providing insights into service recovery strategies employed by commercial banks in central Ethiopia, a region that has been under-researched in previous studies.

### **1.3. Research Questions**

This study is to answer to each of the following research questions;

- *What are the common service failures that customers encountered so far?*
- *What are the service recovery practices provided by Commercial Banks in Guraghe Zone?*
- *How much customers are satisfied with each of the three justice dimensions of service recovery dimensions?*
- *Which dimension of service recovery do commercial bank customers in the Guraghe Zone consider the most important?*
- *What is the effect of service recovery dimensions (distributive justice, procedural justice, and interactional justice) on customer satisfaction in selected commercial banks in the Guraghe Zone?*

### **1.4. Research objective**

#### **1.4.1. General objective**

The main aim of this study was to examine the effect of service recovery practices on customer satisfaction in selected commercial banks in the Guraghe zone.

#### **1.4.2. Specific objectives**

- *To identify the types of service failures commonly encountered by customers in selected commercial banks.*
- *To assess service recovery management practices provided by selected commercial bank of Guraghe Zone.*
- *To find out the satisfaction level of the customers of selected commercial banks of Guraghe Zone in relation to each of the three justice dimensions of service recovery.*
- *To assess the relative importance of the three justice dimensions of service recovery offered by selected Commercial Banks in Guraghe Zone.*

- *To evaluate the effect of distributive justice, interactional justice, procedural justice, and dimensions on customer satisfaction.*

### **1.5. Significance of the study**

The outcomes of this research would be advantageous for various stakeholders, including the researcher, the organization under study, and its customers, employees, and managers within the bank.

Through this study, the researcher gained fresh insights and broadened their understanding of service recovery and customer satisfaction, specifically within the banking sector. This research also fostered scientific, logical, and inductive reasoning skills, enhancing the overall research experience. Moreover, it provides an opportunity to evaluate how well the theoretical concepts of service recovery and customer satisfaction are being applied in practice by the organization.

This research could be invaluable for the commercial banks of Ethiopia, offering up-to-date information on service quality and its correlation with customer satisfaction. The findings assisted the bank in refining its customer service practices, ultimately leading to improved customer delight. Additionally, the insights gained can serve as a reference for revising customer handling procedures to enhance satisfaction.

The study informed managers and the organization about the current satisfaction levels of their customers. It empowered bank managers and employees to make data-driven decisions aimed at enhancing customer satisfaction. By improving service quality, the bank can attract new customers while also converting existing customers into enthusiastic promoters through positive word-of-mouth.

Finally, this research laid the groundwork for future studies on service quality and customer satisfaction, highlighting existing research gaps and encouraging further exploration in these critical areas.

### **1.6. Scope of the study**

The scope of the study was restricted to the Gurage Zone, Central Ethiopia. The zone is wide in terms of population and geography. This study focuses on the service failure, service

recovery practices, customer's level of satisfaction related to three service recovery dimensions, and the effect of service recovery on customers level of satisfaction. Geographically, the study was conducted only on selected commercial banks of Ethiopia in the Guraghe zone. Methodologically, the study was limited to descriptive and explanatory types of research. And also, the study used both primary and secondary data sources. The data collected from the questionnaire were analyzed through quantitative descriptive statistical tools such as percentages and frequencies, mean and standard deviations for inferential statistics like correlation and regression using SPSS version 27 software. The time spent for this study was from September 2024 to April 2025.

### **1.7. Definition of Terms**

**Service failure:** Service failure refers to an occurrence where a service does not meet the customer's expectations. It is typically addressed through service recovery, which involves compensating for the failed service using methods such as refunds, coupons, apologies, or discounts. Service failures can be categorized into four main types: employee responses to the service delivery system, employee responses to customer requests (both implicit and explicit), unsolicited employee actions, and problematic customer behavior (Bell and Zemke, 1987)).

**Service recovery:** Service recovery is a strategy employed by service providers to address and resolve customer dissatisfaction following a negative service experience. It involves four key steps: acknowledging the issue, apologizing and taking responsibility, resolving the problem, and learning from the experience to improve. These steps serve as a framework for turning service failures into opportunities for growth and enhanced customer satisfaction (Kerr & Tindale, 2004).

**Customer satisfaction:** Customer satisfaction (CSAT) is a metric used to assess how well a company's products and services meet customer expectations. It reflects the alignment between customer needs and the company's offerings, serving as an indicator of business performance. Customer satisfaction is determined by the difference between customer expectations and the actual service or product received; when expectations are met or exceeded, customers are satisfied, while failure to meet expectations leads to dissatisfaction (Zeithaml et al., 2006).

**Commercial Banks:** A commercial bank is a financial institution that facilitates the deposit and withdrawal of money for the general public, offers loans for investment, and engages in other related financial activities. These banks are profit-driven entities, operating with the primary goal of generating profit.

### **1.8. Organization of the study**

This thesis is organized into five chapters. Chapter One outlines the study's background, objectives, problem statement, research questions, significance, and its scope. Chapter Two reviews relevant theoretical and empirical literature and presents the conceptual framework. Chapter Three details the research methodology, including model specification, data collection tools, target population, and sample size. Chapter Four presents and discusses the research findings. Finally, Chapter Five provides a summary of the findings, conclusions, recommendations, and study limitations.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Theoretical review

##### 2.1.1. *Service failures*

Service failures, as defined by Bell and Zemke (1987), occur when consumers do not receive the services that were promised by the provider. Such failures can happen in organizations of any size, whether large or small. Various scenarios can lead to service failures, including situations where the promised service is not delivered, delays in service delivery, the inability to provide the core benefit that motivated the purchase, or when staff interactions are perceived as rude or uncaring. Regardless of the cause, service failures typically result in negative consumer experiences and can tarnish the reputation of the service organization. Notably, not all dissatisfied customers will voice their complaints directly to the organization; some may choose to share their negative experiences within their social networks, further amplifying the impact of the service failure (Wong et al., 2016).

Extensive research has been conducted on the concept of in-service dissatisfaction. Negative experiences are categorized as either negative incidents (Bitner, Booms & Mohr, 1994; Keaveney, 1995) or unsuccessful processes that result in failed encounters (Roos & Strandvick, 1997; Smith, Bolton & Wagner, 1999; Coulter & Ligas, 2000), leading customers to acknowledge their unmet expectations (Zeithaml, Berry & Parasuraman, 1993; Oliver, 1997). The literature has provided various definitions, and the dimensions of service failure have been closely examined. According to Bell and Zemke (1987), service failure occurs when service delivery does not meet customer requirements, which includes the service provider's response and recovery efforts. Mattila (2001) noted that the high level of human interaction in the service industry, particularly in hospitality, makes service failures an unavoidable aspect of operations.

While organizations may view service failures as problematic, Bell and Zemke (1987) argue that an organization's commitment to service quality is ultimately measured by its response to such failures. To enhance understanding, Mittal, Ross, and Baldasare (1998) found that negative performance impacts customer satisfaction and purchasing intentions more

significantly than positive performance. When a service failure occurs, it presents a crucial opportunity for organizations to restore customer trust and satisfaction. Revisiting the disconfirmation theory discussed earlier, negative disconfirmation arises when service delivery does not meet customer expectations (Bell & Zemke, 1987), necessitating recovery efforts from the service provider.

Dissatisfied customers typically experience two types of service failures. The first, termed core service failure encompasses all actions related to a failed service delivery (Bitner, Booms & Tetreault, 1990; Bitner, Booms & Mohr, 1994; Keaveney, 1995). The second type involves negative or inappropriate behavior from the service provider or a lack of personalized service (Keaveney, 1995; Roos & Strandvik, 1997). The level of dissatisfaction varies among customers based on the nature of the failure, its severity, and the customer's tolerance zone.

Service organizations face a significant challenge: they must create a supportive environment that encourages complaints while simultaneously developing a recovery system focused on factors that matter most to customers, foster provider-customer relationships, and promote loyalty. A critical aspect of a customer's perception of service is the nature of problems encountered and how these issues are addressed when reported to the provider (Colgate & Norris, 2001).

Service industry companies should aim for high-quality service to retain satisfied customers, recognizing that the intangible nature of services can lead to failures that jeopardize customer relationships. Bell and Zemke (1987) concluded that an organization's true commitment to service quality is reflected not in its marketing rhetoric but in its response to service failures. Therefore, it is essential for service providers to establish procedures and protocols for effectively managing service recovery, ensuring the survival of the provider-customer relationship.

### ***2.1.2. Service Failure in Banking industry***

Service failures are common in the banking industry, often resulting in decreased customer satisfaction and, at times, customer complaints. Banking failures can be classified into several categories (Gupta and Rani, 2022):

1. **Machinery Failures:** These failures are largely beyond the control of service providers, as equipment breakdowns (e.g., computer systems, ATMs) can occur during non-operational hours of the bank.
2. **Hygiene and Infrastructural Failures:** This category includes issues both inside and outside the bank premises. While employees can manage internal failures, external hygiene problems are more challenging. Infrastructural failures encompass staffing shortages and external issues like inadequate parking facilities. Although infrastructural failures can often be resolved, they typically incur additional costs for banks.
3. **Procedural Failures:** These involve flaws or delays in the formal processes of the bank, leading to customer dissatisfaction.
4. **Informational Failures:** This occurs when customers do not receive the necessary information regarding their accounts or transactions.
5. **Response and Feedback Failures:** This type of failure is characterized by the bank's inability to respond promptly to client requests or follow-ups.

To ensure customer loyalty, banks must prioritize customer satisfaction. Failure to meet customer needs can lead to customers switching banks or spreading negative feedback that damages the bank's reputation. Service failures are inevitable due to the human element involved in service delivery (Lewis & McCann, 2004). To mitigate these issues, Anton et al. (2007) emphasize the importance of understanding service failures, especially as competition increases and customers become more demanding.

Lewis & Spyropoulos (2001) highlight that service failures can significantly undermine customer loyalty, necessitating that banks minimize the risk of such failures to protect their reputations. The pursuit of "zero defects" in service is therefore essential. Service failures are not limited to banks in the UK; they are a global issue. A study conducted in Shustova & Blagoev (2018) revealed that a significant number of respondents had negative banking experiences, with 62% citing long queues as their primary concern. Additionally, 31% reported issues with rude staff, while others experienced unresponsive employees.

### ***2.1.3. Service Recovery***

Service recovery refers to the proactive and immediate actions taken by organizations to mitigate the negative consequences of service failures. According to Bell and Ridge (1992), it encompasses all measures that organizations should implement to transition a customer from disappointment to satisfaction. The significance of effective service recovery lies in its ability to address service failures and customer complaints, which is crucial for maintaining customer loyalty (Boshoff, 1999). Research by Bailey (2007) indicates that successful service recovery can enhance customer satisfaction and loyalty even after a service failure has occurred.

Service failures pose serious challenges for organizations, affecting both customer satisfaction and profitability. Although such failures can initially damage a company's reputation, effective complaint handling can reduce these negative effects. A strong and actively implemented service recovery strategy is essential. Encouraging customers to voice their concerns is a key step in initiating timely and effective resolution. (Hart et al., 1990).

Research in service-related literature highlights the principles of social exchange and equity as foundational theories for understanding customer assessments of service recovery efforts (Adams, 2010; Estepa, Back, & Sharklin, 2005). According to Adams (2010), the relationship between the service organization and the customer should be balanced, emphasizing the importance of fairness in exchanges.

Oliver (1997) further elaborated on the significance of social exchange, asserting that customer satisfaction hinges on their perception of equitable treatment during service interactions. This perception is shaped by the professionalism exhibited among employees, managers, and customers alike. Oliver (1997) also introduced the concept of equity theory, which examines customers' perceptions of fairness in interpersonal relationships and the compensation offered to rectify service failures. His research delineated three forms of justice relevant to service recovery: distributive justice (the perceived fairness of the outcomes received); procedural justice (the perceived fairness of the processes used to resolve complaints), and interactional Justice (the perceived fairness of interpersonal interactions during the recovery process). As highlighted by Ozturk (2016), these distinctions underscore the varying impacts of procedural elements on consumer satisfaction.

In general, while service failures present significant challenges, a well-executed service recovery strategy can transform a potentially damaging situation into an opportunity for enhanced customer loyalty and satisfaction. By fostering open communication and ensuring fairness in recovery efforts, service organizations can navigate these obstacles effectively.

#### ***2.1.4. Service recovery in banking industry***

Banks must effectively address service failures, as acquiring new customers is significantly more expensive up to five times more than retaining existing ones (Gitomer, 1998; Kerr & Tindale, 2004). This high cost is largely attributed to the extensive marketing efforts required to attract new clients. Furthermore, Ford et al. (2004) emphasized that inadequate recovery from service failures can jeopardize an organization's long-term success. Implementing a robust recovery strategy can mitigate negative customer emotions and foster positive feelings (Tschohl, 2005).

Research indicates that service recovery is particularly critical in the banking sector (Youmas & Jan, 2012). Ganey & Hall (1997) argue that there are no trivial service failures in banking due to the sensitive nature of financial transactions. A recent study revealed that customers exhibit low tolerance for minor service issues, such as erroneous fees. Consequently, banks should strive to deliver services correctly on the first attempt to avoid customer dissatisfaction.

Moreover, if service recovery efforts do not align with customer expectations, there is a heightened risk of customers switching banks (Zeithaml et al., 2006). Niera et al. (2010) found that inadequate recovery can lead to even stronger negative sentiments than the initial service failure itself. A review of the literature on service recovery strategies reveals that apologies are the most commonly utilized approach. This preference may stem from customers' desire to feel valued and respected, as apologies can enhance customer perception without incurring additional costs. Explanations are another vital recovery strategy, as customers often seek clarity on why a service failure occurred and the measures taken to rectify it. This need for understanding is crucial, given that achieving a flawless service experience is nearly impossible for any provider.

### ***2.1.5. Customer Expectations of Service Recovery***

Service recovery expectations, as defined by Hess et al. (2003), refer to customers' beliefs regarding the appropriate and reasonable level of effort a service provider should exert following a perceived service failure. Customers typically have several expectations during the recovery process: they anticipate receiving an apology for the inconvenience experienced, expect detailed explanations about the cause of the issue, and seek compensation or incentives, as noted by Zemke & Bell (1994). Three key dimensions of justice relevant to service recovery: recovery justice, distributive justice, and interactional justice. Understanding these dimensions aids in evaluating customer expectations.

#### **Justice Theory**

Justice theory, which focuses on fairness, is crucial for understanding how dissatisfied customers assess their complaints. According to Sheng et al. (2018), customer satisfaction is influenced by their perception of justice in service recovery. This perception is shaped by how fairly a service failure is addressed, based on the three dimensions mentioned above: procedural, distributive, and interactional justice.

#### **Procedural Justice**

Procedural justice pertains to the perceived fairness of the processes used to achieve recovery outcomes. Factors influencing this perception include the timeliness of the response, the speed at which the service provider rectifies the failure, and the overall flexibility and efficiency of the recovery efforts (Murphy & Tyler, 2008).

#### **Distributive Justice**

Distributive justice is often significant in service contexts, as customers frequently desire more than just an apology. They seek acknowledgment of their inconvenience and a sense of empowerment regarding the situation. This dimension includes compensatory measures such as discounts, repairs, and exchanges, as highlighted by Katz et al. (1991).

#### **Interactional Justice**

Interactional justice reflects how customers are treated during the recovery process, focusing on the fairness exhibited by the service provider when implementing recovery strategies. Key

factors include empathy and sensitivity in customer interactions (Blodgett et al., 1993). It is argued that when a service failure occurs, the provider should accept responsibility and apologize to the dissatisfied customer (Goodwin & Ross, 1989).

Blodgett et al. (1993) proposed that the integration of the three dimensions of justice theory shapes complainants' overall perceptions of justice and subsequently influences their behavior. Additionally, Zhu and Sarkis (2004) described a "mixed strategy," where service providers employ both recovery strategies simultaneously to address service failures, indicating a willingness to invest more effort than merely rectifying the negative situation.

### ***2.1.6. Service Recovery Practices in Commercial Banks***

Key components of a successful service recovery program are essential for effectively addressing service failures and restoring customer satisfaction. Here are the main elements:

**Clear Definition of Service Failure:** Establish what constitutes a service failure and understand its impact on customer expectations and emotions. This clarity helps in identifying when to implement recovery measures.

**Empower Employees:** Staff should be trained and empowered to handle service failures promptly and effectively. This includes recognizing issues, apologizing, and resolving problems while having the authority to make decisions that benefit the customer (Yang, 2005).

**Effective Communication:** Maintain open lines of communication with customers. Acknowledge their concerns, listen actively, and provide clear explanations and updates throughout the recovery process (Yang, 2010).

**Timely Response:** Address service failures as quickly as possible. Promptness can significantly enhance customer satisfaction and loyalty, as delays can exacerbate frustrations.

**Compensation and Atonement:** Offer appropriate compensation that reflects the severity of the service failure. This could range from refunds to additional services, ensuring that the customer feels valued and their inconvenience is recognized (Yang, 2010).

**Follow-Up:** After resolving the issue, follow up with customers to ensure their satisfaction with the recovery process. This step reinforces the commitment to customer service and helps rebuild trust.

**Feedback and Continuous Improvement:** Collect feedback from customers and employees to identify root causes of service failures and areas for improvement. Use this information to refine service standards and recovery procedures (Smith et al., 2012; Yang, 2010).

**Training and Development:** Regularly train staff on service recovery protocols, emphasizing empathy, problem-solving, and emotional intelligence. This equips them to handle complaints effectively and fosters a culture of accountability (Yang, 2010).

**Customer Involvement:** Engage customers in the recovery process by soliciting their input and suggestions. This not only makes them feel valued but also provides insights for improving service delivery (Smith & Mpinganjira, 2015).

**Innovation in Recovery Strategies:** Continuously seek ways to differentiate your service recovery efforts from competitors. Innovative approaches can create memorable experiences that enhance customer loyalty (Yang, 2010). By integrating these components into a service recovery program, organizations can effectively manage service failures, enhance customer satisfaction, and foster long-term loyalty.

### ***2.1.7. Justice and Customer Relationships***

A service failure can disrupt the balance in the relationship between a business and its customers. The level of distress customers feel after such a failure correlates with their perception of injustice regarding the exchange, which in turn influences the necessary service recovery efforts. Higher distress levels lead customers to seek restitution from the service provider, as they may feel compelled to retaliate against perceived wrongdoings (Bechwati & Morrin, 2003). Consequently, the extent of distributive justice experienced by customers prior to recovery attempts directly impacts their recovery expectations from the company. A business that successfully exceeds these expectations during recovery can transform a negative customer perception into a positive one, benefiting repurchase intentions, word-of-mouth promotion, and overall feedback.

In industries like aviation, which manage large volumes of customers within complex service frameworks, it is crucial to create disconfirmation of negative expectations. Furthermore, procedural justice also plays a significant role in shaping perceptions and behaviors. Fair procedures within an organization can foster loyalty and commitment among employees, enhancing job satisfaction and performance. Positive perceptions of procedural justice can mitigate negative emotions such as anger and hostility. Conversely, breaches of procedural justice may lead to negative behaviors towards the organization, including a desire to punish it or its representatives (Kim et al., 2009).

Marketing researchers identify procedural justice as a critical factor in understanding the impact of service recovery on customer satisfaction. Studies have shown a positive relationship between perceived procedural justice and customer satisfaction following service recovery efforts influencing intentions to repurchase and generating positive word-of-mouth (Del Rio-Lanza et al., 2009). In contrast, perceptions of unfair procedures can lead to hostility and resistance to organizational outcomes. For instance, Yim et al. (2003) found that fair procedures reduce resistance, while unfair ones increase negative attitudes. In contexts of service failure, low perceived procedural justice during recovery efforts is likely to result in dissatisfaction.

Thus, when customers perceive high levels of procedural justice, they are more inclined to accept and feel satisfied with the outcomes of service recovery efforts. Given the potential benefits of effectively addressing negative customer feelings through successful service recovery, it is essential for service providers to understand customer expectations and appropriate behaviors in the aftermath of service failures.

In conclusion, the dimensions of justice encompass three key elements: distributive justice, procedural justice, and interactional justice. These elements are commonly associated with service recovery, where compensation relates to distributive justice, response speed pertains to procedural justice, and apologies are linked to interactional justice.

## **2.2. Empirical Review**

Prior research presents a range of findings regarding the effectiveness of different service recovery strategies on perceived justice dimensions. Most studies indicate that distributive justice is largely associated with monetary compensation, such as coupons, discounts, and refunds. Although numerous researchers have confirmed the significant impact of

compensation on customers' perceptions of distributive justice, a lack of empirical agreement persists regarding this relationship (Kuo and Wu, 2012).

Interactional justice is typically associated with apologies to perceived distributive justice. Procedural justice is often determined by the recovery process, including refund policies and the efficiency of the recovery process (Kuo and Wu, 2012). Consequently, no consensus has been reached on the relative effectiveness of various service recovery types. This study aims to explore the effects of different service recovery strategies apology, compensation, or a combination of both on customers' perceptions of justice within the context of online retailing.

Consumer satisfaction is the emotional and subjective assessment that customers make regarding their purchasing experiences, stemming from their psychological states (Oliver, 1997). This concept is intricately linked to consumer attitudes and intentions, which are vital components of consumer behavior. High levels of satisfaction can significantly enhance positive behavioral intentions among consumers, such as their likelihood to repurchase and exhibit loyalty, as well as engage in positive word-of-mouth interactions (Gee et al., 2008).

In the context of service recovery, satisfaction becomes particularly crucial. Research indicates that customers who are dissatisfied but receive effective recovery efforts tend to demonstrate greater positive behavioral intentions compared to those who were initially satisfied with the service (Maxham and Netemeyer, 2002). Numerous studies have established a strong correlation between customers' perceptions of justice how fair they perceive the service recovery process to be and their overall satisfaction (Maxham and Netemeyer, 2002).

Moreover, it has been shown that perceived justice acts as a mediator in the relationship between service recovery efforts and customer satisfaction (Maxham and Netemeyer, 2002). The literature categorizes customer's perceptions of justice into three dimensions: distributive, procedural, and interactional justice, each of which plays a role in shaping post-recovery satisfaction.

Numerous studies have investigated the impact of service recovery on customer satisfaction. However, many of these earlier investigations regarded service recovery as a one-dimensional concept. For example, Abdet al. (2014) highlighted that customer satisfaction is affected by the justice dimensions inherent in service recovery. Etemad-Sajadi and Bohrer

(2019) explored how customers' perceptions of the service recovery process influence their satisfaction and loyalty. Their research, utilizing partial least squares and variance-based structural equation modeling, demonstrated that the qualities of service recovery positively affect both customer satisfaction and loyalty.

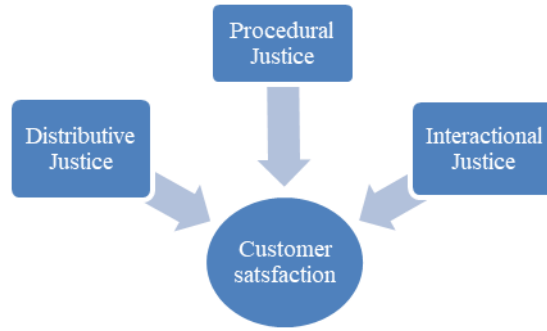
Similarly, Fang et al. (2013) analyzed the time-varying effects of service recovery on customer satisfaction, employing secondary data from the Chinese mobile phone market analyzed through a multivariate time-series model. Their findings indicated that compensation has a moderate impact, while communication has a milder effect on customer satisfaction.

Overall, effective service recovery is generally believed to lead to increased customer satisfaction. Additional studies reinforcing this positive relationship includes those by Cheng et al.(2018), and Zaid et al. (2021). Notably, the "recovery paradox" posits that customer satisfaction following successful service recovery can surpass that of customers who did not experience any initial service issues.

Also, numerous researchers have examined how perceived dimensions of justice influence overall consumer satisfaction across various organizations. Their findings indicate that interactional, procedural, and distributive justice all positively affects satisfaction during service recovery. For instance, Patterson et al. (2006) investigated service loss recovery and confirmed that each of these three justice dimensions contributes positively to customer satisfaction. Furthermore, the impact of these justice dimensions on customer recovery satisfaction has been explored in several service sectors, including banking (Assefa, 2014).

### **2.3. Conceptual Framework**

The independent variables for this analysis are derived from the justice component of the service recovery process. Specifically, the independent variable in this study reflects the findings from a customer satisfaction research report. Three key components are identified as independent variables: distributive justice, interactional justice, and procedural justice. These elements are utilized to explore the relationship between service recovery practices in selected commercial banks of the Guraghe Zone and customer satisfaction.



*Source: Adopted from Tax & Brown (2000)*

Fig. 1. The conceptual framework used in this study

## CHAPTER THREE

### 3. RESEARCH METHODOLOGY

This section contains the research design to be used, the target population, and the data collection procedures and methods. The variables used to indicate the possible relationship were presented here. Moreover, the data analysis techniques that would be employed to analyze the collected data are indicated in this section.

#### **3.1. Background of the Organization**

Ethiopia's banking and finance sector has historically been largely inaccessible to foreign investors. However, this is set to change as the Ethiopian government plans to implement a series of reforms aimed at opening the sector to international competition. The objective of these reforms is to attract foreign capital, thereby enhancing the country's competitiveness and fostering economic growth. Currently, Ethiopia has thirty banks operating across 8,250 branches, catering to a population of nearly 115 million people. According to the National Bank of Ethiopia's quarterly bulletin from October 2022, total deposits in the banking sector exceed \$30 billion, while loans amount to over \$25 billion (NBE, 2022).

#### **3.2. Research Design**

The purpose of this study is to assess and analyze the relationship between service recovery practices specifically procedural, distributive, and interactional justice and customer satisfaction, using numerical data gathered through structured questionnaires. It aims to investigate the effect of these service recovery practices on customer satisfaction within selected commercial banks in the Guraghe Zone. Since the study involves hypothesis testing and seeks to identify key influencing factors, a quantitative explanatory research design was adopted.

#### **3.3. Research approach**

Different researchers may use different research approach to conduct their study based on their research nature. However, three main research approaches are commonly used in the literatures namely quantitative research approach, qualitative research approach and combination of both. In this study, quantitative research approach were used based on the nature of objectives stated and the required data and tool of analysis. Quantitative research is ideal when the researcher aims to assess the relationship between an independent variable and

a dependent variable, clarify causal relationships, facilitate generalization, and predict future outcomes. Additionally, the study favors this approach due to its specific importance in examining the relationship between the dependent variable (customer satisfaction) and the independent variables, which are the service recovery dimensions (procedural justice, distributive justice, and interactional justice).

### **3.4. Variables in the study**

The dependent variable in this study is customer satisfaction, which represents the primary outcome being measured. The independent variables consist of the key dimensions of service recovery practices, namely procedural justice, distributive justice, and interactional justice. In addition, several socioeconomic and demographic factors were considered, including age, gender, education level, occupation, bank affiliation, frequency of bank usage, duration of banking relationship, type of problem encountered, response time to complaints, satisfaction with service recovery, and similar variables.

### **3.5. Target Population**

The target population for this study consisted of individuals who had been customers of the selected commercial banks operating in the Guraghe Zone.

### **3.6. Sampling Techniques**

Random sampling is ideal when every unit of the population has the same chance of being selected. However, in this study, obtaining a complete list of all customers from the selected commercial banks was not feasible. As a result, convenience sampling a non-probability sampling method was employed. This approach involves selecting participants who are readily available at a given place and time. Additionally, time and budget constraints further justified the use of this method over more rigorous sampling techniques.

### **3.7. Sample Size**

To calculate the suitable sample size for this study, Cochran's sample size determination formula (Cochran 1963, Cochran 1977) was employed. This method is particularly useful for estimating a representative sample when dealing with a large or unknown population. Even though it's convenience sampling, it is possible to estimate how many participants to include by using the standard sample size formula from probability sampling.

$$n_0 = \frac{z^2 pq}{e^2}$$

Where,  $n_0$  is the sample size,  $Z$  is the standard normal distribution (1.96) at  $\alpha= 0.05$ ,  $p$  is the estimated proportion of bank customers who had service failure in commercial banks (in this case 50% of population were considered),  $q$  is  $1-p$ , and  $e$  is the desired level of precision, (in this case 0.05).

$$n_0 = \frac{1.96 * 1.96 * 0.5 * 0.5}{0.05 * 0.05} = 385$$

Ultimately, a total of 385 customers were selected and interviewed from selected commercial banks of the Guraghe Zone.

### **3.8. Method of Data Collection**

This study utilized both primary and secondary data sources. Primary data sources are first-hand information to be collected from customers and, in some cases, from bank staff and managers. Primary data can be collected using a well-prepared self-administered questionnaire. Self-administered questionnaires are helpful to collect a large amount of information in a short period of time, and this is also the easiest method to analyze scientifically. Questionnaires were distributed to the customers of selected commercial banks if the customer could read and write. Otherwise, interviews were employed for data collection. There are two parts to the questionnaire. The first part concerns the respondents' socio-demographic data, and the second part includes the items for measuring the three dimensions of service recovery and the overall satisfaction of the customers. It was constructed by implementing the 5-point Likert scale from "strongly disagree" to "strongly agree".

### **3.9. Method of Data Analysis**

After data collection, data management was done, and then both descriptive and econometric model methods of data analysis were employed. Descriptive methods of analysis were employed to compute minimum and maximum, mean, percentage, mean deviation, and standard deviation values of customer characteristics, bank use and service failure frequency, and failure feedback in the study area. Beyond the descriptive statistics, the study used inferential statistics, mainly Pearson's Correlation Coefficient, to explore the relationships between various dimensions of service recovery dimensions and customer satisfaction.

Analysis of Variance (ANOVA) and independent samples t-tests were performed to assess differences in perceptions of organizational justice and service recovery.

Multiple linear regression analysis was conducted to evaluate the relationship between each explanatory variable and the dependent variable. The data analysis for this study utilized SPSS Version 27 to process information gathered from primary sources. This comprehensive approach provides insights into the connections between service recovery dimensions and customer satisfaction. Multiple linear regression models were used to identify factors affecting customer satisfaction in the Commercial Bank of Ethiopia, considering service recovery dimensions as independent variables.

Hence, multiple regression model of the form:

$$Y_i = B_0 + \sum_{(i = 1- 3)} B_i X_i + e_i \text{ was specified}$$

$Y_i$  = Customer satisfaction

$X_1$  = Procedural justice

$X_2$  = Distributive justice

$X_3$  = interactional justice

### **3.10. Validity and Reliability**

Validity is important to show to what degree the designed questionnaire is what it should be based on the objective for this case study. To guarantee the quality of the content in this research, it was used to check for its validity. This study undertook a pilot survey to check the designed questionnaire, and readjustment was done before the actual survey. For reliability, this study conducted Cronbach's alpha to test the internal consistency of variables in the dataset. Cronbach's alpha is a reliability coefficient that measures the extent to which the items within a set are interrelated and consistent with each other.

### **3.11. Ethical Considerations**

The study adhered to ethical guidelines throughout its process, ensuring that researchers remained accountable to the public. Ethical standards were carefully followed, particularly regarding respondent anonymity during data collection. Additionally, only those participants

who were willing and able to contribute were included in the study.

## CHAPTER FOUR

### 4. RESULT AND DISCUSSION

#### 4.1. Introduction

This chapter aims to evaluate different assessments of how service recovery practices impact customer satisfaction in selected commercial banks of the Guraghe Zone. The analysis is divided into two sections: the first presents the results of descriptive statistics, while the second examines the influence of service recovery practices on customer satisfaction using multiple linear regression analysis, conducted with SPSS software version 23.

#### 4.2 Statistical Data Analysis

##### 4.2.1 *Socio-demographic characteristics*

Table 4.1 summarizes the demographic profile of 385 respondents from selected commercial banks in the Guraghe zone. The sample is predominantly male, with 64.2% of participants being male and 35.8% female. Respondents' ages range from 21 to 44 years with a mean age of 29.58, indicating that the majority of participants are young adults.

The majority of respondents (53.8%) hold a first degree, followed by those with second degrees and above (20.8%). A smaller proportion of respondents have lower levels of education, with 2.3% having no formal education, 8.8% having primary and secondary education, and 4.2% holding a certificate. The most common occupation among respondents is private workers (56.9%), followed by government employees (16.4%). Merchants make up 12.5%, while self-employed and students are less represented (10.1% and 4.2%, respectively) (Table 4.1).

The most respondents involved in this study were from the Commercial Bank of Ethiopia (CBE), with 44.9% of respondents choosing it. Other banks include NIB (24.9%), BOA (16.1%), and Awash (14.0%) (See also Figure 2). The majority of respondents use banking services frequently, with 65.8% using the bank daily, 23.1% weekly, and only a small proportion (3.4%) is using the bank monthly. Most respondents have been banking for 6-10 years (42.6%), followed by those who have been banking for 1-5 years (33.5%). A smaller proportion (13.8%) has been clients for 11 years or more (Table 4.1).

A large majority (93.2%) of respondents have encountered problems while using bank services, while only 6.8% have not faced any issues. The most common issue reported by respondents is ATM or online banking problems (27%), followed by insufficient cash availability (24.7%) and delays in service (20.5%). Fewer respondents reported transaction failures (9.6%) or poor customer service (9.9%). A significant number of respondents (28.6%) reported that the bank responded immediately to their complaints, while 31.9% reported a response within a day. However, 10.1% indicated no response at all, and 16.6% received a response within a week. A smaller group (6%) received a response after more than a week (Table 4.1).

The majority of respondents (48.1%) were partially satisfied with the service recovery, while 40% were fully satisfied. A smaller group (5.2%) reported being dissatisfied with the recovery efforts. Most respondents (80.8%) indicated that they would continue banking with the same bank after their complaint was resolved. A smaller proportion (8.8%) would not, and 3.6% were unsure. A majority of respondents (71.9%) would recommend the bank to others based on their service recovery efforts, while 21.3% would not recommend the bank (Table 4.1).

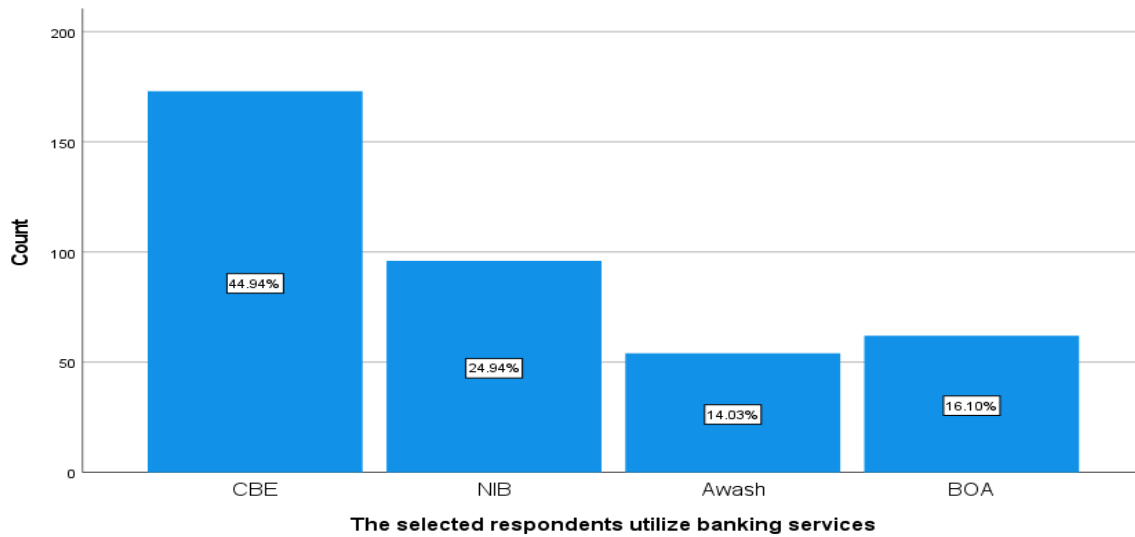
**Table 4.1: Socio-demographic characteristics of the respondents**

Variable	Categories	Frequency	Percent (%)
Sex	Male	247	64.2
	Female	138	35.8
Education level	No formal education	9	2.3
	Primary and secondary	34	8.8
	Certificate	16	4.2
	Diploma	39	10.1
	1st degree	207	53.8
	2nd degree and above	80	20.8
Occupation	Government Employee	63	16.4
	Merchant	48	12.5
	Private Worker	219	56.9
	Student	16	4.2
	Self Employed	39	10.1
Study bank	CBE	173	44.9
	NIB	96	24.9

	Awash	54	14.0
	BOA	62	16.1
Frequency of using Bank	Daily	253	65.8
	Weekly	89	23.1
	Monthly	13	3.4
	Occasionally	30	7.8
Number of years as a bank client	< 1 year	39	10.1
	1-5 years	129	33.5
	6-10 years	164	42.6
	≥ 11 years	53	13.8
Faced a problem while accessing bank services	Yes	359	93.2
	No	26	6.8
Type of problem encountered	Transaction failure	37	9.6
	Unauthorized charges	6	1.6
	Poor customer service	38	9.9
	Delay in service	79	20.5
	ATM or online banking issues	104	27.0
	Insufficient Cash availability	95	24.7
Bank's response time to complaints	Immediately	110	28.6
	Within a day	123	31.9
	Within a week	64	16.6
	More than a week	23	6.0
	No response	39	10.1
Satisfied with service recovery	Yes, fully	154	40.0
	Yes, partially	185	48.1
	No, not at all	20	5.2
Continued usage after complaint resolution	Yes	311	80.8
	No	34	8.8
	Not sure	14	3.6
Recommendation based on recovery experience	Yes	277	71.9
	No	82	21.3
	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>
Age of the respondents	21	44	29.58

*Source: Researcher's survey, 2025*

Fig. 2: Bar chart of the selected respondents utilizing banking services



#### 4.2.2 Summary Statistics for Justice Dimensions and Customer Satisfaction

Table 4.2 presents' summary statistics for three dimensions of perceived justice procedural, distributive, and interactional justice as well as overall customer satisfaction with service recovery, based on responses from 385 participants. The mean of procedural justice is 3.66, indicating that respondents generally agreed that the procedures used in handling complaints were fair and consistent. The scores ranged from 1.60 to 5.00, suggesting some variation in customer perceptions, but overall leaning towards a positive evaluation.

The mean of distributive justice is 3.47, showing a slightly lower perception compared to procedural justice. This reflects how fairly customers felt they were compensated or the extent to which outcomes matched their expectations. The range of 1.75 to 5.00 suggests that while some customers felt well-compensated, others believed the outcome was less satisfactory. While, the mean of Interactional Justice is 3.69, the highest among the justice dimensions, indicating strong customer perceptions of respectful, empathetic, and honest communication during the service recovery process. The scores ranged more broadly, from 1.00 to 5.00, showing that while many customers had positive experiences, a few encountered very poor interactional treatments.

Moreover, the mean overall customer satisfaction of mean is 3.69, which closely aligns with the interactional justice score. This suggests that interactional justice may be a significant contributor to overall customer satisfaction in service recovery scenarios. The satisfaction

ratings ranged from 1.45 to 5.00, indicating some level of dissatisfaction among a few respondents, but the general trend is positive. Among the three justice dimensions, interactional justice received the highest average rating, followed by procedural, and then distributive justice. This implies that how customers are treated during the complaint process may influence satisfaction more than the procedure or the outcome itself. Overall, customer satisfaction with service recovery is relatively high, reflecting positively on the banks' recovery efforts.

**Table 4.2: Summary Statistics of Justice Dimensions and Customer Satisfaction of Service Recovery**

	N	Minimum	Maximum	Mean
Procedural Justice	385	1.60	5.00	3.6556
Distributive Justice	385	1.75	5.00	3.4695
Interactional Justice	385	1.00	5.00	3.6873
Overall customer satisfaction	385	1.45	5.00	3.6910

*Source: Researcher's survey, 2025*

#### **4.2.3 Reliability analysis**

Table 4.3 shows the results of a reliability analysis using Cronbach's alpha, which measures the internal consistency of a scale how closely related a set of items is as a group. Therefore, the Cronbach's alpha value of 0.889 suggests that the scale used in this study has good reliability for measuring the underlying construct. The items are well-correlated and suitable for further analysis (Table 4.3).

**Table 4.3: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.958	.958	25

#### **4.3.4 Correlation coefficient between customer satisfaction and justice dimensions**

The Pearson correlation analysis was conducted to examine the relationship between customer satisfaction with service recovery and the three justice dimensions: procedural, distributive, and interactional justice in Table 4.4. Procedural justice shows a moderate positive correlation with overall customer satisfaction ( $r = 0.504$ ,  $p < 0.001$ ). This indicates

that as procedural fairness in the service recovery process increases, customer satisfaction tends to improve.

While distributive justice has a strong positive correlation with customer satisfaction ( $r = 0.679$ ,  $p < 0.001$ ), suggesting that customers who perceive fair outcomes from service recovery are significantly more satisfied. Moreover, interactional justice demonstrates a very strong positive correlation with customer satisfaction ( $r = 0.856$ ,  $p < 0.001$ ). This implies that respectful, considerate, and clear communication during service recovery is highly associated with increased customer satisfaction.

**Table 4.4: Correlation coefficient between customer satisfaction and service recovery dimensions**

		Overall customer satisfaction
Procedural Justice	Pearson Correlation	.504**
	Sig. (2-tailed)	.000
Distributive Justice	Pearson Correlation	.679**
	Sig. (2-tailed)	.000
Interactional Justice	Pearson Correlation	.856**
	Sig. (2-tailed)	.000

### 4.3 Multiple linear regression analysis

#### 4.3.1 Testing the Assumptions Underlying Multiple Linear Regression

In this study, key assumptions of multiple linear regressions: linearity, homoscedasticity, normality, and Multicollinearity are considered essential for ensuring the validity of the model. This section addresses each assumption in detail, outlining the testing procedures and interpretation of results.

To evaluate how effectively the regression function aligns with the data, goodness-of-fit statistics are utilized. The R-squared ( $R^2$ ) value is the most widely used metric, representing the squared correlation between the actual values of the dependent variable and the predicted values produced by the model.  $R^2$  ranges from 0 to 1, with a value closer to 1 indicating a better model fit.

The SPSS output below provides a model summary displaying the values of R, R<sup>2</sup>, and adjusted R<sup>2</sup>, which indicate the strength of the relationship between the response variable (overall customer satisfaction with service recovery) and the independent variables, represented by the three justice dimensions, procedural, distributive, and interactional justice. The R<sup>2</sup> value of 0.745 indicates that approximately 74.5% of the variance in overall customer satisfaction with service recovery is explained by the model. The remaining 25.5% of the variation is attributed to other factors not included in this analysis (Table 4.5).

**Table 4.5 Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.863 <sup>a</sup>	.745	.743	.41911

**Linearity**

Linearity is the assumption that the dependent variable is directly related to the independent (predictor) variables in a linear manner. When this relationship is linear, multiple regressions can offer precise estimates of the connection between the dependent and independent variables (Osborne & Waters, 2002).

When the assumption of linearity is not met, the regression estimates such as coefficients, standard errors, and significance tests can become skewed (Keith, 2006). In cases where the relationship between the dependent and independent variables is non-linear, regression analysis may either understate or overstate the true relationship, raising the risk of both Type I and Type II errors (Osborne & Waters, 2002).

Verifying linearity is essential in linear regression analysis, and it can be evaluated using a Normal P-P plot. This approach assumes that the residuals should demonstrate a linear relationship with the predicted values of the dependent variable. If this assumption is violated, the regression model may attempt to fit a line to data that does not follow a linear trend. Nonlinearity can also be identified through a scatter plot of the response variable against the predictor. As illustrated in the Normal P-P plot of the regression standardized residuals below, the data closely follow a straight line; confirm linearity assumption (Fig. 3).

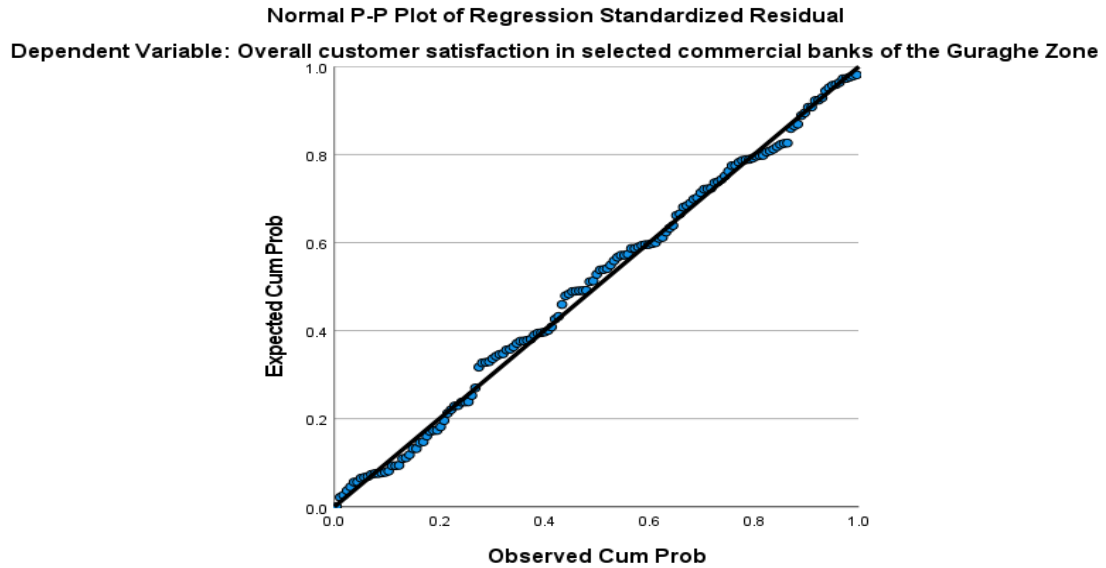


Fig. 3: Normal P-P plot of regression standardized residual

### Homoscedasticity

The assumption of homoscedasticity refers to the expectation that the variance of errors remains consistent across all levels of the independent variables (Osborne & Waters, 2002). In other words, researchers assume that the errors are evenly distributed across the values of the predictor variable (Keith, 2006). This assumption is met when the variance around the regression line is constant for all values of the predictor. It implies that the residuals' variance is consistent across the predicted values. A well-fitted model will show no discernible pattern in the residuals when plotted against the fitted values. As shown in the scatter plot below, the error term appears to follow a normal distribution (Figure 4).

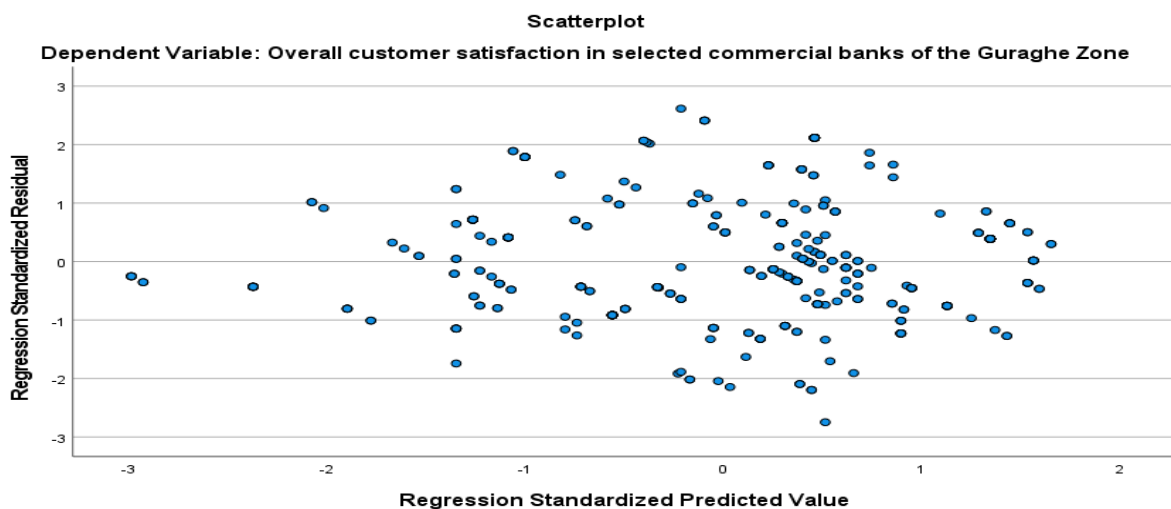


Fig. 4. Scatter plot of standardized predicted values against standardized residuals

### Multicollinearity Test

The simplest method to determine whether the explanatory variables are highly correlated is by examining the correlation matrix. A correlation above 0.80 typically indicates a potential multicollinearity issue. In this study, the correlation matrix revealed the highest correlation of 0.704, which occurred between interactional justice and distributive justice. Since no correlations exceed 0.80, it can be concluded that multicollinearity is not a concern in this study (Table 4.6).

**Table 4.6: Correlations matrix between the three justice dimensions of service recovery**

		Procedural Justice	Distributive Justice	Interactional Justice
Procedural Justice	Pearson Correlation	1	.684**	.568**
	Sig. (2-tailed)		.000	.000
	N	385	385	385
Distributive Justice	Pearson Correlation	.684**	1	.704**
	Sig. (2-tailed)	.000		.000
	N	385	385	385
Interactional Justice	Pearson Correlation	.568**	.704**	1
	Sig. (2-tailed)	.000	.000	
	N	385	385	385

\*\* . Correlation is significant at the 0.01 level (2-tailed).

A more precise method for testing multicollinearity involves using the Variance Inflation Factor (VIF) and the tolerance statistic to determine whether any explanatory variable is strongly correlated with the other variables in the model.

Tolerance measures the extent to which the variability in a specific independent variable is not explained by the other independent variables in the model. It is calculated as  $1 - R^2$  for each variable. A small tolerance value (below 0.10) suggests a high correlation with other variables, which may indicate a potential multicollinearity issue. The Variance Inflation Factor (VIF) is the reciprocal of the tolerance value (1 divided by tolerance). VIF values above 10 generally indicate concerns with multicollinearity. According to the results in Table 4.4 below, all tolerance values for the independent variables are above 0.10, and VIF values are below 10, signifying that multicollinearity is not a concern in this study (Table 4.7).

**Table 4.7: Collinearity Statistics (Tolerance and VIF)**

	Tolerance	VIF
Procedural Justice	0.517	1.933
Distributive Justice	0.385	2.595
Interactional Justice	0.491	2.037

**Normality Test**

An additional key diagnostic test performed in this study is the normality assumption, which posits that errors should follow a normal distribution. When residuals are normally distributed, the histogram should display a bell-shaped curve. Scatter plots of residuals also assist in evaluating whether the residuals are normally distributed around the predicted values of the dependent variable. In this study, the residuals are normally distributed, with a mean of zero and a standard deviation of one. As shown in the results below, the histogram indicates that the residuals follow a normal distribution, with a mean of 0 and a standard deviation of 0.988, which is close to 1. This suggests that the model meets the normality assumption (Fig. 5).

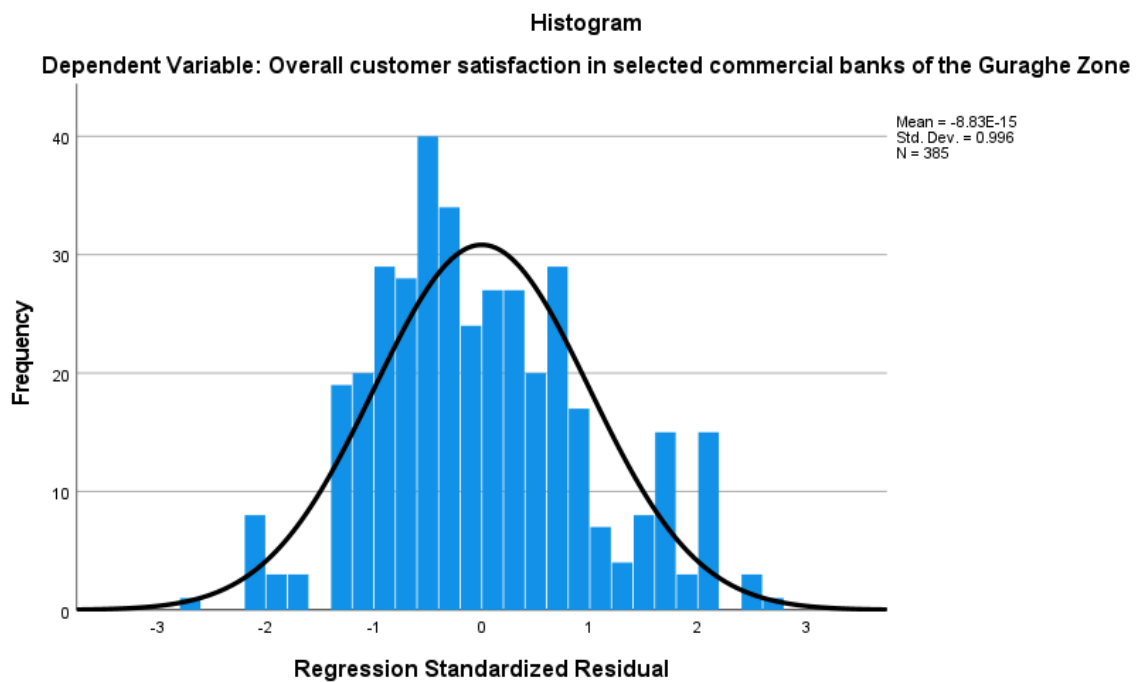


Fig. 5: Histogram of standardized residuals from the regression

### 4.3.2 Over all significance of the Model

The significance test for regression evaluates whether a linear relationship exists between the dependent variable (y) and at least one of the independent variables. This is commonly considered an overall or global test of the model's adequacy.

The appropriate hypothesis for this study is formulated as follows:

$$H_0: \beta_1 = \beta_2 = \beta_3 = 0 \quad \text{Vs} \quad H_1: \beta_j \neq 0, \text{ for at least one } j$$

This hypothesis is tested using a generalization of the analysis of variance (ANOVA). The test statistic used is the F-statistic, which is the ratio of two independent chi-square ( $\chi^2$ ) distributions, each divided by their corresponding degrees of freedom. ANOVA evaluates whether the overall regression model significantly predicts the dependent variable.

According to the SPSS output presented in the ANOVA table, the calculated F-statistic is 372.011 with an associated p-value of .000. Since the p-value is smaller than the 5% significance level, we can conclude that the model is statistically significant and offers a strong fit to the data. This significant F-value indicates that at least one of the predictors contributes meaningfully to explaining variations in the outcome variable (Table 4.8).

**Table 4.8: Analysis of Variance (ANOVA)**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	196.034	3	65.345	372.011	.000 <sup>b</sup>
	Residual	66.924	381	.176		
	Total	262.958	384			

### 4.3.3 Tests on individual regression coefficients

Table 4.9 shows the constant (intercept) term along with the regression coefficients for each independent variable. The results indicate that the p-value for the constant is 0.000, which is below the 0.05 significance level, confirming its statistical significance. The constant value of 0.622 represents the estimated level of customer satisfaction with service recovery when none of the justice dimensions (procedural, distributive, and interactional) are applied.

The regression model suggested that increasing or improving distributive justice, customer satisfaction with service recovery practices also increases, assuming other variables remain constant. The 95% confidence interval for the distributive justice coefficient ranges from

0.092 to 0.248; it also supports that the effect is both statistically significant and positive in service recovery practice in selected commercial banks in the Guraghe zone (Table 4.9).

Similarly, the regression model shows that improving interactional justice practice in selected commercial banks in the Guraghe zone, the customer satisfaction with service recovery also improves while keeping other variables constant. The 95% confidence interval for the coefficient of interactional justice ranges from 0.656 to 0.794, highlighting a statistically significant and strong positive effect on customer satisfaction.

In conclusion, both distributive justice and interactional justice have a significant positive impact on customer satisfaction with service recovery ( $p < 0.05$ ). Among these dimensions, interactional justice exhibits the strongest positive relationship with customer satisfaction, followed by distributive justice (Table 4.9).

**Table 4.9:- Multiple Regression Analysis of Justice Dimensions of Service Recovery**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	0.622	0.113		5.529	0.000	0.401	0.843
Procedural Justice	-0.053	0.039	-0.049	-1.358	0.175	-0.130	0.024
Distributive Justice	0.170	0.040	0.179	4.303	0.000	0.092	0.248
Interactional Justice	0.725	0.035	0.758	20.540	0.000	0.656	0.794

#### **4.4 An issue based on the subjective viewpoint of the respondent**

For the open-ended question in the questionnaire, respondents provided various suggestions, comments, and opinions related to service recovery. The main points they raised have been organized and summarized as follows in response to the question, 'What improvements would you suggest for better service recovery?' several participants shared recommendations to enhance service recovery practices in selected commercial banks within the Guraghe zone. Their suggestions included: delivering high-quality and prompt customer service; expanding and promoting digital banking services; incorporating more technologically advanced and culturally sensitive approaches; improving technological infrastructure; strengthening overall customer service; raising customer awareness and digital literacy; implementing effective Know Your Customer (KYC) practices; developing systems for timely response to customer

inquiries; ensuring ongoing service improvements; enhancing digital products; revising banking policies and procedures; improving the accessibility of credit facilities, especially those located far from city centers; minimizing service delays; offering simple and efficient digital solutions for issue resolution; maintaining consistent follow-up; and providing thorough staff training.

#### **4.5 Discussion of findings**

A total of 385 respondents from selected commercial banks in the Guraghe zone participated, with a male majority (64.2%) and a mean age of 29.58 years. Most participants held a first degree (53.8%) and worked in the private sector (56.9%). The majority banked with the Commercial Bank of Ethiopia (44.9%) and used banking services daily (65.8%). Most had been customers for 6–10 years (42.6%) and reported encountering service issues (93.2%), mainly ATM/online problems, cash shortages, and service delays. While 28.6% received immediate complaint responses, others experienced delays or no response. Regarding service recovery, 48.1% were partially satisfied, 40% fully satisfied, and 5.2% dissatisfied. Despite challenges, 80.8% intended to continue banking with the same institution, and 71.9% would recommend their bank to others.

The Pearson correlation analysis examined the relationship between customer satisfaction with service recovery and the three justice dimensions: procedural, distributive, and interactional justice. The findings align with previous studies in service recovery research and emphasize the critical role each justice dimension plays in shaping customer satisfaction.

The finding show that procedural Justice shows a moderate positive correlation with customer satisfaction ( $r = 0.504$ ,  $p < 0.001$ ). This suggests that when customers perceive the service recovery process as fair through timely responses, clear policies, and consistent procedures their satisfaction tends to improve. This finding is consistent with the work of Tax, Brown, and Chandrashekar (1998), who argue that fair procedures during recovery can restore trust and enhance evaluations of the service provider. Additionally, Maxham and Netemeyer (2002) highlight that well-structured and responsive recovery processes contribute to more favorable customer attitudes, especially when service failures occur.

Distributive Justice exhibits a strong positive correlation with customer satisfaction ( $r = 0.679$ ,  $p < 0.001$ ), indicating that perceived fairness of the outcomes such as compensation, refunds, or replacement has a significant impact on satisfaction levels. This supports the

findings of Blodgett, Hill, and Tax (1997), who found that customers are more satisfied when the recovery outcome matches their expectations of fairness. Similarly, Smith, Bolton, and Wagner (1999) noted that the perceived equity of outcomes influences how customers judge the overall recovery effort, especially when the failure caused financial or emotional inconvenience.

Most notably, Interactional Justice shows a very strong positive correlation with customer satisfaction ( $r = 0.856$ ,  $p < 0.001$ ), underscoring the importance of respectful, empathetic, and clear communication during service recovery. This result is in line with studies by Michel, Bowen, and Johnston (2009), which emphasize that how customers are treated during the recovery process can have a more profound impact than the actual outcome. Moreover, Bies and Moag (1986), who first introduced the concept of interactional justice, pointed out that the interpersonal treatment customers receive such as being listened to and treated with dignity greatly shapes their overall perception of fairness and satisfaction.

Overall, the strong correlations between all three justice dimensions and customer satisfaction suggest that effective service recovery requires a holistic approach. Organizations must not only deliver fair outcomes but also ensure that the recovery process is transparent and that customers are treated with respect throughout. Prior literature consistently supports these conclusions, affirming that justice perceptions are central to customer evaluations following service failures.

The findings of regression analysis also provide important insights into how different justice dimensions influence customer satisfaction with service recovery in the selected commercial banks of the Guraghe zone. The statistically significant constant term indicates that the baseline level of customer satisfaction, when procedural, distributive, and interactional justice are not applied, is measurable and meaningful estimated at 0.622. This provides a reference point from which the impact of each justice dimension can be assessed.

The findings reveal that distributive justice has a statistically significant and positive effect on customer satisfaction ( $p < 0.05$ ), with a regression coefficient confidence interval ranging from 0.092 to 0.248. This implies that when customers perceive the outcome of a service recovery such as compensation, replacement, or refund as fair, their satisfaction increases. These results are consistent with the findings of Blodgett, Hill, and Tax (1997) and Smith, Bolton, and Wagner (1999), who emphasized that customers place high importance on receiving fair outcomes following service failures. Fair distribution of compensation is often

viewed as a form of respect and recognition of inconvenience experienced by the customer, thus enhancing loyalty and positive word-of-mouth.

Moreover, the analysis shows that interactional justice exerts the strongest influence on customer satisfaction among the three justice dimensions, with a 95% confidence interval for its coefficient between 0.656 and 0.794. This strong, statistically significant relationship highlights the critical role of how service personnel treat customers during recovery interactions through respectful, empathetic, and clear communication. This aligns with the findings of Bies and Moag (1986), who first introduced interactional justice as a key component of fairness, emphasizing the importance of dignity and interpersonal treatment. Similarly, Michel, Bowen, and Johnston (2009) argue that even if the outcome is not ideal, customers are more likely to be satisfied if the interaction is handled with empathy and transparency.

The significant influence of distributive and interactional justice in this study echoes the conclusions of Tax, Brown, and Chandrashekar (1998) and Maxham and Netemeyer (2002), who found that fair treatment and meaningful outcomes during recovery efforts strongly affect customer trust, repurchase intentions, and satisfaction. These justice components serve as psychological signals to customers that their concerns are being valued and appropriately addressed, even in the face of initial service failure.

In conclusion, the regression analysis confirms that both distributive and interactional justice significantly enhance customer satisfaction with service recovery, with interactional justice having the strongest effect. This emphasizes the need for service recovery strategies in the banking sector especially in the Guraghe zone to prioritize respectful communication and empathetic service interactions, alongside providing fair and adequate recovery outcomes.

Moreover, the responses to the open-ended question provided valuable qualitative insights into customers' expectations and suggestions for improving service recovery in the selected commercial banks. The suggestions highlighted multiple areas of concern and opportunity, ranging from operational efficiency to technological innovation and customer relationship management.

One of the most frequently mentioned recommendations was the need for high-quality and prompt customer service. This aligns with the findings of Zeithaml, Bitner, and Gremler (2018), who assert that timely responses and quality interactions are key determinants of customer satisfaction, especially in service recovery scenarios. Delays in response time can

amplify dissatisfaction, making efficiency in service delivery a critical factor in recovery effectiveness.

Respondents also emphasized the importance of enhancing digital banking services and improving technological infrastructure, which reflects a growing demand for convenience and accessibility. According to Parasuraman, Zeithaml, and Malhotra (2005), the quality of online and digital services significantly impacts customer perceptions of service quality, particularly in banking environments where real-time access to services is expected. In developing regions, this is further underscored by Munyanyi (2020), who found that digital banking, when effectively implemented, not only improves service delivery but also expands financial inclusion.

The need for culturally sensitive and technologically advanced approaches to service recovery also emerged from the responses. As Hofstede (2001) explains, cultural factors shape customers' expectations and interpretations of fairness and service quality. Hence, banks operating in diverse regions like the Guraghe zone must tailor their recovery strategies to local cultural contexts to foster trust and loyalty.

Improving digital literacy and raising awareness among customers was another recurring theme. According to Boateng and Molla (2006), limited digital skills can create barriers to service utilization and satisfaction. This suggests that banks should not only provide digital tools but also educate customers on how to use them effectively, ensuring equitable access to service recovery mechanisms.

Participants also stressed the importance of effective Know Your Customer (KYC) practices, timely response systems, and consistent follow-up. These align with the principles of relationship marketing discussed by Grönroos (2004), who emphasizes that ongoing communication, personalization, and responsiveness are essential for maintaining customer relationships, especially after a service failure.

Furthermore, suggestions such as revising policies, increasing credit accessibility, and minimizing delays are consistent with Bitner, Booms, and Tetreault's (1990) findings that procedural fairness and flexibility in policy implementation are crucial for positive recovery experiences. Inaccessibility to financial services in remote areas, noted by the respondents, echoes concerns raised by Demircü-Kunt et al. (2018) regarding geographical inequalities in financial inclusion.

Finally, the call for staff training and development reflects the need for well-prepared employees capable of handling service failures with empathy, clarity, and professionalism. This is supported by Boshoff and Allen (2000), who found that employee competence and empowerment play a vital role in effective service recovery and, ultimately, customer satisfaction.

## CHAPTER FIVE

### 5. CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of findings

The study involved 385 respondents, with a male majority (64.2%) and an average age of 29.58 years. Most held a first degree (53.8%) and worked in the private sector (56.9%). The majority banked with the Commercial Bank of Ethiopia (44.9%) and used banking services daily (65.8%). Many had been customers for 6–10 years (42.6%) and faced service issues (93.2%), mainly with ATMs, online banking, cash shortages, and delays. Only 28.6% received immediate responses to complaints. Regarding service recovery, 48.1% were partially satisfied, 40% fully satisfied, and 5.2% dissatisfied. Despite these challenges, 80.8% planned to stay with the same bank, and 71.9% would recommend it to others.

The Pearson correlation analysis revealed key insights into the relationship between customer satisfaction with service recovery and the three justice dimensions: procedural, distributive, and interactional justice. The coefficient of procedural justice is 0.504, demonstrating an adequate positive correlation with customer satisfaction. This finding suggests that when customers perceive the service recovery process as fair, with timely responses, clear policies, and consistent procedures, their satisfaction improves. The result aligns with prior studies indicating that fair procedures restore trust and positively influence customer evaluations. Similarly, the coefficient of distributive justice is 0.679, showing a strong positive correlation, meaning that customers who perceive fairness in the outcomes of recovery efforts, such as compensation or refunds, experience higher satisfaction. This supports earlier research emphasizing that fair recovery outcomes that align with customer expectations significantly impact their satisfaction. Moreover, the coefficient of interactional justice is 0.856, exhibiting the strongest positive correlation with customer satisfaction, highlighting the critical importance of respectful, empathetic, and clear communication during service recovery. This aligns with studies that argue how customers are treated during the recovery process can have a more significant impact on satisfaction than the actual recovery outcome.

The regression analysis revealed that both distributive and interactional justice significantly impact customer satisfaction with service recovery, with interactional justice having the strongest effect. Distributive justice, focused on fair recovery outcomes (compensation,

refunds), was positively linked to satisfaction. Interactional justice, emphasizing respectful and empathetic communication, had the most significant influence on satisfaction.

Qualitative insights indicated customers prioritized prompt and high-quality service, improved digital banking services, and culturally sensitive recovery strategies. They also highlighted the importance of digital literacy, effective Know Your Customer (KYC) practices, and staff training for handling service failures. These findings suggest that banks in the Guraghe zone should focus on empathetic communication, fair outcomes, and efficient recovery processes to enhance customer satisfaction and loyalty.

## **5.2 Conclusion**

The objective of the study was to examine the effect of service recovery practices on customer satisfaction in selected commercial banks in the Guraghe zone. The findings of the regression analysis provide compelling evidence that justice dimensions, particularly distributive and interactional justice, play a critical role in shaping customer satisfaction with service recovery in the commercial banks of the Guraghe zone. While the constant term confirms a meaningful baseline level of satisfaction, the significant positive impacts of distributive and especially interactional justice highlight the importance of both fair outcomes and respectful, empathetic communication in regaining customer trust after service failures. These results align with well-established literature and emphasize that how customers are treated can matter even more than what they receive.

Qualitative insights further enrich these findings by shedding light on customers' evolving expectations. The demand for faster, more efficient service, improved digital platforms, and culturally tailored approaches underscores the need for banks to modernize their recovery strategies. At the same time, enhancing digital literacy, training frontline staff, and ensuring personalized and timely responses emerge as key drivers of satisfaction and loyalty.

Together, the quantitative and qualitative findings underscore that service recovery is not just about correcting mistakes; it's an opportunity to strengthen relationships, build trust, and demonstrate organizational commitment to customer well-being. For banks operating in diverse and developing contexts like the Guraghe zone, integrating justice-oriented, technologically empowered, and culturally sensitive strategies is essential for long-term customer satisfaction and competitive advantage.

### **5.3 Recommendations**

To improve customer satisfaction with service recovery, banks should prioritize interactional justice, as it had the strongest influence on customer satisfaction. Frontline employees should be trained regularly in emotional intelligence, customer empathy, and active listening to ensure respectful, empathetic, and clear communication during recovery interactions. Transparent communication and sincere apologies should be encouraged when service failures occur, and guidelines for respectful treatment of customers during complaints and recovery should be established.

In addition, banks must enhance distributive justice by ensuring fair and timely compensation. This involves creating policies that guarantee fairness in service recovery, such as establishing consistent standards for evaluating and compensating service failures. Compensation should be proportional to the inconvenience caused, and employees should be empowered to make quick decisions regarding low-risk compensations.

To further improve customer satisfaction, banks should invest in prompt and high-quality customer service. Delays in response times significantly reduce satisfaction, so improving operational efficiency in addressing complaints is essential. Implementing customer service response time benchmarks, utilizing Customer Relationship Management (CRM) systems to track and follow up on issues, and introducing 24/7 support systems, such as chatbots, can help address this concern.

As customers increasingly expect convenient and reliable digital platforms, banks should also strengthen digital banking services and infrastructure. This includes upgrading mobile and internet banking platforms to offer faster and more user-friendly experiences, implementing secure systems for real-time issue reporting and tracking, and providing multilingual support and accessibility features to meet diverse user needs.

To bridge the digital divide, it is crucial for banks to promote digital literacy and customer awareness. Conducting regular community outreach, offering in-branch workshops, providing easy-to-understand guides in local languages, and partnering with local institutions to offer digital literacy training will help ensure that customers can effectively use digital banking tools.

Moreover, banks should adopt culturally sensitive recovery strategies tailored to the cultural values and communication norms of the Guraghe community. Staff should be trained on cultural awareness and local customs, and the service delivery approach should incorporate

local languages and norms. Engaging community leaders in outreach programs will further ensure that service recovery aligns with the evolving needs of the community.

Strong Know Your Customer (KYC) processes and effective customer relationship management are essential for delivering personalized, timely, and effective recovery interventions. Banks should strengthen KYC processes by maintaining up-to-date digital records, using customer data to anticipate issues and personalize responses, and maintaining consistent communication with customers throughout the resolution process.

Lastly, banks should invest in employee training and empowerment. Employees play a key role in delivering effective service recovery, especially in ensuring interactional justice. Providing ongoing professional development in customer service and problem-solving, empowering staff with decision-making authority to resolve issues efficiently, and recognizing and rewarding employees for excellence in service recovery will help enhance customer satisfaction.

#### **5.4 Limitations of the study**

This study examined the impact of service recovery on customer satisfaction in selected commercial banks within the Guraghe zone. However, it does not fully capture all the factors that may influence customer satisfaction across all commercial banks in Ethiopia. The research was constrained by several limitations, including the lack of similar studies at the national level, the exclusion of service employees from the analysis, and the focus being limited to only four banks: the Commercial Bank of Ethiopia, Nib Bank, Awash Bank, and Bank of Abyssinia.

Given the complex and multifaceted nature of customer satisfaction in service recovery, the following recommendations are proposed for future research:

1. Future studies should include service employees as participants to gain insights from the service provider's perspective.
2. A broader study should be conducted by incorporating a larger sample of commercial banks, as service recovery practices and customer experiences may vary significantly from one bank to another.

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**WOLKITE UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT**  
**MBA PROGRAM**

My name is Meskrem Yosef, an MBA student at Wolkite University, School of Postgraduate Studies, College of Business and Economics. I am currently conducting my master's thesis titled **“Effect of Service Recovery Practice on Customer Satisfaction: The Case of Selected Commercial Banks in Guraghe Zone”** as part of the requirements for completing my Master of Business Administration (MBA) degree in the Department of Management.

**General Direction:** Circle your choice or complete the blanks for open-ended questions. Provide brief and precise answers in the given space.

**Part I: General characteristics of the respondents**

1. Sex      1) Male                      2) Female
2. Age in years \_\_\_\_\_
3. Level of Education
  - 1) No formal education              3) Certificate                      5) 1st degree
  - 2) Primary and secondary      4) Diploma                      6) 2<sup>nd</sup> degree and above
4. How often do you use banking services?
  - 1) Daily                      2) Weekly                      3) Monthly                      4) Occasionally
5. Occupation
  - 1) Governmental Employee                      4) Student
  - 2) Merchant                      5) Self Employed
  - 3) Private Company Worker                      6) If other, specify \_\_\_\_\_
6. Which bank do you frequently use? (*Optional*) \_\_\_\_\_
7. For how many years have you been using Bank services?
  - 1) < 1 year                      2) 1-5 years                      3) 6-10 years                      4) ≥ 11 years

**Part II: Customer Experience with Service Failure**

8. Have you ever experienced a problem while using the bank's services?
  - 1)              Yes                      2)              No
9. If yes, what kind of problem did you face? (You can select more than one)
  - 1)              Transaction failure                      3)              Poor customer service
  - 2)              Unauthorized charges                      4)              Delay in service

5) ATM or online banking      6) Others (Specify):  
issues \_\_\_\_\_

10. How quickly did the bank respond to your complaint?

- 1) Immediately                      3) Within a week                      5) No response  
2) Within a day                      4) More than a week

11. What type of service recovery did the bank provide? (You can select more than one)

- 1) \_\_\_\_\_                      4) A  
pology                      ollow-up communication  
2) \_\_\_\_\_                      5) C  
ompensation (e.g., refund, discount)                      o action was taken  
3) \_\_\_\_\_                      C  
orrection of the issue

12. Do you think the service recovery practice met your expectations?

- 1) Yes, fully                      2) Yes, partially                      3) No, not at all

13. Would you continue banking with this bank after the issue was resolved?

- 1) Yes                      2) No                      3) Not sure

14. Would you recommend this bank to others based on their service recovery efforts?

- 1) Yes                      2) No

15. What improvements would you suggest for better service recovery? (*Optional*) \_\_\_\_\_

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**Part III:** - Put “X” sign for your level of agreement for the following statements based on the scales (i.e. 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree)

<i>Service Recovery Dimensions</i>					
<b>Procedural Justice</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>What do you think about the Bank’s policies and procedures considering the service failure you encountered?</b>					
The bank’s policies and procedures are simple and adequate					
The bank ‘s policies and procedures are flexible					
The bank’s policies and procedures appropriate with the problems encountered					
The bank’s policies and procedures considered my class and my status while handling the inconvenience.					
The time taken to solve my problem was in short period of time					
<b>Distributive Justice</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Do you think the whole service recovery process is fair?</b>					
The treatments I received are fair considering the efforts made by the bank to make me happy					
The compensation I received from the bank in response to the failure is adequate					
I received what I deserved from the bank					
When I choose the bank, I expected a premium service and I was treated exactly like I wanted it					
<b>Interactional Justice</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>To what extent do you feel that bank employees treated you with respect and courtesy when addressing your service complaint?</b>					
The employee(s) apologized for the failure and handled my case in a professional way					
The bank’s personnel gave me an honest explanation for my questions					
The bank’s employee(s) were polite and willing to help					
The bank’s employee(s) were patient, confident, and empowered					
The bank’s personnel were understanding, respectful and go extra mile to solve my problem					

**Part IV: Overall Customer Satisfaction**

<b>Overall satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Are you satisfied with the overall failure handling process of the Bank?</b>					
I am satisfied with how the bank resolves my complaints.					
I am satisfied with the interactions I had with the personnel of the bank during the overall service delivery process					
I am satisfied with the overall service recovery process of the bank.					

The bank responds to service failures in a timely manner.					
The bank provides clear explanations when issues arise.					
The bank makes an effort to compensate for service failures when necessary.					
The employees are polite and professional when handling my complaints.					
I feel valued as a customer when my complaints are addressed.					
The bank follows up after resolving my complaints to ensure my satisfaction.					
Due to the bank's service recovery efforts, I am more likely to remain a loyal customer.					
I would recommend this bank to others based on my experience with service recovery.					

**Thank you for your time and participation!!!**